



**BIG AMBITION**

**LOCAL PRIDE**

**GLOBAL IMPACT.**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

YEAR ENDED 31 JULY 2017

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# REPORT OF THE BOARD OF GOVERNORS

## **STRATEGIC REVIEW**

The Governors submit the University's annual report and audited consolidated financial statements for the year ended 31 July 2017.

The financial statements have been prepared to comply with the Statement of Recommended Practice (SORP) for further and higher education institutions.

# TOP 3

One of the UK's top three greenest universities.

# WORLD RANKED YOUNG UNIVERSITY

Ranked in the world's top 200 universities under 50 years old.\*

# OVER 38k

One of the largest universities in the UK with over 38,000 students.

# £400m +

future investment planned to develop our world-class facilities.

# 5%

of our research impact is rated 'world-leading' or 'internationally excellent'.††

# 2,400

academic teaching staff, professors and researchers.

# 1 in 7

UK degree apprentices study at Manchester Met.†

# TEF Silver

Our excellent teaching quality has been recognised with a **Silver award** from the **Teaching Excellence Framework**.

\*Times Higher Education Young University Rankings 2017.

† Around 15% of all Degree Apprenticeships for 2016/17 according to Department for Education report: Apprenticeships by framework, level and age: achievements (July 2017).

†† Research Excellence Framework (REF) 2014.

# INTRODUCTION:

## OVERVIEW OF

## PERFORMANCE

The past year has been a busy, challenging and hugely productive one for Manchester Metropolitan University.

Universities continue to face significant challenges, with fierce competition for students and talented staff and intense scrutiny from the government and media about whether the higher education sector delivers value for money to our students, the economy and society as a whole.

Within that climate, the Board of Governors has transacted a significant amount of business aimed at driving the University forward. This has included approving new strategies for education, research and knowledge exchange, and internationalisation; as well as approving an estates masterplan covering £341m of investment in buildings to 2021; and a commitment to new information systems aimed at providing oversight to the whole journey of a student through their University life.

The Board also faced some very difficult decisions, most notably regarding the long-term sustainability of our campus in Cheshire. Following a year-long independent external review, we announced that we would be withdrawing from the campus at the end of the 2018/19 academic year. Of course, this was not an easy choice but we remain focused on ensuring that our staff and students in Cheshire have the best experience possible in the interim period. The decision to withdraw means that the future sustainability of the University as a whole is now better protected.

The University enjoyed a number of positive outcomes over the last year. A review of our governance concluded the University had in place a comprehensive framework and structure that conformed to sector best practice.

Achieving a Silver award in the Teaching Excellence Framework (TEF) has been an important milestone in our commitment to delivering the highest quality teaching, learning and outcomes for our students.

Our desire to continue to improve upon this even further is indicative of our ambition, as well as our wider strategic goals to work in close partnership with others, including communities in Manchester and the North West, leveraging the full advantage of our place at the heart of a global city.

The implementation of our new strategies for education, internationalisation, and research and knowledge exchange will be a big part of that future. Continued investment in research and teaching projects, as well as new facilities to improve the student experience, also show how we aim to improve our student and staff offering at every level.

Of course, this kind of investment is only possible with the sustained financial performance that we have been able to achieve in recent years. Our robust strategic approach, coupled with projects like our new screen school, poetry library and fuel cell centre, are just a part of what we hope will allow this to continue.

A number of long-serving Governors retired from the Board this year and I would like to thank them for their contribution to the work of the Board and the University. In addition, I am pleased to report that we have made some excellent new appointments to the Board and I look forward to working with them over the next year.

Finally, I know that I speak on behalf of all members of our Board in concluding that despite the challenges that the higher education sector faces, the achievements of the last year demonstrate that we are well positioned to succeed and collectively we look forward to the many opportunities that lie ahead.



*Vanda Murray*

**Vanda Murray OBE**

Pro-Chancellor and Chair of the Board of Governors



## VICE-CHANCELLOR'S

## FOREWORD

It has been a year of many challenges, a year that has tested our resolve in all sorts of ways. But now, more than ever, I'm proud of our place in Manchester and our commitment to improving the lives and prospects of every student and staff member we welcome through our doors.

Since joining Manchester Metropolitan University in June 2015, I've been keen to engage with students and staff, as well as our wider community and partners, to ensure collaboration is a major part of our future. I'm delighted that our thematic and faculty strategies have this at their heart. Our mission – to generate, disseminate and translate knowledge – is underpinned by collaboration and takes full advantage of the opportunities afforded by our place in Manchester. Our focus now is to pull these strategies together and deliver upon them.

The academic and professional success of our students, both home and international, is key to our growth and reputation. For this reason, I'm buoyed by having achieved Silver in the first Teaching Excellence Framework, confirming that we're delivering against a set of robust national benchmarks for quality. We cannot take this outcome for granted. Innovation, focus and hard work are essential to consolidate our current position and to build towards achieving Gold in the future.

I am proud of the innovations that we have led to date. We are a leading university for degree apprenticeships and home to one in seven of degree apprentices nationally, developing industry-relevant courses in collaboration with regional and national employers. These programmes allow students to exploit work-based routes to a degree and employers to bring new skills, entrepreneurship and creativity into their businesses.

Our aim is to raise the ambitions of our students, but it is also to encourage and promote excellence in research – the lifeblood of any university. I'm pleased that we are seeing an increase in the number of high-quality published articles and works, as well as in the number, value and success rate of grant applications. We need to build upon this so we

can further enhance our reputation, create a sense of distinctiveness to reflect our ambition, and ensure that our research has real-world impact.

It is important that we target our investments in line with areas of strength and distinctiveness, which reflect demand for education and training, and graduate jobs. Part of this investment is in new buildings (such as planned new facilities for the Faculty of Arts and Humanities), but it also means investment in people and academic projects. New initiatives took place across all of our faculties to support education and research, and we'll continue to grow our professoriate, which has increased by 64% in the last two years. Investment in partnerships, like those we've developed with Pearson for distance learning and Manchester City Football Club, will strengthen our student offering even further. Deeper engagement with our Students' Union will help evolve the student experience and ensure that the student voice is heard and counts.

With ever-increasing scrutiny directed towards higher education, we must make sure all of the ingredients mentioned here form part of our strategy. It is vital we raise our game in communicating the value of universities to individuals, the economy and society as a whole. We cannot take for granted that people will understand our worth. Value for money and employability have never been more important to our future students. As we push forward and look to tackle the opportunities and challenges ahead, we'll ensure our people, our performance and our profile remain at the forefront of our minds.

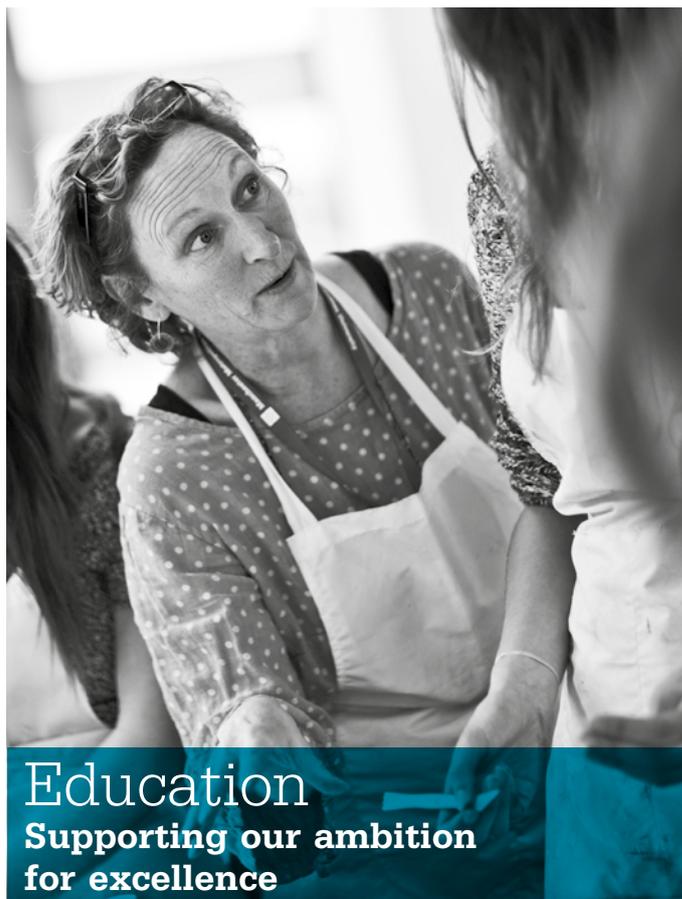


**Professor Malcolm Press**  
Vice-Chancellor  
Manchester Metropolitan  
University

# OUR

## APPROACH

Our ambition is to make an impact on Manchester, our nation and beyond. We do this through the discovery and dissemination of knowledge, and ensuring higher education is accessible and beneficial to all those with the passion and ability to succeed.



### Education Supporting our ambition for excellence

Tackling the many challenges faced by our sector, from radical regulatory change to increased competition and student expectations, our Education Strategy is focused on teaching quality, integrated experiences, academic promotion and engagement, with a view to delivering:

- consistent achievement, diversity and core curricular standards
- outstanding environments for innovative, flexible and internationalised learning
- student progression and success through outstanding personalised support
- staff who are lifelong learners, fully engaged in their own professional development
- data and information that informs key decisions and actions
- close collaboration with students, researchers and partners to improve performance

Through our key strategic themes of place, ambition, community, partnership and sustainability, we have worked hard to establish a foundation upon which to strengthen our links with the city of Manchester, and our relationships with academics and businesses on a local and global scale.

As an evolution of this approach, we've also introduced a set of new strategic frameworks that will provide a blueprint for future excellence across three of our key areas of business: [education](#), [research](#) and [internationalisation](#).

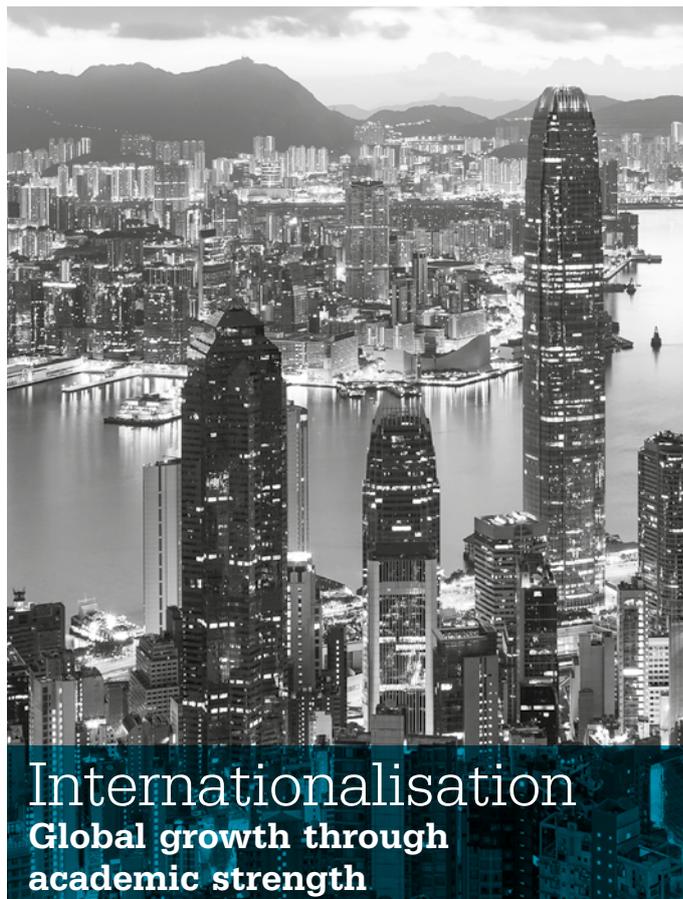


## Research

### Building on our appetite for knowledge

Following our successful Research Excellence Framework (REF), Knowledge Transfer Partnerships (KTPs) and academic and professional recruitment programmes, this strategy forms part of a long-term commitment to ensuring all of our research:

- has benefits for society, culture, the environment and the economy
- addresses global challenges and contributes to government industrial strategy
- encourages links between research, professional practice and teaching
- ensures faculties can rank nationally in specific areas of expertise
- leads the sector in KTPs that meet 100% Full Economic Costing targets
- creates an effective and inspiring ecosystem of internal and external knowledge



## Internationalisation

### Global growth through academic strength

Our International Strategy is designed to recognise the importance of internationalisation through an academically-driven framework. It is built to leverage our existing academic strengths to build quality partnerships and attract higher numbers of students from all over the world through:

- working closely with faculties and their staff to create a joined-up approach
- acknowledging the role of globalisation as both a driver and indicator of success
- building our international reputation, influence and institutional sustainability
- ensuring success is measured alongside our broader strategic goals
- recognising international success in fields such as creative, education, science and business
- encouraging internationalisation student, alumni and partner engagement



OUR

STAFF

For a third consecutive year, Manchester Metropolitan University has been named among Britain's Top Employers by the Top Employers Institute and is widely recognised for its excellence in people management.



### Recognising our existing talent

Over 140 members of staff were awarded Professional Recognition through the Manchester Metropolitan Professional Standards Framework (PSF) scheme in 2016, a scheme led by the University's Centre for Excellence in Learning and Teaching (CELT) and accredited by the Higher Education Academy.

### Celebrating staff contributions

Our network of cross-University Strategy Champions have been illustrating our new strategic themes with stories and examples of how every staff group contributes to our strategic ambitions. These include:

#### International

*"I promote Manchester Metropolitan University, externally."*

Engaging and collaborating with international partners whose ambition matches our own, to raise the profile of the University and the city, to show we aim to punch above our weight.

#### Engaged with business

*"I cultivate relationships between students, academics and business."*

Meet-the-employer events for Science and Engineering students offer the opportunity to promote the wider services of the University and provide part-time, placement and graduate opportunities.

#### Progressive and market focused

*"I have helped to improve accessibility and inclusivity for all."*

The BDF Disability Standard is the world's only management tool enabling organisations to accurately plan and measure progress in becoming more inclusive and disability-smart. In 2017 we attained Gold status in the standard with a 92% score, making us the first university to achieve Gold and one of just five organisations overall to receive the rating.

### Innovative self-improvement programmes

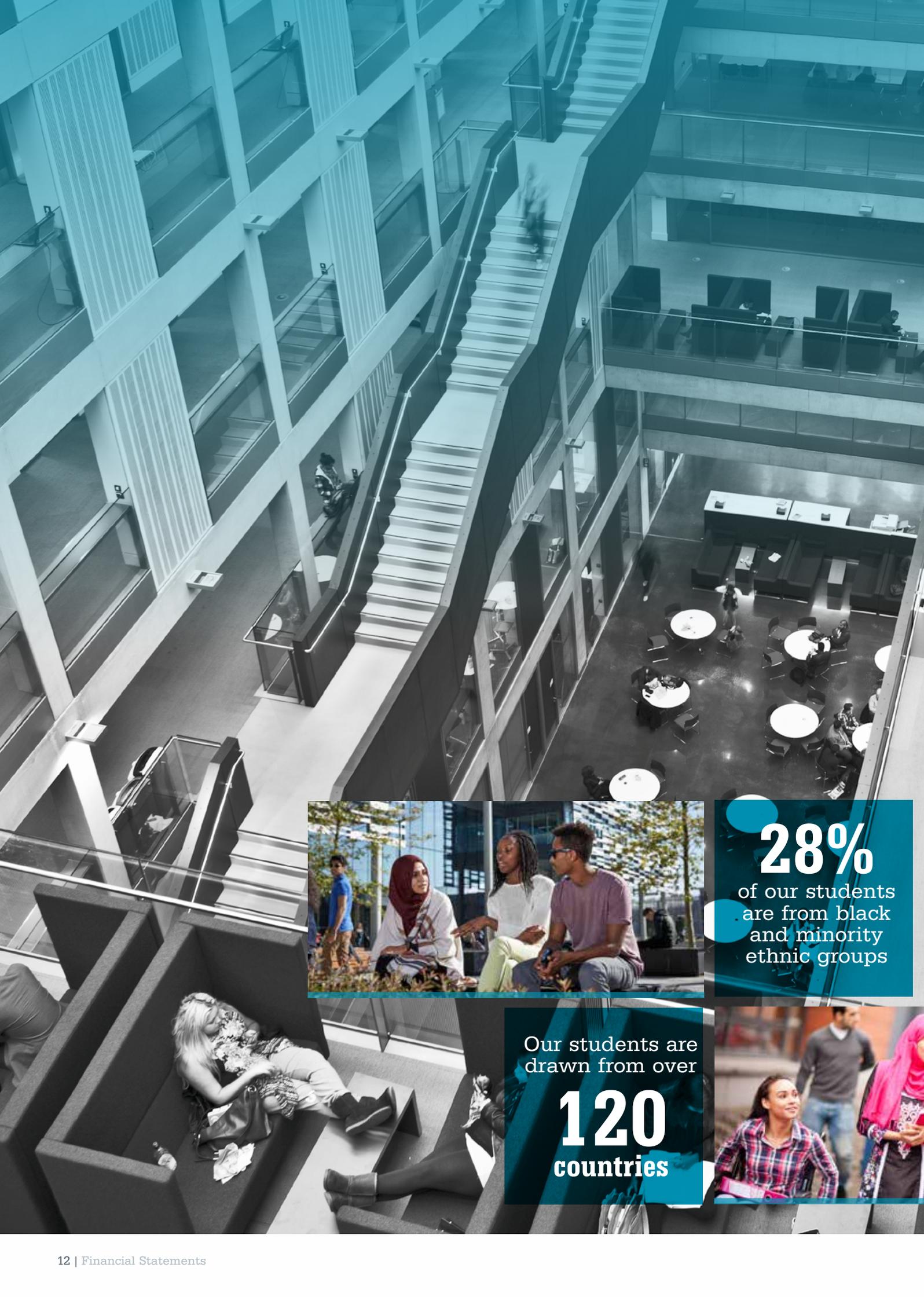
The Human Resources department continues to roll-out innovative programmes through the Learning and Development (L&D) team to cultivate high performance and great leadership behaviour at all levels. We have a thriving coaching and mentoring community that is helping to embed a coaching culture at the University and our L&D team work in partnership with research institutes to launch, embed and evaluate research mentoring schemes.

### Encouraging diversity and inclusivity

We believe diversity enhances our research, teaching and student experience and makes Manchester Metropolitan an outstanding place to work. With diversity at the heart of our approach to recruitment and development, we continue to attract talented individuals, and help them to become bold, imaginative and engaged leaders.

In September 2016, the University was named second most inclusive employer in the UK and won the Diverse Company Award for Education. The Inclusive Top 50 UK Employers, compiled by the Excellence in Diversity Awards, recognises the outstanding efforts of organisations that attract and retain a truly diverse workforce, achieving equality, diversity and inclusion in its purest form.

We've also been named one of the best employers for lesbian, gay, bi and trans staff in the Stonewall Workplace Equality Index, ranking as 41st in the UK in its top 100 employers list – a climb of 125 places from 2016, which makes us fourth among all education institutions.



**28%**  
of our students  
are from black  
and minority  
ethnic groups

Our students are  
drawn from over  
**120**  
countries



OUR

# STUDENTS

We pride ourselves on having outstanding new buildings that offer the very best learning environments, but at the heart of our unique university experience are the students themselves.



**150+**  
sports clubs  
and societies

From our origins in the Manchester Mechanics' Institute, founded in 1824, we've grown to become one of the largest providers of higher education in the country – with around 38,000 predominantly full-time undergraduates studying across 800 courses.

These undergraduate students are accompanied by significant numbers of foundation year, postgraduate taught, postgraduate research and part-time students, and a fast-growing number of degree apprentices. The diversity of our students, and their different experiences and goals, enriches our provision and our community. We harness and direct their ambition, and seek to support and build vital connections between their aspirations and the vibrancy of our city and our region.

Outstanding educational provision and a transformative student experience lie at the heart of our ambition to become the best modern university in the UK. We work closely with more than 70 professional bodies and associations to accredit our courses and to develop professional pathways. Consequently, we offer access to one of the widest choices of career options of any UK university. We have forged a formidable reputation for producing graduates who are work-ready, equipped with the skills required to hit the ground running in the modern workplace.

While we are determined to improve educational quality, support social mobility and to enhance the employability and earning potential of our students, we are equally determined to be an advocate both to our students and to the wider world about the intellectual, social, cultural and emotional investment and reward of university education. Our ambition is to produce graduates who are equipped to use their university education to improve not only their economic prospects, but also the quality of their social and cultural lives, and the lives of their communities.



"I am proud to represent Manchester Metropolitan University. Attending university has provided me with the opportunity to network outside of my workplace and everyone is extremely supportive."

**Lucy Cheng**  
United Utilities  
Chartered Manager Degree  
Apprenticeship



**Top 10**

for the impact of  
research in English  
Language and Literature  
(source: REF2014 data)



**Top 20**

for research in  
Materials  
(source: 2018 Complete  
University Guide)

OUR

RESEARCH

ACHIEVEMENTS

We engage in high-quality research that produces significant benefits for society, culture, the environment and the economy.

Our research in biomedical sciences, health, education, sociology, creative writing and art and design is outstanding, and our aim is to be the best modern university in the UK. We're confident that continued investment in areas of distinctive quality will enable us to realise our ambitions.

### Performance

Last year we produced a bold new strategy to ensure that high-quality research plays an important role in defining our identity. A key feature of our plan is the development of an 'ecosystem' with the components required to enable us to achieve our aims. We have invested heavily in the recruitment of talented academics and doctoral students, improved our buildings and infrastructure, developed systems with the capability to match our ambitions and established a set of University Centres for Research and Knowledge Exchange (RKE) that will provide inspirational focal points for staff and students. The emphasis is now on delivering the objectives of our plan. We are already seeing early signs of success.

The quantity and quality of research outputs is increasing, and with 400 applications worth over £50m we submitted our highest volume of external funding bids in 2016. RKE income has grown by 36% from £8.7m to £11.8m. The quality of our funding is also improving as we secured grants from prestigious sponsors such as NIHR, the Leverhulme Trust and Innovate UK.

### People

We are relentless in ensuring that we can attract and develop the most talented researchers. We have increased our professoriate

community by 64%, recruiting 44 new 'Chairs' to provide the leadership and experience required to achieve a transformation in research culture. We know that investment in the professoriate alone will not be enough to deliver sustainable results, so we have also created new opportunities and internal funding mechanisms to ensure that the University is recognised as a great place to develop a research career. Over the last 12 months we have increased the number of internally and externally funded research degree students by 40% and invested in Research Accelerator Grants, an RKE Future Leaders scheme, and created new fellowships for media engagement, policy development and international networking.

### Impact

We continue to produce high-quality research outcomes that deliver wider benefits to society and the economy. Much of our successful research and knowledge exchange uses the contemporary challenges facing our great global city of Manchester as inspiration, but the influence of our activities is also reaching out to wider national and international partners.



OUR

RESEARCH

ACHIEVEMENTS

This section includes a selection of our in-year highlights.



### A Sense of Place

Researchers from the University's Institute of Place Management (IPM) led by Professor Cathy Parker have enjoyed a very successful year winning bids and forging new partnerships. The IPM was part of a consortium awarded £1 million by Innovate UK to improve the customer experience on the UK high street.

Researchers investigated footfall across 70 retail locations to explore the factors that influence shopping habits so that software can be developed to model the impact of interventions, such as changes to car-parking charges or opening hours, on customer experience levels. In April, the IPM was selected to form a representative body for leading Business Improvement Districts, a flagship Government policy, where formal networks of businesses co-invest time and resources into improving specific areas. The selection panel felt that the IPM were ideally placed to elevate standards, improve governance and inform policy.



### Fighting the effects of Spice

Criminologist Rob Ralphs works alongside chemist Oliver Sutcliffe to tackle the debilitating effects of so-called legal highs. Their research over the last year has particularly focused on the use of synthetic cannabinoid Spice, the potentially lethal drug, which has compounded problems amongst the homeless community and overwhelmed prisons.

Rob and Oliver organised a national summit in partnership with the Greater Manchester Mayor's Office and produced academic reports which have informed service delivery by the NHS, homeless charities, mental health agencies, probationers and prisons. They have appeared countless times in the national media and established specialist facilities which have become a valuable resource used by police forces to test psychoactive substances. The work has also had a positive impact on our postgraduate community as PhD student Lauren McNeill was awarded the Westminster prize at STEM for BRITAIN hosted at the Houses of Parliament.

Lauren impressed the judges with her communication skills and her research on the development of a cost-effective device that can be used for drug testing in prisons and A&E departments.



### £4m hydrogen fuel cell technology centre launched

The University has launched a technology hub for Manchester companies to create the next generation of carbon-neutral hydrogen fuel cells. The Centre, which has been awarded £1.6 million from the European Regional Development Fund, houses the latest equipment so that low-carbon businesses can speed up the development of high-tech fuel cells which will transform energy needs, powering everything from our homes to our cars. The University has a reputation for outstanding materials science aligned to the needs of the Government's Industrial Strategy – we have demonstrated new techniques using 2D nanomaterials to store on-demand power created by renewable energy sources and Professor Craig Banks received £500,000 Engineering and Physical Sciences Research Council (EPSRC) funding to develop 3D printed batteries using graphene.



### Fellowship success for Abigail

Dr Abigail Hackett has won an individual fellowship to investigate the way that literacy 'emerges' in young children. Abigail's research on the complexity of young children's non-verbal communication was recognised by the British Academy whose focus is on enabling the most talented international academics in the humanities and social sciences to pursue research with the potential to change the world. Abigail's £250,000 award is the first individual fellowship the University has secured from the British Academy and demonstrates how our funding portfolio is expanding.

# STORIES

# OF

# SUCCESS



## University joins £16.8m doctoral training network

The quality of our research in Education and Social Policy has been recognised through an invitation to join the Economic and Social Research Council (ESRC) funded White Rose Social Science Doctoral Training Partnership (DTP). The £16.8m Partnership, with universities such as Leeds, Sheffield and York, equips students with the knowledge and skills required to meet the academic, professional and socio-economic challenges of the 21st century. Students have access to outstanding resources and training provision within a collegial environment, supporting them to produce excellent research and knowledge exchange. The University is already home to a number of other high-quality doctoral collaborations – we are long-established members of the Arts and Humanities Research Council (AHRC) funded North West Consortium DTP, which offers outstanding support for postgraduate students in the arts, and we are lead members of the Applied Biosciences for Health Doctoral Training Alliance (DTA) set up by the University Alliance.

## Girls and gangs – getting out for good

Young women involved in gangs across Greater Manchester are being empowered to make positive lifestyle choices through a £300,000 Comic Relief-funded project led by researchers in youth studies. The University is working alongside community groups such as Manchester Active Voices and statutory agencies to boost aspirations through sport, culture and peer-support mechanisms. The project, led by Dr Deborah Jump, is part of a wider global effort to tackle female gang

membership funded by Comic Relief. The results of the Manchester project will be added to others from the UK, Colombia and South Africa to develop international gang-reduction frameworks.

## Major report on Arts and Health launched

The University's Arts for Health unit, led by Clive Parkinson, celebrated its 30th anniversary by launching a major report into the impact of the arts on wellbeing. The inquiry report, published by the All Party Parliamentary Group on Arts and Wellbeing, recognised the potential of the arts to meet the great health and social challenges of the 21st century including ageing and long-term conditions, loneliness and mental health. The University was praised for its "pioneering role in the arts for health movement" by Lord Howarth, acknowledging that we were the first institution in the world to establish a dedicated research unit on this agenda. Our research in Arts for Health continues to go from strength to strength; recent success has included AHRC-funded projects on dementia, the publication of a Recoverist Manifesto with a foreword by Will Self and international collaborations in Australia and Lithuania.

## Pioneering scheme to revolutionise care homes

Health and Social Care researchers have been involved in an innovative scheme with the potential to transform the way that care homes deliver services. The Teaching Care Home project was a 12-month pilot programme funded by the Department for Health and led by Care England in partnership with the

University, the International Longevity Centre and the Foundation of Nursing Studies. The pilot was designed to strengthen the culture of person-centred care and learning activities such as staff education and development. Manchester Metropolitan researchers led by Professors Alison Chambers and Josie Tetley evaluated the outcomes of the scheme and their research fed into a report of recommendations launched at the House of Lords. The work has far-reaching potential for the integration of health and social care.

## £1 million Big Data Centre launched

The University has launched a state-of-the-art secure data facility to research the relationship between crime and wellbeing. Led by Professor Jon Bannister, the Crime and Wellbeing Big Data Centre leads the way in data science, statistical analysis and technological innovation. The new Centre can already point to some impressive achievements including a research programme to improve efficiency with Greater Manchester Police and a £300,000 ESRC-funded project with the University of Edinburgh to address inequalities in Scottish society.

## Critical acclaim and awards for our writers

The University's Writing School has continued to draw accolades for the quality and power of its work. 'Deaths of the Poets', which charts the insights of Manchester Metropolitan Professor Michael Symmons Roberts and poet Paul Farley as they undertake a journey to honour their poetic heroes, received praise from critics and readers. The



*Financial Times* called it “an absorbing trip” and Radio 4 made it their ‘Book of the Week’ featuring five episodes of readings from the novel. Academic Director of the Writing School, Adam O’Riordan, released his much-anticipated debut collection of short stories, ‘The Burning Ground’ which was called “quietly excellent” by the *Guardian* and “wonderfully lyrical and bittersweet” by the *Observer*. Adam’s work topped off another superb year for English at the University in which graduates Wyl Menmuir was longlisted for the Man Booker Prize and Andrew Michael Hurley won the Costa First Novel award.

### Developing the UK’s Design Strategy

Manchester School of Art Professor Martyn Evans was awarded a £470,000 grant by the AHRC to increase awareness of the role that design plays in driving competitiveness and wellbeing in the UK. The project, in collaboration with the Design Council, Policy Connect and Cardiff Metropolitan University, is the first to synthesise multi-stakeholder, user-led perspectives and will result in an integrated action plan for the strategic use of design in the UK’s future.

### Crowd scientists find themselves at heart of global news story

Two Manchester Metropolitan crowd scientists found themselves at the heart of a global media storm when they provided expert analysis for the *New York Times* on the size of the crowds at Donald Trump’s inauguration. Analysis using sophisticated algorithms developed by Professor Keith Still led to a huge international debate on crowd size between the Office of the President

and the media. Professor Still worked alongside colleague Marcel Altenburg on the inauguration and the ensuing protest marches.

### Tackling major European issues

Manchester Metropolitan University academics have been helping tackle some of Europe’s major issues including migration, employment and education through funding from the Erasmus+ programme in 2016/17. Academics are designing materials to upskill youth workers supporting refugees and to increase the use of Shakespeare to teach English and European values. Several projects look to share best practice in how small and medium enterprises work by encouraging support for apprenticeships and the use of digital tools. Erasmus+ also helped fund links between the UK, EU and the wider world; for example, Manchester Metropolitan University is working with Vietnamese institutions in developing regional networks and entrepreneurship training. Finally, some awards have looked to share best practice in teaching by encouraging the use of games and inquiry-based learning. Through all these projects, Manchester Metropolitan University continues to work extensively with multiple European partners.

Also, in response to the UK government’s increasing alignment of research with official development assistance, we have invested in a number of areas to strengthen our research links with low-income and middle-income countries. This investment has seen us engaging with research groups and networks in China, Kenya, Mexico, Brazil, South Africa, India and Vietnam across a range of priority areas including health, conservation, vulnerable groups and inequality, and preservation of culture and traditions.

### Innospace goes from strength to strength

Innospace, the University’s incubator for pre-start and early stage businesses, is currently working with 100 SMEs from a variety of sectors. All the businesses give a minimum of three days a year back to the University, providing students with internships, mentoring, advice and live case studies. Innospace will celebrate its 10th anniversary in October, by which time it will have provided specialist resources to over 500 SMEs and micro-businesses.

### Continued KTP success

We have consolidated our position as one of the most business-friendly universities in the UK with the award of 10 new knowledge transfer partnerships (KTPs) in the past year. KTPs are considered to be the ‘gold standard’ for knowledge exchange because they help companies to address real-world innovation challenges whilst providing employment to high-flying graduates and research outcomes to academics. We are currently one of the top 5 UK universities for the total number of KTP projects and associates. In further evidence of our quality, all of our completed projects over the last year were awarded a rating of ‘outstanding’.

**School of  
Architecture  
6th  
in the world**

(source: QS Subject  
Rankings 2017)

**Top 3**

**green university for  
4th year running**

(source: People and Planet  
University League)

**Silver**

**status in the Teaching  
Excellence Framework**

**Gold**

**status in the Business  
Disability Forum  
Disability Standard**

**41st**

**most inclusive  
employer in the UK**

(source: Stonewall Workplace  
Equality Index)

**School of Art UG  
fashion courses**

**16th  
in the world**

(source: Business of Fashion Global  
Fashion School Rankings 2016)

OUR

ACHIEVEMENTS

2016/17

It has been another outstanding year across the University, with a wide range of achievements celebrated by our staff, students and researchers at home and across the globe.

#### **Recognition for educational quality**

We're particularly proud of being able to achieve Silver status in the Teaching Excellence Framework and have now set our sights on Gold. The assessment panel, comprised of students, academics, widening participation experts and employers, praised our approach to teaching and consistent ability to exceed rigorous national quality requirements for UK higher education. This can be seen across our University, and is reflected in the achievements of schools and faculties such as The Manchester School of Architecture, a joint venture with the University of Manchester, which was ranked 6th in the world and 2nd in the UK in the 2017 QS Subject Rankings.

#### **A great place to study and work**

In addition to the quality of our teaching, the University was praised for the many ways in which it provides innovative environments for both students and staff. As one of the first in the country to adopt Degree Apprenticeships, Head of Skills at the Higher Education Funding Council for England Nicola Turner identified the University as a leader from which others should learn when speaking at the Universities UK conference.

#### **Building on sustainability achievement**

As well as being ranked as a top 3 green university for a fourth year running by the People and Planet University League, November

2016 saw us announce the launch of a brand new £4m hydrogen fuel cell tech centre. The Manchester Fuel Cell Innovation Centre will give SMEs the chance to develop hydrogen fuel cells to create green and emission-free energy to power everything from homes to cars and has been awarded £1.6 million from the European Regional Development Fund for state-of-the-art equipment. It will produce advanced materials for fuel cell and next-generation energy storage, as well as a plan for hydrogen and fuel cell infrastructure in the region.

#### **Student success... from law to fashion**

A number of success stories across our faculties show the breadth and depth of our student offering, from fields as diverse as law right through to fashion. In July 2017, a Pro Bono Legal Advocacy Support Project provided our law students with the chance to deliver free legal advocacy. The students represented clients facing reduced or revoked Employment and Support Allowance and achieved a 100% winning record. Our fashion students were successfully showcasing their work at Graduate Fashion Week, while Fashion Design and Technology graduate Eppyar Hunt was announced as the winner of the British Fashion Council's national Jigsaw Award. Hunt's winning entry, a double-layer silk dress launched at London Fashion Week, was made available in Jigsaw stores and online, and was praised by judges for its "exquisite balance of volume, detail and layering."

# INTERNATIONAL ACHIEVEMENTS

Our achievements at home and across the globe reflect a wider ambition to ensure our students and researchers have real-world impact in their fields.



1



7



3



4



5



6

## 1 Canada

Dr Emma Hodson-Tole, reader in Neuromusculoskeletal Integration, became our first International Research Development Fellow with a placement at Simon Fraser University in Canada where she is collaborating with some of the world's leading academics in muscles and human movement.

## 2 Brazil

In September 2016, Manchester Metropolitan University students Kadeena Cox and Helen Scott headed to Rio to take part in the 15th Summer Paralympic Games. Cox took two gold medals in athletics and cycling, while Scott and partner Sophie Thornhill achieved gold in cycling.

## 3 Guatemala

Researchers Dr Jeremy Oldfield and Dr Andrew Stevenson's 18-month project on children living on the streets in Guatemala City has helped to shed new light

on the difficult circumstances they face, so solutions can be provided to support these children.

## 4 Guatemala

Research by Professor Richard Preziosi is helping to protect animal species and preserve the rainforest. Work is also ongoing to conserve amphibian biodiversity in Guatemala, with a captive breeding programme for salamanders that has significantly aided their long-term future.

## 5 Columbia, Ecuador and the Galapagos Islands

In Colombia, coastal management programmes are alleviating indigenous poverty, while in Ecuador, a project is underway to protect the rainforest alongside Amazonian communities. Finally, in the Galapagos Islands, our researchers are analysing and tracking deep-sea biodiversity.



### 6 Bolivia

Research led by Dr Simon Cook has found Bolivian glaciers shrunk by 43% between 1986 and 2014 and will continue to diminish if temperatures continue to increase. The study is one of the first to monitor recent large-scale glacier change to understand how it could affect local communities.

### 7 Greenland

Dr Kathryn Adamson is monitoring the impact of climate change by analysing glaciers and fluvial sedimentary records to identify past environmental change and landscape evolution. This research will help scientists to better understand the impact of future climate change scenarios on ice caps.

### 8 Nigeria

The Faculty of Education is working with the Corona Schools' Trust in Lagos to develop teacher training and education. The Faculty has already developed a summer

school programme for educators in Nigeria's most populated city.

### 9 Europe

Researchers in the Policy Evaluation and Research Unit are leading a team of nine European universities to review social investment policies in EU member states and undertaking detailed case studies in a selection of countries including the UK.

### 10 Europe

Silent Talker, Manchester Metropolitan University's patented lie detection technology, is part of an EU project that seeks to improve border controls and the issues of third world country nationals crossing into EU member states.

### 11 Norway

In Norway, our aviation researchers assisted the development of the sustainable jet biofuel currently in use at Oslo Airport. The Norwegian airport is the first in the

world to offer airlines the option of refuelling with aviation biofuel through its hydrant mechanism.

### 12 Africa

Dr Julie Marshall is taking part in research across Rwanda, Ghana, Uganda, Kenya and Tanzania to help people with communication disabilities, with a view to improving services for refugee-survivors of sexual and gender-based violence.

### 13 China

Work is ongoing in the UK and China to track the transformation of cities and the impact on urban morphological changes, urban growth, job accessibility and social changes. Research by Dr Jianquan Cheng is helping to develop new strategies to tackle the challenges of today's cities.

### 14 China

Computer scientist Dr Liangxiu Han is collaborating with colleagues in China

to improve crop yields. Her big data algorithms analyse satellite, drone and smartphone images to spot disease outbreaks and assess their severity.

### 15 Indonesia

Research led by Professor Stuart Marsden is helping to protect and support endangered birds affected by habitat loss and capture. The team is working on identifying suitable new areas in the West Java mountains for reintroduction as part of this valuable work.

### 16 India

School of Art researcher Professor Stephen Dixon is preserving and promoting traditional Warli art and craft in Maharashtra. The work at CEPT University in Ahmedabad brings together artists, craftspeople, musicians, filmmakers, designers, sculptors and architects from both India and the UK.



OUR

## ENGAGEMENT

Engagement has always been an integral and successful part of our University story. From public access to research, knowledge exchange, facilities, widening participation and student engagement, our offer is extensive.

Recent highlights include the University's flagship community campus at Birley being cited by the Higher Education Funding Council for England (HEFCE) as an exemplar of regeneration, sustainability and community engagement.

The campus has allowed us to deliver and support a range of community events such as the Community Learning Festival, a year-round programme of short courses and events organised with community partners, culminating in a three-day festival of workshops, stalls and activities for all ages. The Festival is a celebration of learning and diversity in the area which aims to unite the local community and is in its second year. Over the three themed days of free activities in July, the Faculties of Education and Health, Psychology and Social Care, alongside community partners, hosted a wide range of free activities. Over the year the festival has welcomed 850 members of the local community, and worked with 45 community partners.

The successful Manchester Children's Book Festival returned in June 2017, for another summer of events and activities for children, families and book lovers. Led by the Creative Director of our writing school, Poet Laureate, Carol Ann Duffy DBE, it featured events with children's authors, illustrators and performers at many of the city's major cultural and educational venues, and an extended programme of projects and activities for schools and communities. It engaged with 10,700 people with the Family Fun Day alone welcoming its biggest ever audience with over 4,000 visitors to the University.

Manchester Metropolitan is also engaging with partners across the city to support an end to homelessness in Manchester. This year, the University funded a research project to explore the unique qualities of the Manchester Homelessness Charter, which has brought together individuals from all areas of homelessness services to co-produce better services and outcomes. In addition to funding this three-year research project, the University developed training for staff and students

to become ambassadors for the Charter's Big Change campaign, enabling them to make a real difference to ending homelessness in Manchester.

Following this year's pilot programme, this will be a continued focus of engagement activity for 2017/18.

### Environment and sustainable development

We're a leading, award-winning University for sustainability and are proud to be one of the greenest in the UK. We've continued to embed and deliver environmental sustainability initiatives and projects to safeguard environmental, social and economic wellbeing, and ensure we are able to mitigate, adapt and be part of the solution to climate change.

We feel it's essential for our communities to have the understanding, skills and motivation to act on current and future sustainable development challenges, locally and globally. Some of our recent initiatives and highlights include:

- Retaining a top three UK position for environmental and ethical performance (People and Planet University League 2016).
- Providing education for sustainable development, with 61.9% of all students gaining skills to help understand sustainability issues.
- Being shortlisted as Green Gown Award finalists for exceptional sustainability initiatives among our peers in the UK (2016/17).
- Going ultra low, with 53% of the vehicles in our core vehicle fleet now low emission.
- Reducing our scope 1 and 2 carbon emissions by 34.3% (2016/17) since the 2005/6 baseline year.
- Increasing our reuse and recycling rate to 48.6% (2016/17) since the 2007/08 baseline year.



OUR

## PARTNERS

One of our key strategies is to secure partnerships that allow us to push the boundaries of what is possible. We believe higher education works best as a collaborative process and that our world is enriched and our achievements made more effective through partnership at every level.

We've built on this approach by actively pursuing and nurturing strategic partnerships to create opportunities that will lead to deeper academic learning and more impactful research, which benefit a range of local and global communities.

### **Pearson: Learning without borders**

In February 2017, we announced an exciting ten-year partnership with the world's largest education company, Pearson, to develop and deliver new online postgraduate degree programmes for a worldwide audience. The first three online programmes were launched by our award-winning Business School in September and we look forward to creating further course content, virtual teaching and tutoring, and other student services led by our top academics.

### **Manchester City: A partnership at the top of its game**

Our ongoing partnership with Manchester City Football Club went from strength to strength in the last year, with the launch of the exciting new Manchester City Community Football Coaching degree and a collaboration with the University of Manchester that will see us become an FA high performance centre for women's football. Discussions also continue between ourselves, Manchester City Council and City Football Group about the potential development of a world-class sports education facility that would complement existing academic infrastructure at the Etihad campus.

### **Screen School: Boyle unveiled as part of ambitious new facility**

Academy Award-winning director Danny Boyle revealed this year that he will play a leading role in our new International Screen School, which will work closely with key regional cultural and industry partners to provide courses in film, animation, applied games, special effects, sound design, software design for screen, user experience design and immersive media content production for more than 1,000 students every year and generate an annual £13m boost for the local economy.

### **RCPATH: Bringing academic and professional training together**

A unique collaboration with the Royal College of Pathologists (RCPATH) and the University of Manchester will further develop academic and professional training on the clinical scientist doctoral programmes. The University will work with a Medical Royal College to develop the training of future Consultant Healthcare Scientists in the Life Sciences.

### **NBU: Global opportunities for students and staff**

In June 2017, the University signed a Memorandum of Understanding with Ningbo University (NBU), China to explore opportunities for collaboration in areas such as the development of student and staff exchanges, and the development of articulation routes for NBU students to enrol in the University's postgraduate degree programmes, in particular those offered by the Faculty of Business and Law.



"This course prepares you for the future by encouraging you to volunteer. It is a fantastic way to get experience and make your CV stand out."

### **Nat Black-Heaven Social Media Executive at Manchester City Football Club**

BA (Hons) Sports Management



£312.7m

Total income



4.9%

Growth in income



£16.8m

Underlying operating surplus



£446m

Total reserves



£36.2m

Net cash inflow from operating activities



£163m

Cash and investments at 31 July 2017

## FINANCIAL

## PERFORMANCE AND

## SUSTAINABILITY

The University continues to deliver robust financial performance with key financial health performance indicators at (or above) the sector upper quartile, building upon strong financial management in recent years.

## Income and Expenditure

Results for the Year	2016/17 £'000	2015/16 £'000	Variance £'000
Income	<b>312,651</b>	297,976	14,675
Expenditure	<b>(295,863)</b>	(269,697)	(26,166)
<b>Underlying operating surplus</b>	<b>16,788</b>	28,279	(11,491)
Fundamental restructuring	<b>(9,983)</b>	-	(9,983)
Gain on disposal of fixed assets	<b>15,724</b>	10,360	5,364
Share of operating deficit in joint venture and associate	<b>(43)</b>	(17)	(26)
<b>Surplus before tax</b>	<b>22,486</b>	38,622	(16,136)
Actuarial gain/(loss) in respect of pension schemes	<b>44,633</b>	(19,136)	63,769
<b>Total comprehensive income for the year</b>	<b>67,119</b>	19,486	47,633

## Balance Sheet

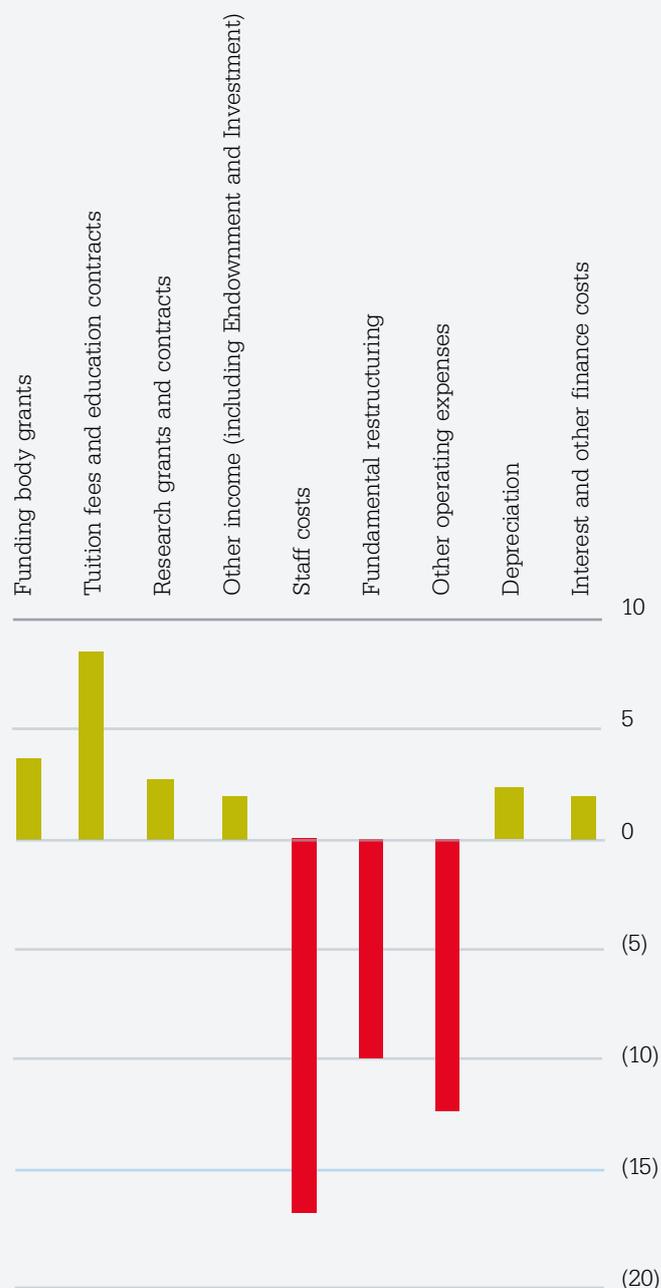
Results for the Year	2016/17 £'000	2015/16 £'000	Variance £'000
Fixed assets	<b>442,293</b>	440,932	1,361
Trade and other receivables	<b>30,878</b>	19,953	10,925
Cash and short-term investments	<b>163,014</b>	139,125	23,889
Creditors less than one year	<b>(49,978)</b>	(46,761)	(3,217)
Net current assets	<b>144,058</b>	112,475	31,583
Borrowings	<b>(33,632)</b>	(36,303)	2,671
Pension provisions	<b>(109,697)</b>	(147,057)	37,360
Total Reserves	<b>446,037</b>	378,918	67,119

# FINANCIAL

# PERFORMANCE AND

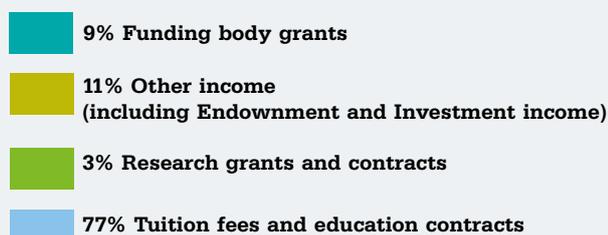
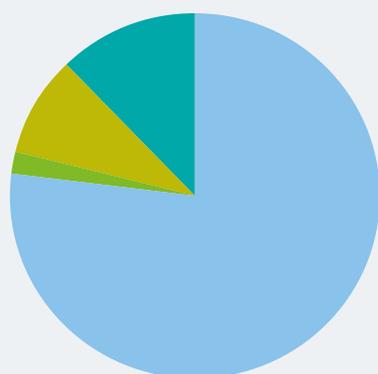
# SUSTAINABILITY

The key movement in income and expenditure as follows:

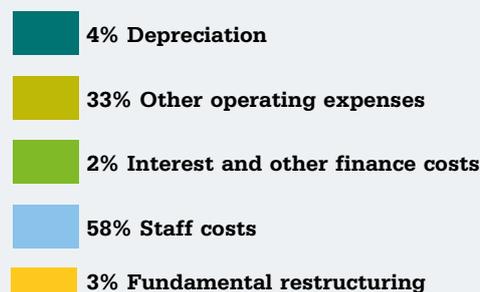
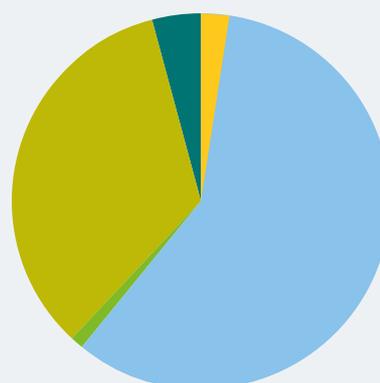


**Key Income and Expenditure Movements Compared to Prior Year - £m**

### Income analysis



### Expenditure analysis



#### Income – Year-on-year growth £14.7m (4.9%)

Growth in tuition fee income of £8.3m, 3.6%, in the year to £241.3m recognises the popularity of the University in the student recruitment market.

The increase in income year-on-year particularly reflects strong demand and growth in postgraduate and apprenticeship courses.

The increase in funding body grants by £3.0m, 11.5%, to £29.1m, is as a result of an increase in capital grant income, Apprenticeship Funding from the Skills Funding Agency, and non-recurrent funding from HEFCE to support collaborative outreach programmes.

The growth in other income by £1.2m, 3.7%, is primarily a result of an increase in commercial activities.

Research grants and contract income shows a year-on-year improvement of £2.2m, 35.4%, to £8.3m in 2016/17. While the increase is largely driven by an uplift in the volume of research grants, the potential for further growth will be enabled by realising the benefit from the investment in recruiting high-performing research staff, which has enhanced the quality and number of researchers at the University.

#### Expenditure (excluding fundamental restructuring) – Year-on-year growth £26.2m (9.7%)

Staff costs of £176.8m in the year (an increase of £16.5m year-on-year) equates to 56.5% of income, compared with 53.8% in the prior year. The increase in employment costs being the result of the University's continued investment in student-facing academic and exceptional research staff, and pay inflation arising from national pay settlements and pension contribution changes.

Other Operating Expenses includes internally-funded bursaries and the University's Student Support Package, which totals £11.6m in the 2016/17 financial year. This sector-leading Student Support Package is awarded to provide widening access and participation opportunities to students

from lower income families.

Additional planned investment in IT software and hardware of £0.8m, compared to 2015/16, was allocated to help transform the facilities available for students and staff. Maintenance costs increased by £2.4m on the prior year, helping to ensure that the estate is continuing to adapt to accommodate the future needs of students and staff, whilst improving the environmental sustainability and impact of the University.

An additional £0.9m was allocated to support research students, enhancing the vibrant research community which is flourishing at the University.

#### Fundamental restructuring costs

Fundamental restructuring costs of £10.0m were recognised in the year, following the decision by the University in November 2016 to exit the Cheshire campus by the end of 2019. The fundamental restructuring costs primarily reflect the accelerated depreciation of the campus buildings, along with a provision for staff and project-related costs. Further fundamental restructuring costs are anticipated to be incurred in subsequent years, leading up to the full exit from the Cheshire campus.

# FINANCIAL

## PERFORMANCE AND

## SUSTAINABILITY

### **Other Gains – Year-on-year growth £5.4m (51.8%)**

The sale of our Alsager site for residential use, as part of the University's campus consolidation strategy, has resulted in £8.7m of exceptional profit for the University, and generated initial cash receipts of £3.0m in 2016/17. An anticipated £11.4m of further staged payments are planned to follow over the next three years, as the development of the Alsager site progresses. In addition, £5.3m has been recognised through the sale of the Aytoun site and £1.7m for additional overage receipts on the Didsbury site that was sold in 2015/16.

### **Fixed Assets – Year-on-year growth £1.4m (0.3%)**

During the year the University acquired an administration building for £10.8m, whilst disposing of the Aytoun campus (Net book value (NBV) £4.2m) and Alsager campus (NBV £5.6m). The Cheshire campus has been further depreciated (by £5.1m) to reflect the exit from the site by the end of 2018/19.

The University approved the Estate Strategy 2017-27 in March 2017. This is a framework document that outlines a number of high-level strategic estates-related investments that are required over the ten-year period of the Strategy to support the University in attaining its strategic objectives associated with Education, Research and Knowledge Exchange, Internationalisation and Institutional Sustainability. An investment programme totalling circa £340m has been prioritised to support strategic investments over the initial five-year period (2017-22) of the Strategy.

### **Trade and other receivables – Year-on-year growth £10.9m (54.8%)**

Payment for the sale of the Alsager site is received in instalments, with an amount of £11.3m recognised within Trade and other receivables to reflect the future instalments associated with the ongoing development of the Alsager site.

### **Total Reserves – Year-on-year growth £67.1m (17.7%)**

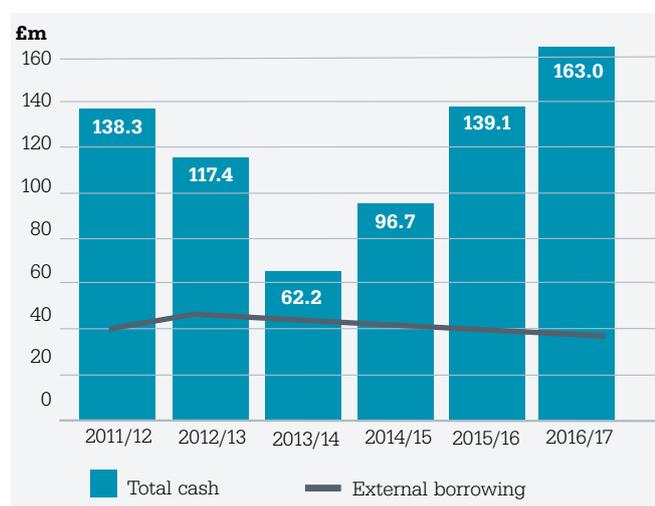
Total reserves continue to grow, currently at £446.0m (2015/16: £378.9m), attesting to solid financial health the University has generated and maintained year-on-year. The year-on-year movement in total reserves primarily reflects a £44.6m actuarial gain in respect of pension schemes, in addition to healthy surpluses from the income and expenditure statement of £22.5m.

The strong reserve position, positive net cash and healthy surplus demonstrates the financially sustainable way in which the University is managed and this will allow continued investment in students, staff and facilities in support of its strategic priorities and goals and its continued development.

## Net cash

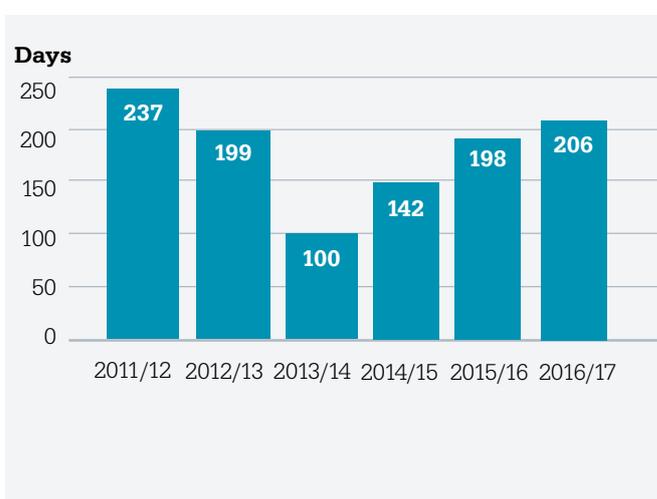
Cash resources (investments and cash and cash equivalents) stand at a healthy £163.0m at 31 July 2017, with year-on-year growth driven in large part by the strong operating performance and capital receipts from campus disposals. External borrowing has reduced by £2.7m year-on-year as a result of scheduled capital repayments.

The graph below charts debt levels relative to cash over the past six years and demonstrates that the University is in positive net funds throughout the period.



The University aims to generate healthy operating cash flow levels (2016/17: £36.2m) to fund the future long-term investments, whilst still maintaining financial KPIs.

The graph below charts net liquidity days over the past six years; a period in which 87.7% of a £350m estates campus consolidation capital programme was self-funded. Net liquidity days has increased from 198 days in 2015/16 to 206 days in 2016/17, reflecting the generation of resources that will provide funding headroom to support planned strategic investment in the estate, IT infrastructure and other facilities over the next five years.



## Pension accounting sensitivities

The valuation of the Greater Manchester Pension Fund, on an FRS 102 accounting basis as at 31 July 2017, has given rise to a net deficit of £95.8m (2015/16 deficit £132.9m), reflecting a year-on-year reduction of £37.1m.

This valuation movement reflects the inherent volatility of the pension valuation, and the significant sensitivities around key assumptions; in particular, the positive movement in 2016/17 primarily reflects the impact

of the latest formal valuation of the pension scheme (which is undertaken every three years) and has led to a sizeable actuarial gain in the Statement of Comprehensive Income and Expenditure.

A summary of the key pension sensitivities are as follows:

Change in assumption at 31 July 2017	Approximate % increase to liability	Approximate monetary value £'000
0.5% decrease in the real discount rate	11%	46,825
0.5% increase in salary increase rate	2%	7,454
0.5% increase in the pension increase rate	9%	38,648

# KEY

# PERFORMANCE

# INDICATORS (KPIs)

Key Performance Indicators (KPIs) and targets have been developed to better enable the University to track its progress against the themes and priorities that are enshrined within the Strategic Framework. These KPIs have particularly focused on the strategic priorities for delivering our mission in the areas of Education, Research and Knowledge Exchange, Internationalisation and Institutional Sustainability.

In respect of Institutional Sustainability, targets have been established for:

- Financial Sustainability
- Environmental Sustainability
- International Demand
- Income Diversity

Fundamental to Institutional sustainability is the core academic strategy. Resources flow primarily from the academic strategy and it is therefore important that the financial strategy (along with other enabling strategies) create an environment within which the academic strategy can thrive and succeed.

In terms of Financial Sustainability, this could be best summarised as:

- *“Covering our current costs and providing adequate resources to invest for the future”*
- *“Operating today without limiting (or damaging) our ability to do so tomorrow”*

A basket of indicators are set out within the supporting (enabling) University Financial Strategy. These indicators focus on operating performance, liquidity, contribution from activities, cash flow and borrowing. The KPIs are based on a level of resource generation that is deemed appropriate to:

- Support working capital needs
- Provide a defence against unforeseen circumstances
- Support inward investment
- Engage in strategic opportunities on a risk-informed basis

The following table summarises the University’s financial health indicators, and demonstrates that the targets continue to be met and exceeded.

KPI	Target	2016/17	2015/16
Surplus as a % of income	(i) >4% (6-year average*)	(i) 6.5%	(i) 8.6%
	(ii) >0.0% in any one year	(ii) 2.2%	(ii) 9.5%
Net liquidity (days)	>60 days	206 days	198 days
External borrowing as % of total income	<40.0%	10.8%	12.2%
Net cash inflow from operating activities as a % of total income	(i) Annual basis (>5.0%)	(i) 11.6%	(i) 15.6%
	(ii) 6-year average* basis (>10.0%)	(ii) 11.9%	(ii) 12.7%
Staff costs as a % of total income	<57%	56.5%	53.8%

\* The 6-year average during the period 2011/12 to 2013/14 is reported using performance under UKGAAP, and 2014/15 to 2016/17 under FRS102.

# RISKS

# AND OPPORTUNITIES

Financial health and sustainability in the sector presents quite a mixed picture. Higher Education Institutions (HEIs) increasingly need to be more efficient and effective, deliver increased quality of provision and service, and earn more of the resources that will enable them to remain competitive and develop and deliver their strategic priorities. However, the HE sector is in transition, and there are new and/or increased external threats and risks to institutional health and sustainability, including:

- Growth and demand concerns
- Government policy and regulation, including potential student fee and funding reform
- Visa and immigration controls
- Potential impacts of Brexit
- Increasing disruptions to the HE market, changing consumer behaviours and (intensifying) competition

However, there are significant opportunities for the University as we seek to become the best 'modern' university, including the potential to exploit our location in Manchester, enhance our academic reputation and standing, and build upon our strong partnerships. Our Strategic Framework clearly articulates the need for focus and delivery

at quality (and at pace) commensurate with market opportunities and demand. The University has a very good financial position within the sector, but we cannot be complacent. New ways of working, and being more agile and responsive, will be essential; as will be the need to continuously improve academic and business performance and better align our resources to protect and grow income.

Sustaining financial health in this more challenging environment for the sector will require a continued focus upon:

- Student recruitment and retention
- International and research activity, and growth in income and contribution
- Effective prioritisation and management of resources
- Re-alignment of resources to support strategic priorities
- Value for money and delivery of efficiencies, to support productive capacity and create further financial headroom for investment

An accommodation lease at the Cheshire campus represents the most significant potential long-term liability for the University, and therefore the University is actively progressing assessment of the options and opportunities to

generate future economic benefit and/or transfer or reassign the lease. As at the balance sheet date, the accommodation is still being used to support the University's operations in Cheshire and the transition programme that will facilitate the exit from the campus by 2019. The lease is being reported as a contingent liability given that the accommodation remains in use and pending determination of the future use of the site.

Income growth beyond the 2016/17 financial year is primarily dependent upon a material uplift in international, postgraduate and apprenticeship student numbers/income. Growing this source of income is critically important in order to diversify income and address the financial risks from the changes in the HE competitive environment, Brexit, and the potential student fee and funding reform.

The EU referendum and the decision to leave the European Union presents significant ongoing uncertainty in the short term. It will take some time to fully assess the potential financial impact on individual institutions (and the HE sector as a whole) in terms of EU research funding, student and staff mobility, EU student recruitment and investment. The University, in the face of such uncertainty,

will continue to focus on excellence, be outward looking and engaged and ambitious in terms of our strategic agenda. The University has the ambition and the resilience to adapt and thrive in such a new and uncertain landscape.

In summary, the University is currently better placed than most HEIs in the sector, having achieved all its key financial performance targets in recent years, having grown without undue reliance upon debt and having being placed at (or above) the upper quartile in terms of the recognised measures of financial health and sustainability. In the immediate term, the University is maintaining good underlying financial health. However, there is an increasing risk of margin erosion beyond 2017/18 and therefore the planned diversification and expansion of activity in respect of international and degree apprenticeships activity (in particular) and research and knowledge exchange clearly remains a key priority. It will be important that new income also delivers sufficient financial contribution overall; a balanced portfolio that has a good level of higher margin activity will be needed. Effective cost management, prioritisation, disinvestment and realignment of resources also remains crucial.



## CORPORATE

## GOVERNANCE

The Manchester Metropolitan University is a higher education corporation established under the provisions of the Education Reform Act 1988. The University is also an exempt charity under schedule 3 of the Charities Act 2011, with the Higher Education Funding Council of England (HEFCE) acting as its principal regulator.

Members of the University's Board of Governors are the Charity Trustees and are responsible for ensuring compliance with charity law. The charitable purpose of the University, as defined in the Charities Act 2011, is the advancement of education for the public benefit.

The University's framework of governance is established in the Instrument and Articles of Government which are approved by the Privy Council. 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 by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the Committee of University Chairs (CUC) Higher Education Code of Governance. In adopting the HE Code of Governance, the University has reviewed its governance practices and is satisfied that it fully complies with the seven primary elements contained in the Code.

As part of the commitment to Public Life and best practice, the University's Trustees/Governors have regard to and comply with the Charity Commission's general and supplementary guidance on the public benefit in exercising their powers and duties.

#### Register of interest

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 78 to 79.

#### 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 Memorandum of Assurance and Accountability between HEFCE and Institutions. 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 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

# CORPORATE

## GOVERNANCE

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 Memorandum of Assurance and Accountability between HEFCE and Institutions. The Vice-Chancellor is supported by a University Executive Group comprising the Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Chief Operating Officer and the Directors of Finance and Human Resources.

### Conduct of business

The Board of Governors has four Board meetings per year and an Away Day to consider long-term strategy. The formal meetings of the Board are supplemented by informal briefing sessions on relevant issues, and attendance at key University events. This helps to ensure that Governors are part of the wider community of the University and that they are fully briefed on the activities of and challenges and opportunities facing the University.

The Board has a number of Committees to help it discharge its business

effectively. These are currently as follows:

- Audit Committee
- Finance and Resources Committee
- Nominations and Governance Committee
- Remuneration Committee

These Committees 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 2016/17.

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

- considering, advising or determining, as appropriate, the strategies and policies for the effective and efficient use of the University's financial, physical and human resources
- keeping the University's financial position under review, making recommendations to the Board concerning the University's annual budget and financial forecasts, ensuring the solvency of the University and the safeguarding of its assets
- reviewing policies and practices concerned with staffing issues such as annual pay awards, staff appraisal, staff development, discipline and grievance, health and safety and equality and diversity

The Finance and Resources Committee met three times during 2016/17.

The **Nominations and Governance 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

The Nominations and Governance Committee met twice during 2016/17.

The **Remuneration Committee** is responsible for:

- 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 Remuneration Committee met once during 2016/17.

All of the Board's Committees 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 and sector issues at each Board meeting and members of the University Executive Group 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, which was

undertaken in 2017 by an external assessor, concluded that the University's standard of governance was good and that the University had in place a comprehensive framework and structure of governance that conformed to sector best practice.

Newly appointed Governors 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 strategic 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 Memorandum of Assurance and Accountability 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 ongoing process designed to identify the principal

risks to the achievement of the University's aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the year ended 31 July 2017 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 that 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:

- The Board meets formally five times during the year to consider the plans, strategic direction and performance of the University.
- The Board receives regular reports from the Chair 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.
- The Audit Committee receives regular reports from the Head of

# CORPORATE

# GOVERNANCE

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 member of the Executive has responsibility for the promotion and co-ordination of risk management processes and reporting.
- A university-wide Risk Register is maintained and reviewed regularly by the University Executive Group, Audit Committee and Board of Governors.
- The University's risk management process ensures that the University's Risk Register is fully aligned to the strategic goals set out in the University's Strategic Framework.
- A robust risk prioritisation methodology has been established which ensures that all risks are identified with focus on the most important risks facing the University.
- The University has arranged for reports on internal control activities to be received from budget holders, departmental heads and project managers.

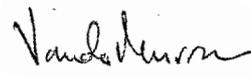
The Governing Body's review of the effectiveness of the system of internal control is informed by Internal Audit, which operates to standards defined in the HEFCE Audit

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 OBE**

Pro-Chancellor and Chair of the Board of Governors  
24 November 2017



# RESPONSIBILITIES

## OF THE BOARD OF

### GOVERNORS

The Board of Governors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

The Board is required to prepare Group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the Group and parent University financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation

of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

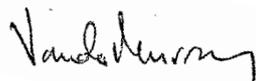
The Board of Governors is also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- securing the economical, efficient and effective management of the University's resources and expenditure

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website.

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

**By order of the Board of Governors**



**Vanda Murray OBE**  
Pro-Chancellor and Chair of the Board of Governors  
24 November 2017



# INDEPENDENT

## AUDITOR'S REPORT

To the Board of Governors  
of the Manchester  
Metropolitan University.  
Report on the audit of the  
financial statements.

### Opinion

We have audited the financial statements of the Manchester Metropolitan University ("the University") for the year ended 31 July 2017, which comprise the consolidated statement of comprehensive income and expenditure, consolidated and University balance sheet, consolidated and University statement of changes in reserves and consolidated statement of cash flows and related notes, including the statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education
- meet the requirements of HEFCE's Accounts Direction to higher

education institutions  
for 2016/17 financial  
statements

### Basis for opinion

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

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Review and the Corporate Governance Statement. Our opinion on the financial statements does not cover the other information

and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

### **Governing body responsibilities**

As explained more fully in their statement set out on page 42 and 43, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [frc.org.uk/auditorsresponsibilities](http://frc.org.uk/auditorsresponsibilities)

### **Report on other legal and regulatory requirements**

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance

with relevant legislation;

- income has been applied in accordance with the University's Articles of Government
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

### **KPMG LLP Statutory Auditor**

Chartered Accountants  
1 Sovereign Square, Leeds,  
LS1 4DA

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

for the year ended 31 July 2017

	Notes	Consolidated £'000	2016/17 University £'000	Consolidated £'000	2015/16 University £'000
<b>Income</b>					
Tuition fees and education contracts	1	241,257	241,257	232,972	232,972
Funding body grants	2	29,142	29,142	26,135	26,135
Research grants and contracts	3	8,279	8,279	6,113	6,113
Other income	4	32,666	32,666	31,703	31,703
Investment income	5	1,225	1,225	992	992
Donations and endowments	6	82	82	61	61
<b>Total income</b>		<b>312,651</b>	<b>312,651</b>	297,976	297,976
<b>Expenditure</b>					
Staff costs	7	176,783	176,783	160,281	160,281
Other operating expenses		101,520	101,520	89,228	89,228
Fundamental restructuring costs	9	9,983	9,983	-	-
Depreciation	11	12,423	12,423	12,174	12,174
Accelerated depreciation	11	-	-	1,720	1,720
Interest and other finance costs	8	5,137	5,137	6,294	6,294
<b>Total expenditure</b>	9	<b>305,846</b>	<b>305,846</b>	269,697	269,697
<b>Surplus before other gains/(losses)</b>		<b>6,805</b>	<b>6,805</b>	28,279	28,279
Gain on disposal of assets	11	15,724	15,911	10,360	10,360
Share of operating deficit in joint venture	14	-	-	(31)	-
Share of operating (deficit)/surplus in associate	15	(43)	-	14	-
<b>Surplus before tax</b>		<b>22,486</b>	<b>22,716</b>	38,622	38,639
Taxation	10	-	-	-	-
<b>Surplus for the year</b>		<b>22,486</b>	<b>22,716</b>	38,622	38,639
Actuarial gain/(loss) in respect of pension schemes	29	44,633	44,633	(19,136)	(19,136)
<b>Total comprehensive income for the year</b>		<b>67,119</b>	<b>67,349</b>	19,486	19,503
Represented by:					
Endowment comprehensive expenditure for the year		(72)	(72)	(59)	(59)
Restricted comprehensive (expenditure)/income for the year		(12)	(12)	1	1
Unrestricted comprehensive income for the year		67,203	67,433	19,544	19,561
		<b>67,119</b>	<b>67,349</b>	19,486	19,503

All items of income and expenditure relate to continuing activities.

# CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

The Manchester Metropolitan University

## for the year ended 31 July 2017

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000		
<b>Balance at 1 August 2015</b>	<b>718</b>	<b>60</b>	<b>260,572</b>	<b>98,082</b>	<b>359,432</b>
Surplus/(deficit) from the income and expenditure statement	(59)	17	38,664	-	38,622
Other comprehensive income	-	-	(19,136)	-	(19,136)
Transfers between revaluation and income and expenditure reserve	-	-	6,024	(6,024)	-
Release of restricted funds spent in year	-	(16)	16	-	-
<b>Total comprehensive income for the year</b>	<b>(59)</b>	<b>1</b>	<b>25,568</b>	<b>(6,024)</b>	<b>19,486</b>
<b>Balance at 1 August 2016</b>	<b>659</b>	<b>61</b>	<b>286,140</b>	<b>92,058</b>	<b>378,918</b>
Surplus/(deficit) from the income and expenditure statement	(72)	11	22,547	-	22,486
Other comprehensive income	-	-	44,633	-	44,633
Transfers between revaluation and income and expenditure reserve	-	-	8,760	(8,760)	-
Release of restricted funds spent in year	-	(23)	23	-	-
<b>Total comprehensive income for the year</b>	<b>(72)</b>	<b>(12)</b>	<b>75,963</b>	<b>(8,760)</b>	<b>67,119</b>
<b>Balance at 31 July 2017</b>	<b>587</b>	<b>49</b>	<b>362,103</b>	<b>83,298</b>	<b>446,037</b>
<b>University</b>	<b>Income and expenditure account</b>			<b>Revaluation reserve</b>	<b>Total</b>
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>718</b>	<b>60</b>	<b>260,251</b>	<b>98,082</b>	<b>359,111</b>
Surplus/(deficit) from the income and expenditure statement	(59)	17	38,681	-	38,639
Other comprehensive income	-	-	(19,136)	-	(19,136)
Transfers between revaluation and income and expenditure reserve	-	-	6,024	(6,024)	-
Release of restricted funds spent in year	-	(16)	16	-	-
<b>Total comprehensive income for the year</b>	<b>(59)</b>	<b>1</b>	<b>25,585</b>	<b>(6,024)</b>	<b>19,503</b>
<b>Balance at 1 August 2016</b>	<b>659</b>	<b>61</b>	<b>285,836</b>	<b>92,058</b>	<b>378,614</b>
Surplus/(deficit) from the income and expenditure statement	(72)	11	22,777	-	22,716
Other comprehensive income	-	-	44,633	-	44,633
Transfers between revaluation and income and expenditure reserve	-	-	8,760	(8,760)	-
Release of restricted funds spent in year	-	(23)	23	-	-
<b>Total comprehensive income for the year</b>	<b>(72)</b>	<b>(12)</b>	<b>76,193</b>	<b>(8,760)</b>	<b>67,349</b>
<b>Balance at 31 July 2017</b>	<b>587</b>	<b>49</b>	<b>362,029</b>	<b>83,298</b>	<b>445,963</b>

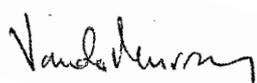
# CONSOLIDATED AND UNIVERSITY BALANCE SHEET

for the year ended 31 July 2017

	Notes	Consolidated £'000	2017 University £'000	Consolidated £'000	2016 University £'000
<b>Non-current assets</b>					
Fixed assets	11	<b>442,293</b>	<b>442,293</b>	440,932	440,932
Heritage assets	11/12	<b>4,305</b>	<b>4,305</b>	4,305	4,305
Investments	13	<b>106</b>	<b>106</b>	106	1,793
Investment in joint venture	14	-	-	1,875	-
Investments in associate	15	<b>74</b>	-	116	-
		<b>446,778</b>	<b>446,704</b>	447,334	447,030
<b>Current assets</b>					
Stock		<b>144</b>	<b>144</b>	158	158
Trade and other receivables	16	<b>30,878</b>	<b>30,878</b>	19,953	19,953
Investments	17	<b>80,000</b>	<b>80,000</b>	85,000	85,000
Cash and cash equivalents	23	<b>83,014</b>	<b>83,014</b>	54,125	54,125
		<b>194,036</b>	<b>194,036</b>	159,236	159,236
Less: Creditors: amounts falling due within one year	18	<b>(49,978)</b>	<b>(49,978)</b>	(46,761)	(46,761)
<b>Net current assets</b>		<b>144,058</b>	<b>144,058</b>	112,475	112,475
<b>Total assets less current liabilities</b>		<b>590,836</b>	<b>590,762</b>	559,809	559,505
Creditors: amounts falling due after more than one year	19	<b>(30,947)</b>	<b>(30,947)</b>	(33,834)	(33,834)
<b>Provisions</b>					
Pension provisions	20	<b>(109,697)</b>	<b>(109,697)</b>	(147,057)	(147,057)
Other provisions	20	<b>(4,155)</b>	<b>(4,155)</b>	-	-
<b>Total net assets</b>		<b>446,037</b>	<b>445,963</b>	378,918	378,614

	Notes	Consolidated £'000	2017 University £'000	Consolidated £'000	2016 University £'000
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserve	21	587	587	659	659
Income and expenditure reserve – restricted reserve	22	49	49	61	61
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		362,103	362,029	286,140	285,836
Revaluation reserve		83,298	83,298	92,058	92,058
<b>Total Reserves</b>		<b>446,037</b>	<b>445,963</b>	<b>378,918</b>	<b>378,614</b>

The financial statements were approved by the Governing Body on 24 November 2017 and were signed on its behalf on that date by:



Vanda Murray OBE  
**Pro-Chancellor and Chair of the Board of Governors**



Professor Malcolm Press  
**Vice-Chancellor**



John Cunningham  
**Director of Finance**

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 July 2017

	Notes	2016/17 £'000	2015/16 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		<b>22,486</b>	38,622
<b>Adjustment for non-cash items</b>			
Depreciation	11	<b>17,540</b>	13,894
Decrease in stock		<b>15</b>	16
Increase in trade and other receivables	16	<b>(610)</b>	(37)
Increase/(decrease) in creditors	18	<b>3,224</b>	(777)
Increase in pension provision	20	<b>7,273</b>	5,419
Increase in other provisions	20	<b>4,155</b>	-
Share of operating deficit in joint venture	14	-	31
Share of operating surplus/(deficit) in associate	15	<b>43</b>	(14)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	<b>(1,225)</b>	(992)
Interest payable	8	<b>1,771</b>	1,863
Endowment income	6	<b>(24)</b>	(30)
Profit on the sale of assets	11	<b>(15,724)</b>	(10,360)
Capital grant income		<b>(2,695)</b>	(1,126)
<b>Net cash inflow from operating activities</b>		<b>36,229</b>	46,509
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		<b>15,644</b>	4,559
Capital Grant receipts		<b>2,507</b>	2,239
Withdrawal of deposits		<b>80,000</b>	30,403
Investment income		<b>1,107</b>	954
Payments made to acquire fixed assets		<b>(27,043)</b>	(7,779)
New deposits		<b>(75,000)</b>	(80,000)
		<b>(2,785)</b>	(49,624)

	Notes	<b>2016/17</b> <b>£'000</b>	2015/16 £'000
<b>Cash flows from financing activities</b>			
Interest paid		<b>(1,741)</b>	(1,815)
Interest element of finance lease		<b>(30)</b>	(48)
Endowment cash received		<b>24</b>	30
New unsecured loans		<b>319</b>	172
Repayments of amounts borrowed		<b>(2,991)</b>	(2,929)
Capital element of finance lease		<b>(136)</b>	(443)
		<b>(4,555)</b>	(5,033)
<b>Increase/(decrease) in cash and cash equivalents in the year</b>			
		<b>28,889</b>	(8,148)
Cash and cash equivalents at beginning of the year	23	<b>54,125</b>	62,273
Cash and cash equivalents at end of the year	23	<b>83,014</b>	54,125

# STATEMENT OF

# ACCOUNTING

# POLICIES

for the year ended  
31 July 2017

## 1. Statement of principal accounting policies

### i) Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (except in the case of fixed assets which are held at deemed cost).

### ii) Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

### iii) Income recognition

Income from the sale of goods or services

is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period 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.

Investment income is credited to the statement of income and expenditure on a receivable basis.

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

### Grant funding

Grant funding including funding council block grant, research grants from government sources, grants (including

research grants) from non-government sources are recognised as income when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### Donations and endowments

Non-exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions, at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are three main types of donations and

endowments identified within reserves:

1. 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.
2. Expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
3. 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.

### Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance-related conditions being met.

## iv) Accounting for retirement benefits

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

Two of the principal pension schemes which the University's staff are members of are the TPS and the GMPF. These are externally funded and contracted out of the State Second Pension (S2P).

A small number of staff remain in other pension schemes.

The GMPF is a defined benefit scheme which is valued, by qualified actuaries, on a triennial basis.

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

The contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University, so 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.

### (b) Enhanced pensions

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

### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets.

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## **iv) Accounting for retirement benefits (continued)**

The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## **(c) Universities Superannuation Scheme**

The Institution participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit-only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The Institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis

and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the Institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the Institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable

that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The officers are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions relating to past deficits under the funding plan in existence at the date of approving the financial statements.

#### v) Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

#### vi) Finance leases

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

Minimum lease payments

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

#### vii) Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Conversely, where the University acts as a lessor, income is recognised on a straight-line basis over the lease term.

#### viii) Foreign currency

Transactions in foreign currencies are translated to sterling using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the

functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### ix) Fixed assets

Fixed 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.

Any asset costs not meeting the above criteria are expensed in the year of acquisition.

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Certain items of freehold land and buildings that had been revalued prior to the date of transition to FRS 102 on 31 July 2014, are measured on the basis of deemed cost, as a proxy for cost, being the revalued amount at the date of that transition.

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 fixed asset beyond its previously assessed standard of performance. The cost of any such enhancements are added

to the gross carrying amount of the fixed asset concerned.

Freehold land is not depreciated as it is considered to have an indefinite useful life and no depreciation is charged on assets in the course of construction.

Other fixed assets are depreciated on a straight-line basis over their expected useful lives as follows:

#### Freehold Buildings

50 years

#### Subsequent Additions

10 years

#### Leasehold Properties

Life of the Lease  
(up to maximum  
of 50 years)

#### Plant and Machinery

4 years

#### Fixtures and fittings and Equipment

(excluding Computer  
Equipment and  
Oxford Street)

10 years

#### Computer Equipment

5 years

#### Oxford Street fixtures and fittings

Life of the lease

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## ix) Fixed assets (continued)

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

Borrowing costs are recognised as an expense in the Consolidated Statement of Income and Expenditure in the period in which they are incurred.

Assets held for sale are held at the lower of deemed cost or net realisable value and are not depreciated.

## x) Heritage assets

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at their value based on a valuation carried out by Bonhams during the financial year 2012/13.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material. Assets will be held at initial valuation in the year of capitalisation with no subsequent revaluations performed.

## xi) Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

## xii) Stock

Stock is held at the lower of cost and net realisable value. It consists of solely cleaning materials, consumables, food and bar stocks.

## xiii) Cash and cash equivalents

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## xiv) Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation
- (c) a reliable estimate can be made of the amount of the obligation

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

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

resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

#### **xv) Accounting for jointly controlled operations and subsidiaries**

The University accounts for its share of subsidiaries using the equity method.

The University recognises in the accounts with respect to jointly controlled assets its share of the joint assets, any liabilities that it has incurred directly and its share of any liabilities incurred jointly with the other venturers, income from the sale or use of its share of the output of the joint venture, its share of expenses incurred by the joint venture and expenses incurred directly in respect of its interest in the joint venture.

#### **xvi) Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to

the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University 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 fixed assets is included in their cost.

#### **xvii) Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

#### **xviii) Financial instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The University has a number of basic financial instruments included on its balance sheet with associated

income and expense recognised as part of the consolidated statement of Income and Expenditure. A financial asset or a financial liability is recognised when the University becomes party to the contractual provisions of the instrument. At inception, they are measured at either transaction price or the discounted present value of the asset or liability subject to the nature of the transaction. Subsequent measurement at each balance sheet date will be at cost or amortised cost using the effective interest method, depending on whether the financial instrument is considered to be less than or greater than one year in length.

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2017

## 1 Tuition fees and education contracts

	<b>2016/17</b>	2015/16
	Consolidated and University	
	<b>£'000</b>	£'000
Full-time home and EU students	<b>206,350</b>	199,129
Full-time international students	<b>14,608</b>	13,476
Part-time students	<b>7,815</b>	7,054
Short course fees	<b>776</b>	709
Education contracts – NHS	<b>9,941</b>	10,518
Education contracts – Other	<b>1,767</b>	2,086
	<b>241,257</b>	232,972

## 2 Funding body grants

	Consolidated and University	
	<b>£'000</b>	£'000
<b>Recurrent grant</b>		
Higher Education Funding Council	<b>21,117</b>	21,383
Skills Funding Agency	<b>1,787</b>	1,244
National College for Teaching and Leadership	<b>393</b>	670
Capital grant	<b>2,695</b>	999
<b>Specific grants</b>		
Higher Education Funding Council	<b>3,150</b>	1,839
	<b>29,142</b>	26,135

## 3 Research grants and contracts

	Consolidated and University	
	<b>£'000</b>	£'000
Research councils	<b>1,738</b>	1,670
Charities	<b>1,365</b>	952
Government (UK and overseas)	<b>4,140</b>	2,797
Industry and commerce	<b>818</b>	475
Other	<b>218</b>	219
	<b>8,279</b>	6,113

## 4 Other income

	Consolidated and University	
	<b>£'000</b>	£'000
Residences, catering and conferences	<b>21,424</b>	21,977
Other services rendered	<b>5,665</b>	4,855
Other capital grants	-	127
Other income	<b>5,577</b>	4,744
	<b>32,666</b>	31,703

**5 Investment income**

	Notes	2016/17 Consolidated and University £'000	2015/16 £'000
Investment income on endowments	21	3	3
Income from investments		1,105	951
Interest on Sale of Assets held for sale		117	38
		<b>1,225</b>	992

**6 Donations and endowments**

		2016/17 Consolidated and University £'000	2015/16 £'000
New endowments	21	24	30
Donations with restrictions	22	11	17
Unrestricted donations		47	14
		<b>82</b>	61

**7 Staff costs**

		2016/17 Consolidated and University £'000	2015/16 £'000
Salaries		134,803	126,311
Social security costs		13,942	10,911
Movement on USS provision		562	(25)
Pension costs		27,476	23,084
Total		<b>176,783</b>	160,281

**Emoluments of the Vice-Chancellor**

		2016/17 £'000	2015/16 £'000
<b>Professor M Press</b>			
Salary		288	291
Performance-related pay		38	20
Benefits		7	2
Total excluding pension		<b>333</b>	313
Pension contributions		-	-
<b>Total including pension</b>		<b>333</b>	313

The Vice-Chancellor was awarded a salary increase of 1.1% in 2016/17. Further information can be found at: [mmu.ac.uk/vcpay](http://mmu.ac.uk/vcpay)

Remuneration of other higher paid staff, excluding employer's pension contributions:	No.	No.
£100,000 to £109,999	3	1
£110,000 to £119,999	2	1
£120,000 to £129,999	3	2
£130,000 to £139,999	2	2
£140,000 to £149,999	1	-
£150,000 to £159,999	1	1
£160,000 to £169,999	1	-
	<b>13</b>	7
<b>Average staff numbers by major category:</b>	<b>No.</b>	<b>No.</b>
Academic full-time	1,573	1,501
Academic part-time	385	491
Support staff	2,233	2,146
Casual staff	538	692
	<b>4,729</b>	4,830

# NOTES TO THE ACCOUNTS

## for the year ended 31 July 2017

### 7 Staff costs (continued)

Compensation for loss of office payable to senior post holders:	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
Compensation payable recorded within staff costs	<b>84</b>	148

### Key management personnel

Key management personnel are the members of staff having authority and responsibility for planning, directing and controlling the activities of the University. Key management personnel are therefore considered to be members of the University Executive Group. There are 15 positions within the group but in 2016/17, 17 people held these roles at some point during the year (2015/16: 20 people). Staff costs includes compensation paid to key management personnel.

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
<b>Key management personnel compensation</b>	<b>2,380</b>	2,426

Included in the above is £84,000 paid to key management personnel in respect of loss of office (2015/16: £148,000).

### Board of Governors

The University's Board of Governors are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition 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 may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

No governor (all of whom are trustees to the University's charitable status) has received any remuneration from the group during the year (2015/16: £ nil)

The total expenses paid to or on behalf of 11 trustees was £12,000 (2015/16: £9,000 to 10 trustees). This represents travel and subsistence expenses incurred in attending Board of Governors meetings, Committee meetings and Charity events in their official capacity.

### 8 Interest and other finance costs

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
Loan interest	<b>1,741</b>	1,815
Finance lease interest	<b>30</b>	48
Net charge on pension schemes	<b>3,366</b>	4,431
	<b>5,137</b>	6,294

## 9 Analysis of total expenditure by activity

	2016/17	2015/16
	Consolidated and University	
	£'000	£'000
Academic and related expenditure	176,239	156,225
Administration and central services	49,354	45,208
Premises (including service concession cost)	35,565	32,571
Residences, catering and conferences	19,419	18,949
Research grants and contracts	5,793	3,959
Other expenses	19,476	12,785
	<b>305,846</b>	<b>269,697</b>
Other operating expenses include:		
External auditor's remuneration in respect of audit service	64	58
External auditor's remuneration in respect of taxation services	17	48
External auditor's remuneration in respect of FRS 102 services	-	9
External auditor's remuneration in respect of TRAC advice	-	17
External auditor's remuneration in respect of other services	6	20
Operating lease rentals		
Land and buildings	7,751	5,648
Other	260	321

Included within the note above are £9,983,000 of fundamental restructuring costs resulting from the closure of the Cheshire campus. All have been incurred in the 2016/17 financial year. This figure includes; £5,117,000 of accelerated depreciation (Note 11), a redundancy provision of £4,155,000 (Note 20) and other staff costs and operating expenses of £711,000.

## 10 Taxation

	Consolidated and University	
	£'000	£'000
<b>Current tax</b>		
Current tax expense	-	-
Adjustment in respect of previous years	-	-
<b>Current tax expense</b>	-	-

## 11 Fixed Assets – Consolidated and University

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Assets held for sale £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage assets £'000	Total £'000
<b>Cost or deemed cost</b>								
At 1 August 2016	434,950	5,560	12,835	552	28,824	2,695	4,305	489,721
Additions	13,133	-	-	241	2,430	12,895	-	28,699
Disposals	-	-	(9,798)	(88)	-	-	-	(9,886)
<b>At 31 July 2017</b>	<b>448,083</b>	<b>5,560</b>	<b>3,037</b>	<b>705</b>	<b>31,254</b>	<b>15,590</b>	<b>4,305</b>	<b>508,534</b>
<b>Depreciation</b>								
At 1 August 2016	31,980	-	-	150	12,354	-	-	44,484
Charge for the year	8,882	-	-	125	2,903	-	-	11,910
Accelerated depreciation – fundamental restructuring	5,117	-	-	-	-	-	-	5,117
Impairment	513	-	-	-	-	-	-	513
Disposals	-	-	-	(88)	-	-	-	(88)
<b>At 31 July 2017</b>	<b>46,492</b>	<b>-</b>	<b>-</b>	<b>187</b>	<b>15,257</b>	<b>-</b>	<b>-</b>	<b>61,936</b>
<b>Net book value</b>								
<b>At 31 July 2017</b>	<b>401,591</b>	<b>5,560</b>	<b>3,037</b>	<b>518</b>	<b>15,997</b>	<b>15,590</b>	<b>4,305</b>	<b>446,598</b>
At 31 July 2016	402,970	5,560	12,835	402	16,470	2,695	4,305	445,237

At 31 July 2017, freehold and leasehold land and buildings included £27.3m (2016: £21.6m) in respect of freehold land which is not depreciated.

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for the year ended 31 July 2017

## 11 Fixed Assets - Consolidated and University (continued)

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Assets held for sale £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets under Construction £'000	Heritage assets £'000	Total £'000
<b>Leased assets included within fixed asset:</b>								
At 31 July 2017	-	-	-	-	348	-	-	348
At 31 July 2016	-	-	-	-	492	-	-	492

Fixtures, fittings and equipment include assets held under finance leases as follows:

	2016/17 Consolidated £'000	2015/16 University £'000
Cost	829	2,489
Disposals	-	(1,660)
Accumulated depreciation	(336)	(1,542)
Charge for year	(144)	(455)
Depreciation released on disposals	-	1,660
Net book value	<b>349</b>	492

The University applied the transitional arrangements of Section 35 of FRS 102 and used a previous valuation as the deemed cost for certain freehold properties. The properties are being depreciated from the valuation date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings. The valuation of the Land and Buildings was conducted by Eddisons Chartered Surveyors on 31 July 2014.

Included within the Statement of Consolidated Income and Expenditure is £15,724,000 profit in relation to the sale of assets (2015/16: £10,360,000). This is largely assets previously held for sale and included within the fixed assets note. This figure can be broken down as follows:

	2016/17 Consolidated £'000	2015/16 University £'000
Didsbury	1,687	10,360
Alsager	8,678	-
Aytoun	5,324	-
Sugden	35	-
<b>Gain on disposal of assets</b>	<b>15,724</b>	10,360

Further details on the sale of the Sugden Sports Centre, which was not an asset held for sale, are outlined in note 13.

## 12 Heritage assets

	2016/17 £'000	2015/16 £'000	2014/15 £'000	2013/14 £'000	2012/13 £'000
<b>Cost or deemed cost</b>					
At 1 August	4,305	4,305	4,305	4,305	3,865
Revaluation	-	-	-	-	440
<b>At 31st July</b>	<b>4,305</b>	<b>4,305</b>	<b>4,305</b>	<b>4,305</b>	<b>4,305</b>
Proceeds from disposals		-	-	-	-

A valuation was undertaken by Bonham's in 2012/13 which valued the books at £2,346,000 and chattels at £1,959,000.

### Nature of assets held

The Manchester Metropolitan University collections are central to the artistic culture and teaching of the University and have been since its foundation. The collections include:

- Artists' books: a great range of creative experimentations with the book form
- 20th century international poster collections
- The Manchester School of Art Collection including fine and decorative art
- The Schmoller Collection of Decorated Papers
- Children's Book Collection: featuring 19th and 20th century children's book illustration
- Book collections exploring aspects of the book as an artefact
- Archive collections including artists' working drawings and correspondence
- Manchester Society of Architects Library
- Victorian ephemera featuring 19th century albums and scrapbooks
- Mary Butcher collection of Baxter prints

### Policy for management, preservation, acquisition and disposal of assets

The use of Special Collections is supported by a conservation team who are responsible for the long-term preservation of the collections. This team works to conserve the collections so that they are available for display and study without placing the objects in danger of further deterioration.

The Book Design, Artists' Books and Children's Book collections can be accessed without an appointment and can be searched on the Library catalogue. The Manchester School of Art collection, the Archive collections, the Schmoller Collection of Decorated Papers and the Poster collections can be searched on the Special Collections catalogue. Please contact us to make an appointment to view material from these collections.

Further information on the University's policies regarding conservation, preservation, management and disposal of heritage assets can be found on the University's website: [specialcollections.mmu.ac.uk](http://specialcollections.mmu.ac.uk)

# NOTES TO THE ACCOUNTS

## for the year ended 31 July 2017

### 13 Non-current investments

			Consolidated £'000	University £'000
At 1 August 2016			106	1,793
Disposals			-	(1,687)
<b>At 31 July 2017</b>			<b>106</b>	<b>106</b>
<b>The above analysis consists of:</b>	<b>Consolidated</b>	<b>University</b>	Consolidated	University
	<b>2017</b>	<b>2017</b>	2016	2016
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>Loans to related parties:</b>				
Sugden Sports Trust	-	-	-	1,687
<b>Other Investments:</b>				
Manchester Science Parks Limited	32	32	32	32
CVCP Properties plc	46	46	46	46
ABD Limited	28	28	28	28
	<b>106</b>	<b>106</b>	106	1,793

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

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

Name	Principal Activity	Share Capital	Status
Uni-Rec Limited	Dormant	£1	100% owned
Manmet Limited	Dormant	£1	100% owned
MMU Enterprises Limited	Dormant	£4	100% owned
Manchester Law School Limited	Dormant	£2	100% owned

### Sugden Sports Trust

In May this year the Sugden Sports Trust, which was provided to facilitate the building of a sports centre for the use of students and staff of the University, was wound up. Profit on disposal of £35,000 is shown in the University's consolidated statement of income and expenditure to recognise this transaction. From this point the Sugden sports centre is recognised as a jointly controlled asset held by The Manchester Metropolitan University and the University of Manchester. Until the end of May interest on the loan at 6.5% per annum was payable. Included on the University's balance sheet at 31 July 2017 in relation to Sugden sports centre are: Receivables of £62,000; payables of £101,000; and cash of £293,000.

### 14 Investment in joint venture

In the prior year the University held a 50% share of Sugden Sports Trust. This was a jointly controlled entity, control over which was shared with the University of Manchester. The arrangement was treated as a joint venture and was accounted for using the equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account. On 31st May 2017 the trust was wound up with the assets being distributed equally between the University and the University of Manchester. From this point the Sugden sports centre has been accounted for as a jointly controlled asset in both the University and Consolidated accounts.

	Year ended 31 July 2017		Year ended 31 July 2016	
	£'000	£'000	£'000	£'000
<b>Income and expenditure account</b>		-		279
Deficit before tax		-		(31)
<b>Balance sheet</b>				
Fixed assets	-		2,585	
Current assets			520	
		-		3,105
Creditors: amounts due within one year	-		(909)	
Creditors: amounts due after more than one year	-		(2,008)	
		-		(2,917)
<b>Share of net assets</b>		-		188
<b>Initial Investment</b>		-		1,687
<b>Investment in Joint Venture</b>		-		1,875

## 15 Investment in associates

The University has a 20% holding in The Corridor Manchester, which is a company limited by guarantee, whose principal activity is to maximise the economic potential of the city south area by harnessing the ongoing investment being made, by key institutions (universities, the Health Trust and the private sector).

## 16 Trade and other receivables

	<b>Consolidated and University</b>	
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Amounts falling due within one year:		
Trade receivables	<b>6,169</b>	4,911
Other receivables	<b>10,744</b>	2,930
Amounts due from associate companies	<b>17</b>	20
Prepayments and accrued income	<b>6,181</b>	5,007
	<b>23,111</b>	12,868
Amounts falling due after one year:		
Other receivables	<b>7,767</b>	7,085
	<b>30,878</b>	19,953

Payment for the sale of the Alsager Campus is paid by installments over a period of three years from the date of completion, which occurred in June 2017. £11,320,000 is included above in respect of this.

### Contingent asset

The Sale of the Didsbury campus is split into Part A and Part B; in 2015/16 the University recognised a gain of £10,360,000 on the sale of part A. While the inflow of economic benefit on the sale of part B was not virtually certain at 31 July 2017, the sale crystallised in September 2017, resulting in a further payment of £3,513,000. During the year ended 31 July 2017, the University had received an advanced payment of £1,337,000 in respect of part B, which is recognised within Creditors falling due within one year.

## 17 Current investments

	<b>Consolidated and University</b>	
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Short-term deposits	<b>80,000</b>	85,000
	<b>80,000</b>	85,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the investment date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement. As part of our Ethical Investment Policy the University sets out to invest its funds with due consideration for ethical, environmental, corporate governance and social issues. The University does not invest in fossil fuel companies, arms companies or corporations complicit in the violation of international law.

## 18 Creditors: amounts falling due within one year

	<b>Consolidated and University</b>	
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Unsecured loans	<b>3,000</b>	2,929
Obligations under finance leases	<b>144</b>	136
Trade payables	<b>19,890</b>	19,673
Social security and other taxation payable	<b>3,745</b>	3,511
Accruals and deferred income	<b>23,199</b>	20,512
	<b>49,978</b>	46,761

### Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance-related conditions have been met.

	<b>Consolidated and University</b>	
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Research grants received on account	<b>2,072</b>	1,609
Grant income	<b>272</b>	458
Other income	<b>4,935</b>	5,101
	<b>7,279</b>	7,168

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2017

## 19 Creditors: amounts falling due after more than one year

	Consolidated and University	
	2017	2016
	£'000	£'000
Obligations under finance lease	315	460
Unsecured loans	30,632	33,374
	<b>30,947</b>	<b>33,834</b>
<b>Analysis of secured and unsecured loans:</b>		
Due within one year or on demand (Note 18)	3,000	2,929
Due between one and two years	3,332	2,878
Due between two and five years	4,200	5,996
Due in five years or more	23,100	25,900
	<b>30,632</b>	<b>33,374</b>
Due after more than one year		
<b>Total secured and unsecured loans</b>	<b>33,632</b>	<b>36,303</b>
<b>Unsecured Loans Summary:</b>		
Barclays Bank PLC	30,100	31,500
HEFCE	3,480	4,225
Salix Finance Ltd	52	578
	<b>33,632</b>	<b>36,303</b>

In September 2011 the University acquired an unsecured loan from Barclays Bank plc of £35,000,000 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.

During 2013/14 the University obtained a £306,000 interest-free loan from the HEFCE Revolving Green Fund, which is repayable by equal instalments every six months. Repayment commenced in November 2014 with the final instalment due in May 2018. Additional loans, with the same terms, of £193,000 were received in 2015/16, and £319,000 in 2016/17. This element of the loan is repayable in equal instalments on a bi-annual basis, with repayments which commenced in November 2014.

In 2013/14 The University received an interest-free loan from Salix Finance Ltd (an independent, not-for-profit company, funded by various government bodies) 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.

## 20 Provisions for liabilities

Consolidated and University	Obligation to fund deficit on USS Pension £'000	Pension enhancements on termination £'000	Defined Benefit Obligations (Note 29) £'000	Total Pensions Provisions £'000	Other Provisions £'000	Total Provisions £'000
At 1 August 2016	1,706	12,486	132,865	147,057	-	147,057
<b>Movement in the Year:</b>						
Fundamental restructuring	-	-	-	-	4,155	4,155
Current Service Cost	-	-	15,243	15,243	-	15,243
Employer's contributions	(146)	-	(10,915)	(11,061)	-	(11,061)
Payments to Pensioners	-	(983)	-	(983)	-	(983)
Actuarial gain	-	-	(44,633)	(44,633)	-	(44,633)
Interest charge	32	96	3,238	3,366	-	3,366
Change in expected contributions	708	-	-	708	-	708
<b>At 31 July 2017</b>	<b>2,300</b>	<b>11,599</b>	<b>95,798</b>	<b>109,697</b>	<b>4,155</b>	<b>113,852</b>

The Defined Benefit Obligations relate to staff who are members of the Greater Manchester Pension Fund (see note 29).

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. Each year there is a charge against the provision for payments to pensioners and credit to the provision for net return on assets. Any enhancement is recognised as part of operating surplus.

The assumptions for calculating the provision for pension enhancements on termination under FRS 102 are as follows:

	<b>31 July 2017</b>
Discount rate	<b>2.3%</b>
Pension increase rate (CPI)	<b>1.3%</b>

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

Other provisions relate to fundamental restructuring costs in respect of the closure of the Cheshire campus.

### Contingent Liability

At 31 July 2017 the University is undergoing a period of transition with regards the planned withdrawal from the Cheshire campus. As part of operating the campus the University holds a lease for student accommodation, which as at 31 July 2017 has an unexpired term of 17 years. While the halls will remain open during the teach-out period to support campus activities, the University is currently assessing a wide range of options to work out the basis of assignment or other exit options from the lease, all with differing financial implications for the University. At this point though no final decision has been reached with regards the future of the lease and as currently no one outcome is probable, it is not possible to reliably estimate the value of any provision at the balance sheet date without the potential for a material error arising. The lease payments are £2.4m in 2017 and subject to inflation annually. The University cannot however calculate accurately the net obligation at the balance sheet date. The University will continue to negotiate the best possible outcome with regards the lease but at present it remains impractical to assess timing or value of any payment in lieu of the liability or the possibility of any economic benefit arising from any transfer or other mitigating action the University might obtain. As such, at 31 July 2017 no provision has been included in the accounts. The assessment outlined above will be assessed annually at all future balance sheet dates.

### 21 Endowment reserves

Restricted net assets relating to endowments are as follows:

	<b>Restricted permanent endowments</b>	<b>Expendable endowments</b>	<b>2017 Consolidated and University Total</b>	<b>2016 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balances at 1 August 2016</b>				
Capital	54	588	<b>642</b>	718
Accumulated income	17	-	<b>17</b>	-
	<u>71</u>	<u>588</u>	<u><b>659</b></u>	<u>718</u>
New endowments	-	24	<b>24</b>	30
Investment income	-	3	<b>3</b>	3
Expenditure	-	(99)	<b>(99)</b>	(92)
	<u>-</u>	<u>(72)</u>	<u><b>(72)</b></u>	<u>(59)</u>
<b>At 31 July 2017</b>	<u>71</u>	<u>516</u>	<u><b>587</b></u>	<u>659</u>
<b>Represented by:</b>				
Capital	54	516	<b>570</b>	659
Accumulated income	17	-	<b>17</b>	-
	<u>71</u>	<u>516</u>	<u><b>587</b></u>	<u>659</u>
<b>Analysis by type of purpose:</b>				
Research support	-	361	<b>361</b>	447
Prize funds	71	101	<b>172</b>	181
General	-	54	<b>54</b>	31
	<u>71</u>	<u>516</u>	<u><b>587</b></u>	<u>659</u>
<b>Analysis by asset:</b>				
Cash and cash equivalents			<b>587</b>	659
			<u><b>587</b></u>	<u>659</u>

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2017

## 22 Restricted reserves

Reserves with restrictions are as follows:

	<b>Donations</b>	<b>2017</b>	2016
	<b>£'000</b>	<b>Total</b>	Total
		<b>£'000</b>	£'000
<b>Balances at 1 August 2016</b>	61	<b>61</b>	60
New grants	-	-	-
New donations	11	<b>11</b>	17
Investment income	-	-	-
Capital grants utilised	-	-	-
Expenditure	(23)	<b>(23)</b>	(16)
	<u>(23)</u>	<u>(23)</u>	<u>(16)</u>
<b>At 31 July 2017</b>	<u>49</u>	<u><b>49</b></u>	<u>61</u>

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>Analysis of other restricted funds/donations by type of purpose:</b>		
Prize funds	<b>49</b>	61
	<u><b>49</b></u>	<u>61</u>

## 23 Cash and cash equivalents

	<b>At 1 August</b>	<b>Cash</b>	<b>At 31 July</b>
	<b>2016</b>	<b>Flows</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Consolidated and University</b>			
Cash and cash equivalents	54,125	28,889	<b>83,014</b>
	<u><b>54,125</b></u>	<u><b>28,889</b></u>	<u><b>83,014</b></u>

## 24 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Commitments contracted at 31 July	<b>4,922</b>	3,616
Authorised but not contracted at 31 July	<b>59,381</b>	10,730
	<u><b>64,303</b></u>	<u>14,346</u>

Of the £59.4m authorised but not contracted commitments, £56.5m relates to the new Arts and Media building.

## 25 Obligations under operating leases

Total rentals payable under operating leases:

	<b>Land and Buildings £'000</b>	<b>Plant and Machinery £'000</b>	<b>2017 Total £'000</b>	2016 Total £'000
<b>Payable during the year</b>	7,751	260	<b>8,011</b>	5,969
Future minimum lease payments due:				
Not later than 1 year	7,449	196	<b>7,645</b>	5,907
Later than 1 year and not later than 5 years	26,857	20	<b>26,877</b>	13,146
Later than 5 years	59,127	-	<b>59,127</b>	47,172
<b>Total lease payments due</b>	<b>93,433</b>	<b>216</b>	<b>93,649</b>	66,225

Total rentals receivable under operating leases:

	<b>Land and Buildings £'000</b>	<b>Plant and Machinery £'000</b>	<b>2017 Total £'000</b>	2016 Total £'000
<b>Receivable during the year</b>	153	-	<b>153</b>	152
Future minimum lease payments due:				
Not later than 1 year	153	-	<b>153</b>	152
Later than 1 year and not later than 5 years	494	-	<b>494</b>	561
Later than 5 years	697	-	<b>697</b>	-
<b>Total lease payments due</b>	<b>1,344</b>	-	<b>1,344</b>	713

## 26 Obligations under finance leases

The future minimum finance lease payments are as follows:

	<b>2017 £'000</b>	2016 £'000
Due within one year	<b>166</b>	166
Due between one and two years	<b>166</b>	166
Due between two and five years	<b>166</b>	333
Due in five years or more	-	-
<b>Total gross payments</b>	<b>498</b>	655
Less: Finance charges	<b>(38)</b>	(69)
<b>Carrying amount of liability</b>	<b>460</b>	596

Finance leases are in place for University servers and multifunctional printing devices. These run between three and five years, and are entered into with the University bearing the majority of the risk and rewards.

## 27 Access funds and external bursaries

	<b>2016/17 £'000</b>	2015/16 £'000
Balance brought forward at 1 August 2016	<b>775</b>	306
Funding council grants and bursaries	<b>6,192</b>	6,111
Disbursed to students	<b>(6,967)</b>	(5,642)
<b>Balance remaining at 31 July 2017</b>	<b>287</b>	775

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

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2017

## 28 Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability in another entity. The carrying value of the Group and University's financial assets and liabilities are summarised by category below:

	Notes	Consolidated £'000	2016/17 University £'000	Consolidated £'000	2015/16 University £'000
<b>Financial assets measured at amortised cost:</b>					
Trade receivables	16	6,169	6,169	4,911	4,911
Other receivables	16	18,511	18,511	10,015	10,015
<b>Financial assets measured at cost less impairment:</b>					
Cash and cash equivalents	23	83,014	83,014	54,125	54,125
Investments (Non-Current)	13	180	106	2,097	1,793
Investments (Current)		80,000	80,000	85,000	85,000
Trade and other receivables	16	6,198	6,198	5,027	5,027
		194,072	193,998	161,175	160,871
<b>Financial liabilities measured at amortised cost:</b>					
Loans	19	33,632	33,632	36,303	36,303
Trade and other payables	18	460	460	596	596
<b>Financial assets measured at cost:</b>					
Trade and other payables	18	46,833	46,833	43,696	43,696
		80,925	80,925	80,595	80,595

The Group's and University's income and expenses in respect of financial instruments are summarised below:

	Notes	Consolidated £'000	2016/17 University £'000	Consolidated £'000	2015/16 University £'000
Total interest income for financial assets at amortised cost	5	117	117	38	38
Total interest expense for financial liabilities at amortised cost	8	1,771	1,771	1,863	1,863

The University enters into predominantly non-complex, short-term transactions resulting in basic financial instruments. As such, the risk associated with the assets and liabilities outlined above is deemed by the University to be low. The vast majority of the financial assets outlined are in the form of cash, cash equivalent or current investments held with financial institutions on deposit. The value of these assets alone cover the outstanding debt. For further details on terms and conditions associated with loans refer to note 19.

## 29 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 in accordance with the Local Government Pension Scheme Regulations 2013, the Teachers' Pension Scheme (TPS) which is administered by the Teachers' Pension Agency and the Universities Superannuation Scheme (USS) which is administered by the trustee, the Universities Superannuation Scheme Limited. The schemes are defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. The GMPF and USS are valued every three years with the TPS being valued every five years. This is completed by actuaries using a prospective benefits valuation method with the rates of contribution payable being determined by the pension fund on the advice of the actuaries. Under the definitions set out in IAS 19, both the USS and the GMPF are multi-employer defined benefit pension schemes. 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 2017. For the USS a liability has been recognised on the balance sheet as at 31 July 2017.

### Greater Manchester Pension Fund

The last formal valuation of the scheme was performed at 31 March 2016 by a professionally qualified actuary with subsequent valuations taking place every five years. The major assumptions utilised in calculating the year-end valuation have been detailed below:

	<b>2017</b>	<b>2016</b>
	%pa	%pa
Pension increase rate	2.5	1.9
Rate of increase in salaries	3.3	3.2
Discount rate / Expected return on assets	2.7	2.4

Contribution rates are as follows:

	%
From 1 April 2016 to 31 March 2017	21.4
From 1 April 2017 to 31 March 2020	22.4

The increases in contribution rates may reduce the deficit.

The most significant non-financial assumption is the assumed level of longevity. The assumed life expectancy on retirement ages at 65 are:

	Male		Female	
	Pensioner	Future Pensioner	Pensioner	Future Pensioner
At 31 July 2016	21.4	24.0	24.0	26.6
At 31 July 2017	21.5	23.7	24.1	26.2

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (ie equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward-looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2017

## 29 Pension Schemes (continued)

### Scheme assets

The assets in the scheme were:

Fair value as at

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Equity securities	142,477	115,131	123,495
Debt securities	31,910	26,354	29,752
Private equity	9,835	7,401	7,299
Real estate	9,492	9,327	7,964
Investment funds and unit trusts	142,804	129,750	83,038
Derivatives	-	780	2,150
Cash and cash equivalents	9,618	7,468	7,454
Total	<u>346,136</u>	<u>296,211</u>	<u>261,152</u>

### Analysis of the amount shown in the balance sheet

Scheme assets	346,136	296,211
Scheme liabilities	(441,934)	(429,076)

### Deficit in the scheme

	<u>(95,798)</u>	<u>(132,865)</u>
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### Analysis of amount charged to staff costs

Current service cost	(15,149)	(11,552)
Past service costs	(94)	(131)

Total operating charge:

	<u>(15,243)</u>	<u>(11,683)</u>
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### Analysis of the amount charged to interest payable/credited to other finance income

Interest cost	(10,397)	(13,382)
Expected return on assets	7,159	9,465

### Net charge to interest payable

	<u>(3,238)</u>	<u>(3,917)</u>
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### Analysis of other comprehensive income

Return on assets excluding amounts included in net interest	38,138	22,026
Other experience	26,715	3,872
Past service credit arising on change of pension increase assumption financial year	(20,220)	(45,034)

### Total other comprehensive income

	<u>44,633</u>	<u>(19,136)</u>
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### Analysis of movement in deficit

	<b>2016/17</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
<b>Deficit at beginning of year</b>	<b>132,865</b>	<b>107,786</b>
Contributions or benefits paid by the University	(10,915)	(9,657)
Current service cost	15,149	11,552
Past service cost	94	131
Other finance charge	3,238	3,917
(Gain)/loss recognised in other comprehensive income	(44,633)	19,136
<b>Deficit at end of year</b>	<b><u>95,798</u></b>	<b><u>132,865</u></b>

<b>29 Pension Schemes (continued)</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of movement in the present value</b>		
<b>Present value at the start of the year</b>	<b>132,865</b>	<b>107,786</b>
Current service cost	15,149	11,552
Past service cost	94	131
Interest cost	3,238	3,917
Employer contributions	(10,915)	(9,657)
Changes in financial assumptions	20,220	45,034
Other experience	(26,715)	(3,872)
Return on assets	(38,138)	(22,026)
<b>Present value at the end of the year</b>	<b>95,798</b>	<b>132,865</b>
	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of movement in the fair value of scheme assets</b>		
Fair value of assets at the start of the year	<b>296,211</b>	<b>261,152</b>
Expected return on assets	7,159	9,465
Actuarial gain on assets	38,138	22,026
Actual contributions paid by University	10,915	9,657
Actual member contributions	3,419	3,150
Estimated benefits paid	(9,706)	(9,239)
<b>Fair value of scheme assets at the end of the year</b>	<b>346,136</b>	<b>296,211</b>

Defined benefit scheme assets do not include any of the University's own financial instruments or any properties occupied by the University.

The estimate for contribution for the defined benefit scheme for the year to 31 July 2018 will be approximately £10,915,000.

The actual return on scheme assets for the year was £45,297,000 gain (2016: £31,491,000 gain).

#### **The Universities Superannuation Scheme**

The Institution participates in the Universities Superannuation Scheme (the scheme). With effect from 1 October 2016, the scheme changed from a defined benefit-only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The Institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS 102 "Employee benefits", the Institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the Institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the Institution recognises a liability for the contributions payable that arise from the agreement (to the extent they relate to the deficit) and therefore an expense is recognised.

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2017

## 29 Pension Schemes (continued)

The total cost charged to the profit and loss account is £594,000 (2016: £20,000) as shown in note 20.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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

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

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

	2017	2016
Discount rate	2.57%	3.60%
Pension increases (CPI)	2.41%	2.20%

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

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

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

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
<b>Scheme assets</b>	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

### The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. 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.

## 29 Pension Schemes (continued)

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, 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

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion
- an employer cost cap of 10.9% of pensionable pay
- actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location: [teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx](http://teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx)

Lord Hutton, who chaired the Independent Public Service Pensions Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three-and-a-half-years outside of the ten-year protection. In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014/15. The increases have been phased in since April 2012.

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a normal pension age aligned to the state pension age.

### Cheshire Pension Fund

A small number of former employees (13) (2016:15) receive retirement benefits from the Cheshire Pension Fund. The related asset is not material to the University's accounts.

### Total Pension Cost

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

	2016/17	2015/16
Teachers' Pension Scheme: contributions paid	10,950	10,325
Local Government Pension Scheme: charge	15,243	11,683
USS Pension Scheme: charge	1,209	929
Other pension schemes: contributions paid	74	162
	<b>27,476</b>	<b>23,099</b>

At 31 July 2017 there was a total pension creditor of £2,895,000 (2015: £2,646,000) which was paid by 4 August 2017.

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2017

## 30 Accounting estimates and judgements

### Recoverability of debtors

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due.

### Valuation of Fixed Assets

Management make judgements as to whether the estate is appropriately valued at each balance sheet date and whether any indicators of impairment exist. As our estate forms an estimated 69% of our asset base, an incorrect assessment of asset value could influence the readers' understanding of the accounts and position of the University. Discussions are held prior to year end to assess market movements, planned changes to the estate and any other indicators which might warrant a change in the carrying value of an asset. Should an impairment be indicated, a third party valuer would be contracted to estimate the change in carrying value at the balance sheet date.

### Provisions

Management apply judgment to arrive at the best estimate for any obligation required. The amount recognised as a provision is management's best estimate of the present value of the amount required to settle the obligation. To arrive at this amount management assess the likelihood and extent of any future settlement and make judgments based on these. While the carrying value of provisions (excepting pension provisions) is not hugely material in the current year in the context of our accounts, we refer to a contingent liability which has the potential in future periods to increase this balance. The treatment of this balance makes provisions themselves a more critical accounting judgement. Refer to note 20 for further details.

### Sale of assets

Deferred payments relating to the sale of assets are measured using the amortised cost and effective interest method with a discount rate based on the market rate of interest for a similar debt instrument.

### Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions include the discount rates. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

Note 29 details the actuarial assumptions used in determining the carrying amount at 31 July 2017; sensitivities have been included within the Financial Performance and Sustainability Review included on page 33.

### 31 Related party transactions

Members of the Board of Governors are required to declare any outside interests. When an item arises in which a member has a pecuniary, business, family or other personal interest, it must be declared and the member concerned may not take part in the consideration of the matter nor vote on it. The Board of Governors has considered the financial effect of all transactions involving organisations in which a member of the Board of Governors may have an interest. It is confirmed that these are conducted at arm's length and in accordance with the University's Financial Regulations. Significant transactions were:

	<b>2016/17</b>	<b>2016/17</b>
	<b>Income</b>	<b>Expenditure</b>
	<b>£'000</b>	<b>£'000</b>
Pearson Education	-	<b>463</b>
Corridor Manchester	-	<b>51</b>
MMU Students' Union	<b>702</b>	<b>1,555</b>
UNIAC	-	<b>169</b>
NCTL	<b>393</b>	-

	<b>2016/17</b>	<b>2016/17</b>
	<b>Debtor</b>	<b>Creditor</b>
	<b>£'000</b>	<b>£'000</b>
Pearson Education	-	<b>463</b>
Corridor Manchester	-	<b>343</b>
MMU Students' Union	<b>8</b>	<b>1</b>
UNIAC	<b>79</b>	<b>169</b>
NCTL	-	<b>206</b>

The University also acts as an agent for UNIAC providing payroll services. At the year end £79,000 was outstanding in respect of these services.

# Senior Officers

## **Chancellor**

Lord Mandelson

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## **Pro-Chancellor**

Ms Vanda Murray OBE BA DESEM FCIM

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## **Vice-Chancellor**

Professor Malcolm Press BSc PhD

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## **Deputy Vice-Chancellor**

Professor Jean-Noel Ezingard IngDip Msc PhD FRSA

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## **Pro-Vice-Chancellor for Education**

Professor Helen Laville BA PhD

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## **Pro-Vice-Chancellor for International**

Professor Jenny Watling BSc PhD (from  
1 September 2016)

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## **Pro-Vice-Chancellor for Research and Knowledge Exchange**

Professor Richard Greene BSc PhD MB BS MBA FHEA FAS

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## **Director of Finance**

Mr John Cunningham BA FCCA

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## **Director of Human Resources**

Mr Adam Bowles BA MBA FCIPD (to 28 August 2017)  
Ms Lesley Houfe (Interim) (from 17 July 2017)

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## **Registrar**

Professor Karen Moore BSc PhD (to 31 October 2017)

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## **Chief Operating Officer**

Professor Karen Moore BSc PhD (from 1 November 2017)

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## **Director of Services**

Mr Paul Kingsmore BA MBA PgDip FIMechE FHEEM  
(to 31 October 2017)

# Faculty Pro-Vice-Chancellors

## **Arts and Humanities**

Professor Sharon Handley BA PhD

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## **Business and Law**

Professor Julia Clarke BA ACA PGCHE

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## **Cheshire**

Professor Janet Haddock-Fraser BA MSc MBA PhD  
(to 30 September 2016)

Professor Christine Horrocks CPsychol  
(from 26 September 2016)

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## **Education**

Professor Keith Faulks BA PGCE PhD

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## **Health, Psychology and Social Care**

Professor Alison Chambers MCSP FHEA Med EdD

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## **Science and Engineering**

Professor Phil Wheeler GIBiol MSc PhD CSci PFHEA FSB  
FRGS FIEnvSc (to 31 December 2016)

Professor Andy Gibson MEng PhD DSc FIET FIMechE  
CEng (from 6 February 2017)

# Board of Governors 2016/17

Ms Vanda Murray OBE (Chair)

Mr Kwame Amoah Mensah (to 30 June 2017)

Mr Russell Andrews

Dr Evelyn Asante-Mensah OBE (from 1 April 2017)

Ms Amie Atkinson (from 1 July 2017)

Mr Lewis Bartlett (to 30 June 2017)

Dr Paul Bevan (from 1 April 2017)

Mr Tony Davison (to 31 December 2016)

Mrs Janet Dawson

Mr Hussain El-Amin (from 1 July 2017)

Professor Chris Fox

Mr Mohammad Habeebullah OBE (from 1 July 2017)

Mr Norman Harrison

Mr Barry Harwood

Ms Penny Macbeth

Professor Sir David Melville CBE (to 22 September 2017)

Mr Calum Mercer (from 1 August 2016)

Mr Bhupendra Mistry (to 25 September 2017)

Mr Mike Perls

Professor Malcolm Press

Mrs Claire Rigby (to 19 September 2016)

Mr Ian Roberts (to 31 January 2017)

Mrs Collette Roche (13 April 2017)

Mr Miles Rothbury (from 26 September 2017)

Ms Brenda Smith (from 1 August 2016)

Mr Mark St John Qualter

Mr Neil Thompson (from 26 September 2017)

Mr John Varney

Ms Wendy Wright OBE (to 25 September 2017)



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