SOUTH BANK UNIVERSITY
ENTERPRISES LTD

Meeting of South Bank University Enterprises Ltd Board

10.00 am on Tuesday, 15 November 2016
in DC211 - Clarence Centre for Enterprise and Innovation

Agenda

No.	*Item*	*Pages*	*Presenter*
1.	Welcome and apologies		GJ
2.	Declarations of interest		GJ
	Year End approvals		
3.	Audit findings	3 - 38	RF
4.	Letter of representation to auditors	39 - 44	RW
5.	Statutory accounts to 31 July 2016	45 - 62	RW
6.	SBUEL staff bonuses	63 - 76	GJ
7.	Any other business		

Date of next meeting
3.00 pm on Wednesday, 7 December 2016

Members: Gurpreet Jagpal (Chair for the meeting). Richard Flatman and Hilary McCallion

Apologies: Paul Ivey (Chair)

In attendance: Michael Broadway, Joe Kelly and Rebecca Warren

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SOUTH BANK UNIVERSITY ENTERPRISES LTD

	CONFIDENTIAL
Board:	SBUEL Board of Directors
Date:	15 November 2016
Paper title:	Audit findings
Author:	Rebecca Warren, Accountant
Recommendation:	The Board is requested to consider the audit findings relevant to SBUEL.

The Audit Findings document for LSBU is attached, which applies where relevant to SBUEL. The Board is requested to consider the audit findings relevant to SBUEL. References to SBUEL are on: pages 11&12; page 16 – Gift Aid; page 22 – Journals.

Page 11: 'We have not identified any significant issues as a result of our audit procedures performed in relations to South Bank University Enterprises Limited.' Page 16 (of the audit report) describes the changes to the disclosure of gift aid.

The document was produced by Grant Thornton, the external auditors. The audit findings for both LSBU and SBUEL have been reviewed in detail by the LSBU Audit Committee.

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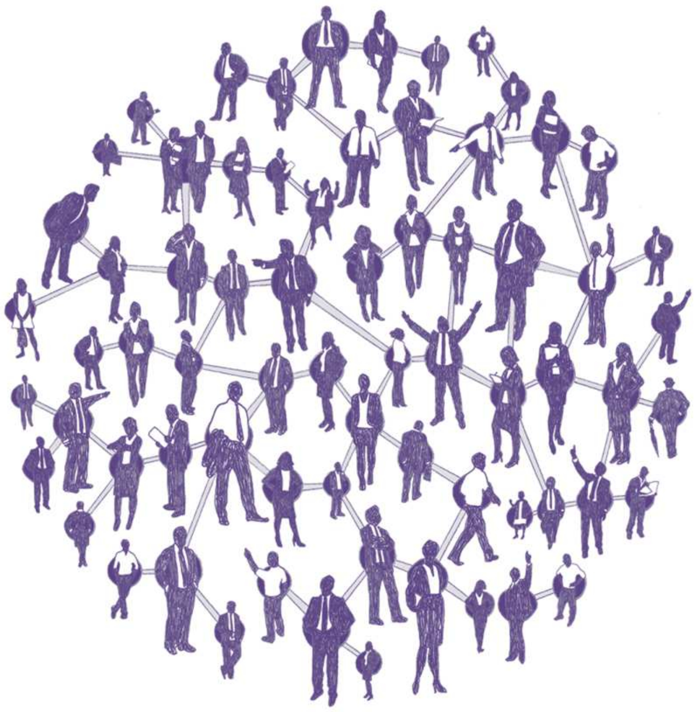
Grant Thornton

The Audit Findings for London South Bank University and its subsidiary undertaking

Year ended 31 July 2016

October 2016



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Private and Confidential

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October 2016

Dear Sirs

Audit Findings for London South Bank University and its subsidiary undertaking for the year ended 31 July 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Carol Rudge

Engagement Partner, Grant Thornton UK LLP

Contents

1. Status of the audit

Purpose of this report

This report highlights the key issues affecting the results of London South Bank University and its subsidiary undertaking and the preparation of the financial statements for the year ended 31 July 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated May 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Receipt of outstanding bank letters
- Resolution of small number of final outstanding testing queries
- Completion of our internal review process
- Review of the final versions of the financial statements for LSBU and SBUEL
- Obtaining and reviewing the final management letter of representation
- Completion of the post balance sheet events review up to the date of the audit opinion

Key audit and financial reporting issues

Financial statements opinion

There were a small number of adjustments posted during the course of the audit. Further detail of these adjustments are included in sections 6, 7 and 8 of this report. The final group accounts record a surplus for the year of £3,283k (2015: £1,172k deficit).

The key messages arising from our audit of the financial statements are:

- The financial statements presented for audit were complete and free from significant errors.
- The working papers provided a comprehensive audit trail from the statements to the individual transactions in the financial ledger, which was clear and easy to follow.

Further details are set out in sections 2, 3 and 4 of this report. We anticipate providing unmodified audit reports in respect of the financial statements for both London South Bank University and South Bank University Enterprises Limited.

2. Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work performed and commentary
1.	**The income cycle includes fraudulent transactions** • Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue	Throughout the course of the audit we performed the following: • review and testing of revenue recognition policies • testing of significant revenue streams **Conclusion** Our audit work has not highlighted any issues in respect of revenue recognition. The University has adopted appropriate accounting policies regarding revenue recognition and our testing supports compliance with the policies.
2.	**Management override of controls** • Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Throughout the course of the audit we performed the following: • review of accounting estimates, judgements and decisions made by management • review of the controls in place over the accounting system and other key IT software applications • testing of journal entries • review of related party transactions • review of unusual significant transactions **Conclusion** Our audit work has not highlighted any evidence of management override of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We have identified some control findings within the internal control section of this report.

2. Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work performed and commentary

3.	**FRS 102 compliance**
	• For periods commencing on or after 1 January 2015, new accounting standards come into effect for entities previously reporting under UK GAAP.
	• Management are required to assess the impact of the changes under FRS 102, to select appropriate accounting policies and make required adjustments in the preparation of the financial statements.
		Throughout the course of the audit we performed the following:
		• review of management's impact assessment to ensure all changes have been identified and that management have selected appropriate accounting policies.
		• Review of the financial statements to ensure these changes have been correctly accounted for in accordance with those policies. The key areas considered as part of this review included:
		  • the treatment of grant income – the University has opted to retain the accruals method, whereby the balance on capital grants is held as deferred income and is set off against the depreciation charge for the asset
		  • the classification of leases – the University has reviewed the classification of all operating leases to ensure that there are no items requiring reclassification to finance leases
		  • the revaluation of fixed assets – the University has taken advantage of the option under FRS 102 to revalue assets of its choosing and to carry these revaluations forward as the deemed cost of the asset. The University has revalued selected land assets and has recognised an increase in land value of £41,946k
		  • the treatment of bank loans – the University has reviewed each of its bank loans on an individual basis to ensure that they meet the conditions set within FRS 102 to be recognised as a basic loan.
		  • the treatment of LPFA pension scheme – under FRS 102, the University is required to recognise a net interest cost in the Statement of Comprehensive Income and Expenditure. This change does not impact the overall liability balance included on the balance sheet
		  • The treatment of USS pension scheme – the University has an obligation to fund past deficits within the USS scheme and therefore is required to recognise this as a liability on the balance sheet. This represents £1,012k of the year end pension liability
		  • the employee leave accrual – under FRS 102 the University is required to recognise a liability for unused annual leave at the reporting date. This represents £2,610k of the year end accruals balance
		• review of the presentation and disclosures in the financial statements to ensure compliance with the new standards.
		Conclusion
		The impact of the transition is set out in note 27 to the financial statements. Our audit work has not highlighted any issues in respect of FRS 102 compliance.

3. Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

	Risks identified in our audit plan	Audit findings and conclusions
1.	**Tuition and fee revenues (including education contracts)** • Recorded tuition and fee revenues not valid • Allowance for doubtful debts not adequate • Recorded debtors not valid *Income: £102,794k* *Debtors: £9,620k* *Bad debt provision: £4,332k*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • performed substantive analytical review of tuition fees income, using student numbers and fees as set by the University to develop an expectation of fees income for comparison to recorded income • performed detailed testing on a sample of students in the period, agreeing the information back to student enrolment forms to ensure the validity and correct calculation of the fee income recognised • reconciled student data between the student database and the accounting system • reviewed the treatment of income from a sample of education contracts to confirm the existence and amount of income, that it relates to the period and has been correctly accrued or deferred as appropriate at the balance sheet date. We have considered any potential clawback in relation to the NHS contract • reviewed the recoverability of debtors in respect of tuition fees and considered the adequacy of bad debt provisions • compared aged balances with prior year aged balances and calculated aging as a percentage of total fees debtors. Any unusual differences have been investigated **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified
2.	**Funding Council grants** • Recorded revenue and debtors not valid *Income: £15,684k*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • reconciled HEFCE income to remittance advice, bank statements and correspondence with HEFCE • reviewed the recoverability of debtors in respect of grant income **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.

3. Audit findings against other risks (continued)

	Risks identified in our audit plan	Audit findings and conclusions
3.	**Other operating income** • Recorded revenue and debtors not valid *Income: £19,505k* *Debtors: £6,328k*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • verified a sample of other income transactions to confirm the existence and amount of the income and to ensure that it relates to the correct period • reviewed the recoverability of debtors in respect of student accommodation fees and other sales ledger debtors **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.
4.	**Employee remuneration** • Employee remuneration and benefit obligations and expenses understated *Staff costs: £71,581k*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • reviewed the reconciliation between the payroll system and the finance system • analytically reviewed payroll expenses in comparison to prior years and investigated any significant or unexpected variances • reviewed a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment • performed data interrogation tests (using IDEA software) to identify exceptions such as duplicate employee names, NI numbers and have investigated the results **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.

3. Audit findings against other risks (continued)

	Risks identified in our audit plan	Audit findings and conclusions
5.	**Creditors and operating expenses** • Creditors understated or not recorded in the correct period *Other operating expenses: £48,882k* *Creditors due within one year: £42,993k* *Deferred income: £25,038*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • completed unrecorded liabilities testing to confirm the completeness and cut off of transactions • tested a sample of creditor balances through agreement to supporting evidence • reviewed all significant creditors and accruals balance sheet items, comparing them to the prior year and our expectations, investigating any significant differences • tested a sample of items of expenditure throughout the year to gain assurance that it has occurred and is correctly classified • reviewed the deferred income balance for appropriateness, including sample testing against supporting documentation **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.
6.	**Property, plant and equipment** • Revaluation measurements not correct *Land revaluation: £41,946k*	Under FRS 102 there is an option for the University to select specific assets for revaluation, with these values then becoming the deemed cost on transition. The University chose to take advantage of this opportunity and has revalued elements of the land held at the Southwark Campus. The University engaged a professional valuer, Bilfinger GVA, to complete these valuations, which resulted in an increase to the land value of £41,946k. We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • reviewed the competence, expertise and objectivity of management experts used • reviewed the work carried out by the valuer, including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards and the assumptions and judgements are reasonable • reviewed and challenged the information used by the valuer to ensure it is complete, robust and consistent with our understanding **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.

3. Audit findings against other risks (continued)

	Risks identified in our audit plan	Audit findings and conclusions
7.	**Pensions** • Pension scheme assets and liabilities may be misstated *Pension scheme liabilities: £122,512k*	The University has engaged the services of a professional actuary, Barnett Waddingham, to undertake pension expense calculations in respect of the pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of South Bank University as at 31 July 2016. The assumptions used in generating the liability at year end have been considered in additional detail within section 11 of this report. We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle and confirmed through our review that the process has been followed as expected • Benchmarked adopted pension actuarial assumptions with expectations • Reviewed the underlying assumptions and calculations for both the LGPA and USS schemes to ensure that they are reasonable • reviewed the detailed disclosures included within the financial statements to ensure full compliance with accounting standards **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.

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4. Audit findings – subsidiaries

This section provides commentary on matters which were identified during the course of the audit in relation to the subsidiary company.

	Subsidiary	Commentary
1.	**South Bank University Enterprises Limited**	We have not identified any significant issues as a result of our audit procedures performed in relation to South Bank University Enterprises Limited. The key risks have been considered below:
	Significant risks	
	The income cycle includes fraudulent transactions	Work performed against this risk aligns with that performed for the main university as documented on page 5. No issues in relation to SBUEL were identified from the work performed.
	Management override of controls	Work performed against this risk aligns with that performed for the main university as documented on page 5. No issues in relation to SBUEL were identified from the work performed.
	FRS 102 compliance	Throughout the course of the audit we performed the following: • review of management's impact assessment to ensure all changes have been identified and that management have selected appropriate accounting policies. • Review of the financial statements to ensure these changes have been correctly accounted for in accordance with those policies. The key areas considered as part of this review included: • the employee leave accrual – under FRS 102 SBUEL is required to recognise a liability for unused annual leave at the reporting date. This represents £5k of the year end accruals balance • review of the presentation and disclosures in the financial statements to ensure compliance with the new standards. **Conclusion** The impact of the transition is set out in note 14 to the financial statements. Our audit work has not highlighted any issues in respect of FRS 102 compliance.

4. Audit findings – subsidiaries (continued)

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	Other risks	
	Income • Recorded revenue and debtors not valid *Income: £2,295k* *Debtors: £325k*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • verified a sample of income transactions to confirm the existence and amount of the income and to ensure that it relates to the correct period • reviewed the recoverability of debtors in respect of sales ledger debtors **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.
	Employee remuneration • Employee remuneration and benefit obligations and expenses understated *Staff costs: £1,201k*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • reviewed the reconciliation between the payroll system and the finance system • analytically reviewed payroll expenses in comparison to prior years and investigated any significant or unexpected variances • reviewed a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment • performed data interrogation tests (using IDEA software) to identify exceptions such as duplicate employee names, NI numbers and have investigated the results **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.
	Creditors and operating expenses • Creditors understated or not recorded in the correct period *Operating expenses: £929k* *Creditors due within one year: £411k*	We have undertaken the following work in relation to this risk: • documented our understanding of processes and controls over the transaction cycle • performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding • completed unrecorded liabilities testing to confirm the completeness and cut off of transactions • tested a sample of creditor balances through agreement to supporting evidence **Conclusion:** Our audit work has not identified any significant issues in relation to the risk identified.

5. Other communication requirements

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with those charged with governance. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• Testing performed in relation to related parties has not highlighted any issues. We are not aware of any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations and we have noted no significant issues as a result of our regularity review.
4.	**Key estimates and judgements**	• Judgements and estimates have been considered for asset valuations, bad debt provisions, accruals and pension assumptions ***Asset valuations:*** • The University's accounting policy for valuation is appropriate under FRS 102. The University has selected specific items of land which have been revalued, with these values then becoming the deemed cost on transition. The University engaged valuation experts to complete the valuation of land and judgement has been applied by the valuers in considering the University's assets. To provide us with assurance over the judgements used and the reported results, we have reviewed the results of the valuation through a detailed review of the assumptions made and the evidence supporting these. ***Bad debt provisions:*** • The University continues to apply estimates and judgements over bad debt provisions. We have reviewed the judgement that has been applied by the University in calculating these balances. The University has taken a reasonable approach to estimating these provisions and our testing has provided assurance over the judgements made. ***Pension liabilities:*** • The University engaged with professional actuaries, Barnett Waddingham, to provide the information for the pensions liability. We have confirmed that the pension fund valuations were consistent with the actuarial reports and we have considered the assumptions used by the University. No issues were noted from the work performed.
5.	**Written representations**	• A standard letter of representation has been requested, including a specific representation with regard to the assumptions used in relation to the pension liability. This should be signed alongside the financial statements.
6.	**Disclosures**	• We are working with management to finalise our review of the financial statements and have highlighted some key items in section 8 of this report.
7.	**Going concern**	• We have just received the management consideration of going concern and are currently finalising our review. However from our discussions and understanding of the University, we do not anticipate any issues to be identified that would cause concern about the going concern status in the 12 months following the signing of the audit report.

6. Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported surplus.

	Adjustment type	Profit & Loss £'000	Balance Sheet £'000	Impact on surplus £'000	Detail
London South Bank University:					
	Reclassification (Trade Creditors / Other Creditors)	-	10,222 (net impact £0)	-	• Being the adjustment to reclassify the Hugh Astor Court creditor from trade creditors to other creditors.
2	Reclassification (Assets Under Construction / Accruals)	-	498 (net impact £0)	-	• Being the adjustment to recognise the retention relating to assets under construction.
South Bank University Enterprises Limited:					
1	Reclassification (Accrued income / Accruals)	-	74 (net impact £0)	-	• Being the adjustment to reclassify accrued income from accruals
2	Reclassification (Inter-company balances)	-	223 (net impact £0)	-	• Being the adjustment to reclassify the inter-company balance as a creditor rather than a negative debtor

7. Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made in the final set of financial statements.

	Adjustment type	Profit & Loss £'000	Balance Sheet £'000	Impact on surplus £'000	Detail
London South Bank University:					
We have not identified any unadjusted misstatements in relation to the University.					
South Bank University Enterprises Limited:					
	Reclassification (Trade Debtors / Trade Creditors)	-	12	-	• Being the adjustment to reclassify credit balances in the trade debtors listing
2	Misstatement (Operating Expenses / Accruals)	(15)	15	(15)	• Being the adjustment to recognise the Interserve accrual
3	Misstatement (Bad Debt Provision / Bad Debt Expense)	11	11	11	• Being the adjustment to the bad debt provision for amounts recovered post year end
	Overall impact	**(4)**	**-**	(4)	

8. Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
London South Bank University:				
1	Disclosure	-	Financial statements	As per the HE SORP, the University is required to show both the consolidated and the university balances for the Statement of Comprehensive Income and Expenditure. The additional University disclosures have been added to the financial statements.
2	Disclosure	-	Intangible assets	Under FRS 102, the University is required to show software assets separately as intangible assets rather than including them within the fixed asset balance. The University has not historically recorded the split of assets (net book value approximately £1.5m) and has not amended the disclosure on the grounds of materiality. A recommendation has been on page 18 to record this information going forward.
	Disclosure	-	Financial statements	There were a number of minor presentational changes that arose during the course of the audit that have been made to the financial statements
South Bank University Enterprises Limited:				
1	Disclosure	-	Financial statements	The statements are to be updated to make clear reference to FRS 102 and the impact of the transition
2	Disclosure	-	Gift Aid	Guidance on the treatment of gift aid payments in respect of company law and tax has just been updated. Following this, it has been concluded that the amounts are distributions under FRS 102 and therefore should be accounted for as such. As a discretionary distribution, the payment should only be recognised at the balance sheet date if there is a binding obligation in place (constructive or contractual). Without a binding obligation, the payment remains discretionary and therefore should not be included as a liability in the year. SBUEL had paid £150k over during the year which is not affected, but there is no binding obligation in place for the balance. The financial statements have been amended to reflect the new accounting requirements.
3	Disclosure	-	Financial statements	There were a number of minor presentational changes that arose during the course of the audit that have been made to the financial statements

9. Internal controls

- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control
- The matters being reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with ISA 265
- If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported.
- During our work we have liaised with the internal auditors and held independent discussions to make sure we are aware of any issues they may have that might be relevant for our external audit, or where we believe we should make them aware of any concerns arising from our work. Although we do not place direct reliance on the work of the internal auditors, we take into account their findings, and if necessary amend our audit approach as may be required.

	Assessment	Issue and risk	Recommendations
London South Bank University:			
1.	●	**Journals** Testing has identified that the manual journal type of G6 journals for the University are all subject to review by the Financial Controller. There are an increasing number of these journals being posted and this review process is increasingly time consuming.	We recommend that the authorisation process for journals is reviewed to ensure that a documented authorisation process is in place and followed for all manual journals. **Management response** Agreed. We are in the process of reviewing the processes involved in posted GL journals and will document the authorisation process and monitor that this is followed. Going forward we will investigate how Agresso can be used to automate the journal approval process. **Person responsible:** Natalie Ferer **Date:** January 2017
2.	●	**Journals** Testing has identified that a number of automated journals are posted to the system without a description. This does not provide sufficient clarity to easily identify journal postings.	We recommend that a description is included against all journal postings to provide a clear record on the system. **Management response** Agreed. Where there is an absence of a description, the posting usually originates from the purchase ledger and occurs when staff do not input a description when raising a purchase order or authorising an uncommitted invoice on Agresso. We will remind users of the requirement to include a description and monitor and follow up when this procedure is not being followed. **Person responsible:** Natalie Ferer / Ravi Mistry **Date:** December 2016

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Assessment
● Significant deficiency – risk of significant misstatement ● Deficiency – risk of inconsequential misstatement

9. Internal controls (continued)

	Assessment	Issue and risk	Recommendations
3.	●	**Deferred capital grants** Our testing has identified a number of grants where it has been difficult to obtain supporting documentation for the grant	We recommend that the University ensures that all backing documentation is retained for capital grants and can be easily accessed. **Management response** Agreed. A file will be maintained by the financial accounting team to make sure they have access to all relevant information. **Person responsible:** Natalie Ferer **Date:** November 2016
4.	●	**Tuition fee debtors** Testing of the tuition fee debtors and the associated bad debt provision identified that the University holds a number of very old debts on its ledger, with a corresponding provision against them. Our understanding is that the current policy is to write off these balances after six years. Given the likelihood of receiving these balances, we would not expect the period before write off to be so long.	We recommend that the University consider its policy in relation to writing off bad debt to ensure that it remains appropriate. **Management response** Agreed. Although some older debt is recovered, we will review all debt and recommend write off where there is little chance of recovery. **Person responsible:** Natalie Ferer **Date:** June 2017
5.	●	**Intangible assets** Under FRS 102 software assets should be recorded separately as intangible assets. The University has not historically split out this information on its asset register and has not completed a detailed review on the grounds of materiality.	We recommend that the University ensure that details of software items are clearly split out on the asset register going forward to enable disclosure within the financial statements. **Management response** Agreed. A separate category will be set up on the fixed asset register and software will be disclosed separately in the 2016/17 financial statements. **Person responsible:** Natalie Ferer **Date:** July 2017

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Assessment
● Significant deficiency – risk of significant misstatement ● Deficiency – risk of inconsequential misstatement

9. Internal controls (continued)

	Assessment	Issue and risk	Recommendations
6.	●	**Prior year recommendations rolled forward** We have rolled forward prior year recommendations in relation to: - Fixed asset retentions	Please see page 21 for management response.
South Bank University Enterprises Limited:			
1.	●	**Prior year recommendations rolled forward** We have rolled forward prior year recommendations in relation to: - Journals	Please see page 21 for management response.

Assessment

● Significant deficiency – risk of significant misstatement ● Deficiency – risk of inconsequential misstatement

9. Internal controls (continued) *Issues raised in previous years*

	Assessment	Issue and risk	Update on actions taken to address this issue
London South Bank University:			
1.		**Payroll controls** We tested a sample of employees to contract and identified two cases where the employment contract on file was not signed by the employee. The existence of the employee was verified to other supporting documentation. **Management response** Most staff will have an HR induction on their first day of work and at this meeting HR will check that all starter procedures have taken place, including ensuring contracts have been signed. One of the cases identified during the audit was an hourly paid lecturer (HPL), whose induction was carried out in the school and not in HR as is the normal process. There are no plans to change this process. The other missing contract was for a permanent member of staff and the file containing a signed employment contract has now been found.	No issues noted from the testing performed in the current year. Recommendation closed.

Assessment
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

9. Internal controls (continued) *Issues raised in previous years*

	Assessment	Issue and risk	Update on actions taken to address this issue
2.	●	**Bank account controls** It came to our attention through the receipt of a bank confirmation from Barclays that there was an account that was not included in the accounts and for which bank reconciliations were not carried out. The bank letter confirmed this was a zero balance at year end and there has been no activity since the year end. However the last statement received was dated November 2014. **Management response** The account in question was a Euro account held at Barclays which has not been used for a number of years. We will write to Barclays and ask them to close the account.	No issues noted from the testing performed in the current year. Recommendation closed.
3.	●	**Fixed asset register** A disposal was made of the Student Union building and the fixtures and fittings of Eileen House in 2013/14, but this was not picked up as part of the 2013/14 accounts process and remained on the fixed asset register. The asset has now been removed. The assets were fully depreciated and were sold for nil consideration, so there is no impact to the financial statements. As such, this has been included within the financial statements as a current year transaction. **Management response** We will put in place an annual process to verify that fixed assets recorded on the fixed assets register are in existence and have not been disposed of.	No issues noted from the testing performed in the current year. Recommendation closed.

Assessment
● Significant deficiency – risk of significant misstatement ● Deficiency – risk of inconsequential misstatement

9. Internal controls (continued) *Issues raised in previous years*

	Assessment	Issue and risk	Update on actions taken to address this issue
4.		**Fixed asset retentions** We identified that the University had not accrued for retentions against assets completed in the period. As the asset is complete, it should be recognised in full. We have proposed an adjustment to reflect this. **Management response** The retentions relate to a number of completed projects. In the future we will accrue retentions annually as part of the cost of the fixed asset.	During our review this year we noted that the University had not accrued for retentions against assets completed in the period. We would recommend that this is accounted for and have proposed an adjustment to reflect this. This recommendation has been rolled forward into the current year. **Management response** Agreed. This task will be part of the year end checklist to ensure that it is completed at the year end. **Person responsible:** Natalie Ferer / Ralph Sanders **Date:** July 2017
South Bank University Enterprises Limited:			
5.		**Journals** Testing has identified that the manual journal type of G1 journals for South Bank University Enterprise Limited do not have a formal review process in place. This is not considered to be a significant deficiency as oversight of all posted journals is provided by the University. **Management response** Agreed. In the future SBUEL journals will be subject to the same review process as those posted in the University's accounts.	As per discussion with management, this is still in progress. This recommendation has been rolled forward into the current year. **Management response** Agreed. We are in the process of reviewing processes around journal authorisation and will bring SBUEL in line with standard university practices. **Person responsible:** Natalie Ferer **Date:** December 2016

Assessment
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

10. Non-audit fees and independence

Fees

	£
London South Bank University (incl. SBUEL)	42,630
One off FRS 102 compliance review	10,000
Total audit fees (excluding VAT)	**52,630**

Fees for other services

	£
Tax compliance services (SBUEL)	2,625
iXBRL tagging (SBUEL)	865

The above non-audit services are consistent with the University's policy on the allotment of non-audit work to your auditors.

Independence and ethics:

Ethical standards and ISA UK 260 requires us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- we confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements
- we confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards

11. Pension

The following table shows the key mortality assumptions used by the actuaries.

Mortality (based on future life expectancies at the age of 65)	2016	Benchmark* (years)
Current pensioners	22.0	22.4
Future pensioners	24.4	24.4
* Median has been obtained from information provided by our actuarial experts		

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Mortality / life expectancy
The derivation of the assumption for future mortality is one of the most subjective areas of the actuarial basis. The assumption for mortality before retirement has a relatively minor impact on the liabilities and this section therefore considers only the assumptions made for mortality after retirement.

The Base Table
The base table that has been used in the calculations is the Club Vita tables, which is based on the mortality experience of the Scheme itself.

Projected Improvements
The method used to allow for future improvements in mortality is critical in the assessment of the liabilities. The approach adopted by the Actuary is the CMI 2012 improvement factors applied with an long term future improvement of 1.50% per annum.

The table above shows that the illustrative life expectancies under the Actuary's assumptions are in each in line with those under the median assumptions.

The following table shows the key assumptions used by the actuaries.

Actuarial assumptions	2015	2015
Pension increases	2.1%	2.6%
Salary increases	3.9%	4.4%
Discount rate	2.5%	3.8%
CPI increases	2.1%	2.6%

Pension increases
Increases in payment – 2.10% p.a (CPI)
Increases in deferment – 2.10% p.a (CPI)
The assumptions for pension increases are based on (CPI) inflation. These assumptions should be based on the inflation assumption but adjusted to allow for the relevant cap and floor (if applicable) to the extent that inflation is expected to vary in future years. Given our expectations of future inflation volatility (based on past experience), we are happy that the proposed assumptions for pension increases are appropriate.

Salary increases
The rate assumed for salary increases is 3.90% pa, which represents a 0.90% pa real salary increase above the RPI inflation rate assumption adopted. In the past the usual range was between 0.5% and 1.5% pa above RPI inflation. However, due to changing economic conditions, the typical margin we have observed over recent periods has reduced to, in some cases, a zero margin.
As this assumption is based on long term expectations, we have confirmed with the University that this in line with their long term business plans.

11. Pension (continued)

Discount rate

The discount rate should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. For this purpose, in the UK, the universal approach is to base the discount rate on the yields available on AA-rated corporate bonds of appropriate term and currency to the liabilities.

The yield on the iBoxx AA-rated Corporate Bond Index (for terms of over 15 years) (the "iBoxx index") as at 31 July 2016 was 2.30% pa. The Actuary has adopted a discount rate of 2.50% pa as at 31 July 2016, i.e. an upward adjustment of 0.20% on the iBoxx index.

Due to the current upward-sloping curve of the yield curve, we would expect to see discount rates above the iBoxx index for schemes whose liabilities have a longer duration than iBoxx. The current duration of the iBoxx index was around 14 years as at 31 July 2016. The Actuary has estimated the duration of the scheme's liability to be 19 years. We are therefore comfortable with the adjustment to the iBoxx index and the discount rate assumption is acceptable.

CPI increase

Standard practice is to derive the CPI assumption based on the RPI assumption. Based on the RPI assumption a downward adjustment of 0.90% has been made to RPI inflation in this case. Since the introduction of the CPI measure in 2010, we have been observing downward adjustments of between 0.50% and 1.00%, from the RPI to produce estimates of CPI.

We expect the RPI/CPI wedge to remain between 0.50% and 1.00% and therefore this assumption is reasonable.

12. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence		✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to Going Concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all of the directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISA's (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Appendix A – Sector update

'Adapting to change': the financial Health of the Higher Education sector in the UK 2016-Grant Thornton

Grant Thornton's sixth annual report and review of the financial health of the higher education sector has been published. It is an independent analysis of the audited financial statements prepared by over 150 higher education institutions (HEIs) in the UK. The report considers that:

- the higher education sector in the UK remains in sound financial health; but
- there is a widening gap in financial performance across the sector, with some institutions thriving; whilst
- others have yet to embrace the need to adapt to a changing environment.

Key highlights of financial performance include:

- Sector surpluses (before exceptional items) of £1.85bn in 2014/15 are the highest for seven years at 5.6% of income - a 54% increase over the prior year.
- Sector income is up by 8.1% to £33.1bn in 2014/15 - buoyed up by £0.4bn of research and development expenditure credits (RDEC) and increases in income from UK and EU tuition fees and contracts which rose by 16.2% to £11.5bn.
- Income from overseas students has doubled in the last seven years to £4bn in 2014/15 with more than one in ten students in the sector domiciled outside the EU.
- Staff costs continue to be the largest category of expenditure representing 51.6% of income in 2014/15.
- Investment in capital infrastructure is up by 15.5% over 2013/14 levels to £4.3bn in 2014/15– the highest level for six years. This has been funded from cash and higher levels of debt which has increased by £4.1bn since 2008/09 and now represents 27% of income.

'Adapting to change': the financial Health of the Higher Education sector in the UK 2016-Grant Thornton

One statistic alone demonstrates how some institutions have thrived:

- The five institutions which saw the largest absolute growth in income in the year to 31 July 2015 represent over a quarter of the sector growth - £558m excluding RDEC .

Higher education institutions in the UK continue to be extremely successful at attracting international students:

- More than one in ten undergraduates studying in the UK are from overseas (non-EU) countries.
- Tuition fees from overseas students represents in excess of 12% of the sector's total income in 2014/15 (which compares to over 17% in Australia, which has a similar funding regime to the UK).

However institutions need to be cautious of this growing dependency on the premium afforded from international students. International recruitment is complex, competitive and highly sensitive to changing economic and political factors.

A copy of the report can be downloaded from this link: http://www.grantthornton.co.uk/en/insights/financial-health-of-uk-higher-education-in-2016/

Appendix A – Sector update (continued)

Charities (Protection and Social Investment) Act 2016

The Charities (Protection and Social Investment) Bill received Royal Assent on 16 March 2016 and is now an Act of Parliament ('the Act'). The Act will apply to Universities that are registered or exempt charities. The Act gives additional powers to the Charity Commission to issue official warnings in relation to breaches of trust, misconduct or mismanagement.

The Act also requires additional reporting about fundraising in a University's annual reports. HEFCE-funded HEIs that are registered charities or exempt charities, plus any other registered charities within the higher education sector will need to consider how to report the required fundraising standards information in their financial statements. The requirements are set out within section 13(4) of the Act.

The Cabinet Office has published its proposed timetable for the commencement orders to enact the provisions of the Act. The order relating to the disclosure of information about fundraising in annual reports (financial statements) is expected in late 2016.

Until the draft commencement order is published, however, it is likely to remain unclear as to whether all financial statements published after this date will be required to include the new disclosures or whether there will be a transition period. There is a possibility that higher education institutions will be required to make fundraising disclosures in their financial statements for 2015-16.

Details on the timetable can be found at this link:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524527/charities_act_2016_implementation_plan_11_may_2016.pdf

A copy of the Act can be downloaded from this link:
http://www.legislation.gov.uk/ukpga/2016/4/contents/enacted/data.htm

Higher Education White Paper -Success as a Knowledge Economy

The Department of Business, Innovation and Skills have released the HE White Paper. This white paper sets out a range of reforms to the higher education and research system. In some cases these plans are subject to Parliament. If the proposed reforms are accepted, it will lead to a major reshaping of higher education. A copy of the white paper can be downloaded from this link: https://www.gov.uk/government/publications/higher-education-success-as-a-knowledge-economy-white-paper .

Some of the key proposals in the white paper include:

- The most significant change is the linking of tuition fees to a teaching quality assessment, this will be carried out under the Teaching Excellence Framework (TEF). Institutions will be given one of three grades, with all HEIs allowed to increase their fees by at least half of the rate of inflation for that year (starting from 17/18), but with those in the upper two grades allowed to increase their fees by the full rate of inflation. The government believes this will bring in an extra £1billion a year for the sector. The TEF assessment will be based on student satisfaction, retention, and graduate employment, as well as other unspecified metrics, qualitative submissions, and expert judgement
- The creation of new body, an Office for Students, merging the Office for Fair Access with the learning and teaching functions of the Higher Education Funding Council for England
- The merger of the seven research councils with the research funding responsibilities of HEFCE, creating a new body called UK Research and Innovation (UKRI), which will control a 'common research fund'
- Changes to make it easier for new providers to enter the system such as gain degree awarding powers, allowing new providers who want access to state student loans to charge tuition fees of up to £9,000, rather than £6,000 as is currently the case, if they have an access agreement in place
- A requirement for Universities to publish the gender, ethnicity and social backgrounds of their student intake to "shine a light on their admissions processes."

Appendix A – Sector update (continued)

Gift Aid update

The ICAEW have updated their guidance in the form of Tech 16/14BL Revised in February 2016 which confirms that the payments to the company's parent University are indeed distributions and therefore need to be considered in relation to company law. This is applicable to those entities making gift aid payments that are registered under the Companies Act 2006.

In summary, gift aid payments to the company's parent should only be made if that company has sufficient distributable profits. Any payments made in excess of distributable profits would be deemed unlawful and have to be repaid by the parent. Furthermore, the directors of the subsidiary may be liable in some circumstances. This liability includes such excess amounts arising over the previous 6 years.

HMRC have issued new specific guidance on the tax treatment of accounting entries that may arise in relation to the application of the matters set out within the ICAEW technical release. HMRC guidance is expected to be followed for accounting periods beginning on or after 1 April 2015. The University may wish to consider the filing position of any returns not yet submitted and any open years, and take professional advice as necessary.

In accordance with the new HMRC guidance, the tax treatment is as follows:

- a Gift Aid payment that represents an unlawful distribution is not allowable as a qualifying donation
- a repayment of a previous unlawful distribution is not taxable.

A copy of the ICAEW Tech 16/14BL Revised can be downloaded from this link:

https://www.icaew.com/~/media/corporate/files/technical/technical%20releases/legal%20and%20regulatory/tech16%2014bl%20guidance%20for%20donations%20by%20a%20company%20to%20its%20parent%20charity.ashx

Mandatory Gender Pay Gap Reporting

Tackling the gender pay gap is an absolute priority for the Government and as a result draft regulations in the form of The Equality Act 2010 (Gender Pay Gap Information) Regulations 2016 ('the regulations') will come into force for **periods on or after 1 October 2016.**

The regulations will apply to both private and voluntary sector employers in England, Wales and Scotland with at least 250 employees. As employers publish their information onto a government sponsored website, a database of complying employers will be built up. Areas of compliance and non-compliance will be identified. The Government are not intending to create any additional civil penalties but will closely monitor compliance in the early years of implementation.

The regulations require each employer to publish information based upon a "snapshot of pay" at 30 April 2017, to be repeated annually for 30 April each year. However, employers have 12 months' grace to publish their figures, so first reports must be published by 30 April 2018.

The Government intend to publish guidance on implementing the regulations which will cover various governance structures (for example parent entities and subsidiaries) and will also provide advice on voluntary narrative reporting that explains any pay gaps and what action the employer is taking.

Universities may need to introduce new systems or processes to analyse their gender pay gaps. For many organisations, collating this information may be time-consuming and difficult. Therefore take action now to ensure that you are ready to capture pay data on 30 April 2017.

For more information visit this link:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf

Appendix A – Sector update (continued)

Persons with Significant Control Register

From 6 April 2016, most companies will need to keep a new register with their company books, recording the main owners of the business. This is called the register of Persons with Significant Control (PSC) Register, and is required under the Small Business, Enterprise and Employment Act 2015.

This change will impact Universities registered as companies, under the Companies Act 2006, and require them to send information on the PSC register to Companies House **from 30 June 2016.**

For most companies, the PSC Register will need to record those individuals or UK registered limited companies who own more than 25% of the shares or voting rights. However, the requirements of the statute are broad, and companies will also need to record those who have significant influence or control of the company in other ways. In addition the company will need to consider whether or not the individual is classed to be a person with significant control over the company:

•**Ownership or control of right to appoint or remove directors:** The individual is entitled, directly or indirectly, to appoint a majority of the board of directors of the company or to control the exercise of a right or rights (in aggregate) to appoint or remove a majority of the board.

•**Significant influence or control:** The individual has the right to exercise, or actually exercises, significant influence or control over the company. The Secretary of State has published draft guidance on the meaning of "significant influence or control" and regard will need to be had to that guidance in interpreting this condition.

The PSC register must include the required particulars of each person with significant control over the company who is a registrable person. The company must also note details of any relevant legal entity in its register.

Persons with Significant Control Register (continued)

In all cases, the PSC register must also contain details of the date on which a person became a registrable person or relevant legal entity and the nature of his, her or its control.

For individuals, the register will need to include his or her name, service address, country or state of usual residence, nationality, date of birth and usual residential address. The legislation sets out the particulars to be included for entities included in the register. An individual's usual residential address will be omitted from the public register at Companies House and from the information made available by the company for inspection

What are the next steps?

Directors and company secretaries of Universities need to familiarise themselves with the requirements for the PSC Register and start getting together the required information. Details of individual owners need to be confirmed with them before they can be entered on the PSC Register so action needs to be taken now.

Useful links

BIS Statutory Guidance - Meaning of Significant Control within Companies:https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/498275/Statutory_company_PSC_Guidance.pdf

BIS Guidance - PSC Register - for Companies: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/515720/Non-statutory_guidance_for_companies__LLPs_and_SEsv4.pdf

BIS Summary Guide - People with Significant Control:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/496738/PSC_register_summary_guidance.pdf

Appendix A – Sector update (continued)

Modern Slavery Act 2015

On 28 October 2015, two sets of regulations relating to the Modern Slavery Act 2015 were published. Their combined effect is to require commercial organisations to prepare an annual slavery and human trafficking statement for each financial year ending on or after 31 March 2016 year end in which their total turnover is above £36 million.

The total turnover will be determined by taking into account the global turnover of the organisation and its subsidiary undertakings.

Whilst the Act refers to commercial organisations, this may still relevant to Universities, if they have commercial activities, i.e. where they are selling goods or services to the public, as this is considered commercial activity, providing this activity is over £36m.

The above change in legislation may impact larger Universities, who will have to produce an annual statement setting out the steps they are taking to ensure that slavery is not occurring in their supply chains. Entities are encouraged to report within six months of the financial year end.

The annual slavery and human trafficking statement must be published on the organisation's website and in a prominent place on the website's homepage there should be a link to the statement. Note that the statement is not required to be presented in the annual report and accounts.

Please download a copy of the statutory guidance to understand whether the new requirement applies to your organisation, and if so what to include in a slavery and human trafficking statement:

https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide

Off Payroll Workers

In anticipation of new legislation being introduced in April 2017, we recommend that employers in the higher education sector consider updating their policies and procedures relating to the engagement of off payroll workers.

During Budget 2016 it was announced by the Chancellor that all public sector employers will need to verify the status of any individuals engaged on a self-employed basis through an intermediary – such as a Personal Service Company ("PSC") or partnership. If deemed an employee due to the nature of the contractual relationship there will be a Class 1 Employer's NIC (13.8%) withholding obligation on your organisation. This is why it is critical that public sector employers fully understand the underlying nature of any contractual relationships they currently have with all their off-payroll workers – particularly those operating through an intermediary. If you are engaging any temporary or interim staff through an intermediary that is not already operating PAYE (such as an agency or Umbrella company) they are very likely to be impacted by this new legislation.

Under the previous rules a worker could be engaged off-payroll providing there was a contractual arrangement in place with the PSC, and the worker was responsible for any tax and NIC liability under the so-called IR35 rules. From April 2017 for public sector employers, the responsibility for determining status in these cases, and therefore any resulting liability, is being transferred from worker to engager. We highly recommend that Universities spend the next six to nine months looking at their current contractor population to assess the level of possible tax risk. In addition new internal processes and controls should be introduced to ensure PAYE compliance with these rules from April 2017.

Appendix A – Sector update (continued)

Apprenticeship Levy

In April 2017 the way the government funds apprenticeships in England is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers. The Apprenticeship Levy would be introduced from 6th April 2017 and apply to all UK employers including Universities.

The apprenticeship levy requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships.

The Levy will be calculated at 0.5% of the company's gross paybill and all employers will receive one allowance of £15,000 to offset against payment of the Levy. This means that a net payment will be due from employers with an annual paybill (excluding other payments such as benefits in kind) in excess of £3 million per year.

Paybill

The concept of 'paybill' for the purposes of the levy will be regarded as the total employee earnings which are subject to secondary Class 1 contributions.

Employers with an annual paybill in excess of £3m will be liable to the Apprenticeship Levy.

Only the employer/entity liable for secondary Class 1 contributions will be subject to the Apprenticeship Levy, where its gross paybill is in excess of £3m per tax year.

Self employed individuals/consultants or agency workers engaged by an employer will not be included as part of the paybill.

Payment & Reporting

The Levy and the allowance will be payable under existing PAYE scheme references using Real Time Information (RTI) on a monthly basis.

Apprenticeship Levy

Digital Vouchers

The Levy fund will be stored as electronic vouchers which can be then be used by employers to purchase apprentice training from accredited providers.

Employers who pay the Levy and are committed to apprenticeships training will technically able to get more out of it than they put in, through top-up to their digital accounts. Where employers choose not to use the funds in their digital accounts, these funds will be made available to other employers via top-up of their accounts.

Administration

A new independent employer-led body, the Institute For Apprenticeships, will be established, to set apprenticeship standards.

The Department of Business and Innovation and Skills produced information on how the Apprenticeship Levy will work. A copy of this guidance can be obtained from this link: https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work

grant-thornton.co.uk

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SOUTH BANK UNIVERSITY ENTERPRISES LTD

	CONFIDENTIAL
Board:	Board of Directors
Date:	15 November 2016
Paper title:	Letter of Representation to the auditors Grant Thornton
Author:	Rebecca Warren, Accountant
Recommendation:	The Board is requested to approve the Letter of Representation.

The Board are asked to review and approve the letter of representation. It is to be signed on 24 November 2015, when the accounts are signed.

There are no non-standard representations in the letter.

[Prepare on SBUEL letterhead**]**

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

[Date**]**

Dear Sirs

South Bank University Enterprises Limited
Financial statements for the year ended 31 July 2016

This representation letter is provided in connection with the audit of the financial statements of South bank University Enterprises Limited (the 'entity')for the year ended 31 July 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('United Kingdom Generally Accepted Accounting Practice').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

i We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 15 August 2016, for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice; in particular the financial statements give a true and fair view in accordance therewith.

ii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iii Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

iv Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice.

v All events subsequent to the date of the financial statements and for which United Kingdom Generally Accepted Accounting Practice requires adjustment or disclosure have been adjusted or disclosed.

vi We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are immaterial to the results of the entity and its financial position at the year-end.

vii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice.

Information provided

viii We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b. Additional information that you have requested from us for the purpose of your audit; and
c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

ix All transactions have been recorded in the accounting records and are reflected in the financial statements.

x We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:

a. Management;
b. Employees who have significant roles in internal control; or
c. Others where the fraud could have a material effect on the financial statements.

xii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

xiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xiv We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

xv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Yours faithfully

[Name, role and date**]**

Unadjusted misstatements

	Adjustment type	Profit & Loss £'000	Balance Sheet £'000	Impact on surplus £'000	Detail
South Bank University Enterprises Limited:					
1	Reclassification (Trade Debtors / Trade Creditors)	-	12	-	• Being the adjustment to reclassify credit balances in the trade debtors listing
2	Misstatement (Operating Expenses / Accruals)	(15)	15	(15)	• Being the adjustment to recognise the Interserve accrual
3	Misstatement (Bad Debt Provision / Bad Debt Expense)	11	11	11	• Being the adjustment to the bad debt provision for amounts recovered post year end
	Overall impact	**(4)**	-	(4)	

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	CONFIDENTIAL
Paper title:	South Bank University Enterprises Ltd: statutory accounts for the year ended 31 July 2016
Board/Committee:	South Bank University Enterprises Ltd
Date of meeting:	15 November 2016
Author:	Rebecca Warren
Purpose:	Approval
Recommendation:	The Board is requested to approve the statutory accounts for the year ended 31 July 2016.

The Board is requested to:

- Approve the statutory accounts for the year ended 31 July 2016. Although the accounts are still marked "draft", they are the final version.
- Approve the gift aid of £150,000 that was paid during the year. A further payment will be made to eliminate the taxable profit for the year, but this is no longer disclosed in the accounts.

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Company Registration No. 2307211

South Bank University Enterprises Limited

Report and Financial Statements

31 July 2016

South Bank University Enterprises Limited

Report and financial statements 2016

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South Bank University Enterprises Limited

Report and financial statements 2016

Officers and professional advisers

Directors

Mr James Smith CBE (Chair; resigned 30 April 2016)

Mr Richard Flatman

Mr Gurpreet Jagpal

Professor Paul Ivey (Chair from 1 May 2016)

Professor Hilary McCallion CBE (appointed 29 July 2016)

Secretary

Mr James Stevenson

Registered Office

103 Borough Road
London
SE1 0AA

Bankers

NatWest
City of London Office
1 Princes Street
London
EC2R 8PA

Solicitors

Shakespeare Martineau LLP, 1 Colmore Square, Birmingham B4 6AA

Shoosmiths LLP, Witan Gate House, 500-600 Witan Gate West, Milton Keynes MK9 1SH

Mills and Reeve LLP, Botanic House, 100 Hills Road, Cambridge CB2 1PH

Michelmores LLP, 48 Chancery Lane, London WC2A 1JF

Veale Wasbrough Vizards, LLP Orchard Court, Orchard Lane, Bristol BS1 5WS

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

South Bank University Enterprises Limited
Company Registration No. 2307211

Directors' report

Ownership

The Company is a wholly owned subsidiary of London South Bank University.

Review of Activities

The Company's principal activities are consultancy, research contracts, the hire of facilities, and property letting. In addition, the Company is involved with the protection and commercialisation of Intellectual Property (IP) arising out of the University's research activities.

During the year the Company continued to meet the patent application costs relating to its technology licences and in support of new start-up companies in which the Company has an interest.

Result for the year

Turnover of £2,294,539 was an increase of 5% from 2015, and the company reported a profit before Gift Aid of £168,042.

Patent costs incurred in support of the Company's licences, company start ups and new opportunities continue to be a part of the Company's annual expenditure.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Future Prospects

The Company foresees trading conditions to remain challenging over the next 12 months. Strong competition from other universities and external organisations, allied to generally tight trading conditions and cutbacks in Central and Local Government expenditure, are expected to impact upon the Company's activities and income. The Governments Higher Education and Research Bill and the UK's decision to leave the European Union will no doubt

Directors' report

impact on the company's future business. The Company continues to focus on opportunities to increase its incubation and tenant services as well as growing research and enterprise activities. The Company continues to lead and build its commercial engagement with the local community of start-ups and SMEs in South East London and more widely. The Company will continue to support the protection of and commercialisation of intellectual property generated by the University.

Directors who served during the year

Mr James Smith CBE (Chair; resigned 30 April 2016)

Mr Richard Flatman

Mr Gurpreet Jagpal

Professor Paul Ivey (Chair from 1 May 2016)

Professor Hilary McCallion CBE (appointed 29 July 2016)

Directors' Interests

No Director had any interest in any contract which subsisted during the period of the report, other than in the ordinary course of the Company's business (2015: none).

No Director had any interests in the shares of the Company or any other group company (2015: none).

Employees

As at the year-end the Company had 20 employees. All other persons associated with the Company are employees of London South Bank University.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

In preparing this report, the directors have taken advantage of the small companies exemption in Part 15 of the Companies Act 2006.

Approval

Authorised and approved by the Board of Directors and signed on behalf of the Board by:

Professor Paul Ivey

Chairman and Director

24 November 2016

Independent auditor's report to the members of South Bank University Enterprises Limited

We have audited the financial statements of South Bank University Enterprises Limited for the year ended 31 July 2016 which comprise the balance sheet, the statement of income and retained earnings, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 24 November 2016

South Bank University Enterprises Limited

Statement of income and retained earnings
Year ended 31 July 2016

	Note	2016 £	2015 Restated £
Turnover	1	2,294,539	2,184,662
Cost of sales		(745,393)	(823,974)
Gross profit		1,549,146	1,360,688
Administrative expenses		(1,383,970)	(968,574)
Operating profit	2	165,176	392,114
Interest receivable	4	2,866	3,246
Profit on ordinary activities before taxation for the financial year		168,042	395,360
Tax on profits on ordinary activities	6	-	-
Profit for the financial year after taxation		168,042	395,360
Retained profit at 1 August		134,577	89,217
Gift aid paid	5	(150,000)	(350,000)
Retained profit at 31 July		152,619	134,577

All activities relate to continuing operations.

There are no gains or losses other than those reported in the profit and loss account.

South Bank University Enterprises Limited
Company Registration No. 2307211

Balance sheet
As at 31 July 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	7	69	69
Current assets			
Debtors	8	400,454	399,679
Cash at bank and in hand		459,649	129,626
		860,103	529,305
Creditors: amounts falling due within one year	9	(707,543)	(394,787)
Net current assets		152,560	134,518
Total assets less current liabilities		152,629	134,587
Net assets		152,629	134,587
Capital and reserves			
Called up share capital	10	10	10
Profit and loss account	11	152,619	134,577
Total equity shareholders' funds/(deficit)		152,629	134,587

These financial statements were authorised and approved by the Board of Directors on 24 November 2016.

Signed on behalf of the Board of Directors

Professor Paul Ivey

Chairman and Director

Principal accounting policies
Year ended 31 July 2016

Basis of Preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

This is the first year in which the financial statements have been prepared under FRS 102. The transition date for FRS 102 was 1 August 2014. Refer to note 14 for an explanation of the transition.

The individual accounts of South Bank University Enterprises Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes

Accounting Convention

The accounts have been prepared under the historical cost convention.

Going Concern

The company has net assets at the year-end. The directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover, net of value added tax, comprises sales in relation to consultancy work, contract research, sale of materials and letting facilities.

Cost of Sales

Cost of sales comprises costs of consultancy work, contract research, sale of materials and letting facilities.

Fixed Asset Investments

Investments are carried at cost, less provision for any impairment in value.

Cash Flow Statement

As a wholly owned subsidiary, the company is exempt under Financial Reporting Standard number 1 "Cash flow statements" from the requirement to prepare a cash flow statement. The cash flows of the company are included in the consolidated accounts.

Taxation

The Company makes a Gift Aid payment to London South Bank University during the year at an estimate intended to be sufficient to reduce any taxable profit for the year to zero, subject to the requirement not to cause the reserves of the Company to become negative. Following a change in accounting treatment, this policy in relation to taxation has changed to treat the gift aid payment as a movement in reserves rather than a reduction in profit before tax. This movement is shown on the face of the Statement of income and retained earnings, where the gift aid paid is shown as a movement in retained profit rather than as expenditure prior to taxation. The 2015 Statement of income and retained earnings has been restated, as has the taxation disclosure (note 6) where the gift aid payment is no longer removed from taxable profit and relief is obtained accordingly.

Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Principal accounting policies
Year ended 31 July 2016

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Notes to the accounts
Year ended 31 July 2016

1. Turnover

Turnover and pre-tax profits are attributable to the principal activities of the Company. An analysis of turnover by geographical destination is as follows:

	2016	2015
	£	£
United Kingdom	2,290,593	2,153,065
Other European countries	3,946	31,597
	2,294,539	2,184,662

2. Operating profit/(loss)

	2016	2015
	£	£
Operating profit/(loss) is stated after charging		
Fees payable to the Company's auditor:		
- for taxation advice	3,513	6,103

The Company's audit fee of £4,188 has been included in the audit fee charged to London South Bank University. (2015: £4,110).

3. Staff costs and Directors' remuneration

The Company had 20 employees at the year-end (2015: 13). All other persons associated with the Company are employees of London South Bank University.

	2016	2015
	£	£
Costs:		
Wages and salaries	1,025,313	814,330
Social security costs	92,448	74,334
Employers' pension contributions	83,003	65,296
	1,200,764	953,960

No Director employed by the company received remuneration exceeding £100,000 (2015: none).

4. Interest receivable

	2016	2015
	£	£
Bank interest receivable	2,866	3,246

5. Payment under Gift Aid

For the year ending 31 July 2016 the company has approved and paid £150,000 of its taxable profit under the Gift Aid scheme to London South Bank University (2015: £350,000).

Notes to the accounts
Year ended 31 July 2016

6. Taxation

The 2016 tax charge is nil (2015: nil).

	2016	2015 Restated
	£	£
Profit on ordinary activities before tax	168,042	395,360
Taxation on profit on ordinary activities at 20 % (2015: 20.67 %)	33,609	81,721
Effects of:		
Expenses not deductible for taxation purposes	4,777	69
Other permanent differences	-	322
Depreciation in excess of capital allowances	-	-
Expense transfers – trade	(2,953)	-
Other short-term timing differences	2,953	-
Adjustment to closing deferred tax	631	-
Unrelieved tax losses and other deductions	(9,017)	(9,767)
Amounts charged directly to equity	(30,000)	(72,345)
Current tax	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered.

The amount of the asset not recognised is £5,680 (2015: £14,697).

The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

Following a change in accounting policy (see page 8), payments in relation to gift aid are now treated as a movement in reserves.

Notes to the accounts
Year ended 31 July 2016

7. Fixed Asset Investments

	£
At 1 August 2015	69
At 31 July 2016	69

Details of companies, all registered in England, in which South Bank University Enterprises Limited holds more than 20% of the nominal ordinary share capital are as follows:

Name of company	Percentage holding of ordinary shares	Nature of business	Date of last accounts	Profit/(loss)	Reserves
				£	£
Biox Systems Limited	24%	Development of medical products	31 Oct 2015	(13,554)	218,866

8. Debtors

	2016	2015
	£	£
Trade debtors	325,203	258,774
Prepayments and accrued income	73,506	30,445
Amounts owed by parent company	-	108,361
Other debtors	1,745	2,099
	400,454	399,679

9. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	13,322	-
Amounts owed to parent company	223,475	-
Other creditors	59,587	76,357
Accruals and deferred income	392,425	297,963
HMRC and pension	18,734	20,467
	707,543	394,787

Notes to the accounts
Year ended 31 July 2016

10. Called up share capital

	2016 £	2015 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
10 ordinary shares of £1 each	10	10

11. Movement on total reserves

	Share capital £	Profit and loss account £	Total shareholders surplus £
At 1 August 2015	10	134,577	134,587
Profit for financial year after taxation	-	168,042	168,042
Gift aid payment	-	(150,000)	(150,000)
At 31 July 2016	10	152,619	152,629

12. Related party transactions

The Company has taken advantage of the exemption which is conferred by Financial Reporting Standard number 102 that allows it not to disclose related party transactions with wholly owned subsidiaries within the group.

13. Ultimate parent company

South Bank University Enterprises Ltd is a wholly owned subsidiary of London South Bank University, a company limited by guarantee, incorporated in Great Britain and registered in England and Wales.

London South Bank University is the ultimate parent and controlling company and is the parent company of the only group of which the company is a member for which consolidated financial statements are prepared. The consolidated financial statements of London South Bank University can be obtained from 103 Borough Road, London, SE1 0AA.

14. Transition to FRS102 and the HE SORP

As explained in the accounting policies, these are the Company's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

Notes to the accounts
Year ended 31 July 2016

		31 July 2015	1 August 2014
		£	£
a)	R		
	Total endowments and reserves under 2007 SORP	149,340	89,218
	Employee leave accrual	(14,763)	-
	Total effect of transition to FRS 102	**(14,763)**	**-**
	Total reserves under 2015 SORP	**134,577**	**89,218**

	Year ended 31 July 2015
Financial performance	£
Profit for the financial year under 2007 SORP	410,123
Employee leave accrual	(14,763)
Total effect of transition to FRS 102	**(14,763)**
Profit for the financial year under 2015 SORP	**395,360**

ecognition of short

b) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 July each year meaning that, at the reporting date, there was a liability of £20,207 for unused leave. The cost of any unused entitlement is recognised in the period in which the employee's services are received: £5,445 has been charged to Comprehensive Income in the year ended 31 July 2016.

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SOUTH BANK UNIVERSITY ENTERPRISES LTD

	CONFIDENTIAL
Board:	SBUEL Board of Directors
Date:	15 November 2016
Paper title:	Staff bonuses
Author:	Gurpreet Jagpal
Purpose:	Decision
Recommendation:	The Board is requested to approve the bonuses to staff.

The Board is requested to approve the individual performance bonuses for qualifying employees under the SBUEL bonus scheme (attached). The performance ratings have been given by each employee's line manager during the appraisal process and have been reviewed by the CEO.

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SBUEL Staff Bonuses 2015 – 2016

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1. *Jacqueline Broome*
   PA to Director and Team Administrator

Under some challenging circumstances Jacqueline has generally had a good year. Initially she faced difficulty in embedding her authority as team administrator and although there is some further work to do on this she is in a much better position than at the beginning of the year. Meeting agendas and minutes are now produced in a timelier manner and we will continue to work together on ensuring accuracy and clarity. She has built up good working relationships with assistants across LSBU and with key departments – which ensures that matters are dealt with in a timely manner.

- Individual Performance Bonus – 2%
- Spot Bonus – £0
- Total - £580.00

---

2. *Yvonne Mavin*
   Head of Compliance and Systems

Yvonne has had a tremendous year in her new role and has proven to be an invaluable resource in tackling and solving problems head on. Alongside her core objectives, which she has achieved fully, she has taken on and successfully delivered a number of other unexpected high-profile projects – PWC audit on post award management; ethics process; leading a review on overseas partnerships and the PGR Projects review to name but a few! Yvonne's ability to take on a problem; work with colleagues across LSBU on developing a solution and then execute and deliver has been a critical success factor in developing standards and processes that in turn allow for an increase in research and enterprise income. Yvonne is a highly trusted and valued member of the REI SMT and someone whom I regularly approach to discuss challenges and solutions that we face.

- Individual Performance Bonus – 4%
- Spot Bonus – £0
- Total - £2,400

---

3. *Onye Imonioro*
   Compliance and Systems Manager

Onye transitioned well from a very different environment and has acquired a good working knowledge of our systems and basic routines required. In terms of larger projects she has worked on the detailed implementation of the new enterprise approval process and an initial approach to risk and the updating of R&E corporate risk registers.

- Individual Performance Bonus – 2%
- Spot Bonus – £0
- Total - £752.50

---

4. *Evelina Nosirevaite*
   Compliance and Systems Officer

Evelina was professional and proactive in all routine work. Spot bonus recommended for work on additional activities not envisaged in the annual work plan or specifically covered in the JD a) setting up the framework and templates for the REI workshop programme at short notice b) redeveloping the document set and Code of Practice for Ethics. Significant flexibility and use of personal initiative was required in developing new approaches in these areas.

- Individual Performance Bonus – 2%
- Spot Bonus – £500
- Total - £995

---

5. *Peter Benson*
   Head of Health and Wellbeing Institute

Peter has had a fantastic year within REI and across LSBU, recognised with his promotion at the end of the year to Head of Health and Wellbeing Institute. The work he has delivered by strengthening his HWI team and mentoring them throughout has resulted in sales of over £1m in 2015/16 – which for a new institute is an incredible achievement. More widely Peter is a valued and trusted member of the SMT within REI but also with the school of HSC – where staff value and respect his opinion and very regularly provide positive feedback on his demeanour and approach to engaging with the school. On a development level he has positively pursued his MBA and integrated his assignments into providing support for REI more broadly.

- Individual Performance Bonus – 8%
- Spot Bonus – £0
- Total - £4,240

---

6. *Howard Thomas*
   Head of Sustainable Communities Institute

Howard has had a great year heading up the SCI and achieved sales over £1m and maintained excellent relationships with the schools of BEA and ENG. He is highly regarding not just within the two schools he works with but more widely amongst LSBU staff and the partners he engages. The one area that Howard needed to develop was mentoring and supporting his team to grow and develop – they have lived under his ‘shadow’ which means the team has not developed as much as HWI.

- Individual Performance Bonus – 4%
- Spot Bonus – £0
- Total - £2,120

---

7. *Natalie Gough*
   Business Development Manager

Natalie has picked up the role and responsibilities extremely efficiently and effectively. She has delivered the largest sales amount by some way, and has the greatest volume of activity. She has integrated further in to HSC than any other BDM and has a large (given the short time she’s been here) and impressive external network. She uses her initiative and requires very little direction or support from me. **Spot Bonus:** £500 as a thank you for her effort and willingness to go above and beyond for SBUEL and HSC, even to the detriment of her personal life (and health).

- Individual Performance Bonus – 4%
- Spot Bonus – £500.00
- Total - £2,220

---

8. *Monica Ganan*
   Business Development Manager

Whilst Monica hasn’t delivered revenues as above, she has had a particularly challenging School to work with. She has managed to negotiate a number of very difficult situations, staying both positive and professional throughout. She has developed a lot of external links and progressed opportunities only to be let down by the School. Effort is high. She has also shown aptitude and a willingness to present externally, on behalf of LSBU and the School (most notably, at an international conference in Alexandria, Egypt). She works very well across the team and requires very little direction. Monica has a keen a quiet desire to improve herself, a very encouraging trait for her future development.

- Individual Performance Bonus – 4%
- Spot Bonus – £0
- Total - £1,576.67

---

9. Peter Hadfield
Business Development Manager – Sustainable Communities

Peter has had a challenging year, working with two Schools that traditionally do not do large amounts of Enterprise work. Nevertheless, they have both brought in the most amount of revenue this year when compared with the last 3. Peter has also built strong relationships with both Deans of the Schools (Craig and Janet) which will prove a useful foundation in the coming FY. Peter does put in significant effort, often coming in to the University at the weekend to enable film locations to be used. This is also despite significant challenges posed by central support services.

- Individual Performance Bonus – 2%
- Spot Bonus – £0
- Total - £860

---

10. Richard Moore
Business Development Manager

Richard is a team player and a very positive member. He takes on a lot of pastoral 'care' for more junior members of the team, and provides a key impetus for the wider EI team to spend time together socially. This helps team morale through knowledge sharing and finding time to take a wider view of their work. He was also instrumental in winning the A2i ERDF funded project.

- Individual Performance Bonus – 2%
- Spot Bonus – £0
- Total - £860

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11. Sam Thorp
Business Development Officer

Sam's performance is very high. He is performing well above his Support Officer role and often extending his support across them. Examples of this are his support with the Enterprise Process (Compliance), Reporting (EII) and Asana training (CRS). His work on the EI pipeline reporting has been exceptional and a great foundation on which the wider team has developed. He is efficient with his time, a team player and able to represent LSBU externally. He requires very minimal direction and is able to work up commercial opportunities on his own. He is a key and valuable member of the team.

- Individual Performance Bonus – 4%
- Spot Bonus – £0
- Total - £1,080

---

12. Chloe Hampton
Business Development Officer

Chloe has lots of potential, and provides excellent work outputs. She has led on the successful delivery of the Sustainability Debates, and is currently working on two large opportunities, which she is coordinating under the guidance of Natalie and Richard, respectively. Chloe does need a degree of guidance and sometimes struggles with directing her effort, nevertheless, with further support and coaching, she could prove to be a key and valuable member of the team. Chloe has also won her own small project, where she is delivering the technical component and acting as the consultant.

- Individual Performance Bonus – 2%
- Spot Bonus – £0
- Total - £495

---

13. Neil Pearce
Head of Knowledge Exchange Institute

From a staffing perspective Neil has had a turbulent year – losing Martha Crawford in October 2015 and David Woods being removed from duties in December 2015. Two new recruits did not start until February 2016, so essential almost 6-months were lost. Coupled with a change in the funding and criteria, this has inevitably led to a slip in KTP numbers and a delay in cementing LSBUs position as top London Modern for KTPs. During this time though Neil has continued to strengthen relationships with academics interested in KTPs – shifting us from a reliance on external telesales, and also with our external Innovate UK allocated advisor. The team have also introduced the KE Voucher Scheme as a pilot and will run a larger version next year.

- Individual Performance Bonus – 4%
- Spot Bonus – £0
- Total - £2,120

---

14. Baljinder Ghoman
KTP Manager

Bal has come into the team and very quickly hit the ground running with KTP submissions. He has had one success to date but has worked tirelessly on a number of submissions. External events have prevented him from making further inroads to the total awarded. Bal has also very quickly established himself as a go to support for academics and leads the KTP teams well through the application process. He mentors and trains the academics so that in the future they will better be able to work independently on KTP and other enterprise initiatives. Bal has also contributed well to the wider KE offering giving valuable input in developing new KE offerings.

Number of KTPs
Submitted Accepted 1
Submitted rejected 1
Rejected pre submission 3
Client withdrew post application completed 2
Active pipeline 4

- Individual Performance Bonus – 2%
- Spot Bonus – £0
- Total - £430

---

15. *Ashutosh Choubey*
    KTP Manager

Ashu has been very good in building relationships throughout the university and has contributed well in informing the academic community on the way REI work in supporting them. He has also networked well externally and contributed to a number of industry events which has helped raise the profile of LSBU and enterprise. He has also played a valuable role in setting up and managing the new KE Voucher programme. Ashu has worked well on KTP submissions as well as identifying other funding sources which he has then worked on applying for with the relevant academic who he identifies as a good fit.

Number of KTPs
Submitted Accepted 0
Submitted pending 1
Submitted rejected 1
Rejected pre submission 2
Client withdrew post application completed 1
Active pipeline 3

- Individual Performance Bonus – 2%
- Spot Bonus – £0
- Total - £430

---

16. *Daisy Chatterton*
    Head of Strategic Projects

Daisy has had a tremendous year in REI, to have turned around and successfully delivered Investment Escalator, in most cases ahead of target, is a testament to her achievements and her ability to direct and focus her team. This rebalancing of a project that had the potential to 'fail' has put LSBU on a string footing with EPMU and the GLA and has no doubt helped LSBU secure no less than 5 new ESIF projects. Daisy's attention to deal and questioning nature adds a great deal of value to SMT and ensures that time is not wasted pursuing bids that are not appropriate to LSBU. Daisy has a relatively junior team in terms of ESIF experience but has managed to coach and develop them to successfully deliver, which is a great achievement.

- Individual Performance Bonus – 8%
- Spot Bonus – £0
- Total - £3,648

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17. Nicoletta Bonansea
EU Bids and Partnerships Manager

For an outstanding contribution to the bid pipeline and for going over and above what was expected in terms of her personal commitment to getting the job done. She submitted 2 large Erasmus + bids within weeks of each other which involved formalising, in one case, a 14 strong partnership. Although the bids were unsuccessful she showed a great deal of determination and commitment to getting the bids in considering there were 4 other significant bid submissions running at the same time which she was also expected to contribute to.

- Individual Performance Bonus – 4%
- Spot Bonus – £0
- Total - £1,505

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18. Lee Harvey
Assistant Project Manager

For his contribution to the successful delivery of Investment Escalator. Once the project systems and processes were in place Lee stepped up and took control of making sure claims were managed and a full audit trail was in place. He was also responsible for making sure the team knew what they needed to do and by when and was relentless in his pursuit of overall project targets. Lee also worked very hard on getting the financials together for the 4 new ERDF proposals.

- Individual Performance Bonus – 2%
- Spot Bonus – £800
- Total - £1,460

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19. Richard Howarth
Senior Marketing Officer

For his contribution to the successful delivery of Investment Escalator. Richard was responsible for the external marketing on Investment Escalator and ensuring adequate registrations onto the programme. Overall the programme had over 800 expressions of interest and 700 registrations onto the programme over a 14-month period. This was critical to the success of the programme. It is also noteworthy that Richard went over and above to find new innovative ways to reach our audience including PPC, Twitter and SEO.

- Individual Performance Bonus – 2%
- Spot Bonus – £800
- Total - £1,420

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20. Kajal Gotecha
Project Administrator

For her contribution to the successful delivery of Investment Escalator. ERDF funded Investment Escalator was a strategically important project for a number of reasons. Kaj worked incredibly hard to establish the timesheet system which underpinned the claims process and allowed LSBU to draw down all the available funding. Culturally this was challenging at times but she remained committed and helped to ensure financial evidence submitted with claims was of a high standard Kaj was largely responsible for building the SME community for Investment Escalator and many of these SMEs remain engaged with LSBU and have provided valuable feedback on the quality of service they received from the REI team. This was largely due to Kaj's attitude, flexibility and committed approach to making sure SMEs felt fully engaged. Also critically she made SMEs aware of their commitment to LSBU in terms of supplying paperwork and evidence to support our claims. She also played a key role in supporting the audit process.

- Individual Performance Bonus – 2%
- Spot Bonus – £800
- Total - £1,270

Budgeted Amount -	£45,000.00
Total Amount Awarded -	£30,462.17
+ Employer NI -	£34,665.95

SBUEL BONUS SCHEME

The SBUEL bonus scheme will consist of three discrete elements. The first element will apply to all SBUEL staff and will be based on an assessment of individual performance in the formal staff appraisal process. The second element will apply only to front-line sales staff (formally, Business Development Managers) and will be based upon their achievement of contracted sales during the year. Finally, the third element, also for all staff, will be a spot bonus that can be used to recognise specific elements of outstanding contribution.

All bonus payments will be subject to moderation and approval by the SBUEL Board, in line with overall company performance.

Individual Performance Bonus

As part of the formal annual appraisal process staff will be awarded one of four performance ratings based upon their performance during the previous financial year (August to July). The performance rating will be used to determine the level of bonus to be paid based on the following bonus levels:

Rating	Bonus Level
Underperforming	0%
Satisfactory	2%
Good	4%
Outstanding	8%

The definitions for these performance ratings are listed in Appendix 1.

Staff considered to be in development will not be eligible for an individual spot bonus. Instead, they will benefit from performance based salary progression towards the market rate for their job.

The bonus level is calculated at the given proportion of base salary actually paid in the previous calendar year and is paid on a non-consolidated basis.

The decision of the manager and the relevant countersigning manager on the appraisal performance rating will be final and will determine the bonus level according to the above table. There will be no right of appeal against the manager's decision.

Collective Sales Bonus

For front line sales staff (i.e. Business Development Managers) an additional bonus payment may be paid based on the sales performance of each individual and on the overall performance of the team.

Sales based bonus will be disbursed from a bonus dividend agreed by the Chief Executive and the SBUEL Board each year based on the sales performance of the company. The size of the pool will therefore be based on the collective performance of the sales team rather than on individual sales achievements.

The bonus pool will be distributed to each member of the sales team but distribution will be weighted to favour higher performers. Again, this will be driven by the performance rating awarded in the performance review process. The weighting will be as follows:

Rating	Bonus Weighting

Underperforming	0
Satisfactory	1.0
Good	1.5
Outstanding	2.0

This weighting scheme ensures that underperforming staff on the sales team receive no bonus while an outstanding performer will receive double the sales bonus of a team member performing fully and well.

Any individual who has served in post for only part of the preceding financial year will have their payment pro-rated accordingly.

Spot Bonus

Where any individual makes an outstanding contribution to the work of the company through a specific element of their work, this may be recognised through a spot bonus. An outstanding contribution should stand out as exceptional and be recognised as such by senior management, customers and stakeholders. A bonus of any value may be awarded based on an assessment of the value of the contribution made.

Spot bonuses are awarded based on the recommendation of any line manager but are subject to the approval of both the Chief Executive and either the Pro-Vice Chancellor (External) or the Executive Director of Finance. Where the value of the bonus is greater than £1,000, it will be subject to further approval or amendment by the full Board of Directors.

Payment of Bonuses

Bonus payments calculated on the above basis (except the spot bonus) will be subject to overall agreement by the SBUEL Board at its meeting in November each year. The Board may, at its sole discretion, approve the proposed bonus schedule or amend any element of it as it sees fit, in line with overall company performance. These bonuses will be paid annually in the December payroll following formal Board approval.

Spot bonuses will be paid immediately in the first payroll run after they have been approved.

SBUEL Performance Rating Definitions

Outstanding (O)

You are one of a very small number of staff who have consistently achieved results well beyond your job responsibilities and objectives. You have also demonstrated a proactive approach in delivering additional activities or goals throughout the year.

Your performance stands out as exceptional and has been recognised as such by senior management, customers and stakeholders.

Good (G)

You have delivered the requirements of your job fully and well but have gone significantly beyond some of your job responsibilities and objectives in an accomplished manner. You have also demonstrated a flexible approach in delivering additional activities and goals you have been required to take on during the year.

Your performance has enhanced the overall results of your team.

Satisfactory (S)

You have delivered the requirements of your job **fully and well**. If you are new in a job role, you have met expectations for your level of tenure and experience, although further development may still be necessary. Where further development opportunities are identified (regardless of tenure), advice and guidance will be given to help you achieve them. This may include a formal Development Plan.

Your performance has positively contributed to the achievements of your team

Underperforming (U)

You have not consistently achieved your key job responsibilities and objectives, and your performance does not currently meet expected performance standards either in one specific area or generally across the range of your job responsibilities.

Your performance needs to improve to a satisfactory standard and a plan of action to achieve this will be agreed with you in a formal Development Plan.

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