

## Meeting of the South Bank University Enterprises Ltd Board

2.00 pm on Tuesday, 12 November 2019  
in Clarence Centre for Enterprise and Innovation

### Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		RF
2.	Declarations of interest <i>Members are requested to declare any interest in any item on the agenda.</i>		RF
3.	Minutes of the previous meeting	3 - 6	RF
4.	Matters arising		RF
<b>Items to discuss</b>			
5.	CEO Report	7 - 12	LC
6.	Budget 2019/20 (to approve)	To Follow	LC
7.	Research and enterprise update	13 - 16	LC
<b>Year end approvals, 2018/19</b>			
8.	Audit findings	17 - 52	RW
9.	Draft financial statements	53 - 70	RW
10.	Letter of representation	71 - 80	RW
<b>Items in the absence of staff</b>			
11.	Staff bonuses (to approve)	81 - 86	LC
12.	Salary review	87 - 90	LC
13.	Contract terms change proposal	91 - 94	LC

**Date of next meeting**  
**2.00 pm on Tuesday, 21 January 2020**

**Members:** Michael Cutbill and Richard Flatman (Vice-Chair, in the Chair)

**Apologies:** Paul Ivey

**In attendance:** Michael Broadway, Sally Black, Linsey Cole, Emily DeLacy, Yvonne Mavin and Rebecca Warren

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**Minutes of the meeting of the South Bank University Enterprises Ltd Board  
held at 2.00 pm on Tuesday, 23 July 2019  
Clarence Centre for Enterprise and Innovation**

**Present**

Paul Ivey (Chair)  
Richard Flatman

**Apologies**

Michael Cutbill

**In attendance**

Michael Broadway  
Linsey Cole  
Michelle Dawson  
Askari Jafri  
Sukaina Jeraj  
Yvonne Mavin  
Rebecca Warren  
Keith Would

**1. Welcome and apologies**

The Chair welcomed members to the meeting and noted the apologies above. The Chair noted the quorum for the meeting was any two directors.

**2. Declarations of interest**

No member declared any conflict of interest in any item on the agenda.

**3. Minutes of the previous meeting**

The Board approved the minutes of the meeting held on Monday 20 May 2019 with minor amendments.

**4. Matters arising and MD's report**

The Board noted the actions from the previous meeting.

The Board noted a year-end report from the MD. The Board noted it has been a challenging year for the company and that the year-end targets for Enterprise income are not expected to be met.

The Board noted the success throughout the year of ERDF grant awards and the considerable amount of work undertaken with The Welding Institute (TWI) on a "knowledge-exchange campus".

The Board noted their thanks to the SBUEL staff for their contributions to Project Align.

5. **Draft budget 2019/20**

The Board noted that the LSBU Group consolidated budget for 2019/20 had been approved by the LSBU Board of Governors. The SBUEL element of this consolidated budget is being finalised.

The draft SBUEL budget would be circulated to directors by email when available.

6. **Management accounts to 30/06/2019**

The Board noted the management accounts to 30 June 2019, illustrating a year-to-date (YTD) loss of £313,430 and a forecast profit for the full year as £304,126. The Board noted progress had been made over the year by the REI teams in the presentation of financial information to the Board.

7. **Debtors report**

The Board noted the debtors report as at 16 July 2019.

8. **Tenant report**

The Board noted an update on tenant rent and debt. The Board noted current tenant debt is historic, rather than new debt and reduction of this debt is being prioritised by the team.

9. **SBE development update**

The Board noted an update on the development of South Bank Enterprise (SBE) since the last meeting. The Board noted LSBU's Major Projects and Investment Committee had supported the 4 key business components of:

- Development;
- Asset management;
- Commercial; and
- Commercial services and Global College.

Development of the business plan is ongoing and a communications plan will be drafted to update staff in REI and SBUEL.

10. **Company risk register**

The Board noted the company risk register, with no changes since the last meeting. The Board noted work is underway with the Strategy and Planning team on a new format for risk registers.

**Date of next meeting  
2.00 pm, on Tuesday, 12 November 2019**

**Confirmed as a true record**

..... (Chair)

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# Agenda Item 5

	INTERNAL
Paper title:	CEO Report
Board/Committee:	SBUEL Board
Date of meeting:	12 November 2019
Author(s):	Linsey Cole, Acting Director Research, Enterprise and Innovation
Sponsor(s):	Paul Ivey, Managing Director SBUEL and Chief Business Officer and Deputy Vice Chancellor Innovation
Purpose:	For Information
Recommendation:	For information and discussion

## **Executive Summary**

The Board is asked to note the update on activity to 31/10/19.

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## **SBUEL Board: CEO's report**

This report includes excerpts from the REI update submitted to FRPC in November 2019, as well as operational updates relating to SBUEL activity.

Over the early part of the academic year, there have been a number of staffing developments. I am pleased to report that the REI team is now fully staffed, with successful appointments to a number of ERDF and ESF funded posts over the summer. The new Operations team is now in place and beginning to work with colleagues to improve the consistency of our systems and processes. A salary review for SBUEL staff has also been undertaken, the outcomes of which are included in a separate paper in this meeting. A proposal to make some small but significant changes to the terms and conditions for SBUEL staff has also been agreed by the MD and LSBU's Executive Director of HR and Organisational Development: the proposals are also included in a paper to this Board for ratification.

SBUEL colleagues are focused on the achievement of the 19/20 targets. The current enterprise target will be a challenge given the reduced amount of commercial space that will be available at Southwark campus (both for rentals and venues activity) and the challenges in drawing down ERDF income, but the team will work with colleagues across Schools and Finance to keep a close eye on in year performance, and reforecast, as needed.

### **Engagement with Schools:**

Recent successes include a win of £100,000 for LSS. This is a Consultancy project with Surrey County Council (SCC) supporting the SCC transformation programme for children with autism. The REI team has also been working closely with School of Engineering to establish a new Innovation Centre. This is a membership Centre for organisations and high net worth individuals who are currently investing in innovations with a defined commercial outcome and should it be successful, it will lead to sizeable income for the School of Engineering.

### **Engagement with students**

In 2019/20, we have already developed a new programme (Idea Hack) for students and recent alumni who are looking to test and validate an idea; worked with academic colleagues from across LSBU to map learning outcomes against the

Entrecomp Framework and re-launched our events programme, giving students and alumni a chance to learn from and be inspired by successful entrepreneurs. Recent entrepreneurial successes include Emilie Mende, ACI alumna and founder of Bizzie Bodies CIC, who was part of the Southwark creative arts project that won one of the Mayor of London's Culture Seeds Awards and Rotsen Ibarra, Business School alum and founder of Petare who has opened his third street food stall at KERB's new market at Seven Dials.

### **Engagement with community**

Locally, we've helped Southwark Council develop their Southwark Pioneers Fund with other partners from across the Borough. The fund is targeted towards socially-focused micro or start-up businesses based in Southwark, helping to encourage residents to find solutions to societal problems. Our collaboration with Borough Market continues to develop, through the London Agri-Food Innovation Clinic (LAFIC) ERDF-funded project. LAFIC offers businesses on the programme the opportunity to trade at Borough Market. To date, 11 businesses have traded at Borough market over an initial 12-week trial period; of these businesses, 2 have been offered a permanent pitch at Borough Market.

Engagement with our tenant community continues to grow. In 2018/19, 63% of our tenant community collaborated on activity with LSBU. One tenant, Silicon Rhino, co-founded by an LSBU alum, is supporting student success through guest lectures, providing mentorship to graduate start-ups, hosting five LSBU interns and giving full-time employment to two of them. Another tenant, the Centre for Mental Health, are collaborating with APS on a £200k research project on mental health in the workplace funded by Mental Health First Aid England (MHFAE). Recently, one of our tenants, Sharpcloud have succeeded in raising £4.5million of funding. Sharpcloud already employ 4 LSBU alumni and have taken part in our internship programmes.

Through our ERDF-funded projects, we are building links between the academic community and local growing businesses. Through the A2i project, BEA academics have supported Basalt Technologies, a London-based SME, to test new sustainable construction materials. The SME have since taken their product to market and the lead academic will shortly be publishing a research paper.

**Operations and systems** current focus is on two major projects, in addition to bedding in the extended central administrative function and standardising processes across all line management areas. Both projects were identified during the Align review. Haplo Bio module extends the scope of Haplo to become the “single source of truth” with modules capturing all research and enterprise activity, except ongoing financial project monitoring. The Bio module captures and consolidates additional information from academics and research students and allows the creation and export of views internally and externally. There are significant productivity and reputational benefits, in addition to the projected cost saving of £50k p.a. with the medium term replacement of Symplectic. The development of a suite of shared online resources is part of the wider Differentiated Services Align project to ensure best focus of academic and REI resource in winning new research and enterprise income. The resources which will support academics and REI staff to develop quality proposals is a suite of documents/services including templates to support effective proposal management; best practice copy and examples, reference information and templates all designed to enhance proposal quality; and access to external services for evaluation and graphics.

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	INTERNAL
Paper title:	REI Update
Board/Committee:	SBUEL Board
Date of meeting:	12 November 2019
Author(s):	Emily Delacy, Business Systems Lead
Sponsor(s):	Paul Ivey, Managing Director SBUEL and Chief Business Officer and Deputy Vice Chancellor Innovation
Purpose:	For Review
Recommendation:	For information and discussion

## **Executive Summary**

This report contains budget and forecast information as at close of September 2019 for the 2019/2020 academic year and bid performance and activity as at 28 October 2019. The Enterprise Income report spreadsheet is included as an Appendix, to give further background to the report.

SBUEL Board are asked to note the contents.

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<b>SBUEL income analysis for 2019/20</b>		<b>% of budget</b>	<b>Variance to Full year Budget (agrosso)</b>	<b>Variance to Full year Forecast (agrosso)</b>
Full year Budget (agrosso)	£3,472,598			
Full year Forecast (agrosso)	£3,472,598	100%		
Year to date Actuals	£289,607	8%		
Contracted	£3,221,164	93%		
<b>Total Actuals + Contracted</b>	<b>£3,510,770</b>	<b>101%</b>	<b>£38,172</b>	<b>£38,172</b>

The year to date income plus forecast contracted income suggests SBUEL will have a positive income variance to budget of £38k  
Therefore there is potential further upside to the management accounts of £38k

N.b Potential upside is not necessarily recognised in the management accounts at this stage as:

- the agrosso forecast is only updated quarterly, except for material new projects
- although the forecast income streams are known ("Contracted"), there is the potential for project slippage or reduced demand for some services, so a prudent approach to forecasting income in the management accounts is taken

	<i>agrosso</i> <b>Full Year Budget</b>	<i>agrosso</i> <b>Full Year Forecast</b>	<i>agrosso</i> <b>Year to Date Actuals</b>	<b>Contracted</b>	<b>Total Actuals + Contracted</b>
School of Applied Sciences	£229,109	£229,109	£43,992	£150,759	£194,751
School of Business					
School of the Built Environment & Architecture	£38,475	£38,475		£38,475	£38,475
School of Engineering	£160,225	£160,225		£160,225	£160,225
School of Health & Social Care	£89,342	£89,342	£20,481	£89,632	£110,113
School of Law & Social Sciences					
Research Enterprise & Innovation	£2,554,448	£2,554,448	£189,548	£2,381,073	£2,570,622
Collaborative Institutes	£200,000	£200,000		£200,000	£200,000
Marketing Recruitment & Admissions	£1,000	£1,000		£1,000	£1,000
LSBU Recruitment Agency	£200,000	£200,000	£31,836	£200,000	£231,836
Student Services & Employment Technicians			£3,750		£3,750
Unallocated Infrastructure FUNI					
<b>Total SBUEL</b>	<b>£3,472,598</b>	<b>£3,472,598</b>	<b>£289,607</b>	<b>£3,221,164</b>	<b>£3,510,770</b>

New business to be won to achieve Full year Forecast (per agrosso)



Segment  
I&E picklist  
Source Group

SB  
1 Total Income  
Total of Source Group

				Actuals	Forecast	"Real" forecast	Contracted to be recognised
Leaf	+ Collaborative Institutes	7250	7250 Brandmovers		(200,000)	(200,000)	(200,000)
Leaf	+ Marketing Recruitment & Admissions	7577	7577 MERCHANDISE SALES		(1,000)	(1,000)	(1,000)
Leaf	+ Research Enterprise & Innovation	1300	1300 SBUEL SUPPORT	(14,204)		(14,204)	
Leaf	+ Research Enterprise & Innovation	7090	7090 Low Carbon LDN		(251,704)	(251,704)	(251,704)
Leaf	+ Research Enterprise & Innovation	7100	7100 TECHNOPARK RENTAL	(119,669)	(660,492)	(660,492)	(540,823)
Leaf	+ Research Enterprise & Innovation	7101	7101 ST GEORGES CIRCUS RENTAL	(1,600)	(94,500)	(94,500)	(92,900)
Leaf	+ Research Enterprise & Innovation	7103	7103 103 Borough Rd rental		(29,000)	(29,000)	(29,000)
Leaf	+ Research Enterprise & Innovation	7108	7108 CLARENCE CENTRE RENTAL	(52,662)	(390,660)	(390,660)	(337,998)
Leaf	+ Research Enterprise & Innovation	7128	7128 SimDh		(152,225)	(152,225)	(152,225)
Leaf	+ Research Enterprise & Innovation	7129	7129 deK		(65,094)	(65,094)	(65,094)
Leaf	+ Research Enterprise & Innovation	7130	7130 ENTERPRISE STEPS		(19,889)	(19,889)	(19,889)
Leaf	+ Research Enterprise & Innovation	7131	7131 LAFIC		(186,674)	(186,674)	(186,674)
Leaf	+ Research Enterprise & Innovation	7150	7150 A2i	556	(137,177)	(137,177)	(137,733)
Leaf	+ Research Enterprise & Innovation	7040	7040 LETTING OF FACILITIES	(1,970)		(1,970)	
Leaf	+ School of Arts & Creative Industries	7079	7079 ACE IT		(160,000)	(160,000)	(160,000)
Leaf	+ School of Applied Sciences	7710	7710 G034 AppRes_OrthoSportsLab_Neuromechanics	(14,088)	(23,500)	(23,500)	(9,412)
Leaf	+ School of Applied Sciences	7716	7716 G075_Consultancy_Lanserhof - K. Karamanidis	(24,113)	(105,018)	(105,018)	(80,905)
Leaf	+ School of Applied Sciences	7717	7717 G080_AppRes_MHFA_CMH - P.Callaghan	(5,791)	(66,233)	(66,233)	(60,442)
Leaf	+ School of Applied Sciences	7013	7013 NEW ENTERPRISE INCOME TARGET - SL		(34,358)	(34,358)	
Leaf	+ School of the Built Environment & Arc	7699	7699 DARLAB		(38,475)	(38,475)	(38,475)
Leaf	+ School of Engineering	7017	7017 CEDaCI		(160,225)	(160,225)	(160,225)
Leaf	+ School of Health & Social Care	7118	7118 H077_CONSULTANCY_BARTS HEALTH_CKD PROJECT NOTO	290			(290)
Leaf	+ School of Health & Social Care	7135	7135 H283_CONSULTANCY_NHS ENGLAND_NETWORK TOOL KIT		(1,667)	(1,667)	(1,667)
Leaf	+ School of Health & Social Care	7141	7141 H425_JAPANESE NURSING STUDENTS NOTOPEN	(2,379)		(2,379)	
Leaf	+ School of Health & Social Care	7163	7163 H569_CONSULTANCY_S4N NEXT STEPS		(22,755)	(22,755)	(22,755)
Leaf	+ School of Health & Social Care	7180	7180 H602_HARINGEY PRIMARY CARE ACADEMY	(18,392)		(18,392)	
Leaf	+ School of Health & Social Care	7189	7189 H639_HSIL_GP Federations Programme		(42,000)	(42,000)	(42,000)
Leaf	+ School of Health & Social Care	7218	7218 H651 Consultancy RCC MECC Sandpit Project		(15,420)	(15,420)	(15,420)
Leaf	+ School of Health & Social Care	7229	7229 H660 Contract Research Borough of Lewisham Group Study	(7,500)	(7,500)	(7,500)	
Leaf	+ School of Health & Social Care	7010	7010 CONSULTANCY	7,500			(7,500)
Leaf	+ LSBU Recruitment Agency	7080	7080 The Recruitment Agency	(31,836)		(31,836)	
Leaf	+ LSBU Recruitment Agency	7999	7999 LSBU Employment Agency Third-Party Charges		(200,000)	(200,000)	(200,000)
Leaf	+ Student Services & Employment	7010	7010 CONSULTANCY	(3,750)		(3,750)	



# Agenda Item 8

	CONFIDENTIAL
Board:	SBUEL Board of Directors
Date:	12 November 2019
Paper title:	Audit findings
Author:	Rebecca Warren, Accountant
Recommendation:	The Board is requested to consider the audit findings for SBUEL.

Attached is the group audit findings report for 2018/19. Specific references to SBUEL are on pages 16 and 22 of KPMG's report.

The Board is requested to consider the findings relating to SBUEL.

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# Year end report 2018/19

DRAFT

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London South Bank University (Group and  
University)

31 October 2019

# Introduction

## To the Audit Committee of London South Bank University

We are pleased to have the opportunity to meet with you on 7 November to discuss the results of our audit of the consolidated financial statements of London South Bank University (the 'University') and its subsidiaries (the 'Group'), as at and for the year ended 31 July 2019.

We are providing this Report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This Report should be read in conjunction with our audit plan and strategy report, presented on 13 June. We will be pleased to elaborate on the matters covered in this Report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy. Subject to your approval of the financial statements, we expect to be in a position to sign our audit opinion on 21 November, provided that the outstanding matters noted on page 3 of this Report are satisfactorily resolved.

We expect to issue an unmodified auditor's report on the financial statements.

We draw your attention to the important notice on page 3 of this Report, which explains:

- The purpose of this Report;
- Limitations on work performed; and
- Restrictions on distribution of this Report.

Yours faithfully,

[Personal signature]

Fleur Nieboer

7 November 2019

## How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. Some of the ways in which we drive audit quality are demonstrated throughout our Report and include:



## Subsidiaries

This Report also covers the following subsidiary entities:

- South Bank Colleges
- South Bank University Enterprises Ltd.
- SW4 Catering Ltd.

## Contents

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2. Financial statements audit	5
3. Subsidiaries	15
4. Use of funds	18
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# Important notice

This Report is presented under the terms of our audit engagement letter.

- Circulation of this Report is restricted.
- The content of this Report is based solely on the procedures necessary for our audit.

This Report has been prepared for the University's Group Audit Committee, in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

## Purpose of this Report

This Report has been prepared in connection with our audit of the consolidated financial statements of London South Bank University (the 'University') and its subsidiaries (the 'Group'), prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP), as at and for the year end 31 July 2019.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the University's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

As at the date of drafting this Report (27 October 2019), our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting but would highlight the following work is still outstanding:

- Financial Statements audit: review of the consolidation of South Bank Colleges and SW4 Catering Ltd into the group accounts, testing of journals transactions, tuition fee testing, our review of the value of land and buildings transferred to South Bank Colleges.
- Annual Report: review of the final Remuneration Report.
- Use of funds: completion of the testing of redundancy packages; and
- Receipt of signed management representation letter following approval by the Board.

## Restrictions on distribution

The Report is provided on the basis that it is only for the information of the Audit Committee of the University; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



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## Assessment of the control environment

**Significant control deficiencies** 0  
**Other control deficiencies** 2

Other control deficiencies identified to date relate to:

- Impairment review – we have not identified any impact on the financial statements but have made recommended that the impairment review process is strengthened.
- Pension assumptions review - we have not identified any impact on the financial statements but have made recommended that the review is strengthened.

We have included recommendations to address the deficiencies identified and followed up the status of recommendations from our prior year audit in Appendix One.

## Representations

You are required to provide us with representations on specific matters such as your going concern assertion. We provided a draft of this representation letter to the Group CFO on 23 October 2019. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We have requested that management make an additional disclosure to confirm that, to the best of the Group's knowledge, no provision expense is required in the group accounts in respect of the claim brought against South Bank Colleges.

## Audit adjustments

We identified no unadjusted audit differences as a result of our audit. We identified one audit differences that have been adjusted. Further details are set out in Appendix Two.

## Risks

## Risk change

## Our findings

### Significant Risks

Page 5 - 10

- |   |             |   |
|---|-------------|---|
| 1. Consolidation of South Bank Colleges                           | ★ New       | <i>Fieldwork ongoing at the date of this Report.</i>  |
| 2. Valuation of the local government pension scheme net liability | ■ No change | The core assumptions used to calculate the pension liability were found to be appropriate. We identified an adjustments in respect of the value of the scheme |
| 3. Fraud risk from revenue recognition                            | ■ No change | The results of our testing were satisfactory. We considered the amount of revenue recognised to be acceptable.  |
| 4. Management override of control                                 | ■ No change | <i>Fieldwork ongoing at the date of this Report.</i>  |
| 5. Carrying value of land and buildings                           | ■ No change | <i>Fieldwork ongoing at the date of this Report.</i>  |

### Other areas of audit focus

Page 11 and 18

- |                  |           |   |
|------------------|-----------|---|
| 4. Going concern | Increased | The going concern basis of accounting was appropriate and that no disclosure of material uncertainty is required. |
| 5. Use of funds  | No change | <i>Fieldwork ongoing at the date of this Report.</i>  |

### Key accounting judgements

Page 12

- |                                 |          |  |
|---------------------------------|----------|--|
| A. Net pension liability        | Cautious | We assessed the assumptions made in determining the value of the pension liability against KPMG;s benchmarks. Assumptions were found to be slightly cautious.                            |
| B. Accruals and deferred income | Cautious | We reviewed the calculation of Accruals and deferred income for a sample of items. Through our testing we found the calculation of accruals and deferred income to be slightly cautious. |



### 1 Consolidation of South Bank Colleges

Related risk register risks

624. LSBU Family integrated service benefits

#### Significant audit risk

##### The risk

At the beginning of the year LSBU set up a new subsidiary, South Bank Colleges. On 31 January Lambeth College dissolved as an entity and its operations transferred to South Bank Colleges, which continues to operate as a wholly owned subsidiary of London South Bank University. This presents several audit risks; such as;

- The transfer of the College's assets and liabilities to South Bank Colleges;
- The consolidation of South Bank Colleges in the Group London South Bank University accounts;
- The accounting treatment of specific transactions, such as the funding granted by the Transaction Unit and the loan novated to LSBU from Lambeth College.

##### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- Evaluate the completeness, accuracy and valuation of assets and liabilities transferred from Lambeth College. This will include assessing the valuation of fixed assets that are transferred to the College, for which we will involve a valuation specialist if required. We have completed the audit of the College's final six month period which will assist with this procedure.
- Review the consolidation of South Bank Colleges accounts into the accounts. This will include reviewing the treatment of intra-group transactions and the disclosure of related party transactions.
- Review the accuracy and presentation of the loan funding granted by the Transaction Unit and the loan agreement with Barclays. We agreed the accounting treatment of both transactions with management during the transition.

##### Outcome from audit work

- *Our review of the valuation of the transfer of assets and liabilities, related party transaction disclosures and consolidation is still underway at the date of this Report.*
- We identified in the draft accounts intra-group related party transactions had not been disclosed in the Group accounts in line with the requirements of FRS 102.



## Valuation of the local government pension scheme net liability

Related risk register risks

3. Sustainability of current pension schemes

### Significant audit risk

#### The risk

- LSBU participates in three multi-employer defined benefit pension schemes – the Teachers' Pension Scheme (TPS); London Government Pension Scheme (LGPS); and the Universities Superannuation scheme (USS). The total value of the pension deficit in 2017/18 was £100.7m.
- It is important that the assumptions included within the valuation of the schemes reflect the profile of the University employees, and are based on most recent actuarial valuation. It is also important that assumptions are derived on a consistent basis year to year.

#### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- Evaluate the competency and objectivity of the Scheme actuaries to confirm their qualifications and the basis for their calculations. We will perform inquiries with the Scheme actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Review the input from the Group into the calculation of the LGPS valuation;
- Review the appropriateness of the key assumptions made by, and validate the methodology used by, the Scheme actuaries with the use of a KPMG Actuary;
- Agree the total assets held in the LGPS at the year end to confirmation from the Fund's auditors;
- Assess the appropriateness of assumptions used to determine the University's share of the overall LGPS assets; and
- Review the actuarial valuation and consider the disclosure implications in the financial statements.

#### Outcome from audit work

We have included our high level assessment of key judgements on page 12.

The key assumptions used are within KPMG's benchmark range. We consider the assumptions used at LSBU to be balanced and those to be used at South Bank Colleges to be cautious.

We found that the fund assets for both London South Bank University and South Bank Colleges had been calculated based on actual rates of return for the first 10 months of the year, then an estimate was used for the remaining two months of the year. The actual rate of return for the final two months was higher than the estimate made by the actuary, meaning the pension provision was overstated by £2,990k at LSBU and £892k at SBC.

The pension provision has been adjusted to take into consideration the outcome from the McCloud judgement reached in December 2018. The adjustment made to the LSBU provision fell within our materially acceptable range. The adjustment made to the South Bank Colleges liability following the McCloud judgement fell outside of our expected range by an immaterial amount and therefore does not require adjusting.

The presentation of the pension fund disclosures was in line with relevant reporting requirements.





### ③ Fraud risk from revenue recognition

Related risk register risks

2. Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets

#### Significant audit risk

##### The risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

##### Tuition fee and education

**contract income:** There is a risk of fraud and error associated with the recognition of tuition fee and education contract income.

**Funding council income:** There is generally limited scope for fraudulent revenue recognition for grant income from the Office for Students as the University receives an annual confirmation of the funding to be made available and the amount disbursed during the year.

##### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

##### Tuition fee income

- Review the completeness of fee income through reconciliations with the student record system and confirm the appropriateness of bursary/scholarship and fee waiver recognition through review of relevant schemes and policies.
- Review the procedures in place regarding the determination of tuition fee income and will perform Data and Analytics procedures to provide assurance over tuition fee income.
- Review the income recognition for programmes crossing the year end and any other flexible provision, as well as considering the income recognition and debtor recoverability.

##### Funding council income

- Agree the income received to the notification from the Office for Students and the ESFA and verify the amount received to cash receipts.

##### Outcome from audit work

##### Tuition fee income

We were able to fully test 79.7% of tuition fee income using data and analytics routines. We tested the residual population through sample testing and agreeing back to source documentation. No issues were identified in our testing of tuition fee income. Further information is included on page 14.

We identified two transactions at £257k that related to health income that were classified as other income, and three transactions at £235k classified as other income that should have been classified as health income. This is a classification issue, the net impact of which is below our AMPT threshold.

##### Funding council income

We were able to agree a sample of funding council income to underlying documentation to confirm the existence and completeness of income reviewed.



### Significant audit risk

#### The risk (continued)

**Other operating income:** The main sources of income included are income from residences and catering income. We rebut the assumption of a significant risk of fraudulent revenue recognition.

#### Research grants and contracts:

The University applies an accounting policy to recognise income from research grants on an accruals basis, matching income against the expenditure that has been incurred in delivering the project. We consider the risk of material misstatement to be low and so rebut the fraudulent revenue recognition risk over research income.

Investment income and Donations and endowments are immaterial to the Group financial statements.

#### Planned response

##### Other operating income

- Perform substantive procedures over other operating income based upon the nature of the income to confirm the completeness and accuracy of the income.

##### Research grants and contracts

- Assess whether research income has been recognised in line with the grant agreement and accounting standards, and classified in the correct reporting period.

#### Outcome from audit work

##### Other operating income

We agreed a sample of other income transactions to underlying documentation to confirm that it had been recorded accurately and in the correct period. No issues were identified during this testing.

##### Research grants and contracts

We concluded that the sample of grant income reviewed had been recognised in line with the grant agreement and in accordance with accounting standards. All items tested had been recorded in the correct period.



## 4 Management override of control

Related risk register risks

None identified.

### Significant audit risk

#### The risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.

#### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- We will test the operating effectiveness of controls over journal entries and post closing adjustments.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals prepared at the end of the year impacting on overall financial performance.
- We will also assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- We will review the appropriateness of the accounting for significant transactions that are outside the University's normal course of business, or are otherwise unusual.

#### Outcome from audit work

*Our testing of journals is still in progress at the date of this Report.*

No issues were noted in respect of accounting policies. There have been no significant changes to the methods used to prepare assumptions.

No significant transactions that were outside the Group's normal course of business, or that were otherwise unusual, were identified.



### ⑨ Carrying value of land and buildings

Related risk register risks

37. Impact or affordability of Capital Expenditure Investment Plans

#### Significant audit risk

##### The risk

At 31 July 2018 the University had £217.8m of fixed assets, £189.0m of which is land and buildings. The University adopted a valuation accounting policy of deemed cost as part of the FRS 102 transition there are risks around the valuation, depreciation and impairment of the University estate, together with a risk around the treatment of repair and refurbishment costs. The asset valuation and impairment review processes are both estimates and therefore present a higher level of risk to the audit.

The Group has also inherited two sites (at Vauxhall and Clapham Common) from the transfer of operations of Lambeth College. The closing value of these assets at deemed cost at the time of the transfer was £77.9m.

The University has a capital plan to refurbish its London Road, Technopark and Perry Library sites and completing the St. George's Quarter development. The plan will take place in three phases, the first of which will result in £80m of capital spend, split across the refurbishment of London Road (£65m) and Project Leap, which is a £65m upgrade and improvement project for the student records system.

##### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- Review the carrying value of the land and buildings transferred from Lambeth College to South Bank Colleges, and assess whether they have been incorporated into LSBU's Fixed Asset Register;
- Vouch the accuracy of any capital additions in the year to supporting documentation;
- Review the appropriateness of the useful economic lives for a sample of assets and any impairments identified by the University, and recalculate the depreciation figure as stated in the accounts;
- Review the reconciliation that takes place between the University's fixed asset register and general ledger; and
- Consider the process for capitalising expenditure and review a sample of capitalised assets to assess whether they have been appropriately capitalised (specifically focussing on the St George's Quarter development).

##### Outcome from audit work

*Our review of the transfer of land and buildings from Lambeth College to South Bank Colleges is still outstanding at the date of this draft.*

We found that additions to fixed assets had been accurately recorded and appropriately classified.

Our recalculation of the depreciation charge did not identify any material discrepancies, and the useful economic lives used by the University are appropriate compared to the wider sector.

Our review of the Fixed Asset Register reconciliation with the general ledger did not identify any discrepancies.

We reviewed the process for capitalising expenditure and found that it was designed and implemented appropriately. We reviewed a sample of additions and found that they had all been appropriately capitalised. Our testing of expenditure did not identify any assets that should have been capitalised that were not.



### 1 Going concern

Related risk register risks

2. Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets

#### Other area of audit focus

##### The risk

The University's budget for 2018-19 indicated that the University was forecasting a surplus of £1.5 million for the year-ending 31 July 2019.

Despite shortfalls in full time undergraduate student recruitment against target, management are still forecast to achieve their budgeted surplus due to increases in overseas student recruitment and reductions in staff costs. At February 2019 the University was on track to exceed this by £0.1m.

Following the transfer of operations from Lambeth College the Group has inherited a component that has struggled financially in previous years. The University has secured funding to mitigate these losses and has developed a three year financial plan to improve the financial performance of the College in the medium term.

##### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- Review of the University's overall financial position at the year end as part of our review of the financial statements;
- Consider the University's final outturn compared to the forecast position, with particular reference to income recognition, the fees and funding regime and the performance of the University's commercial activities;
- Assess the University's actual 2019/20 student numbers against plan, as well as assessing medium and long term forecast financial performance for the Group (including South Bank Colleges);
- Assess the disclosures required in the financial statements of the University in respect of going concern.
- Assess whether that the University has complied with bank covenants in the year and is forecast to comply based on the future forecasts.

##### Outcome from audit work

We noted that the University's position at year-end was ahead of budget. The University's income position was in line with budget, and expenditure was £1.4m better than budget.

We have considered whether events or conditions exist that could indicate there is a material uncertainty over the University's ability to continue as a going concern. As part of this we considered:

- The size of the LGPS pension deficit;
- The acquisition of Lambeth Colleges; and
- The claim brought against South Bank Colleges by CMOL.

In each case we concluded that these events did not constitute a risk to the University's ability to continue as a going concern, and did not lead to events or circumstances that would indicate there is a material uncertainty over the Group or University's ability to continue as a going concern.

We concluded that the University had complied with bank covenants during the year.

We reviewed management's going concern assessment and concluded that the assumptions used could be appropriately supported by historical performance.

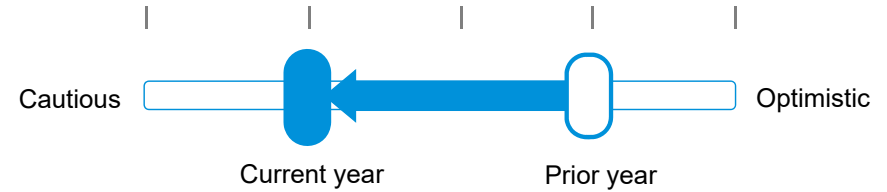
Overall we concluded that the adoption of the going concern basis of accounting was appropriate and that no disclosure of a material uncertainty over the Group's ability to continue as a going concern were required.



### Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious means a smaller asset or bigger liability; optimistic is the reverse. We have only considered material judgements for the purpose of our reporting here.



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Asset/liability class	Our view of management judgement	Balance [(£m)]	YoY change [(£m)]	Our view of disclosure of judgements & estimates	Further comments
	Cautious   Neutral   Optimistic			Needs improvement   Neutral   Best practice	
<b>Valuation of net pension liability</b>		(112.3)	(12.5)		In 2017-18 we assessed the assumptions used to calculate the pension provision for LSBU as cautious. In the current year we have assessed those assumptions to be more balanced. At a group level, the provision includes the pension liability of South Bank Colleges, which we have assessed to be cautious, and therefore continue to assess the total provision held as slightly cautious. Further information is included on page 27 Appendix 4.
<b>Recognition of accruals and deferred income</b>		(25.2)	(0.7)		The university places all cash received initially into a deferred income code and then a process is carried out to release this into income where necessary. This is to ensure revenue is not over recognised. We have therefore assessed the recognition of accruals and deferred income as cautious.



### Annual report

We have read the contents of the Annual Report (including the Directors' Report, Statement of Corporate Governance and Statement of Internal Control) and checked compliance with the requirements of the Annual Report and financial statements with the Accounts Direction published by the Office for Students. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Annual Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the University's performance, business model and strategy.
- *We will comment on the disclosures included in the remuneration report once our fieldwork is complete in this respect;* and
- The Statement of Corporate Governance and Statement of Internal Control were consistent with the financial statements and comply with the guidance set out within the Accounts Direction.

During the course of our audit work we assessed the quality of your disclosures in the Statement of Corporate Governance in relation to Brexit in addition to assessing the quality of disclosures generally. We concluded that the disclosures are largely satisfactory with regard to the nature of the impact on the business model and strategy, the impact of economic/political changes on the current year and future performance of the business, the principal risks arising from Brexit and how these are monitored. Minor improvements may be made to the disclosures to highlight the future financial forecasts for the group and to include further detail on the significant campus development.

### Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

### Other matters

We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest.

### Reconfirming materiality

We can confirm that we have completed all our audit work to the materiality that we proposed at the planning stage of the audit, which was a total performance materiality of £2.3m with an audit differences posting threshold of £145k.

### Audit Fees

Our fee for the audit was £99,886 plus VAT for the Group and £55,000 for London South Bank University (50,635 in 2017/18). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in June 2019. We have also completed non audit work during the year on tax compliance services and have included in appendix five confirmation of safeguards that have been put in place to preserve our independence.



## Tuition fees

As part of our audit we performed data and analytics routines over tuition fee data in the registry system in order to gain assurance over 100% of the transactions recorded. We sought to reconcile for each student record the income recognised to the expected income as per the business rules used for determining the amount to be charged.

Test	Description of results	Commentary
<b>Fees reconciled to fee table</b>	For 11,480 out of 15,292 student records we were able to match the fees charged to the student exactly to the expected level of fees to be charged per the University's fee tables.	The total value of fees for which we were able to gain assurance that the amount charged matched the expected level of fees exactly was £75m. This represents 75% of the number of student records and 79.7% of total tuition fee income.
<b>Differences from expected fee income</b>	We identified 1,501 student records where the amount charged for the course did not match the expected level based on the University's fee tables. This represented £13.3mm of fee income.	This exception was caused mainly by apprentice students who are not included within the fee matrix and students who are in receipt of a discount on their fee. As a follow up procedure we have selected a sample of students falling under this category to confirm that the fee charged is accurate.
<b>Records with complexities</b>	We identified 2,044 student records where the fee could not be recalculated due to complexities. This represented £8.2m of fee income.	This exception was caused mainly by partially attending students whose fees are recorded in a different manner to other students. As a follow up procedure we have selected a sample of students falling under this category to confirm that the fee charged is accurate.
<b>No corresponding student record</b>	We identified 64 students that were a fee had been recorded but no corresponding student record and therefore the fee could not be recalculated. This represented £256k of fee income.	This exception is driven by students who have been excluded and therefore no longer on the recorded provided. As a follow up procedure we have selected a sample of students falling under this category to confirm that the fee charged is accurate.
<b>Records excluded from income</b>	We identified 203 records that were excluded from testing as fees had been cancelled. This represented £298k fee income that had been cancelled.	Records have been excluded from are testing as they relate to credit notes for tuition fee in previous years. As a follow up procedure we have selected a sample of students falling under this category to confirm that they are correctly excluded and relate to prior years.
<b>Reconciliation to general ledger</b>	We reviewed the differences between income recorded in the registry system and the total tuition fee income shown in the general ledger. The total variance between the registry system and the accounts was £1.86m.	The difference of £1.86m between the student record system and the general ledger has been validated and is due to tuition fees that are not billed directly to students but instead are part of a contract and/or billed to a company or an organisation so do not appear in the QL system.





**1 South Bank Colleges**

For the year ended 31 July 2019 we have undertaken the statutory audit of South Bank Colleges. South Bank Colleges is an exempt charitable company limited by guarantee.

We have carried out our audit on the College pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

A separate report will be presented to the company's Audit Committee providing detailed results of our audit.

**Planned response**

*Significant risks*

As set out in our audit plan presented on 7 June 2019 we recognised significant risks relating to:

- Transfer of assets and liabilities from Lambeth College;
- Valuation of the pension scheme liability;
- Going concern;
- Income and revenue recognition; and
- Management override of control.

**Outcome from audit work**

*Outstanding matters*

Our audit of this company remains ongoing. The following are the principal matters outstanding:

- The valuation of land and buildings
- Review of disclosures

*Findings in response to significant risks*

- *Transfer of assets and liabilities from South Bank Colleges – this work is still ongoing.*
- Valuation of the pension scheme liability – The key assumptions used are within KPMG's benchmark range. We consider the assumptions used at SBC to be cautious. The fund assets had been calculated based on actual rates of return for the first 10 months of the year, and an estimate was used for the remaining two months of the year. The actual rate of return for the final two months was higher than the estimate made by the actuary, meaning the pension provision was overstated by £892k.
- *Going concern – this work is still ongoing, and being completed in conjunction with the Group work on going concern.*
- Income and revenue recognition – Our sample testing of tuition fee income and period end testing found that transactions were recorded in the correct period and recorded accurately.
- Management override of control -

There were no material adjustments arising from our audit at Group level. There was one adjustment related to the fair value of pension scheme assets which was above the Group triviality threshold:

Dr	Pension liability (Balance sheet)	£862k
Cr	Actuarial gains and losses (I&E)	£862k

We have prepared a separate detailed audit report for South Bank Colleges which highlights adjustments material to the entity.



South Bank University Enterprises Ltd.

For the year ended 31 July 2019 we have undertaken the statutory audit of South Bank University Enterprises Ltd.

We have carried out our audit on SBUEL pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

**Planned response**

*Significant risks*

As set out in our audit plan presented on 7 June 2019 we recognised significant risks relating to:

- Income and revenue recognition; and
- Management override of control.

**Outcome from audit work**

*Outstanding matters*

Our audit of this company remains ongoing. The following are the principal matters outstanding:

- Project income
- Bank confirmation
- Creditors
- Journals

*Findings in response to significant risks*

- Revenue recognition: We found a misstatement regarding project income which we have detailed below. We have not found any other issues regarding project income or the other streams of income.
- *Management override of controls: Our testing of journals is still being completed at the time of writing.*

We raised 3 adjustments below our Group triviality threshold relating to following below:

- Project income – Misstatement of £25.5k as an item was inaccurately posted. This has not yet been corrected by management but is below our materiality threshold and does not require adjustment.
- Cash/Debtors - £26k Upon review of a ledger posting, it was noticed that payment for an invoice had been coded to the incorrect period, the posting had been posted to period 1 19/20 instead of period 12 18/19. This has not yet been corrected by management but is below our materiality threshold and does not require adjustment.
- Cash – A duplicate journal was posted for an amount of £5,400. This has not yet been corrected by management but is below our materiality threshold and does not require adjustment.



### SW4 Catering Ltd.

For the year ended 31 July 2019 we have undertaken the statutory audit of SW4 Catering Ltd..

We have carried out our audit on [name] pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

#### Planned response

##### Significant risks

As set out in our audit plan presented on 7 June 2019 we recognised significant risks relating to:

- Income and revenue recognition; and
- Management override of control.

#### Outcome from audit work

##### Outstanding matters

Our audit of this company remains ongoing. The following are the principal matters outstanding:

- *We have completed the sample testing for our fieldwork over income, expenditure and journals. This work is under internal review and the findings will be reported once this is complete.*

##### Findings in response to significant risks

- *Income and revenue recognition - TBC*
- *Management override of controls – TBC.*



As the University receives funding from the Office for Students and Research England we are required to provide an opinion as to whether public sector funding received has been utilised in accordance with the associated terms and conditions. We have set out below a summary of the work performed and findings from our work:

Risk assessment	Controls	Substantive procedures
<p>We compared the financial performance for the year to budget and the cause of variances. The University exceeded it's budget target of £1.5m surplus in the year.</p> <p>We reviewed the reports produced by internal audit during the year to consider whether there were any matters raised that may demonstrate funds were not used appropriately. Although internal audit raised points on core financial systems during the year, these did not result in funds not being spent in line with funding conditions and do not impact on our use of funds opinion.</p> <p>We confirmed that there are appropriate policies and procedures in place, including provision of whistleblowing and anti-fraud and bribery requirements.</p> <p>We reviewed how the University had assessed its compliance with the requirements of the Committee of University Chairs code of practice for setting the remuneration of the head of provider. The Vice-Chancellor's remuneration is decided by the University's Remuneration Committee in relation to their performance during the year.</p>	<p>We assessed whether there were appropriate controls in place for the management of expenditure, including findings from our payroll and non-pay expenditure work.</p> <p>Our controls testing did not identify any issues that would impact on our regularity conclusion.</p> <p>We confirmed that an up to date register of interests was in place and whether there had been any transactions with related parties during the year. No risks were identified relating to transactions with related parties.</p>	<p>As part of our substantive audit procedures we undertook sample testing of research income and expenditure. We confirmed that expenditure incurred against funding received was utilised for appropriate purposes.</p> <p><i>Our remaining regularity work is still underway at the time of writing.</i></p>

We will conclude on our use of funds work once the above procedures are complete.



# Appendices

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# Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
<b>1</b>	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	<b>2</b>	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
<b>3</b>	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Page 38	<b>2</b>	<p><b>Impairment review</b></p> <p>Management's review of buildings to assess whether they show signs of impairment has historically focused on the Clarence Centre as the only building held for commercial purposes. Given the extent of capital works being undertaken both at University and Group level the University will maintain an increased number of assets for varying purposes.</p> <p>We recommend that the process for undertaking the annual impairment review is formalised, and considers the full University estate. Management should consider each of the indicators of impairment listed in FRS 102 section 27.9 to consider whether any indicators apply as part of this process.</p>	<p><b>Agreed</b></p> <p>The entire estate will be reviewed at least annually for impairment and this process will be documented as a financial procedure.</p> <p><b>Responsible officer:</b> Natalie Ferer</p> <p><b>Due date:</b> 31 January 2020</p>
	<b>2</b>	<p><b>Review of pension assumptions</b></p> <p>The pensions assumptions used by Barnett Waddingham are derived by qualified actuaries based on a number of factors. The judgement involved in forming these assumptions and the size of the University's pension liability mean that a small variance could result in a material impact on the financial statements. Management currently present the assumptions used in the calculation of the pension provision to the Audit Committee for approval, however this does not contain detail on the extent to which management has challenged the assumptions to ensure they are appropriate for LSBU.</p> <p>We recommend that management document in more detail the precision with which they review the pensions assumptions and challenge the actuaries on the assumptions they have set. Specifically, they should perform an assessment of membership numbers to ensure that the rolled forward number and assumptions applied are in line with current year figures. Additionally, management should challenge the actuary on their estimate of the return on investment to determine if there would be a material impact if actual data as received subsequent to year end was used.</p>	<p><b>Agreed</b></p> <p>Ae will continue to review the indicative assumptions final assumptions used by the actuaries to ensure that they are appropriate to the University and subsidiaries, including use of estimates as they impact on returns on investments.</p> <p><b>Responsible officer:</b> Natalie Ferer</p> <p><b>Due date:</b> 30 June 2020</p>

# Recommendations raised and followed up

**DRAFT**

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
5	4	1

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (November 2019)
1	①	<p><b>Bank reconciliations</b></p> <p>In September 2017 HSBC closed a Euro account held with HSBC containing €843k (£751k) due to inactivity on the account. Due to an error on HSBC's behalf these funds were not transferred back into LSBU's principal account. The amount was held within the same ledger code and bank reconciliations were performed with the brought forward balance on the old account, therefore the missing amount was not identified, and this was not picked up during review. This was therefore not followed up until the time of our fieldwork in October 2018.</p> <p>We recommend that when accounts are closed, remaining funds are held as reconciling items on the bank statement or journaled into the expected ledger account to ensure they are followed up on a regular basis where they are not received.</p>	<p><b>Agreed</b></p> <p>In July 2018 when we discovered that this had happened, we decided to transfer the balance to our Natwest account and it was this instruction that HSBC did not action.</p> <p><b>Responsible Officer:</b> Loretta Audu / Rebecca Warren</p> <p><b>Due date:</b> 31 October 2018</p>	<p><b>Implemented</b></p> <p>Although LSBU has not closed any bank accounts in the year, we concluded that the bank reconciliation control was operating effectively in the 2018/19 financial year.</p> <p>We did however identify one reconciling item in the SBUEL bank reconciliation that had not been appropriately cleared.</p>
2	②	<p><b>Controls over journal entries</b></p> <p>Management have made improvements to journals controls by introducing automated approval workflow for all G6 journals in the last year. As the user is required to select the type of journal, if the journal type G6 is not selected the automated approval workflow is not triggered. Management have introduced a review of non-G6 journals on a monthly basis, however we did not see evidence that this had operated throughout the period.</p> <p>We recommend that the review of non-G6 journals on a monthly basis is reintroduced. This should be reviewed by the Financial Controller to provide assurance that the control has operated effectively.</p>	<p><b>Agreed</b></p> <p>The process of reviewing journals that have not gone through an automated authorization process has been in place since November 2017 but this review has not always been formally documented and was not always carried out by the Financial Controller. Going forward a formal review will be carried out as part of the month end process.</p> <p><b>Responsible officer:</b> Natalie Ferer</p> <p><b>Due date:</b> 31 October 2018</p>	<p><b>Implemented</b></p> <p>A process has been implemented in line with the recommendation, however a review of unauthorised journals does not take place every month. This has been picked up by internal audit and will be followed through as part of their recommendation tracking process.</p>

## Recommendations raised and followed up

**DRAFT**

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (November 2019)
3	2	<p><b>Capturing data to calculate pay multiples</b></p> <p>This year the Office for Students introduced new requirements for calculating pay multiples. This should include substantive and temporary staff. Due to the way the data for temporary staff is captured by the University, it is difficult to accurately calculate the pay multiple including temporary staff as time worked cannot be easily matched to invoices.</p> <p>The OfS have permitted institutions to calculate the ratio omitting this data for this year, but could require this for 2018-19.</p> <p>We recommend that management review how they collate data relating to the time worked by temporary staff, and ensure that this can be cross referenced to invoices received to enable the University to perform this calculation in future years if required.</p>	<p><b>Agreed</b></p> <p>Agreed, we will review how to collate data on temporary agency staff in order to perform this calculation in the future</p> <p><b>Responsible Officer:</b> Natalie Ferer and Ed Spacey</p> <p><b>Due date:</b> 31 January 2019.</p>	<p><b>Superseded</b></p> <p>The Accounts Direction issued by the OfS for 2019-20 does not require agency staff to be included in the pay multiple calculation, and can be early adopted for the 2018-19 financial year, meaning this action is no longer required.</p>
	2	<p><b>Intercompany recharges</b></p> <p>During 2017-18 it was identified that for some transactions which had previously been processed through SBUEL it would have been more appropriate to recharge them to the University. This resulted in an adjustment during the 2017-18 audit and a further corporation tax charge relating to 2016-17.</p> <p>We recommend that management undertake regular reviews of the transactions which have been processed through SBUEL to confirm that they have been appropriately posted and do not represent LSBU activity which should be recharged to the University.</p>	<p><b>Agreed</b></p> <p>The key members of the Financial Accounting team now fully understand that invoices (or parts of invoices) relating to the acquisition of Lambeth College do not relate to SBUEL. We will continue to pay the invoices for the particular consultant through SBUEL because they relate partially to SBUEL, but will apportion them quarterly (as part of the preparation of the VAT return, for which the invoices will also need to be apportioned) and recharge the Lambeth element to the University.</p> <p><b>Responsible Officer:</b> Rebecca Warren, Head of Financial Accounting</p> <p><b>Due date:</b> Ongoing, linked to quarterly VAT cycle</p>	<p><b>Implemented</b></p> <p>We found that consultancy costs had been appropriately recorded in our testing of expenditure.</p>





# Recommendations raised and followed up

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (November 2019)
5	3	<p><b>Maintenance of employment contracts</b></p> <p>In our review of payroll HR were unable to find one employment contract. This related to a member of staff that has since left the University, and we were able to verify the existence of this member of staff through enquiry with the individual's line manager. The remaining 62 samples were held on file and no issues were noted with these samples.</p> <p>We understand that management can record in Midland iTrent whether a contract is held on file for a particular member of staff. We recommend management perform a one-off exercise/check to identify members of staff that do not have a contract in the system/file, and follow up with the respective areas of the University to assess whether contracts are held locally within the School.</p>	<p><b>Agreed</b></p> <p>A wider one off exercise will take place</p> <p><b>Responsible Officer:</b> Dave Lee</p> <p><b>Due date:</b> 28 February 2019.</p>	<p><b>Implemented</b></p> <p>Our review of a sample of 61 payroll transactions found that appropriate supporting documentation had been maintained in each case.</p>



# Audit differences - London South Bank University

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £145K are shown below:

Unadjusted audit differences (£'000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Depreciation	£247k	-	Our testing of assets under construction identified an asset which was completed towards the end of 2017/18 but not yet transferred to the fixed asset register and therefore not depreciated in the year. This asset should have been depreciated in the year inline with the depreciation policy of the university.
	Cr Accumulated Depreciation	£-	£247k	
Total		£247k	£247k	

Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£'000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Pension liability	-	£2,990k	The fair value of the plan assets in the actuarial report issued by the University's actuaries was based on actual returns for the first 10 months of the year and estimated returns for the final two months of the year. The actual return for the final part of the year was 2% higher than predicted by the actuary.
	Cr Actuarial gains and losses	£2,990k	-	
Total		£2,990k	£2,990k	

We also identified minor presentation adjustments to the Related Parties note and the classification of income between Strategic Health Income and Other Income.



# Audit differences – South Bank Colleges

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are ‘clearly trivial’, which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate. We have not identified any unadjusted audit differences.

Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£'000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Funding body grant income	£131.6k	£-	There is an unspent balance relating to the learner support fund. An incorrect journal posting was made for this deferral, whereby income was credited and deferred income debited. We would expect the journal to be the other way around with the income account code being debited and the deferred income account being credited to show the movement of income into deferred income.
	Cr Accruals and deferred income	£-	£131.6k	
	Dr Pension liability	-	£892k	The fair value of the plan assets in the actuarial report issued by the University's actuaries was based on actual returns for the first 10 months of the year and estimated returns for the final two months of the year. The actual return for the final part of the year was 2% higher than predicted by the actuary.
	Cr Actuarial gains and losses	£892k	-	
Total		£131.6k	£131.6k	



# Required communications with the Audit Committee

Under UK auditing standards (ISA (UK&I) 260) we are required to set out certain communications to the Audit Committee. We have summarised below the required communications and the status of these.

Type	Status	Response
<b>Our draft management representation letter</b>		Our draft representation letter is included for the Committee's review. We have requested that management make an additional disclosure to confirm that, to the best of the Group's knowledge, no provision expense is required in the group accounts in respect of the claim brought against South Bank Colleges by CMOL.
<b>Adjusted and unadjusted audit differences</b>		We have provided a summary of audit differences in Appendix Two.
<b>Control deficiencies</b>		We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit. Details of our recommendations are provided in Appendix One.
<b>Related parties</b>		<i>We identified minor adjustments to the University's related parties note which will be corrected in the final accounts.</i>
<b>Other matters warranting attention by the Audit Committee</b>		There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Actual or suspected fraud, non-compliance with laws or regulations or illegal acts</b>		No actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
<b>Significant difficulties</b>		No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>		None.
<b>Disagreements with management or scope limitations</b>		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>		No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. We have provided a summary of our findings on page 13.
<b>Breaches of independence</b>		No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>		Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
<b>Significant matters discussed</b>		The were no significant matters arising from the audit.



With a number of changes to the Local Government Pension Schemes there is potential for volatility and increased liabilities on the Balance Sheet. It is therefore important that the University has appropriately assessed the assumptions used to value the defined benefit pension obligation.

The table below shows the movement in the net pension liability from 31 July 2018:

Liability	31 July 2019 (£'000)	31 July 2018 (£'000)
Present value of funded liabilities	(271,384)	(243,634)
Fair value of plan assets	159,128*	143,869
Net pension liability	112,256	99,765

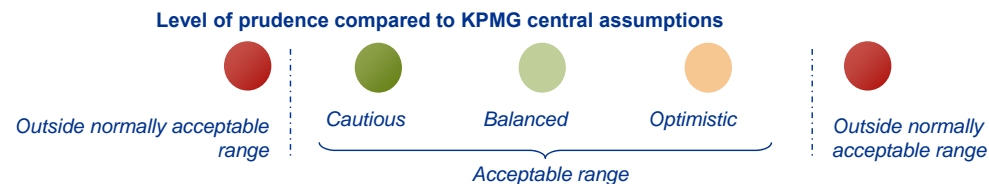
Source: draft financial statements

\* Excluding unfunded obligations totalling £10,420k in 2018-19 (£10,884k in 2017-18)

\*The fair value of the plan assets in the actuarial report issued by the University's actuaries was based on actual returns for the first 10 months of the year and estimated returns for the final two months of the year. The actual return for the final part of the year was 2% higher than predicted by the actuary, and is included as an adjusted misstatement in Appendix Two.

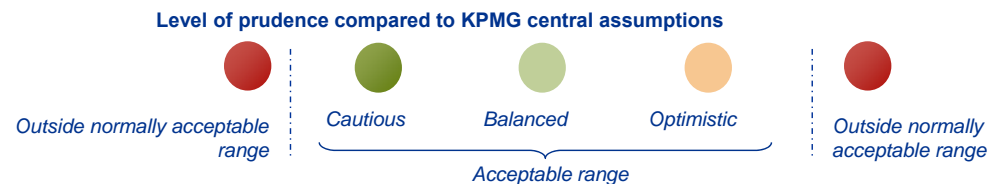
### Assumptions

We have set out the findings from our review of the assumptions used by the actuary on the following page. The scope of this report is restricted to a review of the assumptions adopted for determining the value of the pensions obligations under FRS102 only. In our view the overall set of assumptions proposed by the Employer can be considered to be balanced in respect of London South Bank University and cautious in respect of South Bank Colleges, relative to our central rates for a typical UK scheme with a duration of 21.2 years but within our normally acceptable range.



London South Bank University							
Overall assessment of UK assumptions for FRS 102 for audit consideration							
The overall assumptions adopted by the Company are considered to be Balanced relative to our central rates and within our normally acceptable range overall for a Fund with a duration of 20 years.							● <i>Balanced</i>
Underlying review of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with FRS 102?	University	KPMG central	Assessment vs. KPMG central	Significant assumptions
Discount rate	AA corporate bond yield curve	✓	✓	2.10%	2.11%	●	✓
CPI inflation	Market-implied inflation curve	✓	✓	2.40%	2.32%	●	✓
Pension increases	CPI inflation increases capped at 5% p.a. Market-implied inflation curve	✓	✓	2.40%	2.32%	●	✓
Salary increases	CPI plus 1.5% p.a.	✓	✓	3.90%	In line with long-term remuneration policy	●	✓
Mortality	Base tables	✓	✓	Club Vita	In line with best-estimate Scheme experience	●	✓
	Future improvements	✓	✓	CMI 2018 projections model with a long term rate of 1.50%	CMI 2018 projections model with a 1.25% long-term trend rate and default smoothing and initial addition parameters	●	
Other demographics	In line with the last scheme valuation	✓	✓	In line with the last scheme valuation	In line with best-estimate Scheme experience	●	

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South Bank Colleges							
Overall assessment of UK assumptions for FRS 102 for audit consideration							
The overall assumptions adopted by the Company are considered to be Balanced relative to our central rates and within our normally acceptable range overall for a Fund with a duration of 19 years.							● Cautious
Underlying review of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with FRS 102?	University	KPMG central	Assessment vs. KPMG central	Significant assumptions
Discount rate	AA corporate bond yield curve	✓	✓	2.10%	2.09%	●	✓
CPI inflation	Market-implied inflation curve	✓	✓	2.40%	2.33%	●	✓
Pension increases CPI inflation increases capped at 5% p.a.	Market-implied inflation curve	✓	✓	2.40%	2.33%	●	✓
Salary increases	CPI plus 1.5% p.a.	✓	✓	3.90%	In line with long-term remuneration policy	●	✓
Mortality	Base tables	✓	✓	Club Vita	In line with best-estimate Scheme experience	●	✓
	Future improvements	✓	✓	CMI 2018 projections model with a long term rate of 1.50%	CMI 2018 projections model with a 1.25% long-term trend rate and default smoothing and initial addition parameters	●	
Other demographics	In line with the last scheme valuation	✓	✓	In line with the last scheme valuation	In line with best-estimate Scheme experience	●	

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# Audit independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

### To the Board of Governors/Audit Committee members

### Assessment of our objectivity and independence as auditor of London South Bank University ('the University')

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values

- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### Summary of fees

We have considered the fees charged by us to the University and its affiliates for professional services provided by us during the reporting period. We have detailed the fees charged by us to the company and its related entities for significant professional services provided by us during the reporting period below, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 July 2019 can be analysed as follows:





Component of audit (all fees exclude VAT)	2018/19	2017/18
<b>Audit services – statutory audit</b>		
London South Bank University	£55,000	£50,635
South Bank Colleges	£40,000	£45,000
SW4 Catering Limited	£2,000	N/A*
South Bank Enterprises	£2,866	£2,815
<i>Sub-total</i>	<i>£99,866</i>	<i>£97,150</i>
<b>Non audit fees</b>		
Audit related assurance services (covenant compliance)	£5,000	£-
All other non-audit services		
Corporation tax compliance services	£6,475	£5,491
International tax compliance	£33,850	£11,659
Tax services for the transfer of Lambeth College	£34,500	
<b>Total fee for Group</b>	<b>£179,691</b>	<b>£105,690</b>

\*The previous audit of SW4 Catering Ltd. was not conducted by KPMG LLP.

The ratio of non-audit fees to audit fees for the year was 1.8: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table on the following slide.

### Independence and objectivity considerations relating to other matters

We set out below our consideration of other matters which, in our professional judgement, have a bearing on our independence and objectivity.

### Other relationships

#### Number 20

During the year, the following directors/ employees were members of our client hub, Number 20 Grosvenor Street

#### ■ Steve Balmont

This facility is extended by invitation to senior management of KPMG audit and non-audit clients. Audit client members are provided access to the KPMG business lounge. They are also allowed to use the bar and restaurant if they wish to do so (i.e., without a KPMG person present) and can make meeting room bookings subject to certain restrictions although all food, drink and meeting room bookings must be paid for and are charged in full at normal commercial rates. We do not believe that this facility creates any familiarity threats to our objectivity and independence as auditor.

### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the [partner/ director] and audit staff is not impaired.

This Report is intended solely for the information of the Audit Committee of the University and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP



Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the YE 31.07.2019
Covenant compliance	<ol style="list-style-type: none"> <li>Self-interest</li> <li>Self-review</li> <li>Management</li> </ol>	<ol style="list-style-type: none"> <li>The fee for the work is not dependent on the compliance with the covenants, and is not material to KPMG or LSBU.</li> <li>The work will not involve the preparation of any financial information which will be subject to review.</li> <li>LSBU will be responsible for preparing the covenant compliance statement.</li> </ol>	Fixed fee	£0 (all services performed after year end)
Corporation tax compliance	<ol style="list-style-type: none"> <li>Management</li> <li>Advocacy</li> </ol>	<ol style="list-style-type: none"> <li>KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice.</li> <li>The service will be provided by KPMG professionals who are not members of the audit team.</li> </ol>	Fixed fee	£6,475
International tax services	<ol style="list-style-type: none"> <li>Self-review</li> <li>Management</li> </ol>	<ol style="list-style-type: none"> <li>The service will be provided by KPMG professionals who are not members of the audit team.</li> <li>KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice.</li> </ol>	Time and Materials	£33,850
Tax services for the transfer of Lambeth College	<ol style="list-style-type: none"> <li>Self-review</li> <li>Management</li> </ol>	<ol style="list-style-type: none"> <li>The service will be provided by KPMG professionals who are not members of the audit team.</li> <li>KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice.</li> </ol>	Fixed fee	£34,500

In addition to the above we have currently submitted written proposals for the following services which have not yet been awarded:

- Due diligence services over the acquisition of a company providing training services.



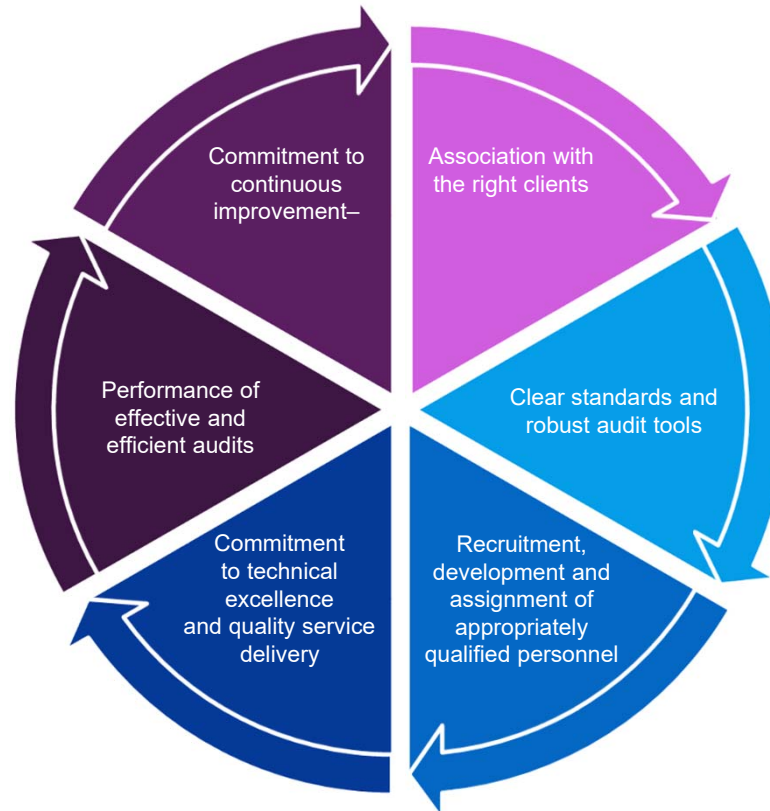
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

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- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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# Agenda Item 9

	CONFIDENTIAL
Paper title:	South Bank University Enterprises Ltd statutory accounts for the year ended 31 July 2019
Board/Committee:	South Bank University Enterprises Ltd
Date of meeting:	12 November 2019
Author:	Rebecca Warren
Purpose:	Approval
Recommendation:	The Board is requested: <ul style="list-style-type: none"><li>• to approve the statutory accounts for the year ended 31 July 2019;</li><li>• to approve the letter of representation;</li><li>• to note the audit findings.</li></ul>

The draft of the statutory accounts follows. The tax figures, which are being prepared by KPMG, need to be inserted into notes 5 and 6, but will not affect the bottom line.

It is likely that the tax computation will show a taxable profit. Once the computation is finalised, if it shows a taxable profit a Gift Aid payment will be made to eliminate this profit so that no tax is payable.

The audit findings document covers the group; the points relevant to SBUEL appear on page 16.

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**South Bank University Enterprises Limited**

**Report and Financial Statements**

**31 July 2019**

DRAFT

# **South Bank University Enterprises Limited**

## **Report and financial statements 2019**

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<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>4</b>
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# **South Bank University Enterprises Limited**

## **Report and financial statements 2019**

### **Officers and professional advisers**

#### **Directors**

Professor Paul Ivey (Chair)

Mr Michael Cutbill

Mr Richard Flatman

#### **Secretary**

Mr Michael Broadway

#### **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**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

# 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 the commercialisation of the University's research.

#### Result for the year

Turnover of £3,801,096 was an increase of 11% from 2018. The company reported a profit before tax of £105,644.

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

#### Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 of the company and of the 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 estimates that are reasonable and prudent; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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

# **South Bank University Enterprises Limited**

## **Company Registration No. 2307211**

### **Directors' report**

Local Government expenditure, are expected to impact upon the Company's activities and income. The Company continues to focus on opportunities to increase and grow its 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**

Professor Paul Ivey (Chair)

Mr Michael Cutbill

Mr Richard Flatman

#### **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 (2018: none).

No Director had any interests in the shares of the Company or any other group company (2018: none).

#### **Employees**

As at the year-end the Company had 35 employees. All other persons associated with the Company are employees of London South Bank University.

#### **Auditors**

A resolution to re-appoint KPMG LLP as auditors of the company will be proposed.

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:

Paul Ivey

Chair

21 November 2019

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH BANK UNIVERSITY ENTERPRISES LIMITED

## Opinion

We have audited the financial statements of South Bank University Enterprises Ltd ("the company") for the year ended 31 July 2019, which comprise the Statement of income and retained earnings, the Balance sheet and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Going concern

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

## Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

## Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report on these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on pages 2-3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

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

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

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.

**Fleur Nieboer (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

Canary Wharf

London

E14 5GL

21 November 2019

## South Bank University Enterprises Limited

### Statement of income and retained earnings Year ended 31 July 2019

		2019	2018
	Note	£	£
<b>Turnover</b>	1	3,801,096	3,431,264
Cost of sales		(1,682,309)	(1,396,862)
<b>Gross profit</b>		2,118,787	2,034,402
Administrative expenses		(2,014,194)	(1,530,295)
<b>Operating profit</b>	2	104,593	504,107
Interest receivable	4	1,051	1,563
<b>Profit on ordinary activities before taxation for the financial year</b>		105,644	505,670
Tax on profits on ordinary activities	6	-	(25,073)
<b>Profit for the financial year after taxation</b>		105,644	480,597
<b>Retained profit at 1 August</b>		571,776	91,179
Gift aid paid	5	(517,851)	-
<b>Retained profit at 31 July</b>		159,569	571,776

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 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Investments	7	24	24
<b>Current assets</b>			
Debtors	8	1,204,656	742,081
Cash at bank and in hand		104,360	1,020,657
		1,309,016	1,762,738
<b>Creditors: amounts falling due within one year</b>	9	(1,149,461)	(1,190,976)
<b>Net current assets</b>		159,555	571,762
<b>Total assets less current liabilities</b>		159,579	571,786
<b>Net assets</b>		159,579	571,786
<b>Capital and reserves</b>			
Called up share capital	10	10	10
Profit and loss account	11	159,569	571,776
<b>Total equity shareholders' funds</b>		159,579	571,786

These financial statements have been prepared in accordance with the special provisions in part 15 of the Companies Act 2006 relating to small companies.

These financial statements were authorised and approved by the Board of Directors on 21 November 2019.

Signed on behalf of the Board of Directors

Paul Ivey  
Chair

# South Bank University Enterprises Limited

## Principal accounting policies Year ended 31 July 2019

### Basis of Preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Section 1A of 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.

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

All members of the company have consented to the preparation of an abridged balance sheet.

### 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.

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.



# **South Bank University Enterprises Limited**

## **Principal accounting policies Year ended 31 July 2019**

### **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.

# South Bank University Enterprises Limited

## Notes to the accounts Year ended 31 July 2019

### 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:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
United Kingdom	3,601,096	3,223,607
North America	200,000	197,757
Asia	-	9,900
	<u>3,801,096</u>	<u>3,431,264</u>

### 2. Operating profit/(loss)

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Operating profit/(loss) is stated after charging</b>		
Fees payable to the Company's auditor:		
- for tax assurance work	5,397	5,521
	<u>5,397</u>	<u>5,521</u>

The Company's audit fee of £2,866 has been included in the audit fee charged to London South Bank University. (2018: £2,815). The fee paid for tax assurance work is £4,525 exclusive of VAT (2018: £5,491).

### 3. Staff costs and Directors' remuneration

The Company had 35 employees at the year-end (2018: 24). All other persons associated with the Company are employees of London South Bank University.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Costs:</b>		
Wages and salaries	1,685,503	1,502,908
Social security costs	167,156	124,511
Employers' pension contributions	133,823	133,239
	<u>1,986,482</u>	<u>1,760,658</u>

One Director employed by the company received remuneration totalling £142,997 (2018: none).

### 4. Interest receivable

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	<u>1,051</u>	<u>1,563</u>

# South Bank University Enterprises Limited

## Notes to the accounts Year ended 31 July 2019

### 5. Payment under Gift Aid

For the year ending 31 July 2019 the company approved post-year-end to pay £xx of its taxable profit under the Gift Aid scheme to London South Bank University (2018: £517,851).

### 6. Taxation

The 2019 tax charge is nil (2018: nil).

	2019	2018
	£	£
Profit/(loss) on ordinary activities before tax	505,670	505,670
Taxation on profit/loss on ordinary activities at 19.00% (2018: 19.00 %)	96,077	96,077
Effects of:		
Fixed asset differences	1,119	1,119
Expenses not deductible for taxation purposes	2,380	2,380
Amounts (charged)/credited directly to equity or otherwise transferred	(99,111)	(99,111)
Adjustments to tax charge in respect of previous periods	25,073	25,073
Adjust closing deferred tax to average rate of 19.00% (2018: 19.00 %)	-	-
Adjust opening deferred tax to average rate of 19.00%	-	-
Unrelieved tax losses and other deductions	(465)	(465)
Amounts charged directly to equity	-	-
Current tax	25,073	25,073

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 £xx (2018: £9,922).

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

# South Bank University Enterprises Limited

## Notes to the accounts Year ended 31 July 2019

### 7. Fixed Asset Investments

At 1 August 2018	£ 24
At 31 July 2019	24

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 2018	(12,442)	251,502

### 8. Debtors

	2019	2018
	£	£
Trade debtors	692,553	381,635
Prepayments and accrued income	510,497	358,110
Other debtors	1,606	2,336
	<u>1,204,656</u>	<u>742,081</u>

### 9. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	-	16,666
Amounts owed to parent company	537,503	356,396
Other creditors	59,586	59,586
Accruals and deferred income	464,182	685,035
Payroll creditors	88,190	73,293
	<u>1,149,461</u>	<u>1,190,976</u>

# South Bank University Enterprises Limited

## Notes to the accounts Year ended 31 July 2019

### 10. Called up share capital

	2019 £	2018 £
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
<b>Called up, allotted and fully paid</b>		
10 ordinary shares of £1 each	10	10
	<u>          </u>	<u>          </u>

### 11. Movement on total reserves

	Share capital £	Profit and loss account £	Total shareholders surplus £
At 1 August 2018	10	571,776	571,786
Profit for financial year after taxation	-	105,644	105,644
Gift aid payment	-	(517,851)	(517,851)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 July 2019</b>	<u>          </u> 10	<u>          </u> 159,569	<u>          </u> 159,579

### 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.

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	CONFIDENTIAL
Paper title:	South Bank University Enterprises Ltd Management Representation Letter
Board/Committee:	South Bank University Enterprises Ltd
Date of meeting:	12 November 2019
Author:	Rebecca Warren
Purpose:	Approval
Recommendation:	The Board is requested to approve the Management Representation Letter.

## **Executive Summary**

The letter of representation requires the Board of Directors to give written representations to the auditors over matters regarding the financial statements and the year-end audit. Following approval, the Chair of the Board will be required to sign the original.

The attached letter contains standard representations only; there are no items that have been inserted specific to SBUEL.

The Board is requested to approve the attached Letter of Representation.

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(Letterhead of Client)

KPMG LLP  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

*[Date]*

Dear Fleur,

This representation letter is provided in connection with your audit of the financial statements of South Bank University Enterprises Limited (“the Company”), for the year ended 31 July 2019, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Company’s affairs as at year end and of the Company’s profit or loss for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities (being Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“Section 1A of FRS 102”); and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

These financial statements comprise Statement of Income and Retained Earnings, the Balance Sheet and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the Company meets the definition of a small entity and therefore is permitted to prepare its financial statements in accordance with Section 1A of FRS 102.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

#### **Financial statements**

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated *[insert date]*, for the preparation of financial statements that:
  - i. give a true and fair view of the state of the Company’s affairs as at the end of its financial year and of its profit or loss for that financial year;
  - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities (being Section 1A of FRS 102); and

- iii. have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which section 32 of FRS 102 requires adjustment or paragraph 1AC.39 of Section 1A of FRS 102 requires disclosure (have been adjusted or disclosed).
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

### **Information provided**

5. The Board has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Board for the purpose of the audit; and
  - unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board confirms the following:
  - i) The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Board has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Company and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Board has disclosed to you and has appropriately accounted for in the financial statements, in accordance with section 21 of FRS 102 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and/or disclosed (as under Section 1A of FRS 102 disclosure using the Section 21 of FRS 102 disclosure requirements may be required under paragraph 1A.17 of Section 1A of FRS 102 in order to meet the requirements set out in paragraphs 1A.5 and 1A.16 of Section 1A of FRS 102).
10. The Board has disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with paragraph 1AC.35 of Section 1A of FRS 102 and that may be required to be disclosed under Section 33 of FRS 102 (due to the fact that under paragraph 1A.17 of Section 1A of FRS 102 disclosure may be required under Section 33 of FRS 102 in order to meet the requirements set out in paragraphs 1A.5 and 1A.16 of Section 1A of FRS 102).

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 102.

11. The Board confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Company's ability to continue as a going concern as required to provide a true and fair view.
- b) No events or circumstances have been identified that may cast significant doubt on the ability of the Company to continue as a going concern.

12. On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and in accordance with the requirements of section 28 of FRS 102.

The Board further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;

- funded or unfunded; and
  - approved or unapproved,
- have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for. [Error! Reference source not found.](#)

This letter was tabled and agreed at the meeting of the Board of Directors on *[date]*.

Yours faithfully,

*[Chairman]*

*[Secretary]*

Optional cc: Audit Committee

## **Appendix to the Board Representation Letter of South Bank University Enterprises Limited: Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- a Balance Sheet as at the end of the period;
- a Profit and Loss account for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 102 as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### **Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Appendix B to the Management Representation Letter of South Bank  
University Enterprises Limited**

**Summary of unadjusted audit differences**

Under the requirements of ISA 260 we are required to present any unadjusted audit differences, other than those which are clearly trifling, to the Audit Committee.

<b>South Bank University Enterprises Ltd</b>	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Unadjusted Audit differences (£000)				
Project income		£25.5k		
Accrued income			£25.5k	
Total effect	£-	£25.5k	£25.5k	£-k

**Summary of adjusted audit differences**

ISA 260 also requires us to report differences found during our audit which have been adjusted by management in arriving at the final results for the Group and the University. These adjusted amounts need to be considered by the Audit Committee as they may indicate broader failures in systems of controls which will need addressing.

<b>South Bank University Enterprises Ltd</b>	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Adjusted Audit differences (£000)				
Cash			£26k	
Revenue		£26k		
Cash			£5.4k	
Debtors				£5.4k
Total effect	£-	£26k	£31.4k	£5.4k

There were also a number of other presentational adjustments made to the accounts following our review including grossing up of balances and reclassification of other balances. These have all been adjusted for and are reflected in the financial statements.

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	CONFIDENTIAL
Paper title:	SBUEL Bonuses 2018/19
Board/Committee:	SBUEL Board
Date of meeting:	12 November 2019
Author(s):	Linsey Cole, Acting Director Research, Enterprise and Innovation
Sponsor(s):	Paul Ivey, Managing Director SBUEL and Chief Business Officer and Deputy Vice Chancellor Innovation
Purpose:	For Approval
Recommendation:	Ratification of the proposed bonus payments to SBUEL staff

## **Executive Summary**

This paper outlines proposed bonus payments to SBUEL staff based on performance in the financial year 18/19. These have been proposed by line managers and then moderated by managers from across SBUEL and the MD of SBUEL.

SBUEL Board is asked to ratify the bonus payments.

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## SBUEL Bonus Paper

This paper outlines proposed bonus payments to SBUEL staff based on performance in the financial year 18/19. An outline of the process and the recommendations are included in this paper.

### Process

SBUEL Line managers made proposals for their staff in line with the criteria below:

Rating	Description	%
1	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.	8
2	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.	4
3	You have delivered the requirements of your job fully and well. If you are new in a job role or are in development, 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	2
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.	0

SBUEL Managers then met to moderate their proposed ratings, along with a representative from HR. There were changes to the ratings following this discussion. The recommendations were then agreed by the Managing Director of SBUEL.

The following principles for bonus payments were also agreed:

- Staff changing roles in year will receive a pro-rata bonus payment, according to the time they spend in each role

- Staff on probation will not receive a bonus payment until they have passed probation. A bonus recommendation will be made and agreed on a pro-rata basis, according to the time they have been employed by SBUEL and will be released once they have passed probation
- Staff who leave SBUEL in-year will be paid a pro-rata bonus
- Staff who join SBUEL in-year will be paid a pro-rata bonus

The Board is asked to ratify the payment of bonuses to SBUEL staff.

Based on performance in 18/19  
financial year

Name of staff member	Proposed Rating	Rating (after moderation)	Notes
Richard Howarth	2	2	
Jemima Heard	3	3	Pro-rata: joined in-year
Nicoletta Bonansea	1	1	
Sam Ash	2	2	Pro-rata: joined in-year
Liam McNamara	2	2	
Alex Hokin	3	3	
Abimbola Olaniyi	3	0	
Ellen South	2	2	
Lee Harvey	3	3	Pro-rata: left in-year
Charikleia Spathi	2	2	
George Boorman	1	1	
Bethan Wynton	3	3	Pro-rata: joined in-year; on probation: bonus to be paid following successful completion of probation
Nil Atacama	2	1	
Gemma Wan	3	3	Pro-rata: left SBUEL in-year
Natalie Gough	0	0	
Anam Farooq	2	2	
Nicola Bourke	1	1	Bonus recommendation based on BDM role, not Senior BDM role
Daniel Janowski	2	2	
Lale Day	3	3	Pro-rata: joined in-year
Andrew Murphy	2	2	Pro-rata: joined in-year
Melissa O'Connor	2	2	Pro-rata: joined in-year
Jackie Fotheringham	0	0	Joined in 19/20
Emma Cant	2	2	
Nicoleta Virlan	2	2	
Tara Hayes	3	3	
Layo Owoaje	2	2	
Emily Delacy (previous post to Feb 19)	1	1	Bonus for full-time role - changed roles in year
Emily Delacy (current post from Feb 19)	3	3	Bonus for part-time role - changed roles in year
Jacqueline Broome	3	3	
Daisy Chatterton	2	2	
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	CONFIDENTIAL
Paper title:	SBUEL Salary Review
Board/Committee:	SBUEL Board
Date of meeting:	12 November 2019
Author(s):	Linsey Cole, Acting Director Research, Enterprise and Innovation
Sponsor(s):	Paul Ivey, Managing Director SBUEL and Chief Business Officer and Deputy Vice Chancellor Innovation
Purpose:	For Approval
Recommendation:	Approval of the proposed changes to salaries for SBUEL staff

## **Executive Summary**

As part of our contractual obligations to SBUEL staff, we are required to review and benchmark SBUEL salaries every 2 years. The last salary review took place in February 2016 and therefore, following discussions with HR, a salary review took place in September 2019.

The results of the salary review will be tabled at the meeting. Job Descriptions were benchmarked against similar posts to provide current salary data.

This paper provides details of the salary review and outlines recommendations for changes to salaries by individual staff member. The financial impact of these changes is an increase to staff costs of £31k + on costs. We have a contractual obligation to make these changes.

The Board is asked to approve the proposed changes. It is proposed that the changes to salaries are implemented in time for the December payroll and that changes are backdated to 1<sup>st</sup> August 2019.

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## **SBUEL Salary Review**

SBUEL is contractually obliged to review staff salaries every two years. The last salary review took place in February 2016: during 18/19, the Managing Director worked with HR to agree the scope of the salary review and the review took place in September 2019.

### **Process for salary review**

An external agency was identified by HR to undertake the salary review. Job Descriptions for SBUEL staff were provided to the agency for benchmarking.

A minimum of three sources of information was provided for each job to enable 'triangulation' of the results, and thereby provide the widest possible assessment of the market for the roles. The market data used for benchmarking focuses on four main sources: *official earnings data, NHS data, IDR's internal database, recruitment data and current job adverts.*

Earnings data details the average UK gross annual pay for full time employees in the closest-matched occupational category.

#### Official earnings data

Official earnings data is based on the Government's latest Annual Survey of Hours and Earnings (ASHE), for November 2018. This survey, conducted by the Office for National Statistics, provides a snapshot of earnings each April and is based on a 1% sample of National Insurance numbers. ASHE is considered a reliable source of official earnings data.

#### NHS data

NHS data is provided where available given its key role in influencing market for many non-medical roles (particularly in education), being the largest employer in the UK.

#### IDR data

IDR data is from IDR internal database of salary information. It has been collected by IDR directly from employers and employee bodies through surveys and data collection for the IDR Pay Benchmarking service. This data set includes what is the average pay for similar roles in the whole economy, public sector and private sector respectively.

#### Recruitment data

Recruitment data are based on analysis of recruitment salaries for similar role(s) in general. It is a guide to starting pay for these roles, and in some cases also provides a guide to the typical salary and the maximum that might be achieved.

#### Job adverts

Salary information on current comparable vacancies from IDR database of advertised positions is also provided. This provides a snapshot of what the market is paying right now.

### **Outcomes of salary review**

Included with this paper is a breakdown of the results of the salary review. Following the benchmarking exercise, HR have advised that there is flexibility within 5% above or below the benchmarked salary level. This allows managers to appoint staff on a salary that matches their prior experience, instead of all staff in the same role automatically being on the same salary.

The outcomes of the benchmarking exercise have been reviewed by line managers and adjustments have been made (in line with the 5% +/- principle), where needed.

The recommended increases would increase salary costs for SBUEL annually by £30,848 on costs. We have a contractual obligation to implement these changes.

The Board is asked to approve the proposed changes. It is proposed that the changes to salaries are implemented in time for the December payroll and that changes are backdated to 1st August 2019.

### **Additional benchmarking**

A small number of SBUEL JDs were not included in the salary review. The Board is asked to support the subsequent review of these JDs and approve, by Chairs action, any changes to salary that result from the benchmarking exercise. Any changes will also be backdated to 1<sup>st</sup> August 2019.

There are also a small number of staff who have been at the university for a short period of time or who are in a relatively new role – we do not wish to increase their salaries at this stage but seek Board approval to increase their salary in line with the principles above on reaching 12 months of employment.

	CONFIDENTIAL
Paper title:	SBUEL Contract Terms Change Proposal
Board/Committee:	SBUEL Board
Date of meeting:	12 November 2019
Author(s):	Linsey Cole
Sponsor(s):	Paul Ivey, Managing Director SBUEL and Chief Business Officer and Deputy Vice Chancellor Innovation Marcelle Moncrieffe-Johnson, Executive Director of People and Organisational Development
Purpose:	For Approval
Recommendation:	Approval of the proposed changes to terms and conditions for SBUEL staff

## **Executive Summary**

This paper proposes a number of changes to the contract terms for all SBUEL staff. The changes focus on three areas: sick pay, maternity pay and annual leave for long service. These areas have been proposed as they bring SBUEL into closer alignment with other small corporate organisations, have limited cost impact and are not so high as to prejudice any new terms proposed by SBE.

The proposal was developed by the REI Executive team and agreed by the Managing Director of SBUEL and LSBU's Executive Director of People and Organisational Development.

SBUEL Board is asked to ratify the changes. If approved, they will be backdated to have an implementation date of 1<sup>st</sup> August 2019.

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## Proposal for change in SBUEL staff contract terms

### Introduction

SBE development proposals envisage improved terms for non LSBU staff by the start of the 20/21 financial year. At the start of the 18/19 financial year, we highlighted to REI's SBUEL staff that we intended to improve their terms. It is unacceptable for us to wait two years before changing their existing terms. The effect of this delay is:

- Perception of a clear breach of the University's EPIIC values by all REI staff
- High dissatisfaction and poor engagement from SBUEL staff
- Reduced credibility of SBUEL Board in terms of future action
- Reduced attractiveness at recruitment

The REI Executive team have proposed a number of changes to contract terms for all SBUEL staff. These have been agreed by the Managing Director of South Bank University Enterprises Ltd and LSBU's Executive Director of People and Organisational Development. This paper is being submitted to SBUEL Board for ratification. Following approval, all SBUEL staff will be notified of the contractual changes by HR. All existing SBUEL HR policy documents will be updated to reflect the changes below and the new policies will be shared with staff.

It is proposed that the changes below are backdated to 1<sup>st</sup> August 2019 to align with the current financial and leave year. This is in line with standard LSBU HR practice for changes to terms and conditions: for example, pay increases are generally backdated to 1<sup>st</sup> August. This implementation date has been agreed with our HR Business Partner.

### Proposed changes

The proposed changes, that are outlined below, have been developed in the context of:

- Benchmarking reasonable levels of professional terms provided by smaller corporate organisations
- Not so high as to affect or restrict any future changes for SBE terms
- Limited cost impact
- Standardising elements with LSBU, where possible

#### 1 Sick pay

##### Proposal

Standardise in line with Years 1 & 2 of LSBU with no further extension beyond this for longer service.

Year 1: 1 month full pay, and after 4 months 2 months ½ pay.

Year 2: 2 months full and 2 months ½ pay.

##### Rationale

Current SBUEL sick pay is 10 days full, 20 days half pay. Limiting sick pay so significantly encourages staff to come to work when sick or "pretend" to work from home. Line managers who wish to support members of staff find themselves in a challenging ethical position.

LSBU sick pay policy is approximately the number of years you have worked in months at full pay, followed by the same at half pay per rolling sickness year with a maximum of 6 months full/6 months half. This is potentially too high a risk for SBUEL to carry so we propose to not increase the level after reaching LSBU Year 2 entitlement.

### Cost

In terms of impact in the last 6 years we would have incurred an incremental cost of £11k over the whole period had this policy been implemented as there were only 2 instances of sick pay eligible for payment over current levels.

## **2 Maternity**

### Proposal

Full pay for 12 weeks after 26 weeks qualifying service.

If no return to work then payback amount over SMP as per LSBU.

For implementation retrospectively to all employees from the beginning of the 2019-20 financial year.

### Rationale

SBUEL currently pays SMP only, so 6 weeks @90% then SMP £149 p/week. LSBU employees currently receive 20 weeks' full pay then SMP. This level of provision puts SBUEL in the bottom half of all employers, and an outlier if the benchmark is public sector organisations.

There are a range of market options with full and half pay combinations with no dominant permutation offered by employers. Hence the suggestion is we follow LSBU and offer full pay, but for a shorter period.

It would be consistent with our Athena Swan commitments and ensure any bias (conscious or unconscious) was minimised at point of recruitment.

### Cost

The impact in the financial year 2019-20, where we have one known maternity with an above average cost senior employee is £5k.

## **3 Annual leave**

### Proposal

Long service leave + 1 day after 5 years as LSBU. It would take effect from the beginning of the leave year in which 5 years full service is gained (as per LSBU).

### Rationale

The full LSBU long service reward ranges from 2-7 days for 10-25 years' service, which we do not propose for SBUEL as it is unaffordable. This is a small token of recognition, helping demonstrate the overall improvement in SBUEL terms.

### Cost

No budget impact. Realistically, there will be no reduction in work undertaken.