

Meeting of the Board of Governors

4.00 pm on Thursday, 21 November 2019
in Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		JC
2.	Declarations of Interest <i>Governors are required to declare any interest in any item of business at this meeting</i>		JC
3.	Minutes of previous meeting	3 - 8	JC
4.	Matters arising	9 - 10	JC
Chair's business			
Items to discuss			
5.	VC's report	11 - 28	DP
6.	CFO's report	29 - 64	RF
7.	Corporate strategy progress report	65 - 78	PB
8.	KPI targets 2019/20	79 - 82	RF
Year end reporting and approvals, 2018/19			
9.	Audit Committee annual report	83 - 92	DB
10.	External audit findings	93 - 128	FN
11.	External audit letter of representation	129 - 140	RF
12.	Remuneration Committee report to Board	141 - 150	JP
13.	Draft annual report and accounts	151 - 216	RF
14.	Written resolution to re-appoint external auditors	217 - 218	JS
OfS reporting			
15.	Prevent annual return	219 - 222	NL

No.	Item	Pages	Presenter
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Items to note

The following papers will only be discussed at the meeting if there is a matter that any governor wishes to raise with the Secretary the day before the meeting

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|-----|--|-----------|----|
| 16. | Reports and decisions of committees | 223 - 234 | JS |
| | <ul style="list-style-type: none">• <i>Modern Slavery Act statement</i>• <i>Academic Board terms of reference</i> | | |

Date of next meeting
4.00 pm on Thursday, 12 March 2020

Members: Jerry Cope (Chair), Douglas Denham St Pinnock (Vice-Chair), Duncan Brown, John Cole, Michael Cutbill, Nelly Kibirige, Mark Lemmon, Hilary McCallion, Mee Ling Ng, Jeremy Parr, David Phoenix, Rashda Rana, Tony Roberts, Deepa Shah, Nazene Smout and Vinay Tanna

Apologies: Peter Fidler

In attendance: Pat Bailey, Michael Broadway, Richard Flatman, James Stevenson and Fleur Nieboer (KPMG)

**Minutes of the meeting of the Board of Governors
held at 4.00 pm on Thursday, 17 October 2019
Technopark, SE1 6LN**

Present

Jerry Cope (Chair)
Douglas Denham St Pinnock (Vice-Chair)
Duncan Brown
John Cole
Peter Fidler
Nelly Kibirige
Mark Lemmon
Hilary McCallion
Mee Ling Ng
Jeremy Parr
David Phoenix
Rashda Rana
Tony Roberts
Deepa Shah
Nazene Smout
Vinay Tanna

Apologies

Michael Cutbill

In attendance

Pat Bailey
Michael Broadway
Richard Flatman
James Stevenson

1. Welcome and apologies

The Chair welcomed members to the meeting.

The above apology was noted.

The Chair noted governors had just completed an informative tour of the new Business School and Elephant Studios 2.

2. Declarations of Interest

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

3. Minutes of previous meeting

The Board approved the minutes of the meeting of 18 July 2019 and their publication as redacted.

4. Matters arising

All matters arising were either completed or would be discussed at a future meeting.

5. Chair's business

The Chair informed the Board that the 'Chairs' forum' consisting of the Chairs of the Boards of LSBU, SBA and SBC had recently meet. The forum would consider the effectiveness of group governance and key strategic matters which affected the whole group. At its recent meeting, the forum had discussed the review of group pension provision.

The Chair updated the Board on the recent CUC meeting that he had attended, where the interim Chair of De Montfort University had reported on a recent whistleblowing incident and lessons learned. The Chair would consider how these impacted on LSBU's processes. An update would be provided to a future Board meeting.

The Board noted that the LSBU student graduation ceremonies were taking place. The Chair encouraged governors to attend a ceremony.

6. Update on South Bank Colleges

The Board received an update on key strategic matters as discussed by the South Bank Colleges (SBC) Board, from Mee Ling Ng, director of SBC.

The Board noted the development of a curriculum strategy as part of the College's turnaround plans and associated estates development strategy. The Board noted that the SBC Board is comfortable with the plan to turnaround the financial position and that the relationship with LSBU is developing well.

The SBC Board's focus is on finances, improving the quality of delivery and investing in infrastructure.

The Board noted that any concerns about SBC will be raised with the Board through the Vice Chancellor's report.

7. Board governance effectiveness review - actions

The Board noted an update from the Chair on follow up to the Board effectiveness review which reported in July 2019.

The Board noted that the key areas of focus from the review are:

- (i) to review both assurance and reporting from the Academic Board to the Board;
- (ii) that agendas for Board meetings and strategy day provide greater focus on strategic discussions; and
- (iii) continued focus on finalising 'Group' governance arrangements.

The Chair would observe a forthcoming Academic Board meeting with two other governors.

8. Vice Chancellor's report

The Board discussed the Vice Chancellor's report.

The Board noted the positive student recruitment for semester 1, 2019/20. The Board noted the challenges with space and timetabling which was further discussed in minute 11. The Board noted that retention was less positive and was likely to be flat year-on-year.

The Board discussed undergraduate degree completion and noted that LSBU is 4% below the benchmark. The Executive is planning a comprehensive review of year 1 provision and degree algorithms. The Board noted that students feel that they are over assessed. The Board requested regular updates in the VC report.

The Board welcomed the increase in Times League Table position by 21 places to 86th.

The Board ratified the Access and Participation Plan which had been approved by the Office for Students on 20 September 2019.

The Board noted that a pay award of at least 1.8% for all employees had been implemented from 1 August 2019.

The Board noted that SBC is making good progress against its targets. The DfE and Lambeth Council are being consulted on the estates strategy.

The Board noted that SBA student performance had improved but not reached targets set.

9. **CFO's report**

The Board noted the Chief Financial Officer's report, which updated the Board on current financial position, forecast surplus of £3m for 2018/19 (subject to audit), LSBU group matters, risk and control, cashflow and treasury, and pensions actuarial deficits.

The year end audit was due to finish shortly. No significant issues had been raised by the auditors.

The Board noted that SBC's fixed assets had been revalued, strengthening the balance sheet by £49m, but increasing the depreciation charge. The key technical change required was that opening fixed asset values in SBC at 1 February 2019 need to be restated at fair value. Gerald Eve have been commissioned to do this work which will result in an increase of potentially £30m+. Any additional depreciation can be offset by grant release so the underlying group surplus of £3m will be unchanged. The key issue discussed was treatment on subsequent disposal and whether the revaluation could give rise to potential loss on disposal.

The Board noted that the draft internal audit annual report for 2018/19 had been reviewed by the Audit Committee. The Chair of the Audit Committee reported that although PwC's opinion was "generally satisfactory", there were three 'high risk' reports that related to specific risk areas. These areas did not reflect the overall control environment and any deterioration in core financial control may affect a future opinion. The committee requested an update in the Group CFO report to the March 2020 Board meeting on the internal auditor's opinion.

The Board noted that the Executive is reviewing whether to establish a compliance unit.

10. **Corporate risk - annual detailed discussion**

The Board agreed to discuss the corporate risk register in detail at its March 2020 meeting, following the implementation of a group-wide approach to risk and the development of the strategic priorities of the group. The Board noted that the risk register is reviewed by the Audit Committee at each meeting.

The Board noted the risk management process had been reviewed by the internal auditors and was rated as "low risk".

11. Risk appetite

The Board discussed the current appetite for risk. Based on the definitions in the risk appetite framework and following discussion on 'reputational' risks, the Board agreed to maintain the following risk appetite for the University:

- a. Legal and compliance – “cautious”;
- b. Financial – “open”;
- c. Reputational – “open”; and
- d. Academic delivery – “seek.”

The Board agreed that it would review its risk appetite for 'reputational' risks in Spring 2020.

12. Additional space - Tabard Street

The Board discussed the proposal to lease premises at Tabard Street to provide additional space in the medium term to help address over recruitment and during estates re-development works.

The Board noted that the proposal had been discussed in detail and supported by the Major Projects and Investment Committee at its meeting of 16 October 2019.

The Board noted that the Executive would undertake appropriate due diligence into the landlord.

The Board approved taking an assignment of the lease from the administrators of Greenwich School of Management (GSM) for premises in Tabard Street for £3.6m, including c.£200k for dilapidations, plus capital costs of c.£50k. The Board authorised the Vice Chancellor to execute the necessary documents, subject to appropriate due diligence and consultation with the Chair of the Major Projects and Investment Committee if any material issues arose from the due diligence.

13. Draft Group Audit terms of reference

The Board approved the revised terms of reference and name of the Group Audit and Risk Committee. The committee would have a group-wide remit and SBA and SBC would continue to have audit committees to oversee local audit matters.

14. Reports and decisions of committees

The Board noted the report. The Board noted that the Audit Committee would be requested to approve pension assumptions at its November 2019 meeting.

15. OfS compliance

The Board noted OfS compliance requirements and steps taken to ensure compliance. The Executive is reviewing the recently published guidance on 'reportable events' and would update the Board.

16. Annual declaration of interests

The Board authorised the declared interests of its members and the following additional interests:

- John Cole – non-executive director of Family Building Society; and
- Vinay Tanna – non-executive director of the Copalli Rum Co.

17. Board strategy day report

The Board noted the report.

18. Board business plan

The Board noted its proposed work plan for 2019/20.

19. Any other business

The Board noted that Shân Wareing is leaving the University on 31 October 2019 to take up a senior role at another university. The Board thanked Professor Wareing for her contributions to the University.

The Board noted that the SU had recently undertaken an effectiveness review of its trustee board. The outcomes of the review would be shared with the Board.

Date of next meeting
4.00 pm, on Thursday, 21 November 2019

Confirmed as a true record

..... (Chair)

BOARD OF GOVERNORS - THURSDAY, 17 OCTOBER 2019
ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
7.	Governance effectiveness review	2 independent governors observe Academic Board	13 Nov 2019		Completed
12.	Additional space - Tabard Street	Tabard St. landlord due diligence	21 Nov 2019	Paul Ivey	Completed and reviewed by executive
15.	OfS compliance	Update on OfS compliance requirements	21 Nov 2019	James Stevenson	Ongoing

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	CONFIDENTIAL
Paper title:	Vice Chancellor's Report
Board/Committee	Board of Governors
Date of meeting:	21 November 2019
Author:	David Phoenix, Vice Chancellor
Executive sponsor:	David Phoenix, Vice Chancellor
Purpose:	To update the Board on University matters
Recommendation:	To discuss the report

Executive Summary

There has been marginal improvement in retention of full-time, first degree students from Year 1 to Year 2 from 72.2% in 2017/18 to 73.0% in 2018/19 – although the analysis of entry tariff shows this was a more challenging cohort than the previous year. There has also been a significant decline from Year 2 to Year 3 (84.7% to 81.7%) over the same period. Given the criticality of retention to our corporate strategy an executive led project will be set up to define immediate institutional actions to improve performance in the medium term. Conversely, data from the College on final 18/19 student achievement shows good progress with all results either at, or exceeding the CFADs targets, with overall achievement at 88%, a 4% improvement on 17/18 and 3% above provider average. This is a significant achievement for the teams involved.

The first two health apprenticeship cohorts are coming to an end. On-going problems with the oversight and delivery of this provision means it is currently showing a 0% progression. Whilst small, these figures will be published and could impact on reputation. I have met with the Dean and expect this to improve in coming weeks as new systems become active.

Significant work is still underway across our estate and we are addressing the challenges of reduced teaching space (prompted by strong recruitment) by acquiring Tabard Street for a period of just under 4 years to provide 'over spill' teaching space for semester 2 onwards while we also review behaviours and usage given our audits show capacity remains on this site.

Vice Chancellor's Report November 2019

This report has been formatted around the three key outcomes listed in the corporate strategy followed by a review of activity related to the enablers.

1.0 Corporate Strategy Outcome 1: Student Success

The focus of this outcome is developing the learning pathway to improve student engagement and the outcomes they achieve.

1.1 Retention

LSBU has seen a marginal improvement in progression of full-time, first degree students from Year 1 to Year 2 from 72.2% in 2017/18 to 73.0% in 2018/19.

Average entry tariff of 2018/19 UG entrants has declined by c. 9 points to c.105 points. This places LSBU in the bottom 5 of the Guardian league table in terms of entry tariff. Increased recruitment in 2018/19 compared to the prior year was in the low tariff range at 80 points and lower. We have not seen an adverse impact on the Year 1-2 progression rate from the decline in average entry tariff so when continuation results are published we would expect to have improved performance against benchmark.

However, progression from Year 2 to Year 3 has declined significantly from 84.7% to 81.7% over the same period.

Assessment failure is the major reason for non-progression in both the Year 1-2 and 2-3 metrics. The majority of failed students continue at LSBU and repeat the year. The number of withdrawals and interruptions have remained stable compared to 17/18 in Year 1-2 but increased in Year 2-3. This increase combined with a stable number of failed students causes the overall decline in Year 2-3 progression. This population is also 9% smaller than last year meaning there is also a decrease in absolute numbers.

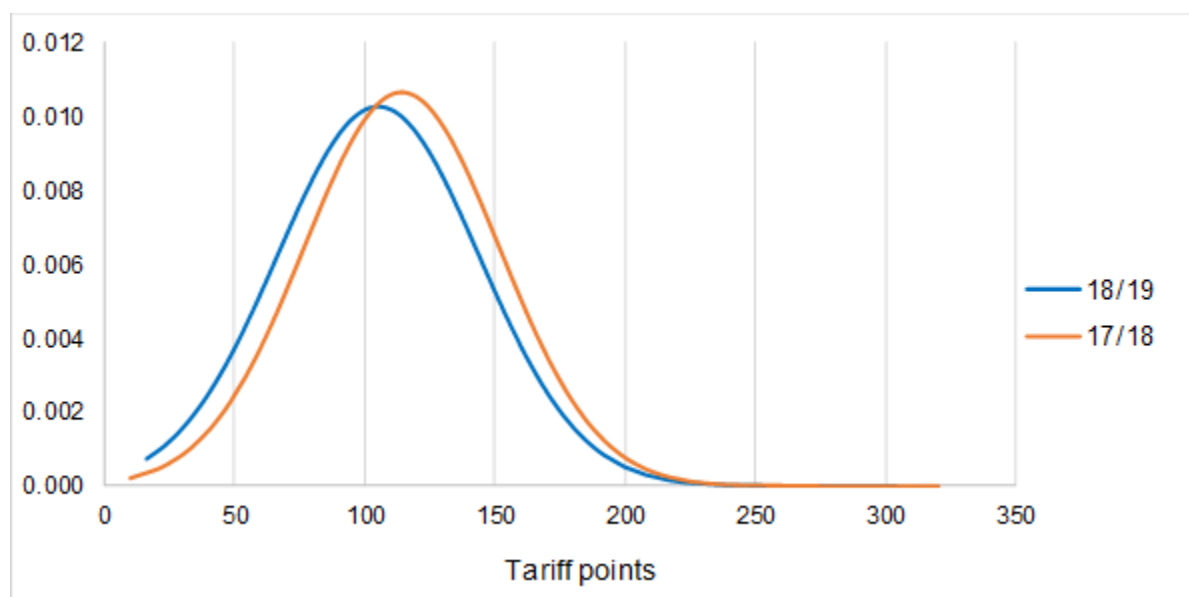
Students from IMD quintile 1 areas (the 20% socio-economically most disadvantaged postcodes), BME students, those aged 21-24 and entrants with BTEC qualifications have the lowest progression rates. LSBU's 2020-25 Access and Participation Plan outlines the actions and measures to improve progression of BME and IMD quintile 1 students.

Given the criticality of retention to student success, reputation and financial performance, a project will be set up to define immediate institutional actions to improve performance.

Longer term actions will be developed as part of the 2020-25 Corporate Strategy, in particular in relation to the Education and Student Support strategies.

Re-enrolment rates in 2018/19 have increased by c.4% compared to the prior year. The improvement is seen across all Schools.

Figure 1 Tariff distribution 18/19 vs 17/18



1.2 Graduate Outcomes

As previously reported to the Board, HESA are carrying out the Graduate Outcomes (GO) survey of 2017/18 graduates between December 2018 and November 2019, approximately 15 months after graduation, split into four cohorts A-D. The survey period of the final cohort, D, is nearing completion. This is by far the largest cohort comprising over 500,000 graduates across the sector and slightly over 4,000 for LSBU.

Low response rates have been a sector-wide issue in the earlier GO cohorts and remain so for cohort D. As of 1st November 2019, LSBU had a survey completion rate of 33.5% compared to a sector completion rate of 37.3%. For the EPI population (UK domiciled, full-time, first degree students), survey completion was slightly higher at 35.6% vs sector completion of 41.5%. This falls significantly short of HESA's EPI target response rate of 60%. To date, HESA have not communicated the implications of not reaching target response levels. We have encouraged our graduates to complete the survey via the Alumni newsletter and social media, in line with HESA guidance.

HESA provide a live feed of raw survey data without outcome indicators from which we have estimated indicative rates of positive outcomes (those employed or in further study) of c.92%. Due to HESA's staged approach to SOC coding we are not currently able to estimate graduate outcomes. The finalised GO dataset will be made available to providers in February 2020 and will be published as a statistical data release in April 2020.

LSBU's 2019/20 GO initiatives have been adapted based on the experience from the first GO cycle. We will engage with graduates within 6 months of graduation and will

offer tailored careers support, including one-to-one careers advice and a wider range of internships. Over 40% of 2018/19 graduates have joined the Alumni network as of October. This enables us to keep in touch and build lasting relationships.

2.0 Corporate Strategy Outcome 2: Real World Impact

This outcome focuses on the applied nature of our teaching research and enterprise and the way the three interact to ensure we have a real world focus and impact.

2.1 Income Diversity

We may choose to define diversifying LSBU's income from UK and EU sources of student fees as expressed in terms of research, enterprise, international student fee income and income from trans-national education. The diversity income target from all these sources taken together is currently just under £32M. Whilst it is possible to see growth limits and/or slow development for three of these areas, international student recruitment has unmet potential. LSBU has approximately 50% of the average intake of international students. A two-year partnership with QS enrolment solutions (QSES) based in Kuala Lumpur with 13 in country LSBU 'staff' has transformed world-wide operations resulting in recruitment over target, earlier enrolment and more in-house time to ensure UKVI compliance. The recent announcements of 2-year post study work visas is most welcome and will grow income from south and south-east Asia in particular. Trans National Education (TNE) and fees from international students are targeted to grow, and research activity and income continue to grow strongly and this supports a developing University profile for the upcoming REF process. The 2019/2020 income target is £7.5M or a 23% increase on the previous year and we are currently on track to meet this goal. Enterprise although a larger income source has not grown as anticipated and the income target of £10.7M is flat on last year. Even so there remains a gap on income pipeline activities and target. To develop greater enterprise activity work is emerging within the School of Engineering to contract at higher 'technology readiness levels' (TRL) via an innovative investor based Research and Development activity. This, in addition to current negotiations with TWI (for robotics, coatings and polymers) and BSRIA (for radar, acoustics, bio fuels, life cycle costing), aims to link LSBU more directly with the industrial membership base for these organisations enabling more contract research (enterprise). In a similar development a London Association for Chinese Enterprise (LACE) is under development within Caxton House (home for CICTM). LSBU continues the association with Mediasphere who have developed an on-line training platform for CPD and other training; the intent this year is to increasingly populate this with content and roll out to users, potentially the membership base of the partners referenced above (the estimated in year income potential is some £2M).

2.2 REF 2020 Update

In preparing for submission to REF2021, all universities have had to prepare a Code of Practice (CoP) that sets out each institution's approach to their submission, including the identification of research active staff likely to be returned as part of the REF process. LSBU submitted its initial draft to Research England in June 2019 which was accepted with only a single condition, that a statement of staff engagement in the process was appended. The revised CoP, was submitted in September 2019, and was accepted by Research England in November. This provides the way forward for LSBU's submission in 2020.

3.0 Corporate Strategy Outcome 3: Access to Opportunity

This outcome focuses on the need to work in partnership with key organisations to deliver our strategy and the civic engagement aspects of our vision. Its outcomes include measures such as recruitment of students that can succeed as well as international activity.

3.1 LSBU Enrolment update – S1 2019/20 New Starters (Home/EU/OS) as at 01/11/2019

The university has fully enrolled 6,580 students against its goal of 6,400 for S1 entry, which represents a surplus of 2.7% in terms of enrolment headcount. This surplus is inclusive of 280 enrolments secured from the Greenwich School of Management (GSM), which entered administration earlier this year. LSBU was one of a number of London institutions which supported those affected by GSM's closure, enabling their students to continue their studies. The vast majority of students from GSM have joined LSBU on Business and LSS courses, and mainly at advanced entry points.

In terms of student domicile both Home and OS markets have delivered a surplus this year, with EU measuring at 82.8% against its target of 564 on the basis of 467 enrolments. The gap here occurs as a number of EU students were re-categorised to become Home students following a formal fee assessment at the enrolment stage.

Fig 2 – Year on Year Enrolments and Progress versus Target S1 – 01/11/2019

S1 19/20	As at 1st Nov	Year on Year Performance			Progress versus Target	
Level / Mode Domicile	Year to Date Enrolments	LYTD Enrolments	% +/- Change	+/- Change	Target Enrolments	Progress to Target
UGFT	4,170	3,543	▲ 17.7%	627	3,980	104.8%
UGPT	321	353	▼ -9.1%	-32	326	98.5%
Apprent'	606	306	▲ 98.0%	300	535	113.3%
PGFT	920	846	▲ 8.7%	74	989	93.0%
PGPT	459	524	▼ -12.4%	-65	439	104.6%
Study Abr.	104	121	▼ -14.0%	-17	137	75.9%
LSBU Overall	6,580	5,693	▲ 15.6%	887	6,406	102.7%
Home	5,517	4,664	▲ 18.3%	853	5,376	102.6%
EU	467	585	▼ -20.2%	-118	564	82.8%
OS	596	444	▲ 34.2%	152	466	127.9%

In terms of year on year performance, enrolments at LSBU have increased by 15.6% over the previous year, with UGFT and Apprenticeship courses being the main drivers of growth (up 17.7% and 98% respectively). Our UGFT performance becomes more positive in the context of wider market trends, which confirm that LSBU is outperforming the sector in terms of UGFT enrolment. The national UGFT intake stayed flat this year (moving marginally from 495.9k enrolments last year to 495.6k enrolments this year – a difference of only -0.06%).

3.1.1 LSBU School enrolments – S1 2019/20 New Starters (Home/EU/OS) as at 01/11/2019

At a School level, all Schools excluding ACI have seen an increase in enrolments compared to the previous year. In percentage terms, Business has seen its intake increase by 37.5% overall, while most other schools have grown between 17-21% as well. Growth in HSC is limited as health courses are capped by placement capacity. The School level figures are positive, as they show that LSBU's overall growth is built on growth across a number and variety of different Schools, and not on any singular subject area.

Fig 3 – Year on Year Enrolments by School (Number and Percentage) S1 – 01/11/2019

Change in enrolments, by number

YoY #	UGFT	UGPT	Apprent'	PGFT	PGPT	St. Abroad	Overall
BUS	▲ 211	▼ -1	▲ 39	▲ 77	▲ 6	▼ -11	321
BEA	▲ 13	▲ 6	▲ 153	▲ 8	▼ -2	0	178
LSS	▲ 150	▼ -17	▲ 76	▼ -13	▼ -23	0	173
ENG	▲ 108	▼ -5	▲ 14	▼ -6	▲ 3	▼ -9	105
APS	▲ 79	▲ 1	0	▲ 11	▲ 3	▼ -1	93
HSC	▲ 93	▼ -16	▲ 18	▼ -4	▼ -50	0	41
ACI	▼ -27	0	0	▲ 1	▼ -3	▲ 4	-25
LSBU	627	-32	300	74	-65	-17	886

Change in enrolments, by percentage

YoY %	UGFT	UGPT	Apprent'	PGFT	PGPT	St. Abroad	Overall
BUS	▲ 34.6%	▼ -2.6%		▲ 53.8%	▲ 20.0%	▼ -31.4%	37.5%
LSS	▲ 28.2%	▼ -65.4%		▼ -8.7%	▼ -24.5%	0.0%	21.5%
APS	▲ 22.1%	▲ 16.7%		▲ 18.3%	▲ 7.7%	▼ -50.0%	20.0%
ENG	▲ 23.9%	▼ -9.6%	▲ 87.5%	▼ -12.2%	▲ 37.5%	▼ -81.8%	17.9%
BEA	▲ 4.9%	▲ 3.0%	▲ 52.8%	▲ 7.1%	▼ -1.3%	0.0%	17.3%
HSC	▲ 10.0%	▼ -57.1%		▼ -1.3%	▼ -26.6%		2.8%
ACI	▼ -6.8%			▲ 4.0%	▼ -37.5%	▲ 6.2%	-5.0%
LSBU	17.7%	-9.1%	98.0%	8.7%	-12.4%	-14.0%	15.6%

(It is the first year that Apprenticeships are running in BUS/LSS. As such, percentage comparison in YoY is not available.)

3.1.2 LSBU January Recruitment – S2 2019/20 New Starters (Home/EU/OS) As at 07/11/2019

Initial trends show a 50% uplift in recruitment for semester two, with 270 Firm Accepts secured compared to 180 last year. The bulk of recruitment for semester two occurs over December and January, making this early performance promising. Our strong start is driven by the OS segment, where we've recruited over 190 Firm Accepts to date. We are presently tracking at 42% to target against our recruitment goal of 645 Firm Accepts for semester two – which is broadly comparable to last year's goal of 600 Firm Accepts.

Fig 4 – S2 Year on Year Recruitment Performance (counting Home/EU FAs and OS UFs) – 07/11/2019

S2 19/20 Level / Mode Domicile	Year on Year Performance				Progress to Target	
	YTD Firm Accepts	LYTD Firm Accepts	% +/- change	+/- change	Target Firm Accepts	Progress to Target
UGFT	71	27	▲163.0%	44	105	67.6%
UGPT	0	0	-	0	0	-
Apprent'	0	4	▼-100.0%	-4	165	0.0%
PGFT	147	82	▲79.3%	65	161	91.3%
PGPT	11	14	▼-21.4%	-3	65	16.9%
Study Abr.	44	55	▼-20.0%	-11	149	29.5%
LSBU Overall	273	182	▲50.0%	91	645	42.3%
Home	50	45	▲11.1%	5	310	16.1%
EU	30	33	▼-9.1%	-3	50	60.0%
OS	193	104	▲85.6%	89	285	67.7%

3.2 Global Delivery

The University has two active partnerships of significance: the British University in Egypt (BUE) and the Applied Science University in Bahrain (ASU). The first forms the largest delivery partnership of any UK HEI in the MENA region and the second is much smaller but positioned to deliver across the Gulf Cooperative Council (GCC). To this end, LSBU is on the approved list of Universities in Kuwait, should know soon similarly regarding Qatar, and is opening an approval discussion with Saudi Arabia. In addition to these partnerships, a MoU has been signed with the Emirates Aviation University in Dubai (a wholly owned subsidiary of Emirates Airline), with a view to establishing a global association using the flight routes to and from Dubai. Taken together these three partnerships are a considerable 'centre of gravity' of regional and global delivery. More speculatively LSBU hosted a visit from a group of smaller Universities from Colombia (Colombia has the longest association with HE of any Central American country) specifically attracted by LSBU's profile as a community University. The application for the International Branch campus (IBC) in Cairo remains pending. (The experience of other UK HEI's is that approval is given just before opening.) To this end, recent work has focussed on the operational requirements such as semester structure, SSR and contact hours, multiple start dates, the optimal mix of an Egyptian and International work force, restructuring the business case to reflect 'known unknowns', partnership arrangements to deal with 'unknown unknowns', and the campus development itself. The BUE board next meets during December 2019 in Cairo and the target is to resolve the majority of issues for this meeting. The challenging target remains first students recruited for the 2020/2021 academic year. LSBU has worked with the Cambridge Education Group (CEG) for some time to provide a partway service for international students into the University. It has been a poorly performing relationship and a notice to close is in

place. However, CEG has appointed a new COO who is interested in driving a new relationship with increasing student numbers, a different business plan and the potential of capital investment into a shared venture. This dialogue may drive a renewed partnership and could expand to deliver (with others) a comprehensive year 0 international student mobility offer which is growing at LSBU. International student mobility has seen Doctoral candidates from BUE attend the annual research summer school for several years. For the first time this year LSBU hosted a most successful full semester study abroad programme for some 30 BUE students.

3.3 Apprenticeships

LSBU has 1603 apprentices, having recruited 107% of the 19/20 target. An additional 250 apprentices are expected to enrol in December on Nursing Associate apprenticeship programmes. The UTC, Lambeth College and LSBU have resubmitted their ROATP (registration) applications and expect a response before Christmas. An increase in the proportion of non-levy paying employers enrolling apprentices at LSBU has resulted in a forecast overspend on the LSBU ESFA non – levy contract – in effect we will be teaching more students than we are being paid to teach. A number of options are available to address this including utilising LSBU and Lambeth College training levy to support local employers. The Finance team is supporting the apprenticeship team with necessary forecasting. An apprenticeship strategy has been submitted to Lambeth Transition Group and Exec for approval. The Passmore has submitted a bid for South London Innovation Corridor funding to improve Digital Apprenticeship offering in South London. Challenges have remained in areas of health delivery which is generating the 0% progression shown below. Whilst a small cohort this is important as it impacts on institutional reputation and a Health ‘Recovery’ plan is now in place with achievement forecast to improve over the next academic year. A number of complaints specifically around inadequate teaching space/accommodation has led to key clients withdrawing their students at the start of this year including Arup and Hackney Council. We will continue to monitor space requirements as the year progresses but current data show we have capacity on this site and in addition we have now secured Tabard Street to provide additional capacity.

Fig 5 – LSBU Apprenticeship figures

		Overall					Diff vs NA
		Provider Full Year			Prov Grp	National	
		2016/17	2017/18	2018/19	2017/18	2017/18	
16 - 18	Leavers	N/A	N/A	0	14,350	N/A	N/A
	Achievement %	N/A	N/A	0	68.5%	N/A	N/A
19 - 23	Leavers	N/A	N/A	0	17,280	107,030	N/A
	Achievement %	N/A	N/A	0	70.4 %	69.7 %	N/A
24+	Leavers	N/A	N/A	25	63,420	200,450	N/A
	Achievement %	N/A	N/A	6	56.4 %	64.9 %	N/A
Total	Leavers	N/A	N/A	25	95,250	412,190	N/A
	Achievement %	N/A	N/A	24.0%	65.1%	67.3 %	43.3%

At the College, Apprenticeship achievement although improving and in line with CFADs remains low. Overall achievement has improved by 5% but at 50% is 19% below Provider Group Average. Timely achievement has improved by 11% on 17/18 but at 39% is 20% below Provider Group Average.

Fig 6 – SBC Apprenticeship figures

		Overall					Diff vs NA
		Provider Full Year			Prov Grp	National	
		2016/17	2017/18	2018/19	2017/18	2017/18	
16 - 18	Leavers	170	128	53	41,090	104,710	
	Achievement %	74.7 %	46.9 %	34.0 %	69.1 %	69.5 %	-35.5%
19 – 23	Leavers	186	234	86	34,580	107,030	
	Achievement %	63.4 %	52.1 %	48.8 %	70.4 %	69.7 %	-20.9%
24+	Leavers	177	478	119	58,460	200,450	
	Achievement %	68.4 %	40.6 %	58.8 %	67.4 %	64.9 %	-6.1%
Total	Leavers	533	840	258	134,120	412,190	
	Achievement %	68.7 %	44.8 %	50.4 %	68.7 %	67.3 %	-17.1 %

3.4 Regulatory compliance

3.4.1 Annual fees

Since 1 August 2019, the Office for Students (OfS) has assumed full powers of regulation of the HE sector under the Higher Education and Research Act 2017.

As a registered HE provider, LSBU is obliged to meet the general ongoing conditions of registration. Condition G3 requires annual fees to be paid to the OfS and the “designated bodies”, which are the Quality Assurance Agency (QAA) and Higher Education Statistics Agency (HESA).

Unfortunately, in August 2019, LSBU was late in paying both OfS and QAA. As a result, recently, the OfS has written to the Chair to draw attention to the two late payments. The OfS points out that the late payments are a breach of the conditions of registration. In addition, the OfS notes that 46 providers failed to pay the OfS fee and 250 providers failed to pay the QAA on time.

The OfS recognises that this is the first year of the new regulatory regime and on this occasion only will not take enforcement action. However, the OfS requests that the governing body “...discuss the reasons deadlines were missed and the steps that will be taken to prevent a recurrence.” The OfS requires a record of the discussion to be submitted to it to demonstrate that it has taken place.

The OfS will record instances of lateness to determine whether they contribute to a pattern of behaviour that would cause it to have concerns about the adequacy and effectiveness of a provider’s management and governance arrangements,

The Vice Chancellor will provide further background at the board meeting.

Once the minutes of this meeting have been approved by the Chair of the Board, an extract will be sent to the OfS.

3.4.2 HESA student return

In a separate matter, the annual return of student data was submitted to HESA within the initial deadline of 31 October 2019. On 4 November 2019, the OfS (not HESA) raised a query with a sub-set of the data in the return. This was 2 days before the final accountable officer sign-off deadline of 6 November 2019. As it needed time to address the OfS’s query, it was agreed that it was preferable to submit an amended return, even if beyond the final deadline. The corrected return was submitted on 11 November 2019.

The OfS require the Vice Chancellor to acknowledge that the deadline was missed but indicated that it will take full account of the context and have advised its own monitoring team accordingly.

The LSBU data team acted appropriately in this matter and it was beyond their control that the OfS raised such a late query on the return. This query was raised after the HESA submission deadline and with a response to our challenge at 5.30pm on the day of the deadline. Furthermore, the return that had been submitted used the same interpretation of the HESA guidance as used in previous years and had been set as credible by HESA based on our interpretation.

4.0 Group Issues and Environment

4.1 South Bank Academies Trust

We are currently digesting the expectations set out in the new Ofsted framework and identifying changes that will be required to be in line with what Ofsted expect to see in a strong school. In particular, the new framework emphasises the need for schools to deliver a wide curriculum through a three-year key stage 3, with teaching and extra-curricular programmes designed to ensure students are building their cultural capital and this approach has formed the basis of ongoing curriculum development. The priority is to raise academic outcomes. At both academies, there is a focus on improving outcomes through improving the quality of teaching and middle leadership, refining the curriculum and delivery model, and developing systems of assessment and feedback.

A focus at UAE is on developing and retaining high quality staff, particularly in the classroom. A new tier of junior middle leaders has been budgeted for and is being recruited to in order to support retention and also to increase management capacity. A particular area of focus is the 6th form curriculum to support progression, retention, student number growth and outcomes. Numbers at UAE have increased from 691 to 772.

At the UTC, student numbers have increased to 231 from 216 in 2018. We have a new Principal in place, with a slightly enlarged senior team to drive strategic improvement and there are a number of strands of work to raise outcomes, with considerable focus on developing a knowledge-rich curriculum.

At trust level, a number of strategic lines of work are a priority. A detailed review of the staffing and curriculum model is being undertaken to identify potential cost and efficiency savings, to ensure that the staffing model aligns as closely as possible to that which will drive improvement in outcomes most quickly and sustainably. A new Trust Business Manager has started along with a Finance Manager to support central financial capacity, with year-end audit and liaison with the ESFA particular areas of focus. The focus over the next few months will be based around a review of the relationships between and focus of the two academies as well as consideration of the links to SBC.

4.2 South Bank Colleges

The College's final 18/19 student achievement results show good progress with all results either at or exceeding the CFADs targets. The final outturn shows that there has been a continued improving trend on achievement across classroom-based learning (CBL). Of particular note is the Study Programme achievement which at 82% has improved by 10% on 17/18 and is now in line with provider average (PGA). Overall achievement sits at 88% a 4% improvement on 17/18 and 3% above PGA. Adult learning at 90% is a 3% improvement on 17/18 and 1% above PGA.

Fig 7 – SBC Achievement

Age Group		2016/17	2017/18	2018/19	Provider Group	National
16-18	Leavers	3,363	2,886	2,666	1,031,380	1,521,060
	Achievement	61.3%	72.8%	82.3%	82.8	82.1
	Retention	81.3%	84.2%	92.4%	91.2	89.5
	Pass Rate	75.5%	86.5%	89.1%	90.8	91.6
19+	Leavers	10,265	10,536	10,227	972,220	1,570,270
	Achievement	75.2%	87.3%	90.1%	89.1	88.3
	Retention	88.8%	95.0%	96.0%	94.5	93.4
	Pass Rate	84.8%	91.9%	93.8%	94.3	94.5
All Age	Leavers	13,628	13,422	12,893	2,003,600	3,091,330
	Achievement	71.8%	84.2%	88.5%	85.9	85.2
	Retention	86.9%	92.7%	95.3%	92.8	91.5
	Pass Rate	82.6%	90.9%	92.9%	92.6	93.1

		Timely					
		Provider Full Year			Prov Grp	National	
		2016/17	2017/18	2018/19	2017/18	2017/18	Diff vs NA
16 - 18	Leavers	171	87	53	40,140	100,730	
	Achievement %	59.6 %	31.0 %	28.3 %	61.5 %	63.0 %	-34.7 %
19 - 23	Leavers	190	202	70	33,400	101,610	
	Achievement %	44.2 %	40.1 %	31.4 %	62.0 %	62.4 %	-31.0 %
24+	Leavers	339	299	110	40,140	191,010	
	Achievement %	26.3 %	19.7 %	49.1 %	61.5 %	55.4 %	-6.3 %

Total	Leavers	700	588	233	130,680	393,350	-20.0 %
	Achievement %	39.3 %	28.4 %	39.1 %	59.6 %	59.1 %	

The significant progress in the number of students achieving their qualifications is a direct result of:

- Management training and development
- Whole college approach to the Study Programme
- Tracking of students at an individual level supporting early interventions for those 'at risk' of not achieving.

4.2.1 Business Planning

Following on from September 2019 enrolment all Faculties have attended business planning and growth review meetings with the principal, CFO, Deputy Principal, HR and marketing. The meetings have reviewed enrolments against target and 18/19 actuals, staff utilisation and student attendance. As a result of these meetings managers are working to address underperformance against target and budgets are being realigned accordingly. The CFO is in the process of working with MIS to produce 19/20 Faculty contribution reports with a target of 43%.

4.2.2 ESFA Audit

The college was notified in August 2019 that it would be subject to a full ESFA funding audit. This took place in October 2019 and required a significant amount of work in particular for MIS and Customer services teams. I am pleased to say that although there were a number of actions required they are all very achievable. There was a small reconciliation which in the end amounted to a net gain for the college of just under £30k. The Director of MIS has a detailed action plan in place to address areas requiring improvement and 19/20 data is in a significantly more robust state than in previous years.

4.2.3 Designation meeting

We have a meeting with the FE Commissioners office as part of the review of the section 28 special designated college pilot on the 22 November 2019. Attendees will include the deputy FE Commissioner Meredydd David, representatives from the ESFA, SBC Chair, LSBU Vice Chancellor, Executive Principal, and members of the university and college executive.

4.2.4 SBC Campus Development

Phase 1 of the SBC development plan is the Nine Elms STEAM centre (NESC). The contractor is finalising the design with the College prior to the main construction phase early in 2020. Planning for the NESC will be adjudicated in late November 2019 and if approved will permit the first draw down on the awarded GLA grant. Currently the NESC project is under pressure on both time and cost: cost is manageable at this stage of the project, time is more challenging and may result in a delayed opening. Significant work is underway to agree with the DfE and other key stakeholders an estate strategy for SBC. The emerging curriculum plan has been matched to a 'bottom up' space requirement, the cost estimates for this development are being tested against further education norms, and independent analysis is looking at SBC's ability to raise other income to fund the wider development. Post agreement, this work will form phase 2 for SBC.

4.3 Croydon

We have established a regular series of operational and strategic meetings with representatives of Croydon Council as we work towards a detailed business plan and a corresponding costing for the development of the Croydon Campus. We now have detailed plans for the building which will be costed; and these costs will be incorporated into the overall LSBU business plan with a view to a decision early in the new year. Alongside, we have had contact with a number of key organisations in Croydon, including Croydon College, Gatwick Airport and East Surrey College Group. Some recent press coverage reflects that Croydon Council has made no secret of our discussions concerning a campus in Croydon, though the potential location remains confidential for operational reasons. There is currently a significant funding gap which needs to be addressed before a viable business case can be brought to MPIC.

4.4 Public Affairs

With political attention focused on Brexit and the forthcoming general election, whilst we have maintained contact with the local MPs and Prospective Parliamentary Candidates, we have focused our engagement work on Whitehall and local government.

We continue to engage with the Department for Education across a broad range of activities. We hosted a visit to the University and College from Paul Kett, the Director General for Higher Education and Further Education. We continue to participate in the DfE's Higher Education Immersion Programme, this time with a 3 day induction visit from 5 DfE staff later in the year. Meanwhile, Lambeth College is participating in the FE equivalent and is hosting a visit from Baroness Berridge, a government spokeswoman in the Lords. We also participate in the DfE's Technical Education and Higher Education Stakeholder Group, with particular input into the development of T-Levels and are helping to facilitate student interviews with the DfE for their development of Higher Technical Qualifications. We continue to facilitate policy breakfasts for external stakeholders and our first one next year will be hosted

by Charles Clarke. We have agreed to sponsor the All Party Group for Apprenticeships for another year.

Meanwhile, we continue to work with DfE on plans for the development of Vauxhall Technical College with the close support of Lambeth Council.

I met with Jennifer Coupland, who is leaving the DfE to become Chief Executive of the Institute for Apprenticeships and Technical Education (IfATE). This now oversees not only apprenticeships but also T-Levels and new higher technical qualifications and is therefore an important new stakeholder for LSBU. As well as the IfATE, we maintained or further developed contact with key agencies Ofsted, the Regional Schools Commission and Baker Dearing Trust (which oversees the UTC programme).

I chaired the UUK working group on the presentation of income and spending to students, which published its recommendations. The Learning and Work Institute's Youth Commission, which is sponsored by LSBU, published its fifth report entitled "Fit for Purpose? Education and Employment Support for Young people".

We have continued to work closely with Lambeth Council in our engagement with the Department for Education on the future development of Lambeth College. We also continue to engage closely with the Council through their Lambeth First Partnership Board, its Employment and Skills Strategy group, and bi-lateral meetings with some of the new leadership team. We have maintained regular contact with Southwark Council at Senior Office and Councillor level.

4.5 Government Update

Apart from Gavin Williamson's letter to the OfS following his appointment as Secretary of State for Education, the Government has made no significant announcements regarding HE in recent weeks. This election means that the Government's responses to the Augar Review and the Independent Review of TEF will be further delayed. Rachel Wolf, who is well known to the education sector for her work with the Free Schools Network, has been tasked with writing the Conservative Party Manifesto, and we will be checking it closely upon its publication for any proposals regarding tuition fees. The Labour Party's position remains to abolish tuition fees.

BEIS has published "Changes and Choices", a report by Professor Sir Adrian Smith providing independent advice on the design of future UK funding schemes for international collaboration, innovation and research. The recommended option is that the UK be an associate of the EU's Horizon Europe research funding programme. The report recommends that, post-Brexit, the planned 'UK Shared Prosperity Fund' should be fully aligned with the research and innovation agenda to fill the gap left by the loss of European structural funds. This is the position we have been putting forward to BEIS in our discussions regarding the Shared Prosperity

Fund and plans for further investment in research to reach the declared target of 3% UK GDP.

5.0 Strategic Enablers

5.1 Campus Development

The first part of the LSBU phase 1 project is complete, the next part is to complete the re-development of the learning hub on time and budget. In addition to this is the related but separate development of the Chapel and here the task is to develop, cost, approve and deliver the project again to cost and time. Phase 2 is the development of the Perry Library (PL) and St. George's Quarter (SGQ) locations, and here the tasks are to deliver a business plan generating sufficient capital from PL to fund SGQ. Finally, Tabard Street has been acquired for a period of just under 4 years to initially provide 'over spill' teaching space for semester 2 onwards and subsequently to provide a more targeted teaching space and an executive education / CPD suite.

5.2 New JNCHES 2019-20 – Final Offer Update

The Universities and Colleges Employers Association (UCEA) did not secure agreement to the final pay offer (applicable to grades 2-10), but issued advice to its employer members to implement. LSBU implemented in October 2019 payroll.

We received ballot notification from all of our recognised unions regarding their rejection of the national pay offer. Ballots closed on 31 October 2019. We have received notification that the UCU ballot was unsuccessful as they did not meet the 50% threshold; only 36.9% of eligible members voted at LSBU. Unison and GMB also did not receive the required 50% threshold so there will be no strike action at LSBU.

At a national level 54 UCU branches reached the 50% voting threshold in relation to the pay award ballot. We are in close contact with UCEA and we will update on any developments at the national level. UCEA currently state that any attempt to re-open the 19/20 pay round is 'unrealistic'.

5.3 2025 Strategy Development

The Group University Board approved the Group Strategy in March 2019, and progress is being made to take this to the next stage of development through the identification of high level KPIs at overall group strategy level and group sub strategies. In the last update the following initiatives were identified:

- Considerable progress has been made in terms of measuring Pillar Level Group KPIs, which will measure Economic, Societal and Personal Impact. This will be reviewed at the Spring Board Strategy Day.

- The undertaking of a series of staff engagement sessions, identifying where the United Nations Sustainable Development Goals, can inform the development of LSBU Group sub strategies.
- In addition to the four Executive Strategy Sessions held over the summer and autumn 2019, there has been a Group Leadership Session which focused on the Education Strategy, subsequently a Senior Leadership Team meeting met to discuss the Target Operating Model, which will complement the overall strategy.

In terms of next steps, meetings with Sub Strategy Owners will be undertaken in November, with a view to discussions at the November Senior Leadership Team meeting. It is intended that Pillar level KPIs and Sub Strategies will be signed off at the end of January 2020 by the Senior Leadership Team, in preparation for institutional planning to start.

Agenda Item 6

CONFIDENTIAL	
Paper title:	Report from the Group Chief Financial Officer
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author:	Richard Flatman, Group Chief Financial Officer
Sponsor:	Richard Flatman, Group Chief Financial Officer
Purpose:	<ul style="list-style-type: none"> • To update the Board on financial matters. • To approve the financial commentary and financial forecast tables.
Recommendation:	<p>The Board is requested to note the report which provides a progress update on 2019/20 and an update on year end reporting matters for 2018/19.</p> <p>The OfS has recently issued guidance (Appendix 2) regarding the annual financial return which is due for submission on 2 December. In accordance with the guidance, the Board is asked to approve the financial commentary (Appendix 3), and the detailed financial forecast tables (Appendix 4).</p> <p>The OfS has also recently issued guidance (Appendix 5) on the accountability return 2019 which is also due for submission on 2 December. A large part of the submission is covered by normal Committee/Board year end sign off processes. Those documents forming part of the submission but not covered elsewhere are the Assurance Return and the Research return. These are included as Appendices 6 and 7 respectively. Neither requires board approval and are included here for information.</p>

Attachments:

Appendix 1: Management accounts to 30 September 2019

Appendix 2: OfS guidance – annual financial return (for noting)

Appendix 3: Financial commentary on forecasts including key assumptions (for approval)

Appendix 4: Financial forecasts for submission to OfS (for approval)

Appendix 5: OfS guidance – accountability return 2019 (for noting)

Appendix 6: Assurance return (for information)

Appendix 7: Research return (for information)

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Report from the Chief Financial Officer: November 2019

1. Management accounts to 30 September 2019

LSBU

The full year forecast as at 30th September is trending towards a surplus of £1.5M, which would deliver the University on budget.

Although it is early in the year, there are encouraging signs around student recruitment numbers and we have enrolled 1,119 more New students (FTE) than in the equivalent period last year. Continuing students have fallen by 333 FTE but this is primarily because we have now changed our PG Curriculum to deliver in 1 year. Previously PG students were classified as continuing when they came back to complete their dissertation. Early indications suggest that due to recruitment we are likely to achieve at least £2m more income for semester 1 than budgeted.

In terms of staff costs, across the University we are currently underspent against budget by £664k, or 5%. The majority of the variance, £543k, sits in the Schools portfolio. The 'year to date' spend on Academic Staff is the same for the first 2 months of the year as last year but Support and Technician staff costs have increased by £200k, 4%, and exceed the cost of Academic staff.

There is a slight risk with regard to the centrally held income budget of £608k relating to Enterprise income that has not yet been contracted. Meetings are due to take place during October to review the Enterprise forecast at which time the allocation of this centrally held budget will be addressed. Costs associated with the delivery of this income have been provided for in the budget, de-risking it by 72%.

The University is currently holding cash and cash equivalents of £57m. We have transferred £8m to South Bank Colleges to support its cash requirements including the NESD development, and the University is also holding £5.8m with respect to the recent Lambeth College transaction. Without these transactions the University would be holding £51.2m, an improvement on the equivalent position of £41.5m in Sept 2018.

The above position will deliver EBITDA at 10.2% which is slightly lower than the 11.2% achieved in 18/19. Our recurring staff cost expressed as a % of income is currently forecast to be 58.5% (56.4% in 18/19) which is above the long term target of 55% target set by the Board of Governors.

South Bank Colleges

The main challenge to delivering the budget in 2019/20 is connected to student income. At this stage, 16-18 student numbers and therefore funding are in line with budget. Adult student numbers are below target based on September enrolments and a plan is being devised to bridge the gap and ensure that all Adult funding can be secured. This plan will determine how much more funding can be secured from internal College delivery, how much from partners and how much subcontract business SBC will need to place this year. This may impact SBC's non-pay costs. Whilst there remains some uncertainty around income forecasts, the College is still forecasting to meet the budget deficit of £2.7m in accordance with the forecast submitted to the ESFA.

There have been no further drawdowns against the LSBU cash facilities in 2019/20 as SBC's cash position remains strong with £2.5m in the bank at the end of October.

2. Year-end reporting matters

LSBU statutory accounts

The audit is now substantially complete and a final version of the accounts is presented for approval at this meeting. At time of writing, there is one matter outstanding which is for the auditors to satisfy themselves regarding the fair valuation of £6.2m placed upon the SBC land at Vauxhall. This could potentially impact the consolidated group accounts. A verbal update will be provided in the meeting.

The report of the external auditors was reviewed in detail at audit committee. Only one adjustment was identified during the audit and this has been adjusted. Two control deficiencies were identified, both of which have been agreed and accepted by management. Good progress has been made implementing recommendations identified by the auditors last year.

The statutory financial accounts are presented in a separate paper to the board. The operating surplus reported (before actuarial loss in respect of pension schemes) is £19.3m. This is in line with reports issued to Board during the year but is after taking account of the adjustment to fair value of opening asset values in SBC at 1 February 2019, which increased the surplus by £16.2m.

A full compliance statement on our systems of internal control is included in the financial statements. A detailed report went to November Audit Committee setting out the various sources of assurance underpinning this statement. No matters have arisen since audit committee which would change our opinion in this regard.

The Board agrees when signing the accounts that they think it appropriate to prepare the statements on a going concern basis and a detailed going concern paper was

also reviewed by Audit Committee in November and approved.

In addition to standard representations, the Letter of Representation for both the University and SBC includes 3 specific representations as follows:

- that the Group and South Bank Colleges are satisfied that no provision is required in respect of the claim brought against South Bank Colleges by CMOL
- that the College intends to implement the Estates Strategy as defined in the grant agreement with the ESFA ensuring funds will not be repaid (this same point was raised in the management letter for the 6 month accounts of Lambeth College), and
- that the Brixton lease has been accounted for in line with the rental agreement (this same point was raised in the management letter for the 6 month accounts of Lambeth College).

The Group Executive, audit committee(s) and SBC Board have reviewed the letter and are content to make said representations.

Otherwise, there are no matters specific to either company that have been included in response to any other matters arising during the course of the audit.

South Bank Colleges

Statutory accounts: 6 month Period to 31 January 2019

A draft of these accounts was signed by the Chair and Accounting Officer last month once the disclosure in the contingent liability note regarding the Carillion Maple Oak (CMOL) matter was agreed by KPMG. The agreed wording is shown in the contingent liabilities note.

As a result of the time taken to finalise these accounts, KPMG advised that we would be required to calculate an adjustment to the accounts to reflect the impact of the McCloud judgement on pension costs and scheme deficit. For SBC this adjustment amounts to £200k and is therefore material and means that the accounts needed to be changed to reflect this.

The accounts presented as part of the papers to this Board include these revised finalized accounts. These have auditor clearance and at time of writing now require final signature at SBC Board. The only change from the previously approved draft is the £200k additional pension cost and liability resulting from the McCloud judgement.

Statutory accounts: 6 month Period to 31 July 2019

These are the first set of accounts for SBC and represent twelve months from incorporation of the company with six months of educational activity from 1 February

to 31 July 2019. There are no comparatives in the Statement of Comprehensive Income and Expenditure (SOCIE) as this is the first period of trading.

The audit of these accounts is now complete and an unqualified audit opinion is expected. At time of writing, there is one matter outstanding which is for the auditors to satisfy themselves regarding the fair valuation of £6.2m placed upon the land at Vauxhall. A verbal update will be provided in the meeting.

These accounts are consolidated into the LSBU group accounts for the first time.

The audited results show a full year surplus of £16.3m. This figure includes £16.2m of recognized gain on the acquisition of the assets and liabilities of Lambeth College Corporation, and a small operating surplus less than £0.1m for the six months to 31 July 2019 post acquisition (after release of deferred grant).

Accounting rules dictate that in acquisitions of this kind, where no money has been passed from SBC to Lambeth College Corporation for the acquisition of assets and liabilities, the value of those net assets must be shown in SBC's books as a gain on acquisition. The value of the assets and liabilities is to be shown at a fair value which is not the same as the historic cost shown in Lambeth College Corporation's closing accounts. Note 12 in the SBC accounts shows the differences; the only significant change being to the value of land and buildings. These were independently valued as at 1 February and the increase in value is attributed to land in SBC's case. This value moves the previous £4.0m net liability to a net asset value of £16.2m.

The accounts show all figures after pension adjustments and the ESFA income shown within the accounts is shown without any clawback because the ESFA audit of SBC funding returns did not highlight any issues. The accounts also reflect charges from LSBU, just under £1m reflecting a management charge covering loan interest on the novated Barclays Bank loan and costs incurred by the University on the College's behalf.

The ESFA grant received on acquisition is being used to fund the transition from loss making college to financially secure college. In these accounts, the release of grant this year covers operating losses and capital expenditure (excluding capital expenditure on the Vauxhall Technical College). This amounts to £1.2m this year.

South Bank Academies

The Audit of South Bank Academies (SBA) is almost complete. These accounts will be considered by SBA Audit Committee on the 28th November

3. Annual accountability return (AAR)

Changes from 2017/18

There have been minor changes to the Accountability return this year. It still includes the Audit Committee's annual report, the Internal auditor's annual report, and the

External auditor's management letter, all of which have been reviewed in detail by the Audit Committee and Board.

The form to be signed off by the Accountable Officer has now been split into two separate forms:

- the Assurance return (see Appendix 6)
- the Research return (see Appendix 7)

These two forms do not require Board approval. They are enclosed here for information but the Board should note that both are positive responses.

Previous assurances on behalf of the governing body concerning the continuous improvement of the student academic experience and student outcomes, maintenance of the standards of awards and trustees' compliance with their legal obligations have been removed from the return and are no longer required (Parts 2 and 3 of last year's form).

TRAC and TRAC(T) are due to be submitted in January and February 2020, in line with previous years' timelines. These returns require Board approval.

The Audited financial statements now form part of the Financial return to the OfS.

4. Pensions update

It was reported at the last Board meeting that good progress is being made on the financial modelling regarding options for future pension provision.

Our discussions with both Mercers and the LPFA are continuing. We have now received clarification from the LPFA that closure to new members will not be treated as a project cessation and that no security will be required as long as our policy allows us to admit future members on an ad-hoc basis. This is a significant step forward. We will however, still be required to offer security in the event that we wanted to move from Category B employer to Category A but that was always going to be the case.

We are now looking at the DC scheme design phase and working with Mercers to consider options before bringing these to the Board pensions sub group.

The Group CFO attended the annual LPFA forum at City Hall on 12 November which provided further detail regarding the timetable for the 2019 valuation results and an early indication of the outcome (with the caveat that this is at whole fund level rather than individual employer level). Individual employer results will be provided to the LPFA by the actuaries in the next couple of weeks and to us at the earliest opportunity thereafter and by 6/1/20 at the latest. With the support of Mercers we will then update

out financial modelling to reflect the 2019 valuation before making any final decision for implementation.

The early indication is that at whole fund level the funding level has improved from 96% in 2016 to 109% in 2019. Total employer contribution is expected to remain at about 20% as 2016, although the balance between the primary (future service) rate and secondary (past service deficit recovery) rate will change with the primary rate increasing and the secondary rate decreasing.

The current contributions for LSBU are as follows:

		LSBU	SBC
		%	%
Primary rate		12.70	13.50
Secondary rate		11.40	5.60*
Total		24.10	19.10

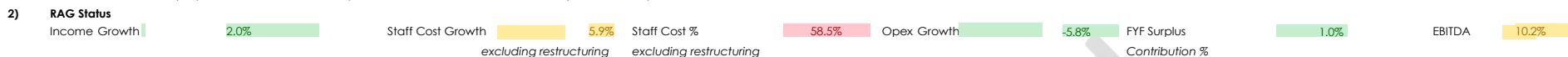
For: Category B Open employer status

*the secondary rate for SBC is lower to reflect cashflow constraints. The 2019 valuation rate is expected to revert to normal levels.

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SEPTEMBER 2019 EXECUTIVE SUMMARY

1) This Executive Summary reports on the draft financial position of London South Bank University as at 30th September 2019

3) **Summary**

The full year forecast as at 30th September is trending towards a surplus of £1.5M, which would deliver the University on budget.

As we only 2 months into the new financial year the forecast has not yet been updated and reflects the budgeted position. The forecast will be reviewed and updated over the next few months.

Whilst there are encouraging signs around student recruitment numbers, income remains a key risk in the management accounts as it will be a few more weeks before we have a more complete picture of what the forecasted income position will be for semester 1. Continuing students have fallen by 333 FTE compared to the same period in 18/19. New student numbers show that we have enrolled 1,119 more students (FTE) than in the equivalent period last year helping to explain why fee income is £11.5m more than at the equivalent point in time last year. This increase however is amplified by the change in funding for HSC students.

Early indications suggest that we are trending towards delivering at least £2m more income for semester 1 than budgeted. 2019/20 marks the end of the NHS contract for Health and Social Care Pre-Registration students; the majority of Health students will now be classified as UG or PG alongside students from the other Schools and are funded through student fees.

There is a further risk around staff costs. During the 19/20 budgeting round, a few areas were identified as having particularly challenging budgets for 19/20. A commitment was made to review these areas in Nov-19. To date, staff costs across the University are underspent by £664k, or 5%. The majority of the variance, £543k, sits in the Schools portfolio. The spend on Academic Staff is the same for the first 2 months of the year as last year but Support and Technician staff costs have increased by £200k, 4%, and exceed the cost of Academic staff.

There is also a risk relating to the centrally held income budget of £1.563m for which the activities generating this revenue are yet to be identified; £955k relates to Overseas student fees, and £608k of Enterprise income. Meetings are due to take place during October to review the Enterprise forecast at which time the allocation of this centrally held budget will be addressed. Costs associated with the delivery of this income have been provided for in the budget, de-risking it by 72%.

The University is currently holding cash and cash equivalents of £57m. We have transferred £8m to South Bank Colleges to support its cash requirements including the NESC development, and the University is also holding £5.8m with respect to the recent Lambeth College transaction. Without these transactions the University would be holding £51.2m, an improvement on the equivalent position of £41.5m in Sept 2018.

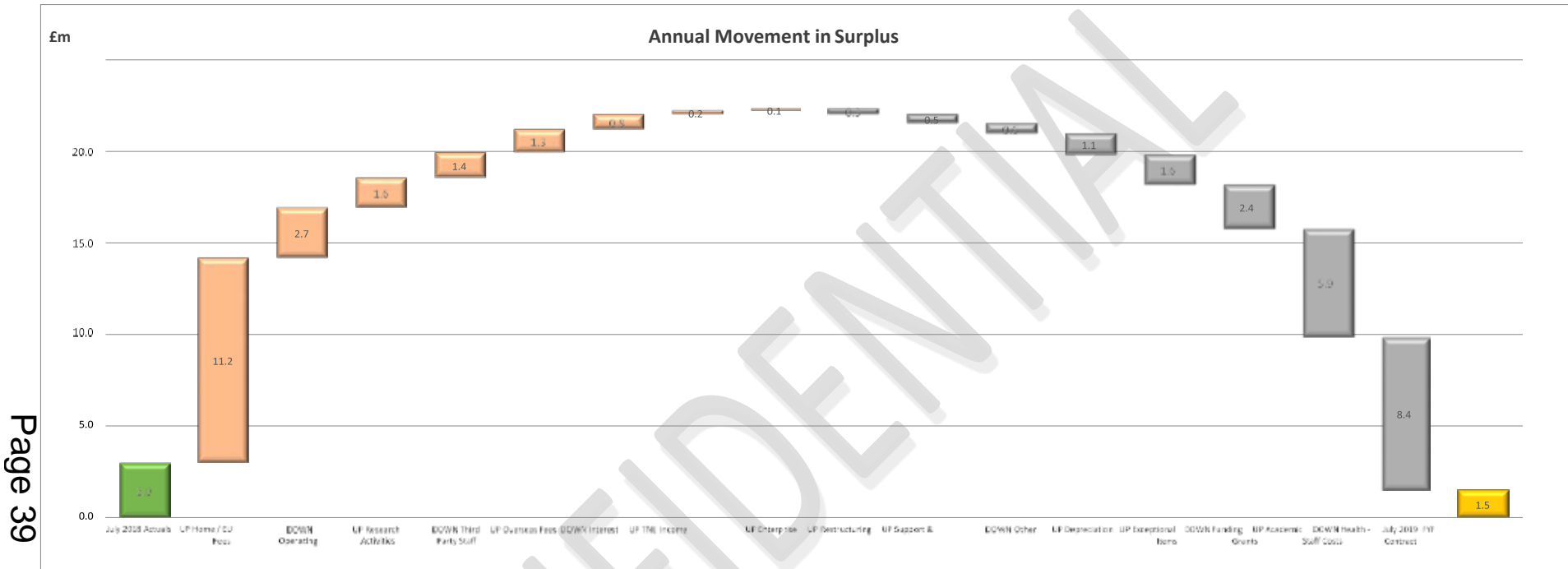
The above position will deliver EBITDA at 10.2% which is lower than the 11.2% achieved in 18/19. Our recurring staff cost expressed as a % of income is currently forecast to be 58.5% (56.4% in 18/19) which is above the long term target of 55% target set by the Board of Governors.

4) Table 1: Full Year Forecast vs. Budget

Financial Summary in £'m	CURRENT YEAR BUDGET vs PRIOR YEAR ACTUALS				FULL YEAR FORECAST OUTTURN POSITION						YEAR ON YEAR (Y-T-D COMPARISON)			
	18/19 Actuals	19/20 Budget	Change to 18/19	Change %	Aug 19 Forecast	19/2 Monthly move	Monthly move	Sept 19/20 Forecast Outturn	Variance to 19/20	Budget variance	18/19 Actuals	19/20 Actuals	Change to 18/19	Change %
Funding Grants	14.4	12.0	-2.4	-17%	12.0	0.0	0.0	12.0	0.0	0%	2.5	2.5	-0.0	-0%
Health - Contract	10.6	2.2	-8.4	-79%	2.2	0.0	0.0	2.2	0.0	0%	2.2	1.1	-1.1	-50%
Home / EU UG Fees	73.5	82.5	8.9	12%	82.5	0.0	0.0	82.5	0.0	0%	47.4	56.3	8.9	19%
Home / EU PG Fees	10.2	12.5	2.3	22%	12.5	0.0	0.0	12.5	0.0	0%	4.3	6.8	2.6	60%
Overseas Tuition Fees	10.3	11.6	1.3	12%	11.6	0.0	0.0	11.6	0.0	0%	2.5	3.6	1.1	44%
TNE Income	1.8	2.0	0.2	10%	2.0	0.0	0.0	2.0	0.0	0%	-0.1	0.0	0.1	0%
Research Activities	5.9	7.5	1.6	28%	7.5	0.0	0.0	7.5	0.0	0%	0.8	1.1	0.4	47%
Enterprise Activities	10.6	10.7	0.1	1%	10.7	0.0	0.0	10.7	0.0	0%	1.1	0.7	-0.4	-40%
Student Related Income	10.3	10.9	0.6	6%	10.9	0.0	0.0	10.9	0.0	0%	1.8	1.6	-0.3	-15%
Other Operating Income	1.1	0.1	-1.0	-90%	0.1	0.0	0.0	0.1	0.0	0%	0.1	0.1	0.0	46%
Endowments & Interest	0.3	0.1	-0.2	-63%	0.1	0.0	0.0	0.1	0.0	0%	0.0	0.1	0.1	336%
Income	149.0	152.1	3.1	2%	152.1	0.0	0.0	152.1	0.0	0%	62.6	73.9	11.3	18%
Academic Staff Costs	28.9	45.0	16.1	56%	45.0	0.0	0.0	45.0	0.0	0%	6.4	6.4	0.0	0%
Support & Technicians	41.4	41.9	0.5	1%	41.9	0.0	0.0	41.9	0.0	0%	6.4	6.6	0.2	4%
Third Party Staff	2.7	1.3	-1.4	-51%	1.3	0.0	0.0	1.3	0.0	0%	0.4	0.1	-0.3	-75%
Restructuring	1.2	1.5	0.3	26%	1.5	0.0	0.0	1.5	0.0	0%	0.0	0.0	-0.0	-100%
Depreciation	9.4	10.5	1.1	12%	10.5	0.0	0.0	10.5	0.0	0%	1.5	0.0	-1.5	-100%
Operating Expenses	47.1	44.4	-2.7	-6%	44.4	0.0	0.0	44.4	-0.0	-0%	5.7	6.2	0.5	8%
Interest Payable	4.4	3.5	-0.8	-19%	3.5	0.0	0.0	3.5	0.0	0%	0.8	1.1	0.3	34%
Exceptional Items	0.0	1.6	1.6	0%	1.6	0.0	0.0	1.6	0.0	0%	0.0	0.0	0.0	0%
Expenditure	146.1	150.6	4.6	3%	150.6	0.0	0.0	150.6	-0.0	-0%	21.3	20.5	-0.8	-4%
Surplus for the year	3.0	1.5	-1.5	-50%	1.5	0.0	0.0	1.5	0.0	0%	41.4	53.5	12.1	29%
Surplus as % of income	2.0%	1.0%			1.0%			1.0%			66.1%	72.3%		

5) Forecast Summary

As compared to 18/19 we are forecasting an increase in income of £3.1m (2%), a £5.0m (6%) increase in total staff costs, a £0.3m increase in the costs associated with staff restructuring, an increase of £1.1m in depreciation, a decrease of £2.7m (6%) reduction in operating expenses, a £0.8m decrease in interest payable, and a £1.6m increase in exceptional items to fund in-year investments. This has led to a decrease of £1.5m in our annual surplus.



The key movement in the forecasted position vs 18/19 is a £11.2m increase in Home/EU Tuition fee income. This is partially driven by a forecasted increase in recruitment of new students but is mainly because the NHS contract which funded student fees for Pre-Registration courses has ended and new Health & Social Care students will be funded through Tuition fee income, hence the £8.4m decrease in Health Contract.

The forecast for Research activities is forecast to increase by £1.6m which includes an increase of £791k in TWI Innovation Centre activity, increased funding grants (£342k) and research activity in the Schools, particularly Engineering.

Staff costs are forecast to increase by £5m due to a £2m increase in pension costs, and ongoing investment by the University. The University finished 18/19 with a recurring staff cost of £80.8m including £3.2m of extraordinary pension costs. Third party costs were overspent in 18/19 by £895k and the University's ambition for 19/20 is to reduce this expense by £1.4m. Operating expenses are budgeted to decrease by £2.7m; 18/19 included unbudgeted investments and write offs which are not forecast to be repeated.

6) Contribution Analysis

Currently the full year forecast (FYF) shows the budget position and therefore does not reflect any changes to income based on semester 1 recruitment or associated costs.

INCOME generated by the Schools is forecast grow by £3.5m compared with 18/19. Costs excluding internal space recharges (£7.9m in 2018/19) are forecast to increase by £6.3m or 12% year on year. The key driver is staff costs which are forecast to increase by £5.6m compared to 18/19. Schools staff costs were underspent by £2.7m last year and are currently £543k under budget (£255k in the teaching segment). The budget for academic staff costs in the Schools is calculated using a Staff / Student ratio rather than looking at historic spend. As a result of the Schools of Built Environment and Architecture, Health and Social Care and the School of Business, significantly underspending in 18/19 they have the largest Expenditure (after space charge year-on-year) variances, and also have the largest decreases in contribution for 19/20 vs 18/19.

Most Schools are predicting income growth, with only Applied Sciences and Built Environment and Architecture budgeting small decreases.

OPEX is forecast to increase by £0.8m, £0.5m is associated to teaching related activities and reflects the increase in student population budgeted for 18/19. The remainder relates to an increase in costs of PhD Studentships and other research activities which are partially offset by an increase in income.

CONTRIBUTION before space charge allocation is forecast to decrease by £2.8m, or 3.7%. This is mainly as a result of the Schools underspending on staff costs in 18/19 and increased pension costs in 19/20.

At present there is £955k of centrally held income relating to Overseas student fees, and £608k of Enterprise income, the expectation is that the majority will be allocated to the Schools during the next few months.

Contribution per School across Teaching, Research and Enterprise activities

£'millions	Applied Sciences		Arts and Creative Industries		Built Environment & Architecture		Business		Engineering		Health & Social Care		Law & Social Sciences		Total All Schools	
	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF
Income	£10.8	£10.6	£11.3	£12.2	£18.9	£18.5	£18.0	£18.8	£17.9	£18.8	£36.7	£37.8	£14.4	£14.8	£128.0	£131.5
Expenditure before space charge	£4.7	£5.0	£4.2	£4.7	£5.9	£7.5	£6.2	£7.2	£9.1	£9.3	£16.3	£18.4	£5.6	£6.3	£52.1	£58.4
Contribution	£6.1	£5.6	£7.1	£7.5	£12.9	£11.1	£11.8	£11.6	£8.8	£9.5	£20.4	£19.4	£8.8	£8.5	£75.9	£73.1
Contribution %	56%	53%	63%	61%	69%	60%	66%	62%	49%	50%	56%	51%	61%	57%	59%	56%

The Schools have different levels of Research and Enterprise activities which can mask differences in Staff / Students ratios and contribution and so the teaching only levels of contribution is shown below.

Contribution per School across Teaching activity only (excluding TNE)

£'millions	Applied Sciences		Arts and Creative Industries		Built Environment & Architecture		Business		Engineering		Health & Social Care		Law & Social Sciences		Total All Schools	
	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF	18/19 Actual	Sept 19/20 FYF
Teaching Income	£9.9	£9.6	£10.8	£11.6	£17.8	£17.7	£17.2	£18.5	£13.9	£15.1	£32.0	£34.4	£13.9	£14.3	£115.5	£121.3
Teaching Staff	£3.6	£3.7	£3.1	£3.3	£4.8	£5.5	£4.3	£5.1	£4.7	£4.7	£12.6	£14.6	£4.7	£5.2	£37.8	£42.2
Staff cost as %age of income	36%	39%	29%	29%	27%	31%	25%	28%	34%	31%	39%	42%	34%	36%	33%	35%
Teaching Expenditure excl. space charge	£0.4	£0.5	£0.7	£0.6	£0.7	£0.9	£1.6	£1.7	£1.1	£0.8	£1.6	£1.8	£0.7	£0.8	£6.8	£7.2
Expenditure per FTE	£3,926	£4,073	£3,198	£3,201	£2,937	£3,315	£2,840	£3,155	£4,167	£3,767	£3,581	£3,982	£3,519	£3,582	£3,416	£3,619
Teaching Contribution	£6.0	£5.4	£7.0	£7.7	£12.3	£11.3	£11.2	£11.6	£8.1	£9.5	£17.8	£18.0	£8.5	£8.4	£70.9	£71.9
Contribution %	60%	56%	65%	66%	69%	64%	65%	63%	59%	63%	56%	52%	61%	58%	61%	59%
Full Year Student FTE (budget)	1,007	1,034	1,189	1,228	1,879	1,939	2,096	2,177	1,380	1,461	3,961	4,116	1,546	1,674	13,058	13,629
Contribution per Stud FTE	£5,900	£5,300	£5,900	£6,300	£6,500	£5,800	£5,300	£5,300	£5,900	£6,500	£4,500	£4,400	£5,500	£5,000	£5,400	£5,300
Return on Academic Investment	167%	146%	225%	230%	253%	205%	258%	225%	174%	203%	142%	124%	180%	161%	187%	171%

The average contribution per student in 18/19 was £5,400. This is forecast to decrease to £5,300 in 19/20 due to the increase in academic staff costs.

The contribution per student in the Schools of Built Environment & Architecture, Law & Social Sciences, Health and Social Care and Applied Sciences are forecast to decline compared to 18/19; Health and Social Care and Law & Social Science will be below the average across the School Portfolio. The School of Engineering has the largest forecast Contribution per Student FTE for 19/20. The School predominately offers courses categorised as "high-cost subjects" by the OfS and consequently it receives more funding per student to compensate for the cost of providing specialised laboratory space and technical support. It is consistent with expectations that Schools delivering a portfolio of courses biased towards "high-cost subjects" would have a higher contribution to cover the costs incurred by Estates and Technicians required to support delivery. In the case of Engineering, the School under delivered on teaching income and overspent on operating expenses in 18/19 which reduced the Contribution per student FTE below budget; 18/19 budgeted contribution per student for Engineering was £6,400.

7) Student Number Analysis

As at the end of Sept-19 we had 12,757 enrolled FTE and are 7% ahead of the year on year position.

The biggest increase is new students which are up by 22% and there have been significant increases across most schools. Not all students have fully enrolled; there are 477 students who are waiting to complete the enrolment process (512 at the same time last year); there are about 1,194 additional students (headcount) vs 2018/19.

[----- New -----]					[----- Continuing -----]					[----- TOTAL -----]				
School	Sep-18	Sep-19	Change	% Change	School	Sep-18	Sep-19	Change	% Change	School	Sep-18	Sep-19	Change	% Change
ASC	443	549	106	24%	ASC	575	519	-56	-10%	ASC	1,018	1,068	50	5%
ACI	483	401	-82	-17%	ACI	645	650	5	1%	ACI	1,128	1,051	-77	-7%
BEA	652	917	265	41%	BEA	1,088	1,131	44	4%	BEA	1,740	2,048	309	18%
BUS	748	1,168	420	56%	BUS	1,129	899	-230	-20%	BUS	1,877	2,067	190	10%
ENG	562	692	130	23%	ENG	766	718	-48	-6%	ENG	1,328	1,410	82	6%
HSC	1,442	1,543	101	7%	HSC	1,930	1,847	-83	-4%	HSC	3,372	3,390	18	1%
LSS	736	914	178	24%	LSS	773	808	36	5%	LSS	1,509	1,723	214	14%
YTD Total	5,066	6,185	1,119	22%	YTD Total	6,905	6,572	-333	-5%	YTD Total	11,971	12,757	786	7%

8) Student Withdrawal Analysis

The total amount refunded to students who withdrew or interrupted in 18/19 totalled £4,490k. £123k better than in 17/18, or 2.3%.

The budget for 19/20 is £5,564k, an increase of £1,074k or 23.9% reflecting a prudent position. The majority of this increase is because 19/20 will be the first year in which all HSC lost income will be captured in this analysis. In prior years drop-out on Pre-Registration courses have been processed through the NHS contract. In addition, the budget for the School of Business is £237k higher than 18/19 but in line with the 17/18 and 16/17 position.

"Lost income" is the difference between income generated at Enrolment and the amount retained at the end of the Year. The University receives funding for UG students in 3 tranches; 25% for Semester 1, 25% for Semester 2 and 50% for semester 3; if a student does not progress into the following semester then a refund is generated.

The drop outs headcount fell from 1,115 in 17/18 to 1,054 in 18/19. Both undergraduate and Postgraduate drop out head count numbers also decreased; PG from 256 in 17/18 to 243 in 18/19, and UG more impressively from 859 to 811. 5

Schools performed better in 18/19 than 17/18, with Business in particular reducing its lost income by over 30%.

There is a concern that the amount of withdrawals as opposed to interruptions, increased from 550 in 17/18 to 594 students in 18/19, i.e. 7.4%. We did believe this was due to tighter, earlier processes to withdraw by census date in mid- November and before the exams in January, but the number of withdrawals before December 2018 were 258 or 43.4% of the total, whilst in 2017 they were almost identical at 43.3% (230 out of 530). We need to review the reason codes for withdrawal in more detail.

'Lost Fee Income' in £000K	16/17 Actuals	17/18 Actuals	18/19 Actuals	19/20 Budget	% change 18/19 vs 19/20	% income lost by 19/20	Last 4 year school average
Applied Science	£552	£653	£603	£559	-7.3%	7.0%	6.4%
Arts and Creative Industries	£429	£391	£538	£426	-20.8%	5.4%	4.8%
Built Environment & Architecture	£616	£603	£558	£525	-5.9%	3.7%	4.0%
Business	£904	£997	£696	£933	34.1%	4.2%	5.9%
Engineering	£834	£815	£659	£752	14.2%	5.8%	6.0%
Health & Social Care*	£232	£498	£715	£1,677	134.5%	3.5%	4.9%
Law & Social Sciences	£647	£656	£722	£692	-4.1%	5.6%	5.1%
Total	£4,214	£4,613	£4,490	£5,564	23.9%	4.8%	5.3%

Academic year	YTD withdrawals
15/16	1,025
16/17	1,215
17/18	1,115
18/19	1,054
19/20	

9) Income Analysis

We are currently reporting income of £73.9m, an increase of 18% compared to the same period in 2018/19. The key driver is Home & EU tuition fees. In previous years when student fees were funded through the NHS contract, Health student income was spread evenly over the year. With the switch to student fees, income is billed when the student enrolls, so it is recognised earlier in the year; the year-on-year variance decreases to 5% when the impact of this change is stripped out. The pace of billing was notably higher in the last 2 weeks of September than in the prior year which may be indicative of efficiencies made in enrolment processes. The £1.1m increase in Overseas Tuition Fees is also a result of more billing activity in September than the same period in the previous year. The pace of billing has slowed in recent weeks.

There is £1,563k of centrally held budgeted income relating to Overseas student fees and Enterprise income that will be allocated to the Schools during the next few months. Research

income is £298k higher than at this point last year and £135k ahead of budget. Enterprise is £204k lower than the comparative for 2018/19 and £355k behind budget.

10) Staff Cost Analysis

The University invested £85.2m in staff costs during 18/19. This included £3.2m extraordinary pension costs; £1.2m USS provision, £1.4m LPFA McCloud judgement and £600k LPFA costs re redundancy (early retirements). Whilst these costs should not be recurring, there is potential for the LPFA McCloud judgement to increase future pension costs. We will monitor this case closely.

The budget for 19/20 is £90.5m, an increase of 6.2% over 18/19, or 10% if the extraordinary pension costs in 18/19 are stripped out.

Currently we are reporting an underspend against budget of £664k, or 5%. The majority of the variance, £543k, sits in the Schools portfolio.

During the 19/20 budgeting process, it was agreed that the staffing costs for ICT, Marketing and Human Resources would be reviewed in Nov-19, as they had been identified as areas where the budget was particularly challenging due to the number of vacancies they had been holding during the year. Of these areas, only Human Resources is over spent vs budget (£52k) in 19/20. We will be conducting a thorough review and forecast of staffing costs for Nov-19 month end.

Most areas are underspent on staffing costs for the year-to-date, exceptions being, Research Enterprise & Innovation, Estates, Human Resources, School of Health and Social Care, Governance Information & Legal Team, Academy of Sport.

11) Operating Expense Analysis

Operating expenses were £4.8m more than budget in 18/19 as we took advantage of our strong revenue position to make tactical investments in Equipment and Lab space. We also reviewed our capital expenditure for items that could be appropriately charged to the accounts including Leap costs and Data Migration charges. In addition, Overseas recruitment costs were £1m over budget and £0.9m more than 2017/18.

Currently we are reporting an underspent of £5m or 45% year-to-date vs budget, this is £0.5m more than for the same period in 18/19. The variance to budget is partially due to some areas including, Research Enterprise & Innovation and Estates, which require significant elements of their operating expense budgets to be phased. The balance being timing differences.

Items which have caused the year-on-year difference include:

- £197k one-off investment in Elephant Studios which will be capitalised next month.
- £209k increase in Research Scholar fees due to earlier billing
- £200k as HSC uniform and medical expenses have been recognised earlier than in prior years.

12) Interest Payable

Interest payable is £292k over budget and ahead of last year's position due to double counting which will be corrected next month.

LONDON SOUTH BANK UNIVERSITY / ENTERPRISES

Management Summary Report from August 2019 To The End Of September 2019

SMT Area: All

Cost Centre: %

REF MANSUM

Full Year Outturn Last Year	YTD Actuals Last Year	Description	FULL YEAR				YEAR TO DATE				Note	Full year Forecast less Actual YTD
			2019 Forecast	2019 Budget	Variance - Forecast to Budget		2019 Actuals	2019 Budget	Variance - Actuals to Budget			
(£)	(£)		(£)	(£)	(£)	%	(£)	(£)	(£)	%	(£)	
-149,049,467	-62,623,526	Total Income	-152,100,004	-152,100,000	4	%	-73,921,198	-5,202,486	68,718,712	1,321%	-78,178,806	
85,203,850	13,241,390	Total Staff Costs	90,514,285	90,514,285		%	13,182,170	13,845,930	663,760	5%	77,332,115	
9,352,180	1,483,576	Total Depreciation	10,500,000	10,500,000		%					10,500,000	
47,234,281	5,700,406	Total Other Operating Expenses	44,403,527	44,403,527		%	6,168,761	11,204,401	5,035,640	45%	38,234,766	
4,360,146	832,904	Total Interest Payable	3,532,906	3,532,906		%	1,114,245	901,530	(212,715)	(24%)	2,418,662	
		Total Exceptional Items	1,649,282	1,649,282		%					1,649,282	
-2,899,009	-41,365,249	Contribution	-1,500,004	-1,500,000	4	%	-53,456,022	20,749,375	74,205,397	358%	51,956,018	
57.2%		Staff costs as % of income	59.5%	59.5%			17.8%	266.1%				
1.9%		Contribution %	1.0%	1.0%			72.3%	(398.8)%				

CONFIDENTIAL

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Email: regulation@officeforstudents.org.uk

www.officeforstudents.org.uk

28 October 2019

Dear Professor Phoenix

General ongoing condition of registration F3: Provision of information to the OfS – annual financial return

All providers registered with the OfS are required to satisfy general ongoing condition of registration F3: Provision of information to the OfS. This letter and the attached Notice set out the information that you are required to submit to the OfS to enable us to assess your compliance with ongoing condition D: financial viability and sustainability.

A Notice is attached to this letter that sets out the steps you are required to take.

If you have any questions in relation to this Notice please contact the team at regulation@officeforstudents.org.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Smy', is written over a light grey grid background.

David Smy
Head of Monitoring and Intervention

To: The governing body, London South Bank University (the “Provider”)

Notice under general ongoing condition of registration F3: Provision of information to the Office for Students (“OfS”)

Whereas:

(A) The Provider was registered by the OfS in accordance with section 3 of the Higher Education and Research Act 2017 (HERA) on the register of English Higher Education Providers.

(B) For the purpose of assisting the OfS in performing any function, or exercising any power, conferred under any legislation, the OfS has the power under general ongoing condition F3(i) (and by virtue of section 8(b) of HERA) to compel the governing body of a registered English Higher Education Provider to provide the OfS, or a person nominated by the OfS, with such information as the OfS specifies at the time manner and form specified.

Therefore:

Pursuant to general ongoing condition of registration F3, the Provider is required to provide the Specified Information at the Specified Time and in the Specified Manner.

Definitions

“Specified Information” means:

- a. Signed audited financial statements that are fully compliant with the OfS’s accounts direction (OfS 2018.26 or subsequent accounts direction).
- b. Financial and student number tables in the template from the OfS that the Provider has completed in full – the Provider should download its template from the OfS Portal as specified in the Annex to this Notice. The financial and student number tables must be approved by the Provider’s Governing Body prior to submission.
- c. Commentary in the template from the OfS that the Provider has completed. The commentary must be approved by the Provider’s Governing Body prior to submission.
- d. A business plan which sets out the Provider’s plans for the same period as the financial and student number tables:
 - i. this is required where the Provider has delivered higher education for fewer than three years prior to the Specified Time.
 - ii. this is optional where the Provider has delivered higher education for at least three years prior to the Specified Time, but it chooses to use the business plan as part of its demonstration of how it is ensuring its financial viability and sustainability.

Where submitted, the business plan must be approved by the Provider's Governing Body prior to submission.

- e. Signed legally binding obligation of financial support if one is being provided for the first time – a Provider that is relying on a legally binding obligation of financial support must ensure it meets the OfS's requirements set out in paragraphs 403 to 407 of the regulatory framework (OfS 2018.01)
- f. Where a legally binding obligation of financial support is in place, audited financial statements from the legal entity giving the legally binding obligation of financial support to the Provider – these must be for the legal entity's most recent financial reporting period.

"Specified Manner" means

- The provider must follow the instructions in the Annex to this Notice to submit the Specified information and as may be further specified.

"Specified Time" means

- The Provider must submit the Specified Information annually within five calendar months of the end of the Provider's financial reporting period to which the audited financial statements relate, and no later than 12 noon on the last day of this period.
- Where the legal entity giving a legally binding obligation of financial support to the Provider has a financial year end that is different from the Provider's year end, the audited financial statements for that legal entity's most recent financial reporting period must be submitted within five calendar months of the end of the Provider's financial reporting period, and no later than 12 noon on the last day of this five calendar month period.
- In addition: where the Provider's most recent financial reporting period has ended on or before 1 June 2019, and the audited financial statements for this financial reporting period have not already been provided to the OfS, "Specified Time" means 12 noon on 10 January 2019. Following this submission, for future financial reporting periods, the Provider will need to submit the Specified Information annually within five calendar months of the end of the Provider's financial reporting period to which the audited financial statements relate, and no later than 12 noon on the last day of this five calendar month period.

Signed on behalf of the OfS and authorised for that purpose



David Smy
Head of Monitoring and Intervention
Date: 28 October 2019

Annex – Technical instructions for submitting the annual financial return

1. This appendix gives guidance on the submission of the Provider’s annual financial return. The Provider should read this Annex before submitting any of the required files.
2. The annual financial return must be submitted through the Office for Students (OfS) Portal. The Provider must also download the templates for the required files on the Portal.

Accessing the annual financial return Portal area

3. In order to download the templates and submit the annual financial return, the Provider will need access to the annual financial return area on the OfS Portal: <https://extranet.officeforstudents.org.uk/Data/>.
4. The person submitting the return for the Provider (the Submitter) will need to be a registered user of the OfS Portal in order to be granted access to the area.
5. If the Submitter has not registered on the OfS Portal before, they will need to ask the nominated OfS Portal user administrator at the Provider to create an account for them. Each person who requires access to the annual financial return will need to be registered with their own account. Instructions on how the user administrator creates an account can be downloaded from the log in page of the Portal (see the link in paragraph 31).
6. The Submitter will need to be assigned to the ‘Annual financial return 2019’ area by the nominated OfS Portal user administrator at the Provider. The user administrator can find guidance on how to add Portal users to Portal areas on the main Portal log in page (see the link in paragraph 31). If the Submitter is the user administrator, they will still need to assign themselves to the area.
7. If the Submitter does not know who the user administrator is, they can view the user administrators at the Provider by logging onto the OfS Portal. Select ‘My account’ towards the right-hand side of the yellow banner, and then click ‘Activate an access key’. The names and contact details of the user administrators at the Provider will be at the top of the page. If the Submitter is not registered and does not know who the Provider’s user administrator is, please contact Portal@officeforstudents.org.uk.

Navigating the annual financial return Portal area

8. Once the Submitter has been assigned to the annual financial return area, log in to the OfS Portal and they will see a link for the ‘Annual financial return 2019’ area under the ‘Home’ section.

Annual financial return 2019

Here you can submit all documents for the annual financial return 2019

9. This link will take them to the homepage for the annual financial return.

Annual financial return 2019

Homepage

This area is used to submit the suite of files required for the annual financial return 2019, and also contains the blank templates which need to be completed.

10. The annual financial return homepage is used to download the submission information for the Provider (this is described further in paragraph 39) and templates, and upload all of the required files (apart from any Excel files).
11. There are two other sub-areas for the annual financial return which can be navigated to from the homepage (these are not yet available and will be opened by noon on 22 November 2019):
 - a. Workbook – The area used to submit the financial return workbook.
 - b. Data verification query responses – The area used to submit responses to queries raised for the data in the financial return workbook.

Workbook: [Click here to submit your workbook](#)

Data verification query responses: [Click here to submit your data verification query responses](#)

12. The sub-areas will only be used for the Submitter to upload Excel files. All other files will be submitted through the homepage. All downloadable information will also only be available through the homepage.

Submission information

13. Providers need to submit different files to different deadlines for the annual financial return, depending on their financial year end. Therefore, the return deadline is not displayed on the Portal homepage as it would be with other OfS data returns.
14. A submission information file will be made available to the Provider shortly which will be able to be downloaded from the annual financial return homepage. This file will contain the specific deadlines for the Provider, along with the files that it is required to submit.
15. Until the submission information file is made available, the Provider can view its deadlines in the 'Information' tab of the annual financial return workbook. There are two main deadlines:
 - a. Initial submission deadline – The deadline in which the Provider needs to have submitted its annual financial return workbook.
 - b. Final sign-off deadline – The deadline by which all other files need to be submitted. The Provider's workbook should be final by this point with any queries regarding its data responded to. The Provider will also be required to complete a sign-off form before the deadline once all other files have been submitted.

Downloadable files and templates

16. As well as the submission information file (once available), the following files are contained within the downloadable zip file package on the homepage:
 - a. Blank annual financial return workbook template. The workbook is bespoke for the Provider and this is the version that it must complete and submit.
 - b. Blank annual financial return commentary template. The commentary should be completed alongside the completion of the Provider's workbook using this template and then submitted.
 - c. Data verification queries Excel file. This will appear when the Provider submits its workbook, and will update every time a workbook is submitted, or the OfS have sent additional queries or responses.
 - d. Once the Portal is open for submissions, any submitted files will also appear in the download package, and will be assigned a date and upload number.

Submitting the required files

17. The Accountable Officer has been supplied a list of the files that the Provider needs to be submit via the initial email that detailed the return requirements. This will also be made available in the submission information file once it is released.
18. Each file is listed in detail below, and the complete list is as follows:
 - a. Signed audited full financial statements
 - b. Financial return workbook
 - c. Commentary
 - d. Business plan
 - e. Signed legally binding obligation of financial support
 - f. Audited financial statements from the legal entity giving the legally binding obligation of financial support to the provider
 - g. Data verification query responses

Financial return workbook

Downloading the workbook template

19. The Provider will need to obtain the blank financial return workbook from the download package on the homepage. It is the file 'FinancialReturn2019_Blank_100XXXXX.xlsx' (where 100XXXXX is the Provider's UKPRN).
20. The Submitter may need to click on 'Enable editing' on the yellow banner if it appears on the screen when they open the workbook. Save the workbook to a memorable location on the computer. The Submitter can download this empty workbook as many times as required.

Completing the workbook template

21. The Provider should not attempt to alter the format of the worksheets by adding or deleting columns or rows. Only cells where data is required should be edited. The workbook is protected to ensure that the data submitted is accurate and is only entered into the relevant cells. Worksheets contain information critical to accurate loading of the data; it is essential that this is preserved. The workbook should not be unprotected by any unofficial macro downloaded from the internet, or otherwise. We will refuse to accept any workbooks which have been unprotected or tampered with. If the Provider would like to view an unprotected version of the workbook, it can download sample workbook from the OfS website; however, the Provider must not use these sample tables as the final submission.
22. If the Provider wishes to copy and paste data in the workbook, ensure that it uses the 'paste values' option. This will not copy the formatting of the data it is pasting and will preserve the formatting of the workbook.
23. Once the Provider have completed the workbook, it will need to ensure that there are no validation errors showing, as displayed on the 'Information' tab of the workbook.

Validation information

Tables with validation errors: No validation errors

24. If there are validation errors, the Provider will need to resolve these before it can successfully submit its workbook. We will not accept a workbook with validation errors as a successful submission.
25. There may also be validation warnings present in the Provider's workbook, again detailed on the 'Information' tab of the workbook.

Validation information

Tables with validation errors: No validation errors

Tables with validation warnings: No validation warnings

26. The Provider should review these validation warnings before submitting its workbook. The Provider can submit its workbook with validation warnings, however we will raise queries regarding any outstanding validation warnings as part of the data verification phase.

Submitting the workbook

27. Further information regarding submitting the Provider's workbook will be made available by noon on 22 November 2019.

All other files

28. All other non-Excel files must be submitted through the homepage. The submission system will be available by noon on 22 November 2019. Further information about submitting the rest of the files will be available once the submission system is available.
29. The Provider will receive a data verification query workbook shortly after the submission system is available and it firsts submit its workbook.

Appendix 3: Financial commentary on forecasts including key assumptions (for approval)

to follow

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Appendix 4: Financial forecasts for submission to OfS (for approval)

To follow

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Professor David Phoenix OBE
Vice Chancellor and Chief
Executive
London South Bank University
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SE1 0AA

Nicholson House
Lime Kiln Close
Stoke Gifford
BRISTOL
BS34 8SR

Email: regulation@officeforstudents.org.uk

www.officeforstudents.org.uk

28 October 2019

Dear Professor Phoenix

**General ongoing condition of registration F3: Provision of information to the OfS –
accountability return 2019**

All providers registered with the OfS are required to satisfy general ongoing condition of registration F3: Provision of information to the OfS. This letter and the attached Notice set out the information that you are required to submit to the OfS to enable us to assess the accountability for the funding that the OfS provided in the 2018-19 academic year under the terms and conditions of funding for higher education institutions (OfS 2018.15).

A Notice is attached to this letter that sets out the steps you are required to take.

If you have any questions in relation to this Notice please contact the team at regulation@officeforstudents.org.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Smy', is placed over a light grey grid background.

David Smy
Head of Monitoring and Intervention

To: The governing body, London South Bank University (the “Provider”)

Notice under general ongoing condition of registration F3: Provision of information to the Office for Students (“OfS”)

Whereas:

(A) The Provider was registered by the OfS in accordance with section 3 of the Higher Education and Research Act 2017 (HERA) on the register of English Higher Education Providers.

(B) For the purpose of assisting the OfS in performing any function, or exercising any power, conferred under any legislation, the OfS has the power under general ongoing condition F3(i) (and by virtue of section 8(b) of HERA) to compel the governing body of a registered English higher education provider to provide the OfS, or a person nominated by the OfS, with such information as the OfS specifies at the time manner and form specified.

Therefore:

Pursuant to general ongoing condition of registration F3, the Provider is required to provide the Specified Information at the Specified Time and in the Specified Manner.

Definitions

“Specified Information” means

- a. Assurance return – a signed statement from the Provider’s Accountable Officer about whether the Provider has identified any risks with compliance with the OfS’s terms and conditions of funding for higher education institutions. A template for this return can be downloaded from the OfS Portal. This must be signed by the Accountable Officer.
- b. Research return – a signed statement from the Provider’s Accountable Officer about whether the Provider has identified any risks with compliance with the concordat to support research integrity and with the research capital investment funding being spent within the year for the purposes intended. This return is required if the Provider was in receipt of funding from UKRI or Research England during the 2018-19 academic year. A template for this return can be downloaded from the OfS Portal. This must be signed by the Accountable Officer.

- c. Audit Committee's annual report for 2018-19 – an annual report for the Governing Body and the Accountable Officer. The report must cover the financial year and include any significant issues up to the date of signing the report and its consideration of the financial statements for the year. The report must be presented to and reviewed by the Governing Body before the audited financial statements are signed. The report must include the Audit Committee's opinion on the adequacy and effectiveness of the Provider's arrangements for:
- i. risk management, control and governance
 - ii. economy, efficiency and effectiveness (VFM) management and
 - iii. quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies.

This must be approved by the Governing Body prior to submission to the OfS.

- d. Internal auditor's annual report for 2018-19 – The internal audit service must produce an annual report which must relate to the financial year and include any significant issues, up to the date of preparing the report, which affect the opinions. It must be addressed to the Governing Body and the Accountable Officer and must be considered by the Audit Committee. The report must include the internal auditor's opinions on the adequacy and effectiveness of the Provider's arrangements for:
- i. risk management, control and governance
 - ii. economy, efficiency and effectiveness (VFM).

This must be reported to the Audit Committee prior to submission to the OfS.

- e. External auditor's management letter and the provider's management response to this for 2018-19 – External auditors must issue a report (or reports, if more than one, covering different stages of the annual audit) to those charged with governance, which records accounting issues and control deficiencies arising from the audit. Any risks highlighted around the use of charitable assets for non-charitable purposes are expected to be highlighted in such reports. The Provider's management must provide written responses to any recommendations made or issues raised. The report(s), including management response, must be reported to the Audit Committee prior to submission to the OfS.
- f. Transparent Approach to Costing (TRAC) return for 2018-19 – the annual TRAC return provides a summary of the individual higher education cost data by activity categories together with additional analysis of income and costs for use by UK Research and Innovation (UKRI). This must be approved by an independent committee of the Governing Body prior to submission to the OfS.

- g. Transparent Approach to Costing for Teaching (TRAC(T)) return for 2018-19 – the TRAC(T) return provides further analysis of the costs of publicly funded teaching reported in annual TRAC return. This must be approved by an independent committee of the Governing Body prior to submission to the OfS.

“Specified Manner” means the Specified Information must:

- The assurance return and research return must be downloaded as templates from the OfS Portal, completed, signed and then uploaded as pdf files to the OfS Portal (see the Annex to this Notice for instructions about how to upload these files).
- The Audit Committee’s annual report for 2018-19 and internal auditor’s annual report for 2018-19 must be uploaded as Word or pdf files to the OfS Portal (see the Annex to this Notice for instructions about how to upload these files).
- The external auditor’s management letter and the provider’s management response to this for 2018-19 must be uploaded as Word or pdf files to the OfS Portal (see the Annex to this Notice for instructions about how to upload these files). Where these comprise more than one report they must be combined into a single document and the combined document uploaded to the OfS Portal.
- The TRAC return for 2018-19 and TRAC(T) return for 2018-19 must be downloaded as Excel templates from the OfS Portal, completed and then uploaded as Excel files to the OfS Portal and in accordance with any further instructions from the OfS.

“Specified Time” means:

- For items (a) to (e) of the Specified Information, this means noon on 2 December 2019.
- For item (f), this means noon on 31 January 2020.
- For item (g), this means noon on 28 February 2020.

Signed on behalf of the OfS and authorised for that purpose



David Smy
Head of Monitoring and Intervention
Date: 28 October 2019

Annex – Technical instructions for submitting the accountability return

1. This Annex gives guidance on the submission of the Provider’s accountability return through the annual financial return area of the OfS Portal. The Provider should read this Annex before submitting any of the required files.
30. The accountability return is submitted through the Portal. The Provider can also download the templates for the required files on the Portal.

Accessing the annual financial return Portal area

31. In order to download the templates and submit the annual financial return, the Provider will need access to the annual financial return area on the Portal:
<https://extranet.officeforstudents.org.uk/Data/>.
32. The person submitting the return for the Provider (the Submitter) will need to be a registered user of the Portal in order to be granted access to the area.
33. If the Submitter has not registered on the Portal before, they will need to ask the nominated Portal user administrator at the Provider to create an account for them. Each person who requires access to the annual financial return will need to be registered with their own account. Instructions on how the user administrator creates an account can be downloaded from the log in page of the Portal (see the link in paragraph 31).
34. The Submitter will need to be assigned to the ‘Annual financial return 2019’ area by the nominated Portal user administrator at the Provider. The user administrator can find guidance on how to add Portal users to Portal areas on the main Portal log in page (see the link in paragraph 31). If the Submitter is the user administrator, they will still need to assign themselves to the area.
35. If the Submitter does not know who the user administrator is, they can view the user administrators at the Provider by logging onto the Portal. Select ‘My account’ towards the right-hand side of the yellow banner, and then click ‘Activate an access key’. The names and contact details of the user administrators at the Provider will be at the top of the page. If the Submitter is not registered and does not know who the Provider’s user administrator is, please contact portal@officeforstudents.org.uk.

Navigating the annual financial return Portal area

36. Once the Submitter has been assigned to the annual financial return area, log in to the Portal and they will see a link for the ‘Annual financial return 2019’ area under the ‘Home’ section.

Annual financial return 2019

Here you can submit all documents for the annual financial return 2019

37. This link will take them to the homepage for the annual financial return that they should also use to submit the accountability return – the annual financial return is subject to a separate F3 Notice.

Annual financial return 2019

Homepage

This area is used to submit the suite of files required for the annual financial return 2019, and also contains the blank templates which need to be completed.

38. The annual financial return homepage is used to download the submission information for the Provider (this is described further in paragraph 39) and templates, and upload all of the required files (apart from any Excel files).

Submission information

39. Providers need to submit the accountability return by the Specified Time.

Downloadable files and templates

40. The following files are contained within the downloadable zip file package on the homepage:
- a. A blank assurance return template. This should be completed and returned by the Specified Time.
 - b. A blank research return template. This should be completed and returned by the Specified Time.

Submitting the required files

41. The Accountable Officer has been supplied a list of the files that the Provider needs to be submit via the initial email that detailed the return requirements. This will also be made available in the submission information file once it is released.

42. Each file is listed in detail below, and the complete list is as follows:

- a. Assurance return
- b. Research return
- c. Audit Committee's annual report for 2018-19
- d. Internal auditor's annual report for 2018-19
- e. External auditor's management letter and the provider's management response to this for 2018-19.

43. All other non-Excel files are submitted through the annual financial return homepage. The submission system will be available by noon on 22 November 2019. Further information about submitting the rest of the files will be available once the submission system is available.

Appendix 6: Assurance return (for information)

Appendix A – Assurance return

Accountability return 2019

The completed and scanned form should be uploaded via the OfS Portal by 2 December 2019.

Provider: London South Bank University (UKPRN 10004078)

Year ended: 31 July 2019

[supporting information and suggested completion]

Assurance	Yes / No / N/A / Comment
<p>In the year ended 31 July 2019 and up to the date of this return, has the Provider identified any risks with its compliance with the OfS's terms and conditions of funding?</p> <p>OfS 2018.15 Terms and conditions of funding for higher education institutions for the period to 31 July 2019</p> <p>Overview of HEI responsibilities</p> <ul style="list-style-type: none"> ▪ Regularity and propriety: Funds are used only for eligible activities. This is confirmed through the internal audit of student data, the review of the TRAC return by Audit Committee, and through External Audit of the Annual Accounts, approved each year by the Board. ▪ Governing bodies: LSBU was successful in its application for registration with the OfS, and therefore it can be concluded that the OfS deemed LSBU's governance arrangements adequate and effective. LSBU received notice of its successful registration on 18th September 2018. <p>The corporate governance statement in the 2018/19 annual report and accounts covers the Board's compliance with key regulation, including the OfS's terms and conditions of funding. During the year, the Board completed a full effectiveness review which was quality assured by PwC and reported to the July 2019 Board meeting.</p> <p>LSBU's OfS taskforce meets quarterly to monitor progress against OfS conditions of registration to ensure conditions continue to be met.</p>	<p>No</p>

Assurance	Yes / No / N/A / Comment
<ul style="list-style-type: none"> ▪ Accountable officer: Dave Phoenix, the Vice-Chancellor & Chief Executive, is the Accountable Officer designated by the Board. ▪ Financial sustainability: The Going Concern statement approved by Audit Committee articulates the financial strategy of the institution and recognises the sustainability of current strategy. ▪ Financial commitments: Financial commitments are reported in the annual accounts and the Financial return to the OfS which will be submitted on 2nd December following review by November Board. ▪ Material adverse events and other significant events: Material adverse change and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement. One reportable event (the acquisition of Lambeth College) was reported and no material adverse changes were reported to the OfS during the year 2018/19. The change of auditors from PwC to BDO was reported in March 2019. The closure of two partnerships was reported to the OfS in September 2019. Anti-fraud, bribery and corruption updates/reports have been provided to each meeting of the Audit Committee. No significant matters have occurred. ▪ Quality of provision: The OfS's terms and conditions of funding for the period to 31 July 2019 state that "the OfS will discharge this duty using an approach that replicates the Annual Provider Review process adopted by HEFCE in previous years. [...] If an HEI does not meet the quality assessment requirements it will be expected to make any necessary improvements through the implementation of an agreed action plan." LSBU was successful in its application for registration with the OfS and has not required an action plan to improve quality of provision. Therefore, it can be concluded that the OfS deemed LSBU's quality of provision adequate. ▪ Provision of information to the OfS: All data and other returns are approved internally by the PPA team and by the Accountable Officer or relevant Board Committees prior to submission to the OfS and HESA. ▪ Access and participation during 2017-18 and 2018-19: The 2017-18 Access & Participation monitoring return was submitted to the OfS in January 2019. The 2018-19 submission is due in January 2020. ▪ Other requirements, including subscription to the QAA and OIA, and TRAC submission: We have met the other requirements. The TRAC return was reviewed by Audit Committee. 	
<p>In the year ended 31 July 2019, has the Provider identified any risks with the Teaching Capital Investment Funding not being spent within the year for the purposes intended?</p> <p>LSBU's funding allocation was £754,400. The draft 2018/19 accounts show that LSBU spent over £15.1 million on capital investments.</p>	No

Assurance	Yes / No / N/A / Comment
A monitoring return on how this funding has been spent will be made to the OfS in February 2020.	
<p>In the year ended 31 July 2019, has the Provider received funding for very high-cost science, technology, engineering and mathematics subjects?</p> <p>LSBU's funding allocation was £129,860 for Chemical Engineering.</p> <p>If it has received such funding, has the provider maintained the provision of taught subjects in these disciplines?</p> <p>Evidenced in our 2018/19 HESA student return: 273.9 student FTE in HESA cost centre 116.</p>	<p>Yes</p> <p>Yes</p>
I confirm that the data and accountability return submitted to the OfS conforms to the requirements of the terms and conditions of funding for higher education institutions (OfS 2018.15) and the agreement on institutional designation (OfS 2018.17).	Yes
<p>Signed by the accountable officer.</p> <p>Signature:</p> <p>Print name:</p> <p>Date:</p>	

Appendix B – Research return

Accountability return 2019

This form must be completed by providers which were in receipt of funding from Research England or UK Research & Innovation or both during the 2018-19 academic year.

The Office for Students is collecting this information on behalf of Research England and UK Research & Innovation and so this return will be shared with both bodies.

The completed and scanned form should be uploaded via the OfS Portal by 2 December 2019.

Provider: London South Bank University (UKPRN 10004078)

Year ended: 31 July 2019

[supporting information and suggested completion]

Concordat	Yes / No / N/A / Comment
<p>In the year ended 31 July 2019 and up to the date of this return, has the Provider identified any risks with its compliance with the Concordat to support research integrity?</p> <p>See the Annual Statement of Research Integrity Compliance 2018-19 (App. C) which is discussed and reported at the Research Committee and published on the LSBU website: https://www.lsbu.ac.uk/research/governance.</p> <p>The transparency of our approach is sector best practice.</p>	<p>No</p>
<p>In the year ended 31 July 2019, has the Provider identified any risks with the Research Capital Investment Funding not being spent within the year for the purposes intended?</p> <p>LSBU's funding allocation was £112,875. The draft 2018/19 accounts show that LSBU spent over £15.1 million on capital investments.</p>	<p>No</p>
<p>Signed by the accountable officer.</p> <p>Signature:</p> <p>Print name:</p> <p>Date:</p>	

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Paper title:	Corporate Strategy Progress Report.
Board/Committee	Board of Governors
Date of meeting:	21 November 2019
Author:	Exec members
Executive sponsor:	Pat Bailey, Provost
Purpose:	To present an overview of the progress in the 18/19 academic year for each of the goals of the Corporate Strategy
Recommendation:	The Board is requested to note the report.

Executive Summary

The progress report is structured by each goal of the Corporate Strategy, with an additional section for league table performance.

The narrative sections address the progress made since the last report to the Board against the priorities identified in the Corporate Roadmaps with the end of cycle results against each of the corporate KPIs.

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Corporate Strategy Progress Report (November 2019 Board)

Provost Executive Summary:

Summary of overall progress on goals of Corporate Strategy (Provost – Pat Bailey)

This report covers the academic year 1st September 2019 – 31st August 2019, which has perhaps been the most significant for LSBU in recent years. First of all, this was the year in which Lambeth College became part of the family, and it has marked a step change in bringing together the academies, college, enterprise activities and university as the 'LSBU Group'. Secondly, whilst it is tempting to expect substantial year-on-year rises in league table performance, it is also important that our new-found mid-table position is made really secure, so retaining our position would have been reassuring – but we have in fact seen again some important rises in our position. The third significant achievement is linked to this – our growing reputation is undoubtedly a key factor in a dramatic rise in application numbers during 2018-19, leading to a record intake in September 2019. And fourthly, we substantially exceeded both our income target (approaching the £150M 'marker') and surplus in 2018-19, and the large student intake this year provides reassurance that our financial position will remain strong.

There are a number of other areas that have been especially notable in 2018/19.

The NSS scores have seen a dramatic rise, due to a combination of teaching initiatives, improved facilities, and a specific focus on gaining recognition from students for their positive experience whilst at LSBU. The rise of around 5% will have a significant impact on reputation, league table performance, and potential rating in the next TEF exercise (likely to be in 2021); the challenge will be to maintain this rise.

Crucial to LSBU is its part-time provision, and we have led the sector in the move towards apprenticeships as a major employer-sponsored pathway. This year saw us reach the 1000 apprentices target, with 1500 expected to be on our books before the end of this academic year, and >2000 by the end of 2020. This success has been underpinned by terrific support teams, who have had a huge impact on us being able to cope with the complex administrative burden associated with apprenticeships. This helped us achieve the Ofsted 'good' rating (overall, and in all sub-areas) earlier this year. We have also now completed the £8M HEFCE/Southwark project that allowed us to refurbish the excellent Passmore Centre, which opened in November, and establish our central team and facilities.

The previous 6 months have also seen us embark on the biggest University Estates project in over a decade. The refurbishment and reconfiguration of the London Road Building should create a wonderful 'Student Hub' for study and student support; but taking our largest teaching facility out of commission for two years has required a heroic effort from all staff, although we have managed to accommodate virtually all of the teaching requirements through changes that have impacted every part of the University. As part of this, the Business School has now relocated to a new building, and have created a fabulous facility for study and scholarship.

As ever, the year has seen many awards and achievements, but a selection of these include:

- The 5% rise in the average NSS score
- Four current/recent LSBU staff being named in the 'top 70 NHS influencers'
- Shortlisting of Gill Foster for the THE 'Innovative Teacher of the Year' (result in November), and Safia Barikzai winning a European education award for her outreach activities
- Making it into the top 100 in the Times/ST League Table (86th), and top 70 in the Guardian
- Several highly impactful research projects (relating especially areas in health and sustainability), underpinning 'mock REF' performance that is hugely improved on REF2014
- Launching of LEAP, as part of a major review of our educational delivery and student support

Taking all of these achievements into account, LSBU has had an exceptionally eventful and successful year. We will be putting significant effort into improving our progression metrics, and linked to this the attainment gap (especially for BAME students); although not far from benchmark, these are crucial areas for us to become sector leading. The coming year is particularly challenging, and with even more uncertainty than in 2018/19, but LSBU is probably better placed than ever before to continue its successful journey.

Goal 1:			Teaching & Learning						
#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Target
1	Graduate level employment &/or Further study (EPI population)	80%	68.0%	76.0%	81.8%	87.7%	82%	No data available in 2018/19	N/A

Executive Lead: DVC (Education) - Shân Wareing

The 2018-2020 Education Strategy is integrated with LEAP, in order that student experience benefits can be realised as widely as possible.

The University marking and feedback project is nearing completion. The goal is to improve the quality and timeliness of feedback to students, in order to drive improvements in student learning, in the reduction of the attainment gap, and in the NSS questions relating to assessment and feedback, building on the very positive increase of 5.2% in these questions in the 2019 NSS. Common assessment criteria have been agreed in consultation with students and all Schools; training in using the new approach to marking and feedback is being implemented in autumn 2019, and a digital interface to support online marking will be available for end of term assessments..

CRIT, the Centre for Research Informed Teaching, in collaboration with the Director of Education and Student Experience in Engineering, is leading a project which builds practice and scholarship in removing the gap in degree awards between BAME and white students. The gap has already reduced from 20% in 2015/6 to 15% in 18/19, and LSBU is committed to continuing to minimize this gap.

40% of the action plan prepared for the Race Equality Chartermark submission has been progressed, including staff development for curriculum and pedagogy changes, and LSBU has had articles on REC published by the Higher Education Policy Institute (HEPI) and The Times Higher Education. Attainment gap reduced by 5% from 20% - 15% from 2015/6 to 2018/9.

Gill Foster, Associate Professor in Drama and Performance in ACI has been shortlisted in the Most Innovative Teacher of the Year category of the Times Higher Education Awards 2019. Results will be announced on 28/11/19. Dr Safia Barikzai was part of an international team which won the 2019 Best Practices in Education Award sponsored by Microsoft, at the European Computer Science Summit in Rome for an EU Erasmus Plus project.

Data is being collected by HESA (the Higher Education Data and Analysis Agency) for the new Graduate Outcomes survey. Our aggregate response rate for cohorts A-C of 48% was in line with the sector. However, reporting for cohort D is c. 7% below sector average (which is cd. 34% below target). GO results will be published early in 2020.

Related Risk Matters

The transition from the annual DLHE survey to Graduate Outcomes may impact on LSBU's metrics. The new process is managed by HESA, rather than a self administered survey. Until the publication of the results in January 2020, we remain unclear on the impact on employability rates on LSBU and the wider sector. We mitigated the potential impact with preparatory work, and pre survey contact.

Goal 2:

Student Experience

#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Target
2	NSS scores – overall satisfaction (First Degree respondents)	89%	82%	82.0%	82.2%	78.8%	86%	81.8%	84%
3	International Student barometer (% recommending LSBU)	81%	N/A	77%	77%	80%	78%	78%	81%
4	PGT experience (% satisfaction)	82%	74%	74%	71%	71%	77%	71%	76%
5	Student Staff Ratio	18:1	19.7:1	20.5:1	19.8:1	16:1	17:1	16.1	16-18:1

Executive Lead: Provost - Pat Bailey

The most notable achievement in 2018-19 (as reported under Goal 1) has been the substantial improvement in the average NSS score, of around 5%. This is a reflection not only of improved teaching quality, but also the resources, support, student voice and general well-being of our student body. The improvement places us in a strong TEF position (5 of the 9 measures use NSS metrics, although with a low-ish weighting), and we would expect the 2019 results to mean that we would be 'double-flagged' in that year (i.e. performing >3% above benchmark) under all/most of the NSS metrics.

The improvement is probably down to three main things: a) a range of teaching initiatives (e.g. the TESTA assessment project and Course Directors' Forum) that are now impacting on the students; b) improved facilities (e.g. almost all of the science labs were refurbished for the 2018/19 academic year) and responsiveness to issues; c) targeted activities that were coordinated by a special NSS/Student Experience Task & Finish Group; that T&F Group has been put in place again for 2019/20.

The other key metrics for student experience are progression data and graduate outcomes, which are reported under Goals 3 and 5; in summary, progression is not improving as we would like but is close to benchmark, whilst Graduate Outcomes results are not yet known (this is a new process that is intended to replace the DLHE data).

We are pleased to have met the international student barometer target, but the PGT satisfaction outcome is disappointing (but the national/LSBU response rate for this is very low, at around 20%); the PTES will be an area of focus for 2019/20.

The student experience also depends on the whole range of other activities that they take part in, and the support that they receive. As far as Student Support is concerned, we have increased our commitment to supporting mental health issues, and we continue to get good evidence that students feel well supported. Revamping of a main eating area (Grads Café), and access to the adjacent Student Union, have also been appreciated, and clubs and societies have continued to grow.

Related Risk Matters

- NSS can be volatile, so we are retaining the NSS Task & Finish Group.
- There are concerns that the Estates developments next year will impact adversely on the student experience, as has been found at other universities during major campus building works, but we have been working hard with the SU to get student buy-in for the improvements.
- Recent problems in the Students' Union may impact on the student experience in activities where the SU plays the lead (e.g. for some of the clubs and societies, and social activities).

Goal 3:				Employability					
#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Target
6	DLHE Positive Outcomes; employment or further study (EPI)	95%	90.2%	90.8%	94.6%	95.3%	94%	No data available in 2018/19	N/A
7	Number of Student startups (Active Firms in HE-BCI 4aiv)	150	30	50	45	48	110	Data available January 2020	65

Executive Lead: CCO – Nicole Louis

An Employability and a Placements Strategy has been developed and the central team will be closely working with staff with a placements remit in schools. Service level agreements have been created with each School. The team are developing a graduate careers offer via a caseload approach, with the LSBU Employment Agency focusing on developing external temporary and permanent opportunities for students.

Graduate Outcomes Survey – update for Cohort D (the largest cohort.) The overall LSBU response rate of 27.2 % continues to be below the sector by 5.3%. For the EPI cohort, LSBU is 6.7% below the Sector at 29.6 %. Sector response rates continue to fall short of the target for EPI of 60%. Engineering are currently our lowest percentage of positive outcomes (76%) compared with 98% for HSC and 96% for BEA. (other school fall in between). We do not yet have information on graduate level outcomes. There is a developed strategy for ongoing graduate outcome work, focusing on both tactical and strategic activity.

The Student Enterprise team is working alongside academics to map curricular to the Entrecomp framework, (the European Commission’s Entrepreneurship Competence Framework)* aligning learning outcomes with the 15 entrepreneurial competencies within Entrecomp. Alongside this, extra-curricular activities have been mapped to the Entrecomp framework to encourage students to access events with a focus on developing their competence in a particular area. Evaluation of our activities now aligns with Entrecomp which will allow us to measure the impact of our work on student skills and success. The team successfully secured project extensions for two British Council funded Creative Spark projects, where LSBU is supporting universities in Uzbekistan and Azerbaijan to develop their enterprise education offer (£60k of income in 19/20). This semester, the Student Experience team have successfully delivered a new programme (Idea Hack) to support students and alumni to test an idea for a new business, as well as continuing to deliver a successful extra-curricular events programme.

In-curricular work has focused on supporting academic colleagues to continue to embed enterprise and entrepreneurship across disciplines, with a focus on giving students opportunities to solve real-world problems and apply their skills into practice. The team continues to share their work at national and international enterprise education conferences, including a recent presentation at an Enterprise Educators UK event on incubation.

*<https://ec.europa.eu/social/main.jsp?catId=1317&langId=en>

Related Risk Matters

- Impact on league table performance based on graduate outcome data (not yet available).

Goal 4:			Research & Enterprise						
#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Targets
8	Research Income (non QR)	£6.0m	£2.0m	£1.9m	£2.8m	£3.5m	£3.5m	£4.1m	£5.3m
9	Enterprise Income	£19.0m	£8.1m	£7.8m	£9.2m	£10.9m	£13.M	£10.5m	£11.0m

Executive Lead: DVC (Innovation) - Paul Ivey

The 2018/2019 ambition for diversifying outcome away from predominately teaching and learning was to secure in total some £30.8M from four sources: research £6.1M including quality related finding (QR), enterprise £12M, Trans National Education (TNE) £2.7M and international student fees £10M. The consolidated outturn from all of these for the end of the year was £28.4M which whilst up £1.4M on the previous year, obviously did not secure the ambition. Research and international student fees made strong contributions, TNE income fell back because partnerships expected to launch at the start off the year did not for a variety (and separated) of reasons and consequently the ambition was never realizable. However the drop off in enterprise income was the most disappointing.

There is evidence that academics are more comfortable in bidding for research contracts than for enterprise given the forthcoming national REF audit and research being more accepted in terms of wider career progression. Contract research (high Technology Readiness Level enterprise) has been re-designated as research to align better with external reporting requirements. During the year the business generation team lost key contributors and was under strength. To this point please note that earning by each business development member of staff within REI was up on the previous year so it points to a quanta issue not necessarily performance. However aspirations for enterprise income will need a re-evaluation and new approaches if growth is to be expected.

There have been multiple successes during the year, research activity is growing across LSBU and whilst Engineering is the dominant school, there is activity in every school. Community regeneration activity continues to see LSBU in a leading role in London in terms of European Regional Development Funding and European Social Funding, Knowledge Transfer Partnership numbers and enterprise education. Company tenancies on the LSBU campus have all been strengthened with renewed contracts and replacing companies where required – the campus remains full. Finally the ALIGN process was beneficial for the REI directorate and should deliver benefits.

Related Risk Matters

- The impact of BREXIT has been felt for some time in terms of a lower success rate on both research and enterprise contracts. We are looking with TWI to possibly support a local European office and off-shore the applicant base for LSBU. This may be a model for other activities. Full implications are not known at this time.

Goal 5:

Access

#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Target
10	% recruits from low participation neighbourhoods (Young FT FD)	9.0%	7.7%	8.4%	9.2%	8.9%	8.6%	7.6%	8-10%
11	FTUG % (w/o HSC contract) recruited before Clearing	90%	75.0%	76.4%	77.2%	78.0%	77%	75.3%	+77%
12	First Degree Completion projection (at or above benchmark)	+3%	-7%	-5.8%	-5.5%	-1.8%	-1%	-4.0%	0%
13	Year 1 progression (can change due to January 2nd Semester enrolment)	85%	73.1%	77.3%	74.7%	73.0%	82%	72.7% (as at 21.10.19)	80%
14	Good Honours	63 - 67%	61.2%	66.4%	69.1%	70.0%	63-67%	70.8%	65-70%
15	PGT completion	85%	61.5%	58.7%	69%	61.0%		66.1%	72%

Executive Lead: Chief Customer Officer – Nicole Louis

Student recruitment for September 2019 entry has been very strong delivering above sector growth and generating a budget surplus for new student related income. At the UGFT level, all schools bar one have seen an increase in full enrolments with year-on-year growth ranging between 38-39% at the higher end to 7-10% at the lower end. Our developing category of degree apprenticeships has also shown considerable growth, with more than double the number of new apprentices recruited in September 2019 vs prior year. In relation to main cycle v clearing cycle applications, our pattern of recruitment shows us that 73% of firm accepts for home and EU students were generated in main cycle and 27% via clearing. Whilst EU in this cycle was unaffected by Brexit, we have projected a drop off in EU enrolments post Brexit and reduced numbers are built into our forward projections. Student recruitment for 2018/19 entry was highly successful in driving increased new student volume and income, however recent analysis has highlighted a drop in the average tariff point by 9 points year-on-year, driven by entrants with BTEC and Level 3 qualifications. A-Level tariff has declined only marginally. The decline is despite LSBU maintaining its tariff entry level as per prior year so likely indicates a great number of applicants who were at or close to the minimum entry requirements.

Compared to 2017/18, LSBU has seen an overall small improvement in progression from Year 1 to Year 2 (+0.6%) with most Schools improving their individual year 1 progression performance. The re-enrolment rate in 2018/19 for eligible students has increased by c.4% compared to the prior year.

The university's new five year Access and Participation Plan has been developed and received approval from the Office for Students. The plan focuses on closing the gaps relating to access, success and employment outcomes between students of different backgrounds with a particular emphasis on students from disadvantaged neighborhoods (using IMD index), BAME students, students with mental health issues and female students in STEM.

Related Risk Matters

- Potential impact upon league table performance and TEF as a result in decline in continuation metrics
- Potential impact upon league table performance based on decline in average entry tariff
- Work is still underway to determine the optimum portfolio mix across subject areas
- Greater than anticipated decline in EU recruitment post Brexit

Goal 6:

Internationalisation

#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Target
16	QS Star Rating	4 stars	3 stars	3 stars	4 stars	4 stars	4 stars	4 stars	4 stars
17	Overseas student income (millions)	£20m	£11.2	£9.8	£11.2	£10.8	£15.0	£12.1	£13.6

Executive Lead: DVC (Innovation) - Paul Ivey

The University has two active partnerships of significance: the British University in Egypt (BUE) and the Applied Science University in Bahrain (ASU). The first forms the largest delivery partnership of any UK HEI in the MENA region and the second is much smaller but positioned to deliver across the Gulf Cooperative Council (GCC). To this end LSBU is on the approved list of Universities in Kuwait, should know soon similarly regarding Qatar, and is opening an approval discussion with Saudi Arabia. In addition to these partnerships, a MoU has been signed with the Emirates Aviation University in Dubai (a wholly owned subsidiary of Emirates Airline), with a view to establishing a global association using the flight routes to and from Dubai.

The application for the International Branch campus (IBC) in Cairo remains pending. Recent work has focussed on the operational requirements such as semester structure, SSR and contact hours, multiple start dates, the optimal mix of an Egyptian and International work force, restructuring the business case to reflect 'known unknowns', partnership arrangements to deal with 'unknown unknowns', and the campus development itself. The challenging target remains first students recruited for the 2020/2021 academic year.

A two year partnership with QS enrolment solutions (QSES) based in Kuala Lumpur with 13 in country LSBU 'staff' has transformed world-wide operations resulting in recruitment over target, earlier enrolment and more in house time to ensure UKVI compliance. The recent announcements of 2 year post study work visas is most welcome and will grow income from south and south-east Asia in particular.

LSBU UKVI compliance has delivered a very strong outcome (best set of figures to date) which is pleasing given mid year concerns. A PWC accelerator programme is underway to embed the process developed during the year and to provide a sustainable ecompliance environment across the University.

Related Risk Matters

- International student income and TNE income should be a reduced risk going forward: the recruitment process has been off-shored, enrolment is earlier in the cycle, new markets are opening, post-graduation 2 year work visas are back, TNE growth prospects are more realistic.
- Loss of the UKVI license is a constant risk. Whilst the current set of UKVI compliance statistics is the best set of outcomes ever secured by LSBU, to embed this performance sustainably a PWC facilitated international accelerator task group has been launched looking at the entire applicant, student and graduate journey. So in terms of risk, when implemented likelihood is reducing.

Goal 7:	People & Organisation								
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#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Targets
18	Appraisal completion % (Amongst all eligible staff)	100%	90%	91%	95.6%	85.3%	100%	59.3% (as at 22.10.19)	100%
19	Average Engagement Score as a %	75%	N/A	58%	62%	61%	69%	66%	70%

Executive Lead: Chief Customer Officer – Nicole Louis

Marcelle Moncrieffe-Johnson joined LSBU in July 2019 as the new Director of P&OD, and is currently recruiting to fill the vacant post of Head of Equality, Diversity and Inclusion.

Our June 2019 staff engagement survey temperature test across the University, Lambeth College and the MAT had an increase in completion rate of 11% (56% response rate) compared to the previous survey, and showed an increase in staff engagement across the Group of 5% to 56%. The scores for the University were maintained which could be viewed positively in the context of the 2018 change programme which reduced university staffing costs by 10%.

The staff conference took place on 12th June 2019, and was again very successful in terms of attendance, feedback and energy, with over 650 registered attendees, more than 40 sessions, 17 staff award categories and over 1,300+ Staff Award nominations.

The appraisal season is just coming to a conclusion. There is a review of approach taking place in order to consider how closely appraisal can be aligned across the Group.

We received the disappointing news that our Athena Swan application, submitted to Advance HE in April 2019, had been unsuccessful.

Our Race Equality Chartermark application was paused so we could concentrate available project resource on our Athena Swan application. We have however made progress on our three year action plan, with 14% of action completed or near completion, and a further 26% underway.

The Staff Reward project is progressing, with a range of possible models being developed to address reward and recognition across the Group, in the context of challenges to current pension provision.

Related Risk Matters

- The establishment of a strong and effective EDI team is a priority, to take forwards our equality and diversity agenda.

Goal 8:

Resources & Infrastructure

#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Target
20	Surplus as % of income	5.0%	0.9%	2.4%	1.3%	1.1%	1.4%	2%	1.3%
21	Income (£m)	£170.0m	£140.8m	£138.2m	£144.5m	£146.3m	£156.1m	£149m	£152.0m
22	EBITDA margin (EBITDA expressed as % of income)	15.0%	9.2%	11.8%	12.0%	10.7%	13.5%	11.2%	11.4%
23	Student satisfaction ratings with facilities & environment (FD)	90%	87.7%	90.0%	87.2%	83.9%	90.0%	84.9%	90.0%
24	ICS Service Index %	80%	68%	76%	66%	N/A	76%	No score available in 2018/19	80%

Executive Lead: Chief Operating Officer – Shan Wareing

LEAP, LSBU's student journey transformation programme, is a key enabler of LSBU's 2020-25 Strategic Plan, and directly or indirectly impacts 70% of the University's current Corporate Goals. It has progressed to budget and to time. Work Package 1 has been completed, funding for WP 1.5 was agreed and the work package completed. Finances for WP 2 were approved, and the work package is underway. Cumulative benefits derived from the enrolment accelerator, which redesigned the student enrolment process to enable online enrolment, are estimated as £250k savings in temporary staffing over the enrolment period, which aggregates to £821,235 over years 2 to 5 of the LEAP programme.

The cost benefits of Lambeth inclusion will be kept under review. LEAP has been widely praised for the extent and quality of staff engagement.

Digital and IT are progressing under new leadership. Consultation has commenced on a draft digital strategy; ICT is progressing with planning for Group integration, ICT reports have focused on clarity, transparency and progress. Incident management and cybersecurity continue to be handled well, with a swift professional response, clear and timely communication and lessons learnt built into process cycles. There will be a continuing challenge to manage and mitigate technical debt, in order to create an adequate IT infrastructure.

A hugely successful year for the estates team delivering the phase 1 project (including London Road) on time and under budget and regularising the SBC estates development plan including securing the critical grant from the GLA. Estate maintenance is at the forefront of activity striving to maintain facilities and operations. The team has worked incredibly hard during the year to deliver projects and the project list is expanding so it looks to be another busy year.

Related risk Matters

- With so many major Estates projects, we have limited headspace if major capital issues arise in-year.
- There is also a capacity issue, given the sheer amount of moves and refurbishments in 2018-20, in that we may be challenged if a significant number of issues arise (e.g. some urgent air-conditioning and lift problems have arisen this year already, due to the new teaching arrangements).

University Level:

9: League Tables

#	Key Performance Indicators	2020 Aspiration	2014/15	2015/16	2016/17	2017/18	2018/19 Target	2018/19 Actuals	2019/20 Target
25	Times - League table ranking	85	120/127	120/128	106/128	107/132	96	86/131	90
26	Guardian – League table ranking	70	111/119	107/119	92/121	78/121	79	68/121	65
27	Complete University Guide – League table ranking	87	119/126	115/127	108/129	93/131	98	87/131	85

Overall 2018/19 League Table Results

The 2015-20 Strategy stated LSBU's ambition to be the top London Modern. When all London Modern's average rank across the three domestic tables published in 2019 is compared, LSBU is currently ranked 2nd amongst London Modern's with an average rank of 80, only behind West London, which has an average rank of 66th. Further improvements may result from our stronger NSS results this year, although progression rates, entry tariff and (most notably) research score (largely locked at the REF2014 value) are working against us, and many institutions see NSS scores fall when major Estates projects are being undertaken. It is reassuring that LSBU has now remained roughly mid-table for 3 years in a row (one does see dramatic rises and falls in some institutions), and pleasing that we have seen modest gains in all league tables, and most significantly a top-100 result in the Times/ST.

2020 Complete University Guide

In the 2020 Complete University Guide, LSBU improved its rank by 6 places, moving from 93/131 to **87/131**. LSBU is ranked as the third highest London Modern behind Roehampton and Greenwich and has moved ahead of the following 9 Institutions who all declined compared to last year (Change in Rank): Chichester (-2), West London (-11), Westminster (-10), Leeds Arts University (-13), Cardiff Metropolitan (-19), Derby (-8), Gloucestershire (-11), Winchester (-15) and Buckingham (-31). LSBU saw an increase in the overall score from 523/1000 in 2019 to 613/1000 in 2020, which was one of the larger increases in score. In terms of subject tables, LSBU increased its rank in 26 out of 31 tables, including 8th for Occupational Therapy (out of 28) and 15th for Social Work (out of 80).

Guardian 2020

This year LSBU has risen 10 places to 68th out of 121 and is now in the 56th percentile. This is excellent progress and is a continuation of the ongoing improvements in the table since 2015/16 when the Institution was ranked 112th out of 116. LSBU is ranked 3rd in the London Moderns for overall score, behind Kingston and West London. LSBU has made an appearance in 28 subjects, improved in 15 and declined in 11. Highlights include 4th for Social Work, 7th for Accounting & Finance and 16th for Journalism.

Times and Sunday Times 2020

LSBU has improved by 21 places from rank position 107th to 86th and increased by 38 points from 442 to 480. This places LSBU in the 65th percentile rank and ranked 16th out of 23 in London (but note that the table has a strong research component, which was locked in from REF2014). West London is the biggest riser in the table overall, up 31 places from 83rd to 52nd. LSBU is joint 5th biggest riser with York St John. The biggest decline is University of Buckingham, from 43rd to 92nd. Overall, 63 Institutions increased in rank, 12 maintained and 56 declined in rank.

LSBU is mid-ranked in the London Moderns, behind West London (52nd), Roehampton (69th), University of the Arts (79th) and Greenwich (84th). LSBU made an appearance in 34 subjects and showed improvement in the majority of these with only 4 subjects showing a decline.

QS World University Ranking (WUR) 2020

LSBU has increased in rank to **701-750** in 2020 from 751-800 in the 2019 edition and is currently in the 65th percentile. This is a continuation of the consistent improvements seen following the first appearance for the institution 2018 at position 801-1000, prior to this LSBU had been assessed but did not meet the minimum points score for entry. The measures which are the most challenging to improve are the two reputation surveys, which account for 50% of the total score, however submitting more contacts to QS to survey or boosting the visibility of the Institution may improve these scores. 84 UK Institutions were ranked in 2020, this is an increase of 8 compared to last year. Two-thirds of UK universities have declined in rank in the 2020 table, with an average fall of 12.6 places. Among London HEIs, only UCL, City and LSBU improved in rank in 2020.

Agenda Item 8

	CONFIDENTIAL
Paper title:	KPI targets 2019/20 review
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	Richard Duke (Director of Strategy & Planning)
Sponsor(s):	Richard Flatman (COO)
Purpose:	For Approval
Recommendation:	To approve the KPI targets

Executive Summary

The Board is requested to approve the KPI targets for 2019/20, which have been reviewed by FPR.

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Corporate Strategy Goals	20/20 Success Measures	#	Key Performance Indicators	End of Corporate Strategy Ambition	Past Performance				2018/19					2019/20
					14/15	15/16	16/17	17/18	Green	Amber	Red	Target	Actual	Agreed 2019/20 Target (Exec 30/1/19 except finance targets which were agreed Executive of 3/4/19)
Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	1	Graduate level employment &/or Further study (EPI population)	80%	68.0%	76.0%	81.8%	87.7%				82%	No data available in 2018/19	Not Applicable
Student Experience	Top quartile of all universities in NSS	2	NSS scores – overall satisfaction (First Degree respondents)	89%	82%	82.0%	82.2%	78.8%	83 % +	80 - 82 %	< 80 %	86%	81.8%	84%
		3	International Student barometer (% recommending LSBU)	81%		77%	77%	80%	77% +	75 - 77%	< 75 %	78%	78%	81%
		4	PGT experience (% satisfaction)	82%	74%	74%	71%	71%	74 % +	70 - 73 %	< 70 %	77%	71%	76%
		5	Student Staff Ratio	18:1	19.7:1	20.5:1	19.8:1	16:1	16.5 - 17.5	16 - 16.5	< 16 > 18	17:1	16.1	16-18:1
Employability	95% students in employment / further study (EPI)	6	DLHE Positive Outcomes; employment or further study (EPI)	95%	90.2%	90.8%	94.6%	95.3%				94%	No data available in 2018/19	Not Applicable
	Top 10 UK universities for student start ups	7	Number of Student start ups (Active Firms in HE-BCI 4aiv)	150	30	50	45	48	110 +	100 - 109	< 100	110	Data available January 2020	65
Research & Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non QR)	£6.0 m	£2.0	£1.9	£2.8	£3.5	£4.3 m +	£4.0 - 4.3 m	< £4 m	£3.5m	£4.1m	£5.2m
		9	Enterprise Income	£19.0 m	£8.1	£7.8	£9.2	£10.9	£12 m +	£11 - 11.9 m	<£11 m	£13.0	£10.5m	£11.0m
Access	Top London Modern for LPN recruitment	10	% recruits from low participation neighbourhoods (Young FT FD)	9.0%	7.7%	8.4%	9.2%	8.9%	8.0% +	7.7 - 7.9 %	<7.7 %	8.6%	7.6%	8-10%
		11	FTUG % (w/o HSC contract) recruited before Clearing	90%	75.0%	76.4%	77.2%	78.0%	78 % +	74 - 77 %	< 74 %	77%	75.3%	+77%
	Exceed expectations on completion	12	First Degree Completion projection (at or above benchmark)	+3%	-7 %	-5.8%	-5.5%	-1.8%	>=-1 %	-2 to -3 %	<-3 %	-1%	-4.0%	0%
		13	Year 1 progression (can change due to Jan 2019 2nd Semester Enrolment)	85%	73.1%	77.3%	74.7%	72.4%	76 % +	72 - 75%	<72%	82%	73%^	80%
		14	Good Honours	63 - 67%	61.2%	66.4%	69.1%	70.0%	66-71%	72-73% 64-65%	>73% <64%	63-67%	70.8%	65-70%
15	PGT completion	85%	61.5%	58.7%	69%	61.0%	75% +	71-74%	< 71%		66.1%	72%		
International	4 QS Stars	16	QS Star Rating	4	3 stars	3 stars	4 stars	4 stars	4	3	2	4	4	4
		17	Overseas student income (millions). Includes TNE	£20m	£11.2	£9.8	£11.2	£10.8	£12.6 m +	£12.2 - 12.5 m	<£12.2 m	£15.0	£12.1m	£11.6m
People and Organisation	Rated as a good employer	18	Appraisal completion % (Amongst all eligible staff)	100%	90%	91%	95.6%	85.3%	100%	95 - 99 %	< 95 %	100%	34.3%*	100%
		19	Average Engagement Score as a %	75%		58%	62%	61%	69%	65 - 68 %	< 64 %	69%	66%	70%
Resources & Infrastructure	Grow our income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of income	5.0%	0.9%	2.4%	1.3%	1.1%	1 % +	0.7 - 0.9 %	< 0.7%	1.4%	2%	1.3%
		21	Income (£m)	£170.0m	£140.8m	£138.2	£144.5	£146.3	£145.2 m +	£142 - 145 m	< £142 m	£156.1 m	£149m	£152.0m
		22	EBITDA margin (EBITDA expressed as % of income)	15.0%	9.2%	11.8%	12.0%	10.7%	12.8% +	11.7 - 12.7%	<11.7%	13.5%	11.2%	11.4%
	Student satisfaction with facilities & environment in top UK quartile	23	Student satisfaction ratings with facilities & environment (FD)	90%	87.7%	90.0%	87.2%	83.9%	87 % +	84 - 86 %	< 84%	90.0%	84.9%	90.0%
		24	ICS Service Index %	80%	68%	76%	66%					76%	No score available in 2018/19	80%
Overall	Top London Modern university (excl UAL)	25	Times - League table ranking	85	120 / 127	120 / 128	106 / 128	107/132	99 or higher	100 - 104	105 or lower	96	86/131	90
		26	Guardian – League table ranking	70	111 / 119	107 / 119	92 / 121	78 / 121	75 or higher	76 - 78	79 or lower	79	68/121	65
		27	Complete University Guide – League table ranking	87	119 / 126	115 / 127	108 / 129	93 / 131	90 or higher	91 - 94	95 or lower	98	87/131	85

^ progression figure as at 18 October 2019.

* appraisal completion rates as at 30 September 2019.

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	CONFIDENTIAL
Paper title:	Audit Committee Annual Report
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Duncan Brown, Audit Committee Chair
Purpose:	For Approval
Recommendation:	The Board is requested to approve the Audit Committee annual report.

Executive Summary

Introduction

The Audit Committee is required under the Terms and Conditions of Funding with the OfS to produce an annual report of the committee to the Board of Governors and the Accountable Officer (the Vice Chancellor). The report will also be submitted to OfS in December 2019.

Guidance from OfS is that it must include any significant issues and should be considered by the Board before approval of the accounts. It must also include the committee's opinions on the adequacy and effectiveness of LSBU's arrangements for the following:

- Risk management, control and governance;
- Economy, efficiency and effectiveness (value for money);
- Management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies.

Audit Committee Opinions

1. The Committee's opinion on the institution's risk management, control and governance is that these arrangements are adequate and effective.
2. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.

3. The Committee's opinion on the management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies is that the University has adequate assurance.

Recommendations

The Board is requested to approve the audit committee annual report.

Annual Report of the Audit Committee to the Board of Governors and the Accountable Officer 2018/19

Executive summary

During the year to 31 July 2019, the Audit Committee met four times.

Matters completed by the Committee for the year 2018/19 include:

- appointment of BDO as the internal auditors for academic and financial year 2019/20 following PwC's resignation;
- review and clearance of the University's annual report and accounts for 2018/19 (paragraph 8);
- approval of the plan for PwC's internal audit review work for the following year (paragraph 12);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 12);
- four meetings with PwC and four meetings with KPMG in the absence of all University staff;
- consideration of the annual internal audit report (paragraph 14);
- regular review of the corporate risk framework (paragraph 18);
- approval of a statement of internal control (paragraph 20).

Introduction

1. This report covers the financial and academic year from 1 August 2018 to 31 July 2019 and includes any significant issues up to the date of the signing of this report and consideration of the financial statements for the year.
2. No member of the Audit Committee has, or has had during the year, a direct role in the management of the University. All members of the Committee are asked to declare any interests in any item of business on the agenda at each meeting.
3. During 2018/19, the Audit Committee was chaired by Steve Balmont from 1 August 2018 to 31 December 2018 and by Duncan Brown from 1 January 2019 to 31 July 2019, both independent governors. Both Steve Balmont and Duncan Brown were members of the committee throughout the year. Other members of the Committee during the year were: Shachi Blakemore (until her resignation as a governor on 31 March 2019), John Cole (appointed 1 May 2019), Mark Lemmon (appointed 1 May 2019) Mee Ling Ng (resigned from the committee on 31 July 2019), and independent co-optee, Rob Orr (appointed 5 February 2019). The Audit Committee considers it has individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively.
4. All members of the Committee are independent of management. James Stevenson, University Secretary & Clerk to the Board, served as secretary to the Committee throughout the year.
5. The Committee held four business meetings during the financial year to 31 July 2019. The Vice Chancellor, Chief Financial Officer and other members of the Executive were present. The internal auditors and the external auditors were present at all four meetings. For the financial & academic year 2019/20 the Committee will also hold four business meetings (October, November, February, and June.)
6. The Committee's terms of reference are reviewed annually in the autumn. The Committee has an agreed forward business plan which is used to plan its agendas during the year and is reviewed at each meeting.

External Audit

7. At its meeting of 13 June 2019, the Committee approved the external audit plan for the financial year 2018/19.

8. At its meeting of 7 November 2019, the Committee considered and recommended to the Board for approval the draft financial statements for the year ended 31 July 2019. The Committee considered in detail an audit opinion from KPMG UK LLP. The Committee considered and recommended to the Board for approval the letter of representation from the Board of Governors to KPMG UK LLP.
9. Performance indicators have been agreed against which the performance of the external auditors is measured. At its meeting of 7 November 2019, the Committee received a report on performance against indicators. The external auditors met all of the agreed performance indicators.
10. On 7 November 2019, the Committee met KPMG UK LLP in the absence of any University employees to discuss the year end audit and other matters.
11. Non-audit work provided by KPMG UK LLP for LSBU for the year ended 31 July 2019 is as follows:
 - £5,000 (audit related assurance services);
 - £6,475 (corporation tax compliance services);
 - £33,850 (international tax compliance services); and
 - £34,500 (tax services for the transfer of Lambeth College to the LSBU Group).

Internal Audit

12. The University's Internal Auditors for the year were PricewaterhouseCoopers LLP (PwC). PwC worked to an internal audit plan of 140 days approved by the Committee at its meeting of 7 June 2018. 140 days of work were delivered. The Committee has received progress reports from PwC against the plan at every meeting.
13. During the year 12 internal audits were undertaken (2018: 10.) The Continuous Audit programme of key financial systems and student data was undertaken throughout the year.
14. The internal auditor's annual report for 2018/19 (dated September 2019) provided a positive assurance statement. The internal audit annual report found:

“Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness or non-compliance in the framework of governance, risk management and control or value for money arrangements which potentially put

the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control or value for money arrangements.”

15. In addition, PwC concluded that their “opinion for the year ended 2019 is that the control environment is satisfactory overall. However, the incidence of non systemic system issues has increased over prior years. The core control environment has improved over prior years but has had some variability in compliance in the past. Any deterioration in core finance control in conjunction with the other issues noted this year would have been sufficient to move our [PwC’s] overall classification to major improvement required”. In relation to key areas of compliance such as GDPR and CMA there were a number of high risk findings which are being progressed through management action.
16. The Committee met PwC prior to four meetings, in the absence of any of the University’s employees.
17. Through a tender process conducted in Spring 2018, PwC were selected as Change Partner for a major University digital transformation project. PwC continued to act as internal auditors until 31 July 2019: the role of Internal Auditor was re-tendered in Spring 2019. Following this tender process, BDO LLP were appointed internal auditors and formally took over on 1 August 2019.

Risk management, control and governance

18. The Committee reviewed the corporate risk register at each meeting. In addition, the committee annually reviews risk strategy and risk appetite and makes recommendations to the Board of Governors. The University’s corporate risk framework is aligned to the Corporate Strategy.
19. During the year PwC undertook an internal audit on risk management controls which did not identify any significant risks and PwC concluded that they “are satisfied that the University has effective risk management arrangements in place”.
20. At its meeting on 7 November 2019, the committee reviewed the effectiveness of internal controls and approved the full compliance statement for inclusion in the annual report and accounts.

Economy, Efficiency and Effectiveness

21. PwC considers value for money as part of its work on LSBU's systems of internal control and as part of each internal audit review. In its annual report, PwC states that they have seen evidence of value for money being considered, monitored and achieved both for the University and other stakeholders such as students".
22. As part of its audit of procurement during the year, PwC evaluated value for money on purchases between £10k - £50k and rated this as a 'medium' risk. Management are addressing the findings from the review.

Management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies

23. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.
24. Following two reports on the continuous auditing of student data controls during the year 2018/19, the Internal Auditors "have not identified any significant exceptions regarding student data controls, but we [PwC] have seen an increase in exceptions over the course of the year which suggests that there has been a deterioration in performance. This should be monitored by management to ensure that this trend does not continue".
25. A data assurance report was discussed by the Committee at its meeting of 5 February 2019. The Committee received assurance from the report that all external returns now have detailed formal processes and good progress has been made on data quality governance processes.

Public Interest Disclosure

26. Under the "Speak Up" policy the University Secretary reported on Speak Up activity at every meeting of the Audit Committee. The Chair of the Audit Committee acts as the independent point of contact for anyone wishing to raise a Speak Up matter outside line management, and reviews the conclusion of any subsequent investigation.

27. One matter was reported through the Speak Up policy during the year. This was an allegation of bullying and academic malpractice. Following investigation, no evidence was found of bullying or academic malpractice.
28. One matter was reported after year end alleging malpractice in a disciplinary process. The matter was investigated and the Chair of the Committee concluded that the allegations did not fall within the speak up policy and were dealt with as part of the disciplinary process.

Anti-Fraud

29. Under LSBU's anti-fraud policy the Chief Financial Officer reported on any fraud matters at every business meeting. Two irregularities were reported to the Committee during 2018/19. At its meeting on 13 June 2019, the Committee was informed of incidences of supplier fraud and tenant fraud. In both incidences the fraudulent activity was discovered before any payments were made and the University suffered no loss. The OfS was not informed as no loss was suffered.
30. One further incident of fraudulent activity was identified after the year end and reported to the Audit Committee at its 1 October 2019 meeting. This related to a former employee and was referred to the police, but was not deemed a reportable event by the Accountable Officer.

Audit Committee effectiveness assessment

31. The Board of Governors undertook a review of its effectiveness during the year, which included the effectiveness of its sub-committees. No issues were raised regarding the Audit Committee.

Opinion of the Audit Committee

Risk Management, Control and Governance

32. The Committee's opinion on the institution's risk management, control and governance is that these arrangements are adequate and effective. *to be confirmed*
33. This opinion is based on:
 - the Internal Audit annual report for 2018/19 which gave the opinion that "we believe London South Bank University has adequate and effective arrangements to

address the risks that management's objectives are not achieved over risk management, control and governance".

- the Executive's detailed review of internal controls. This review was considered by the Audit Committee on 7 November 2019.

Economy, Efficiency and Effectiveness

34. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.

35. This opinion is based on the Internal Audit annual report, 2018/19 which gave the opinion that "[PwC's] has considered value for money as part of each of our internal audit reviews and have seen evidence of value for money being considered, monitored and achieved both for the University and other stakeholders such as students".

Management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies

36. The Committee's opinion on the management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies is that the University has adequate assurance.

37. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

This annual report was approved by the Audit Committee on 7 November 2019 - *to be confirmed.*

Signed

Duncan Brown
Chair of the Audit Committee
21 November 2019

[To be signed at the Board meeting of 21 November 2019]

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	CONFIDENTIAL
Paper title:	External Audit Findings
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	KPMG, external auditors
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	It is recommended that the Board note the attached audit findings from KPMG.

Executive Summary

At its meeting of 7 November 2019, the Audit Committee reviewed the external audit findings for the year ending 31 July 2018 in detail.

The Board is asked to note the main findings and recommendations.

A final version of the report will be circulated to the Board ahead of the meeting.

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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.

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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.



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.

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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.

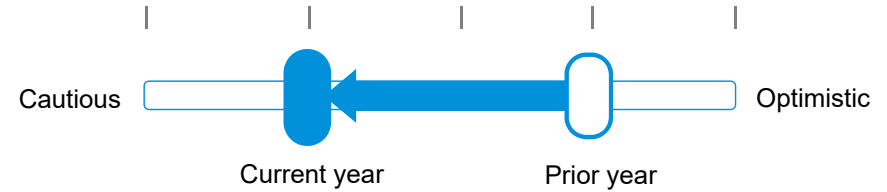
Overall we concluded that the adoption of the going concern basis of accounting was appropriate and that no disclosure of a material uncertainty over the Group's ability to continue as a going concern were required.



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.



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	
Valuation of net pension liability		(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.
Recognition of accruals and deferred income		(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.

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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.

Page 07
In 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
Fees reconciled to fee table	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.
Differences from expected fee income	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.
Records with complexities	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.
No corresponding student record	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.
Records excluded from income	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.
Reconciliation to general ledger	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			
1	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.	2	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.
3	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 114	2	<p>Impairment review</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>Agreed</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>Responsible officer: Natalie Ferer</p> <p>Due date: 31 January 2020</p>
	2	<p>Review of pension assumptions</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>Agreed</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>Responsible officer: Natalie Ferer</p> <p>Due date: 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>Bank reconciliations</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>Agreed</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>Responsible Officer: Loretta Audu / Rebecca Warren</p> <p>Due date: 31 October 2018</p>	<p>Implemented</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>Controls over journal entries</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>Agreed</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>Responsible officer: Natalie Ferer</p> <p>Due date: 31 October 2018</p>	<p>Implemented</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>Capturing data to calculate pay multiples</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>Agreed</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>Responsible Officer: Natalie Ferer and Ed Spacey</p> <p>Due date: 31 January 2019.</p>	<p>Superseded</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>Intercompany recharges</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>Agreed</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>Responsible Officer: Rebecca Warren, Head of Financial Accounting</p> <p>Due date: Ongoing, linked to quarterly VAT cycle</p>	<p>Implemented</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>Maintenance of employment contracts</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>Agreed</p> <p>A wider one off exercise will take place</p> <p>Responsible Officer: Dave Lee</p> <p>Due date: 28 February 2019.</p>	<p>Implemented</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	
119	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
Our draft management representation letter		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.
Adjusted and unadjusted audit differences		We have provided a summary of audit differences in Appendix Two.
Control deficiencies		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.
Related parties		<i>We identified minor adjustments to the University's related parties note which will be corrected in the final accounts.</i>
Other matters warranting attention by the Audit Committee		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.
Actual or suspected fraud, non-compliance with laws or regulations or illegal acts		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.
Significant difficulties		No significant difficulties were encountered during the audit.
Modifications to auditor's report		None.
Disagreements with management or scope limitations		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information		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.
Breaches of independence		No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices		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.
Significant matters discussed		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

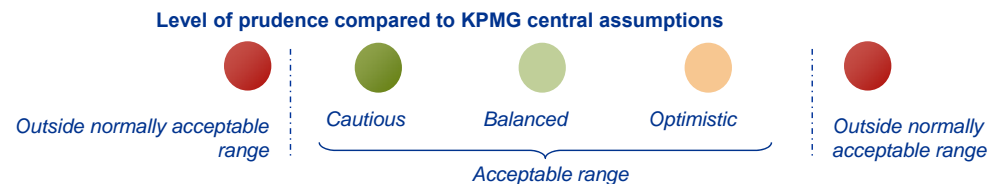
Source: draft financial statements

* 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.

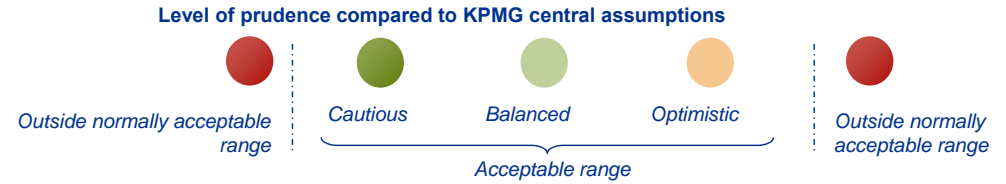
Assumptions

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.							● Balanced
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
Audit services – statutory audit		
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>
Non audit fees		
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	
Total fee for Group	£179,691	£105,690

*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"> Self-interest Self-review Management 	<ol style="list-style-type: none"> The fee for the work is not dependent on the compliance with the covenants, and is not material to KPMG or LSBU. The work will not involve the preparation of any financial information which will be subject to review. LSBU will be responsible for preparing the covenant compliance statement. 	Fixed fee	£0 (all services performed after year end)
Corporation tax compliance	<ol style="list-style-type: none"> Management Advocacy 	<ol style="list-style-type: none"> 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. The service will be provided by KPMG professionals who are not members of the audit team. 	Fixed fee	£6,475
International tax services	<ol style="list-style-type: none"> Self-review Management 	<ol style="list-style-type: none"> The service will be provided by KPMG professionals who are not members of the audit team. 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. 	Time and Materials	£33,850
Tax services for the transfer of Lambeth College	<ol style="list-style-type: none"> Self-review Management 	<ol style="list-style-type: none"> The service will be provided by KPMG professionals who are not members of the audit team. 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. 	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.



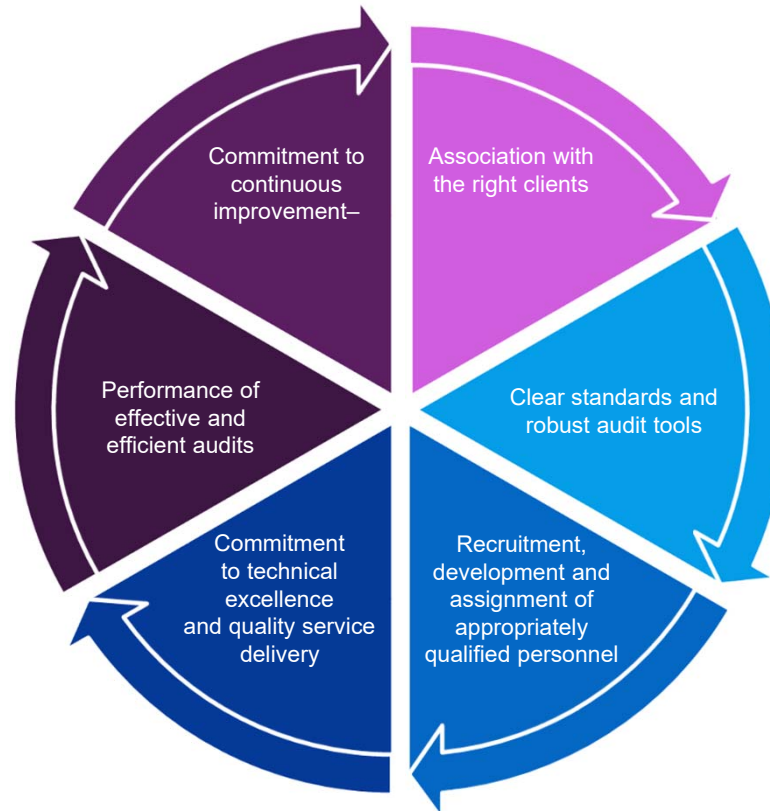
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent 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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	CONFIDENTIAL
Paper title:	External audit Letter of Representation
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	Natalie Ferer, Financial Controller
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Approval
Recommendation:	The Board is requested to approve the Letter of Representation

Executive Summary

The letter of representation requires the Board of Governors to give specific assurances 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 at the time of signing the accounts. The attached letter contains the following item specific to the LSBU group, with all other items being standard representations.

1. that the Group and South Bank Colleges are satisfied that no provision is required in respect of the potential claim against South Bank Colleges by CMOL.

Recommendation

The Audit Committee reviewed the letter and supports the Executive recommendation that the Board approve the attached Letter of Representation.

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(Letterhead of London South Bank University)

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

XX November 2019

Dear Fleur

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

- i. as to whether the financial statements give a true and fair view of the state of the Group’s and University’s affairs as at 31 July 2019 and of the Group’s and University’s income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education (FEHE SORP);
- iii. whether the financial statements meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, and those elements of the Accounts Direction dated [date] issued by the Office for Students which the University has chosen to early adopt;
- iv. whether the financial statements have been prepared in accordance with the Companies Act 2006

These financial statements comprise the Group and University Balance Sheets as at 31 July 2019, the Group and University Statements of Comprehensive Income, the Group and University Statements of Changes in Reserves, and the Group Statement of cash flows, and notes, comprising a summary of significant accounting policies and other explanatory notes.

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

The Governing Body confirms, 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 Governing Body has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 30 March 2017, for the preparation of financial statements that:
 - give a true and fair view of the state of the Group's and the University's affairs as at the end of its financial year and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
 - have been properly prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and the HESORP; and
 - 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 Governing Body 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 (*Events after the End of the Reporting Period*) requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Governing Body 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 Governing Body for the purpose of the audit; and
 - unrestricted access to persons within the Group and the University 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 Governing Body confirms the following:
 - (i) The Governing Body 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 Governing Body has disclosed to you all information in relation to:
- (a) Fraud or suspected fraud that it is aware of and that affects the Group and the University 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 Group and the University's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Governing Body 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 Governing Body acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Governing Body 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 Governing Body has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with FRS 102 Section 21, *Provisions and Contingencies*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Governing Body has disclosed to you the identity of the Group and the University'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 FRS 102 Section 33, *Related Party Disclosures*.

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 Governing Body confirms that:
- (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the University's and Group's ability to continue as a going concern as required to provide a true and fair view.
 - (b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the University and the Group to continue as a going concern.
12. On the basis of the process established by the Governing Body and having made appropriate enquiries, the Governing Body is satisfied that the actuarial assumptions

underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with the requirements of section 28 of FRS 102 .

13. The Governing Body 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, settlements and curtailments have been identified and properly accounted for.

14. In particular the Governing Body confirms that:

- there are no significant matters that have arisen that would require a restatement of the corresponding figures.
- the Governing Body confirms that costs or credits attributable to the agreement of a deficit recovery plan for the Universities Superannuation Scheme (USS) are calculated using assumptions that are consistent with its knowledge of the business. In particular, the Governing Body confirms that the assumptions for assumed salary inflation in each year during the life of the plan and assumed USS membership changes during the life of the plan are consistent with the University's projected employee population profile.
- we are not aware of any issues or disputes associated with delivery undertaken by partners which would impact on the financial statements.
- we are of the opinion that the land and buildings included within tangible fixed assets have been valued appropriately in accordance with the requirements of FRS 102, and to the best of our knowledge and belief we are satisfied that no impairment provision is necessary in respect of the University's estate.
- to the best of our knowledge and belief the University has complied with the requirements of the Charities Act 2011. In particular, the University has disclosed all payments made in relation to trustees expenses and all "connected institutions and bodies" have been disclosed appropriately. Furthermore, all serious incidents, as defined under the Act, have been captured and recorded appropriately.
- there are no issues arising from the finalisation of student data for the year ending 31 July 2019 which has been used to produce the University's 2019 HESA return/re-creation of HESES18 which would have a material impact on teaching funding from the Office for Students or English undergraduate fee income recognised in the financial statements.
- we are not aware of any issues relating to the University's other Office For Students or Research England funding streams years (e.g. Higher Education

Innovation Fund grants) which may lead to a clawback in funding over and above that recognised in the financial statements.

- to the best of our knowledge and belief the University has complied with the terms and conditions of any capital grant funding received during the year and in respect of other capital grant funding received in prior years. In all instances, the University is satisfied that the agreed outputs against which each project will be assessed will be delivered.
- to the best of our knowledge and belief the University has complied with the terms and conditions of any revenue grant funding (for example research funding) received in recent years and where agreed outputs are to be delivered as part of the grant agreement, the University has or anticipates delivering these.
- In all material respects funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes during the year ended 31 July 2019.
- in all material respects the University has complied with the Office for Students and Research England terms and conditions of funding in the period from 1 August 2018 to 31 July 2019.
- the University has obtained the OfS's approval for any new borrowings in line with the requirements of the OfS.
- the University has obtained consent for new acquisition.
- the University has notified the OFS of any material adverse events, (including frauds in excess of £25k).
- the University's subsidiary (South Bank Colleges) has received a pre-action claim for re-imburement of costs by a developer in respect of the Vauxhall development project undertaken by SBC's predecessor, Lambeth College Corporation. The Governing Body believes that any claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of its knowledge and belief it is satisfied that no provision is necessary in respect of this claim.

This letter was agreed at the meeting of the Governing Body on XX November 2019.

Yours faithfully,

[Chair]

**Appendix A to the Representation Letter of London South Bank University:
Definitions**

Financial Statements

A complete set of financial statements comprises:

- Group and University balance sheets as at the end of the period;
- Group and University Statement of Comprehensive Income for the period;
- Group and University Statement of Changes in Reserves for the period;
- Group Cash Flow Statement for the period; and
- 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 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* 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 The Financial Reporting Standard applicable in the UK and Republic of Ireland* 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 London South bank
University**

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.

London South Bank University	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Unadjusted Audit differences (£000)				
Depreciation	£247k			
Accumulated depreciation				£247k
Total effect	£247k	£-	£-	£247k

South Bank University Enterprises Ltd	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.

London South Bank University	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Adjusted Audit differences (£000)				
Pension liability			£2,990k	
Actuarial gain and losses		£2,990k		
Total effect	£-	£2,990k	£2,990k	£-

South Bank University Enterprises Ltd	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

South Bank Colleges	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Adjusted Audit differences (£000)				
Funding body grant income	£131.6k			
Accruals and deferred income				£131.6k
Total effect	£-131.6k	£-	£-	£131.6k

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:	Remuneration Committee report to Board
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Jeremy Parr, Chair of the Remuneration Committee
Purpose:	For Information
Recommendation:	The Board is requested to note the annual remuneration report.

Executive Summary

Annual remuneration report

Under 'The Higher Education Senior Staff Remuneration Code' by the CUC, the Remuneration Committee has produced an annual remuneration report to the Board. The University must also publish a remuneration annual statement, which the Code expects should be the same as the report provided to the Board.

The Remuneration Committee has agreed that the report to the Board and the public report should be the same. The report will form part of the annual report and accounts and be published on the University's website.

Under the Code, the report should "provide sufficient assurance to the governing body that the Remuneration Committee has effectively discharged its responsibilities".

The report largely follows the template report provided by the CUC and sets out the University's approach to remuneration for all staff and Senior Executives, how executive salaries are benchmarked, institutional performance, the performance, pay and bonus of the Vice Chancellor and the University's approach to external income for executive members, severance and expenses.

As set out in the report, the Committee agreed that due to the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators will be taken into consideration when setting and reviewing Senior Executive salaries:

- Institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%);
- London modern universities; and
- Other universities with a group structure.

At its meeting of 21 November 2019, the Remuneration Committee will discuss the performance of the Vice Chancellor and other members of the executive and agree individual pay awards and bonus level and group bonus, and as a result approve a final version of the report.

An updated report will be circulated to the Board following the Remuneration Committee meeting of 21 November 2019.

Recommendation

The committee is requested to note the annual remuneration report.

Annual Remuneration Report, 2018/19

Introduction

This remuneration report sets out the University's approach to determining senior pay and outlines performance and reward during the year.

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page **x**.

The Board has adopted the CUC Remuneration Code and approved a senior remuneration policy.

Full details of the senior pay policies referred to in this report are available on the LSBU website.

Terms of Reference

The Remuneration Committee's Terms of Reference are available online.

Committee Membership 2018/19

The members of the committee for the year 2018/19 were Mee Ling Ng (Committee Chair until July 2019 and committee member throughout the year), Jeremy Parr (Committee Chair from July 2019), Jerry Cope (Chair of the Board), Michael Cutbill and Douglas Denham St Pinnock. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2018/19

The committee met twice in the 2018/19 academic year.

- 6 November 2018
- 2 July 2019

In addition, the committee made a decision via email in February 2019.

The committee also met on 21 November 2019 to consider Senior Executive performance and remuneration for 2018/19.

Approach to remuneration of all staff in 2018/19 and for 1 August 2019 onward

LSBU is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as the leading Modern University in London. This requires the provision of high quality teaching and support to its students, at home and overseas, enabling them to face the real world confidently and successfully. The teaching environment will be underpinned by input from employers and will have a strong focus on Enterprise and applied Research.

To achieve this objective, LSBU needs to attract, retain and motivate a strong calibre of leaders with competitive remuneration packages, within both a London and international labour market. However, the approach to senior remuneration must be framed within a context that all LSBU employees are, and feel, remunerated fairly for their roles and responsibilities and enthusiasm for the success of the University.

At LSBU, we create an environment which attracts and fosters the very best staff, and in which all staff, whatever their role, feel valued and proud of the University and take appropriate responsibility for its development. Embracing and integrating equality and diversity and inclusion is fundamental to our success and growth as an institution of higher education.

Senior Remuneration

In setting senior remuneration, LSBU has adopted the CUC Higher Education Senior Staff Remuneration Code (2018).

LSBU's Senior Remuneration Policy sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves above the median expected for the role;
- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the VC's base salary and total remuneration to the median earnings of the Institution as a whole, both absolute and the change from the previous years.

- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 5% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

Benchmarking

An independent review of the benchmark set for Senior Executive salaries was carried out by Korn Ferry in September 2018 and based on recommendations a revised approach to benchmarking was approved by the Committee at its meeting of 6 November 2018.

The committee agreed that based on the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators will be taken into consideration when setting and reviewing Senior Executive salaries:

- Institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%);
- London modern universities; and
- Other universities with a group structure or similar complexity of structure or regulatory framework.

The Hay Group Guide Chart Profile Method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

Institutional performance, 2018/19

The Board monitors the performance of the University through the agreed key performance indicators. As set out in the *Strategic Report*, the University performed well in terms of both financial and strategic outcomes.

Institutional performance including areas measured by the key performance indicators plus individual objectives are reviewed as part of individual Senior Executives' appraisals and are overseen by the Remuneration Committee.

Vice Chancellor performance, 2018/19

This assessment of Vice Chancellor performance is for academic year 2018/19. The bonus awarded based on performance for academic year 2018/19 will be paid in financial year 2019/20 and appear in next year's accounts.

The Vice Chancellor's performance was reviewed by the Chair of the Board as part of the appraisal process, looking at key results both against key KPIs for the University, which the Vice Chancellor oversees, and against the specific personal objectives (marked *) set for the Vice Chancellor by the Remuneration Committee:

- *The financial stability of the organisation has been ensured and the diversity of income streams has been increased;
- Recruitment in 2019, has been above expectation, where others have struggled, thanks to the growing reputation of the University;
- Progression rates were flat but disappointingly below target;
- *Institutional reputation and specifically League table rankings across all tables have improved above the average improvement by comparators;
- *The transaction for Lambeth College, as part of the family of educational institutions' strategy, has been completed;
- Costs have been controlled carefully, but with investment in key strategic areas;
- *The staff engagement score improved by a considerable 4%, at a time of significant change;
- *Progress has been made on the Estates strategy with major improvements across the elephant estate, and work started at Vauxhall;
- * The family of educational institutions concept has progressed within a new approved 2020-2025 Group strategy; and
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders.

So in summary LSBU has had a further excellent year at a particularly complex and challenging time and is well placed to thrive in a potentially tough environment going forward, The Board recognises the importance of maintaining a strong and determined leadership team at this time.

During the year under review, the Vice Chancellor was awarded a bonus of £[tbc] for individual performance (a bonus of £19k was awarded for performance in 2017/18) and a bonus of £[tbc] for team performance.

Performance related pay, 2018/19 and 2019/20

Under the Senior Remuneration Policy, for 2018/19, the Vice Chancellor and Senior Executives are eligible for a bonus of up to 10% of salary and for a team bonus of up to

5% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University met its overall financial target and eight members of the executive were eligible to receive an individual bonus and a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved [tbc] individual (including the Vice Chancellor) bonuses and a team bonus (of [tbc]%) together totalling £[tbc] (for 2017/18 performance, eight individual bonuses were awarded totalling £80k).

For 2019/20, a separate team bonus to a maximum of [tbc]% will operate in addition to the individual bonuses set out above and in line with a policy to increase the proportion of pay related annually to performance.

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Bonuses for performance during 2018/19 will be determined in November 2019 (32 bonuses were awarded totalling £165k in 2018/19 for performance during 2017/18).

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2018/19 with a comparison to 2017/18. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2018–19	2017–18
	£'000	£'000
Salary	234	228
Performance related pay	19	18
Taxable benefits	10	10
Subtotal	263	256
Pension scheme contributions or payments in lieu of pension contributions	34	34
Total	297	289

In August 2019, the Vice Chancellor paid back a loan of £350k in full to the University (full details of the loan are included in note 8(E)). From August 2019, the Remuneration Committee agreed a central London accommodation allowance of £10,000.

For the current year, the Vice Chancellor has been awarded a pay increase of [tbc]%, in line with the average annual pay rise for all employees.

Pay Multiple

The Vice Chancellor's basic salary is 6.15 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.78 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The pay multiple has remained in line with that of previous years.

Year	Ratio – basic salary	Ratio – total remuneration
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU basic salary ratio compares to the sector ratio of 6.9 (based on UCEA data for 2018).

External appointments, expenses and severance

LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor (and in the case of the Vice Chancellor by the Chair of the Board). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2018/19, the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

LSBU's Expense policy is available online. It applies to all staff including Senior Executives.

In 2018/19, the Vice Chancellor's expenses totalled £2.5k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised

costs. In addition, work-related travel costs of £2k were booked through the University's central travel buying team for the Vice Chancellor.

The Remuneration Committee has approved a policy on severance arrangements.

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	CONFIDENTIAL
Paper title:	Annual Report and Accounts for year ending 31st July 2019
Board/Committee:	Board
Date of meeting:	21 November 2019
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group Chief Financial Officer
Purpose:	For Approval
Recommendation:	It is recommended that the Board approve the attached report and accounts.

Executive Summary

The draft report & accounts are presented here for approval by the board.

The audit of the accounts is now complete and the accounts presented here are consolidated group accounts. The University Audit Committee reviewed the accounts at its meeting on 7 November 2019. Since that meeting there have been a few changes to the accounts, most notably an adjustment to the valuation of the land and buildings acquired from Lambeth College at 1 February 2019 and an adjustment to the LPFA pension deficit to reflect the actual rate of return on fund assets to 31/7/19. An updated set of accounts showing track changes has been circulated to members of the Audit Committee for review ahead of the Board meeting.

Recommendation

It is recommended that the Board approve the attached Report and Accounts.

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Company Registration No. 986761



Report and Financial Statements

31 July 2019

Report and financial statements 2019

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Report and financial statements 2019

Strategic Report

This Strategic Report is that of the University and its consolidated subsidiaries, South Bank Colleges, South Bank University Enterprises Limited and SW4 Catering Ltd (The LSBU Group).

London South Bank University (LSBU) was incorporated on 12 August 1970. It is registered at Companies House under number 986761 and its registered address is 103 Borough Road, London, SE1 0AA. LSBU is a company limited by guarantee and has no share capital.

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University’s corporate governance arrangements are described on pages 18-25 and the members of the Board of Governors during the year ended 31 July 2019 are listed on pages 2 and 3. The Governors are also directors under the Companies Act 2006.

The University is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal regulator is the Office for Students (OfS). All Governors are also charitable trustees. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

Veale Wasbrough Vizards LLP
Narrow Quay House, Narrow Quay,
Bristol BS1 4QA

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

until 31/7/19:
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

From 1/8/19:
BDO LLP
Arcadia House
Maritime Walk – Ocean Village
Southampton
SO14 3TL

Bankers

until 31/10/19:
NatWest
City of London Office
1 Princes Street
London EC2R 8PA

From 1/11/19:
Barclays
Level 12
One Churchill Place
London E14 5HP

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2019 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Steve Balmont	Resigned 31 July 2019
Mrs Shachi Blakemore	Resigned 31 March 2019

Report and financial statements 2019

Strategic Report

Mr Duncan Brown

Ms Julie Chappell

Resigned 31 January 2019

Mr John Cole

Appointed 1 May 2019

Mr Michael Cutbill

Mr Douglas Denham St Pinnock (Vice Chair)

Professor Peter Fidler CBE

Professor Hilary McCallion CBE

Ms Nelly Kibirige

Mr Mark Lemmon

Appointed 1 May 2019

Mr Kevin McGrath

Resigned 31 March 2019

Dr Mee Ling Ng OBE

Ms Jenny Owen

Resigned 31 July 2019

Mr Jeremy Parr

Appointed 1 August 2018

Ms Rashda Rana

Appointed 1 May 2019

Mr Tony Roberts

Ms Deepa Shah

Appointed 1 May 2019

Mr Nazene Smout

Mr Vinay Tanna

Appointed 1 May 2019

Principal Officers:

Name

Position

Professor David Phoenix

Vice Chancellor and Chief Executive

Professor Patrick Bailey

Provost

Richard Flatman

Group Chief Financial Officer

Professor Paul Ivey

Deputy Vice Chancellor and Chief Business Officer

Nicole Louis

Chief Customer Officer

Ian Mehrrens

Chief Operating Officer (Resigned 31 December 2018)

Fiona Morey

Executive Principal Lambeth College / Pro Vice Chancellor
Compulsory and Further Education

James Stevenson

Group Secretary

Professor Shân Wareing

Chief Operating Officer and Deputy Vice Chancellor
(Education) (resigned 31 October 2019)

Report and financial statements 2019

Strategic Report

A separate Corporate Governance Statement is shown on [pages 18-25](#).

Objectives and Activities

London South Bank University transforms lives, communities, businesses and society through applied education and insight. We were established over 125 years ago with a mission to improve social mobility for the people of south London by improving their employment opportunities and providing access to the applied knowledge that would advance their businesses. Other than an increasingly global reach, that mission remains almost unchanged today

At the heart of LSBU Group is high quality applied professional and technical education. This is underpinned by first class academic insight – applied research and knowledge exchanges, which provide valued knowledge to employers and currency to the teaching and student experience we offer.

The content and delivery of our education is based on a detailed understanding of employer expectations and built around the personal and career needs and ambitions of our educational partners – whether we call them pupils, learners, students or clients.

Our civic mission means that our work is place-based, whether that place is our home in south London, or around our international partnerships. Our courses, research and other activities are informed by our detailed understanding of local needs. Our international links provide global context.

Over the last few years, there have been many successes. We are recognised as a leader in professional and technical education, including in higher and degree apprenticeships. Our research income has doubled. We are the leading provider in London of SME business support funded by European Union structural funds and our business incubation programme has been recognised as second amongst all UK universities. Our global reach is increasing with inclusion in both major international rankings and our transnational student numbers have grown from around 100 to over 5000. We have been named Entrepreneurial University of the Year 2016, and University of the Year for Graduate Employment – twice (2017 and 2018).

LSBU Group

LSBU has adopted a new group structure, which is born out of a recommitment to our original civic mission. It enables us to create strategies and pathways by which people of all characteristics and talents can be supported through the education system to achieve their full potential, and so contribute their skills, energies and commitment to wider society throughout their lives. LSBU Group comprises London South Bank University, South Bank Academies (a Multi Academy Trust running South Bank Engineering UTC and University Academy of Engineering, South Bank), South Bank University Enterprises Ltd and, since 1 February 2019, South Bank Colleges running Lambeth College. These organisations work to a shared mission and values and use a shared educational framework to achieve shared outcomes.

LSBU sponsors of South Bank Academies, whilst not consolidated in these accounts, has a close working relationship with LSBU Group and was established in accordance with its mission.

On 31 January 2019 The assets of Lambeth College transferred to South Bank Colleges, a wholly owned subsidiary of LSBU. South Bank Colleges is a medium sized General Further Education College with nearly 400 staff and over 8000 students. It offers a wide choice of industry-recognised, highly-regarded courses ranging from Entry Level and Level 1 courses that that are accessible to all, regardless of past experience and education, through to Level 4 advanced qualifications. These cover key areas of local employment including Health and Social Care, Business and Accounting, Sport and Travel, Creative Arts and Media.

The acquisition arose out of a strategic decision to create an educational group which could more broadly serve the local community and which reflects the University's long standing commitment to transforming lives, businesses, communities and society. We continue to explore opportunities for development of the Group including with further education colleges, schools.

Report and financial statements 2019

Strategic Report

Mission

The mission of LSBU is to be recognised as an enterprising civic university that addresses real world challenges. The Corporate Strategy 2015–2020 sets out how the University will achieve its vision of becoming London's top modern university by 2020. The strategy has three key outcomes:

Student success

- Ensuring we are externally recognised for providing a personalised, high calibre education which equips graduates for employment and prepares them to make a positive contribution to society.

Real world impact

- Ensuring we provide dynamic evidence-based education which is underpinned by highly applied research and enterprise activity.

Access to opportunity

- Building opportunity through partnership: ensuring we are actively widening participation, engaging with our communities and are a partner of choice.

2018-19 has seen a number of important strategic developments and some positive outcomes for LSBU Group. Highlighted below are key updates and examples of our work underpinning our core corporate objectives:

Student Success

We aim to ensure that our teaching remains highly applied, professionally accredited and demonstrably linked to research and enterprise, delivering the attributes that will make our graduates highly sought after. Students are seen as participants in their learning and their voices are encouraged and listened to. We provide students with an individualised learning experience to develop the skills and aspirations that enable them to enter employment, further study or start their own business.

LSBU was named University of the Year for Graduate Employment for an unprecedented second year in succession (*The Times and Sunday Times Good University Guide 2019*).

- LSBU is a top 4 university in the UK for graduate outcomes (graduate employment and further study) (*Destinations of Leavers from Higher Education (DLHE) 2017/18*).
- LSBU is a top 10 UK university for Graduate Starting Salaries (*The Times Good University Guide September 2019*).
- LSBU is 21st of all UK universities for Graduate Prospects (*Complete University Guide 2019*).
- LSBU is ranked 68th in the Guardian League Table of UK universities (*The Guardian University League Tables 2020*).
- LSBU's graduate prospects score is the third highest in London and fourth highest in the UK *Complete University Guide 2020*
- LSBU again featured in the Times Higher Education (THE) World University Rankings

Academic Recognition

This year, the excellent work of our academic staff has once again been recognised in research successes, high profile appointments and other accolades.

Report and financial statements 2019

Strategic Report

- Dr Lynne Dawkins' study on the effects of e-cigarettes was featured in the highly prestigious New England Journal of Medicine
- Dr Gasper Epro won best paper out of 800 entrants at the 8th World Congress of Biomechanics
- Professor Marcantonio Spada was appointed Editor-in-Chief of the world leading journal "Addictive Behaviours"
- Professor Alison Leary received an MBE in the Queen's Birthday Honours for her work in Spectator Safety and Medical Care
- The NHS 70th celebration saw four of our past and present staff celebrated by the Nursing Standard and NHS England in "A Celebration of 70 Influential Nurses and Midwives from 1948 – 2018". Professor Alison Leary and Professor Neil Brimblecombe were named alongside two former Deans, Professor Judith Ellis and Professor David Sines
- Three members of LSBU staff Gill Foster, Stephen Dance and Patrick Callaghan - were made National Teaching Fellows. This was from a total of just 54 announced for the UK
- Professor Patrick Callaghan received a Lifetime Achievement Award for his outstanding contribution to mental health

Real World Impact

We aim to deliver outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research to the real world through commercial activities and social enterprise.

Our internationally renowned researchers this year contributed to the understanding of key social issues including gangs, nursing quality, and alcohol abuse.

- The University's Clarence Centre for Enterprise and Innovation is ranked in the top 15 worldwide of university-run business incubators. (UBI Global World Rankings 2017/18)
- The partnership between TWI and LSBU at the Cambridge Technology Park has continued to flourish throughout 2018/9 (*see detail below*).
- LSBU maintained its QS World Rankings rating of 4 stars.
- 150 British SME's and major companies have commercial research partnerships with LSBU.
- Over the last 5 years LSBU's tenant community has produced £317m in combined income; created 337 jobs; raised £13.5m in finance; enrolled and trained 325 apprentices; and hosted 30 LSBU interns in the last two years.
- 73% of LSBU research is rated 3* and 4* for Impact. LSBU has ongoing research partnerships with leading companies including Sellafield, London Underground and FitFloP.

Applied research with local and international impact

Since 2015, LSBU has worked with St Mungo's to combat homelessness in London. Every year, around 150 LSBU nursing students complete a one-week placement with the charity. This initiative was recognised as Partnership of the Year at the Student Nursing Times Awards 2018.

- LSBU's Dr Lynne Dawkins carried out a trial investigating the health effects of e-cigarettes and vapers. The study was funded by Cancer Research UK and published in the academic journal, 'Addiction'.
- TIGA, the video game trade association, recognised LSBU's "The Humanitarian Project" for its ground-breaking work. Led by LSBU researchers Professor Janet Jones and Dr Siobhán Thomas, the project is developing games to train humanitarian aid workers in effective emergency response techniques.
- LSBU researchers, led by Professor Andrew Whittaker, compiled a report on local gangs for Waltham Forest Council. Findings showed that gang behaviour is now more money orientated than territorial and that mental health issues are prevalent amongst gang members. The council has allocated an additional £806,000 over the next four years to reshape their existing gang prevention programme.

Report and financial statements 2019

Strategic Report

TWI

During 2018-19 our collaboration with TWI continued to grow. We opened the Polymeric Materials Engineering, Research and Innovation Centre (PolyMERIC) – our third research centre on the Cambridge Technology Park. The year also saw our other two centres, the Advanced Resin and Coating Technologies Innovation Centre (ARCTIC) and the London South Bank Innovation Centre (LSBIC) continue to attract significant EU funding for their cutting edge research. In just two years of operation, the partnership has attracted projects worth over £10 million

Passmore Centre

In November 2018 we officially opened the new Passmore Centre for Professional and Technical Education. The Centre, made possible by a £5m grant from Southwark Council, is a new hub for professional and technical education and provides access for local people and businesses to high quality apprenticeships and other forms of employer-supported study. The opening of the Centre was linked to further investment of £7m, including £3m from HEFCE, in LSBU's laboratory facilities to enhance its professional and technical offer.

During the year, LSBU reached nearly 1000 higher and degree apprentices and now offers over 40 apprenticeship standards making it one of the leading in the country.

LSBU's Clarence Centre for Research and Enterprise

LSBU is home to 72 small businesses, start-ups and entrepreneurs, based across three sites: Technopark, Blackwells (and the Clarence Centre for Enterprise and Innovation. This year the Clarence Centre celebrated its 5th birthday and was ranked 2nd in the UK, 4th in Europe and 15th globally for innovative business development in the UBI's Global 2018 world rankings. Since its opening during 2013 the Centre has helped support 1450 start-ups and 27 student start-ups. The Clarence Centre business community has generated over £300m turnover and safeguarded or created 400 jobs.

Mayor's Construction Academy Hub

The year saw LSBU awarded the London Mayor's Construction Academy Quality Mark. The University was then selected as the only higher education institution in the capital to lead and host a skills training and employment hub under the programme. LSBU's new construction skills hub is one of seven within London and is the product of a collaboration between LSBU and Southwark, Lambeth and Lewisham Councils.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed. LSBU is ranked in the top 200 in the world for Social Impact and 24th in the world for reducing inequality (*Guardian University League Tables 2020*)

ERDF (European Structural Funds) Start-up and SME programmes

LSBU is the leading HE provider of ERDF funded business and innovation support programmes in London. LSBU is currently delivering five programmes covering a range of sectors from health technology to food technology. Through these programmes we are supporting over 1200 SMEs, creating 120 jobs, bringing over 240 new products/services to firms/markets and creating over 160 long term collaborations with innovative SMEs.

Local Stakeholders

LSBU plays a key role in the community, working closely with borough councils, schools, businesses and other organisations to provide local residents and employers with the education, skills and knowledge they need. LSBU also supports its local communities across many other areas including health and wellbeing, legal advice, business growth and secondary education. In July 2019 LSBU signed an agreement with London Borough of Lewisham for the first time signifying continued collaboration over the coming years.

International

Our partnership with the British University in Egypt has grown to over 5000 undergraduates and 76 postgraduate students, and is now the largest site for transnational education in the Middle East and North Africa region. LSBU's world-leading Confucius Institute delivers Chinese language teaching to over 50 schools, conducting education, research and business engagement with Chinese universities and institution and acting as a hub of cultural and academic activities. It is the largest Confucius Institute in the world, and one of the largest Chinese language testing centres in Europe.

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Strategic Enablers

In delivering our strategy we make targeted investments in our staff and information infrastructure.

- We've seen our gender pay gap steadily reduce from 13.25% in 2009 to 6.7% in 2017/18 – significantly outperforming the higher education sector as a whole.
- In 2018, we signed up to the 'Time to Change' pledge to revolutionise the way our University thinks about and acts upon mental health at work.

LSBU Chancellor

In November 2018 the Rt Hon Sir Simon Hughes took up the honorary position of Chancellor succeeding Richard Farleigh who had served the University for six years. In this role, Sir Simon acts as an ambassador of the University.

LEAP

This year the University embarked on LEAP – a three-year organisational change programme, designed to transform the way we support our students. Emerging from a review of our Student Record System, this is an opportunity for us to redesign our processes and data structures, so they are fit for purpose for the coming years.

During the year we have been reviewing our Student Information System (SIS) and Customer Relationship Management (CRM) systems and exploring the introduction of a Curriculum Portfolio Management (CPM) system. We need to think broadly about how the University can fully transform the experience for its students, Alumni and other key stakeholders. To do this we are looking beyond our systems and redesigning our services, processes and supporting information structures.

We expect LEAP to improve student recruitment, retention and achievement, and to positively affect National Student Survey results, notably in the areas of course organisation and management and the academic support, enabling LSBU's journey towards TEF Gold and further league table position improvements.

LEAP is collaborative and designed by LSBU staff and students to ensure that what we deliver is right for LSBU.

Campus Development

Our ambitious redevelopment plans will positively transform the University for all. Upon completion the London Road building will become a Learning Hub providing enhanced facilities for the library, improved Academy of Sport in spring 2021, enhanced space for Elephant Studios and some community space.

External Environment

External factors affecting the University were principally the ongoing uncertainty over Brexit and further uncertainty over the contents and potential implementation of the Review of Post-18 Education (known as the "Augar Review"). At the date of signing these accounts we have no further certainty on either matter.

Principal risks and uncertainties

At a corporate level, risks are identified and managed through the University's risk management processes as described in the statement on internal control.

The Corporate Risk Register is the subject of careful and frequent review, and is aligned to the Corporate Strategy. The principal risks which the institution faces, considering external factors in the main, and the associated mitigation strategies are as follows:

Risk	Controls and Mitigation Strategies
do not deliver planned revenue increases	<ul style="list-style-type: none"> • Weekly review of numbers by Marketing, Admissions & Communications leadership team • Monthly review of Admissions & Enrolments report • Revised Outreach • Prudent margin assumed on enterprise growth

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	<ul style="list-style-type: none"> • Monthly review of financial forecasts • Prudent assumptions included in forecasts of assumed efficiency savings • Continued tight cost control
Failure to deliver planned improvements in progression rates	<ul style="list-style-type: none"> • Increase data analysis to academic staff including progression • Study support provided by Library & Learning Resource Centre • Personal tutoring specification established • Transform student experience through LEAP (described on page 8)
Increasing pensions deficit	<ul style="list-style-type: none"> • Regular review and consideration of potential options for future provision • Modelling / scenario analysis of future costs and projected movements in assets & liabilities • Group defined contribution scheme established • Strict controls over early access to pensions.
Impact of Government. Education Review on HE funding	<ul style="list-style-type: none"> • Annual Board approval of 5 year forecasts • Chief Financial Officer access to sector & professional expertise • Scenario planning for reduced resource levels
Impact and affordability of Capital Expenditure investment plans	<ul style="list-style-type: none"> • Capex reporting embedded into management accounts provided to Finance, planning and Resources Committee • Estates project methodology controls & governance • Financial Regulations require Board approval for spend greater than £2m
Impact of assurance activity & new initiatives fails to address issues around student experience	<ul style="list-style-type: none"> • Action plans for each School & for Institution • Year 1 & Year 2 Undergraduate Student Experience Survey (SES) identifies issues with cohorts ahead of year 3 • Funding ring fenced for staff mini project submissions to address student experience issues • Communication plan to student body • Long term roadmaps in development to identify greater opportunities for incorporation of student feedback in provision of professional services

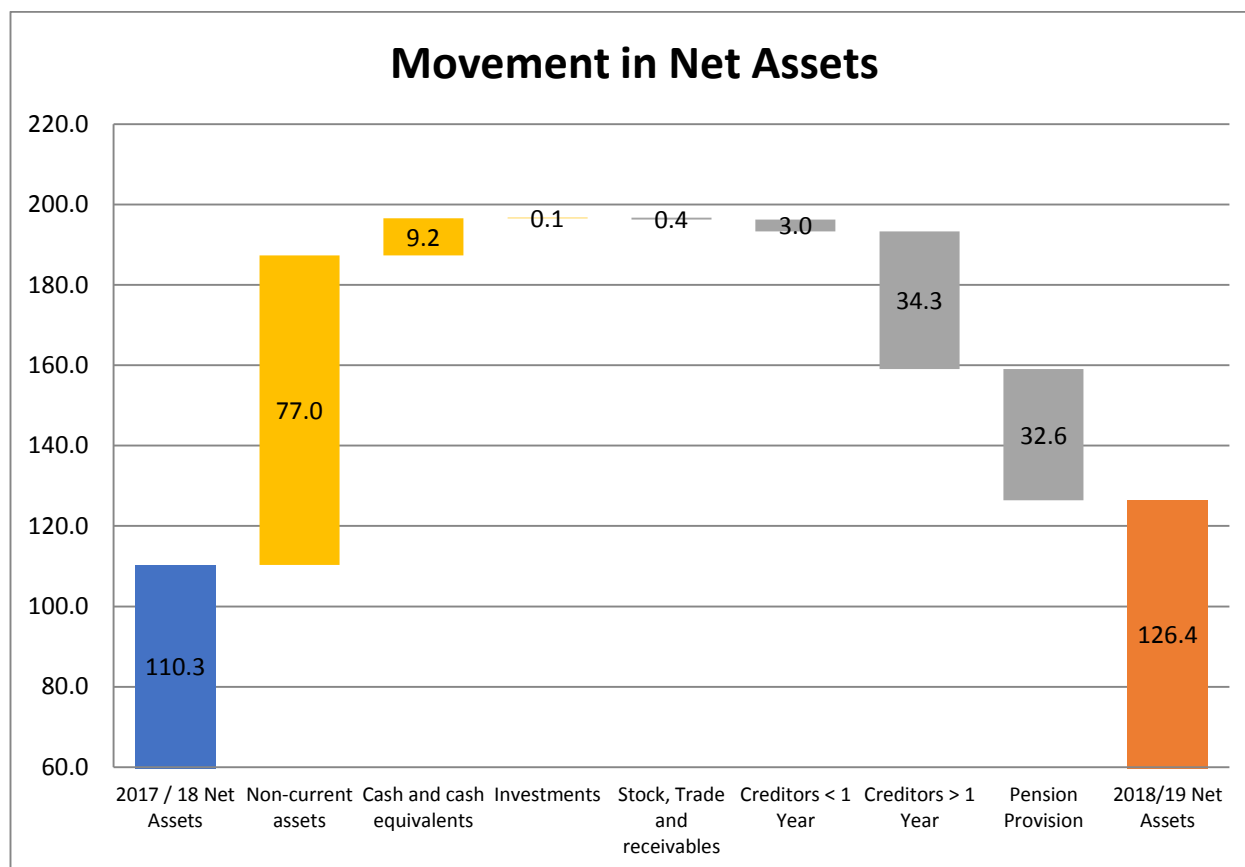
Financial Review

Balance sheet and liquidity

The Group's net assets increased by 18% during the year moving from £110.3m to £126.4m. There was a decrease of £2.2m in the University's net assets, the group increase however was due to SBC moving from an initial negative net asset position of £4.6m. to a positive position following a £16.2m asset revaluation

Of the other changes to Net Assets, the largest increase of £56.9m was partly due to bringing the Fixed Assets of SBC into the Group before the £16.2m revaluation. The other principal category for the change was Pension Provisions. £13.7m of the increase was due to change in the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme £22.4m was due to the SBC Pensions deficit. The increase in creditors due after 1 year is an increase in LSBU loans due to the novation of a Lambeth College loan and the inclusion of SBC deferred income as a Group liability.

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The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits increased from £49.4m at 31 July 2018 to £58.8m at 31/7/19 whilst Bank and other loans increased from £24.3m at 31 July 2018 to £36.4m at 31 July 2019 reflecting the loans novated from Lambeth College to LSBU Group and after loan repayments made during the year.

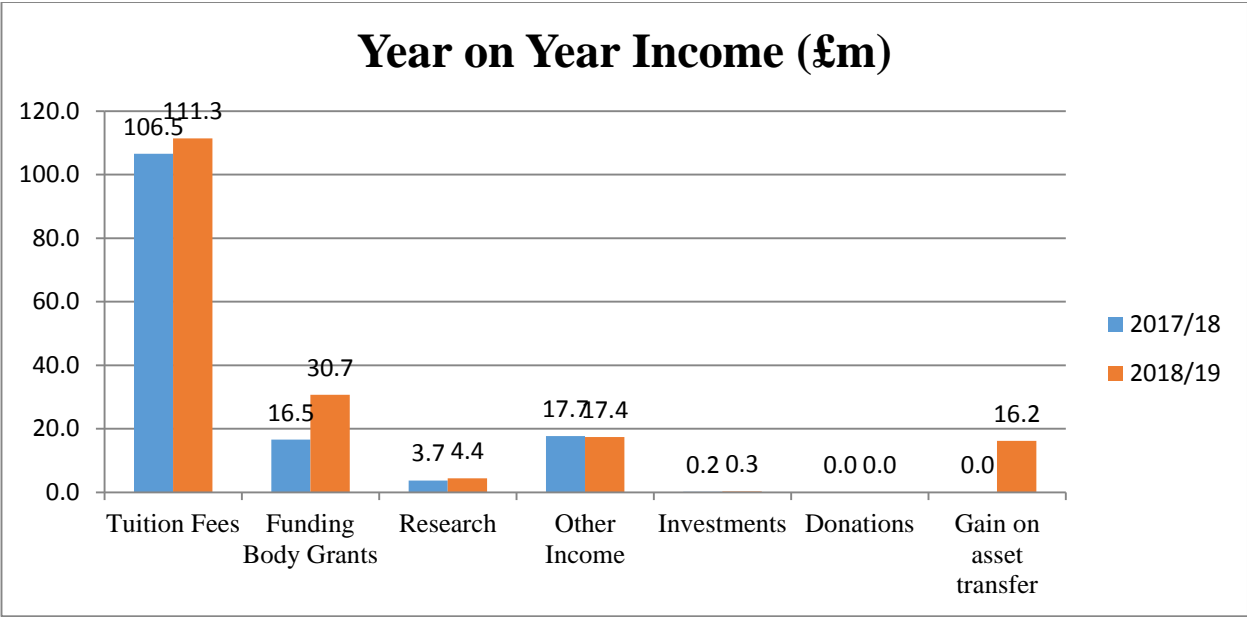
The levels of borrowing facilities are reviewed on a regular basis and are considered adequate to meet current operational plans.

Result for the Year

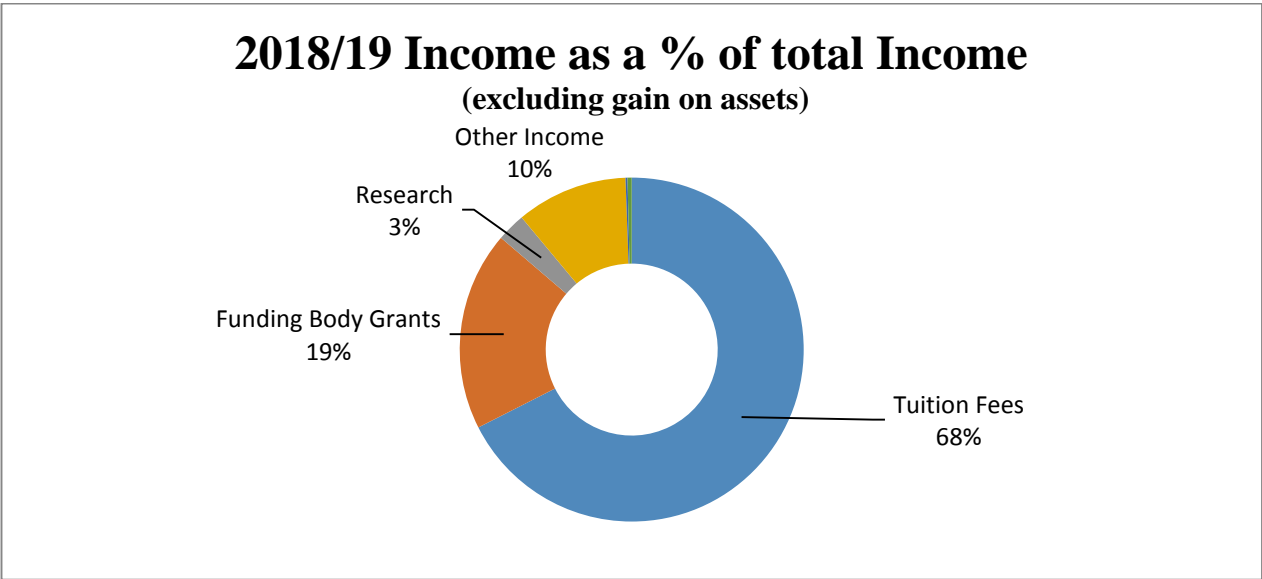
Financial Summary in £m	2018/19		2017/18		Variance from 2017/18 £m	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Income including asset gain	181.1	145.3	35.8	24.6%		
Expenditure	161.8	143.7	18.1	12.6%		
Surplus for the year	19.3	1.6	17.7	1,106.3%		
Surplus %	10.7%	1.1%				

The operating surplus of £2.9m for LSBU and SBUEL is ahead of the agreed LSBU budget surplus of £1.5m and the forecast surplus of £1.5m submitted to the Office for Students (OfS) as part of their monitoring processes and to the ESFA as part of the negotiations surrounding the Lambeth College transaction. In the context of the continuing investment being made by the University and the recruitment challenges across the sector in 2017/18, particularly with regard to changes in the full time undergraduate demographic and the decline of the part time student market, this is a considered a good result. The revaluation of SBC assets has added an additional £16.2M to the surplus for the group. The asset revaluation helps balance some of the risks associated with bringing SBC into the LSBU Group.

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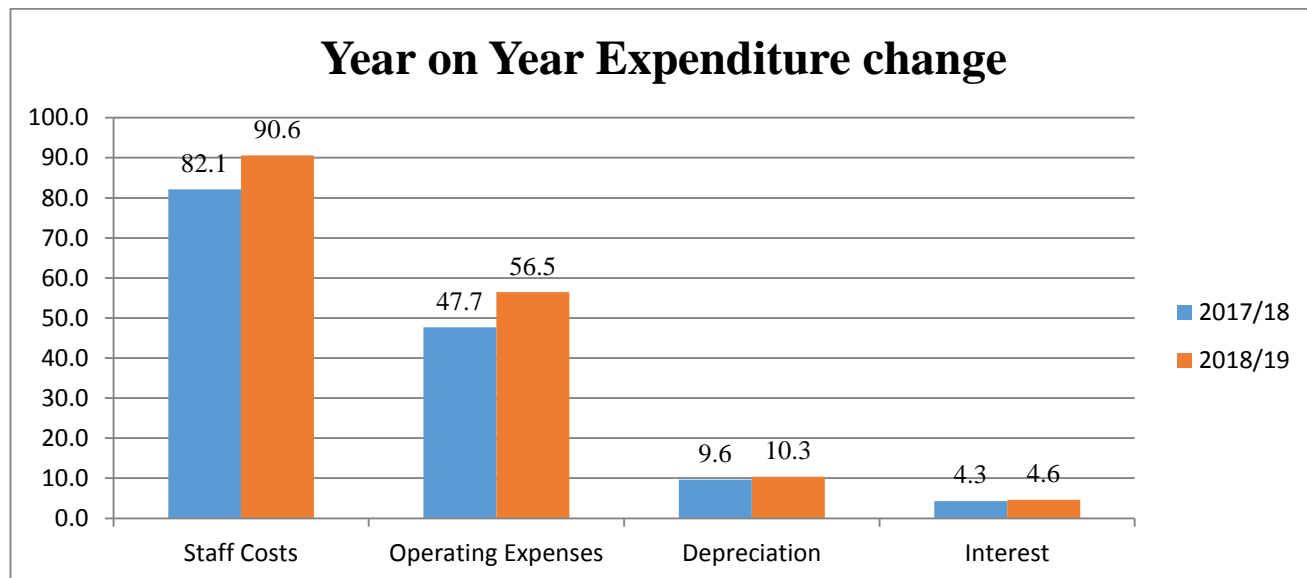


Total income for the group increased by 24.6% (£35.8m) to £180.4m (2017/18: £145.3m). Of this increase £3.2M was due to extra activity within the University whilst the remainder was due to the expansion of LSBU Group including an extraordinary gain on the transfer of Assets at SBC of £16.2M. If we exclude this gain, then Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for LSBU Group representing 68% and 19% respectively (2016/17 = 73% and 11%). There was an increase in Funding Grants due to the funding profile of SBC. Tuition fees have increased year on year due to strong recruitment at the University. The other factors affecting income were an increase in research income following a number of successful research bids and an increase in Other Income as the University expands its enterprise activities.



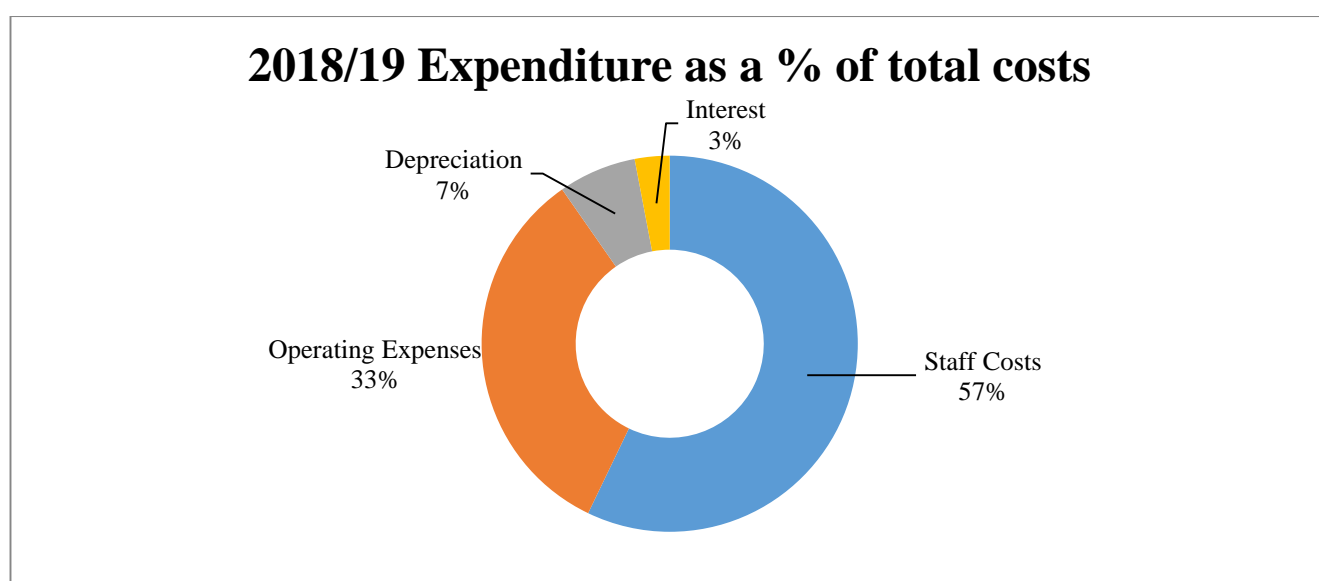
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In terms of expenditure, staff costs increased by 9.4% from £82.1m in 2017/18 to £90.6m in 2018/19 representing 54.9% of income (2017/18: 56.5%). Although there was the normal level of increase linked to pay uplift and increments the University delivered an overall reduction in staff cost as compared to 17/18. The reason for the increase was the additional staff within SBC TUPEd from Lambeth College. After including seconded staff, sub contracted teaching costs and agency staff costs, which are included in the financial statements as operating expenditure but before any restructuring provision, total staff costs represent 55.9% of income. This is slightly higher than our target of 55% and staff costs remain an area of continued focus for the Group in 2019/20.

Other operating expenses increased by 15.6% from £47.7m in 2016/17 to £56.5m. The University Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the full implementation of the London Living Wage, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities. The remainder of the increase was due to the expenses associated with SBC.

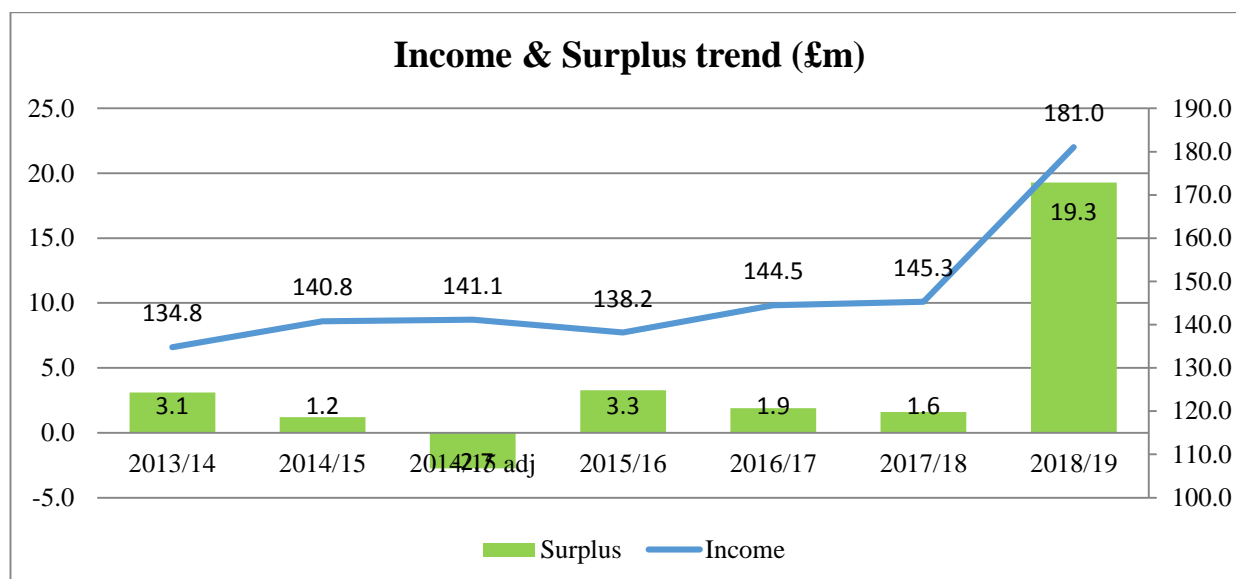


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There were no significant changes to the University's Fixed assets. There were no asset disposals and the increase in the value of the Groups fixed assets is due to the assets associated with SBC.

Financial trend analysis



2014/15 adjusted for FRS 102 adjustments

Income has grown by 34% since 2013/14. There have been large decreases in funding grants but this has been offset by larger tuition fees. The University Group has also seen growth in Post Graduate and International tuition fees and a growth in Transnational Education Income. There has been significant growth in Research income as the University prepares for the Research Excellence Framework (REF) in 2020 and significant growth in income from Enterprise activities which led to the University being recognised as the Entrepreneurial University of the Year at the Times Higher Education Awards in 2016. The key driver for income growth in 18/19 was the absorption of SBC into the LSBU Group.

LSBU Group always aims to make a small surplus and has consistently done so. There were a number of FRS102 adjustments that moved 2014/15 into a technical deficit position but this was considered exceptional and the future forecasts submitted to our regulator, the OFS, reflect our aspiration to generate a positive financial position in each of the next 5 years. The extraordinary surplus of 18/19 reflects the strong underlying performance at LSBU and is due to the revaluation of Assets within SBC.

Subsidiaries

South Bank Colleges acquired the assets of Lambeth College on 31 January 2019. The College delivers a wide range of courses and apprenticeships that open doors to career opportunities and further study.

South Bank University Enterprises Limited (SBUEL) provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated £ in gift aid to the University (2018: £0.5m).

South Bank Colleges is consolidated into the Group accounts from 1st February 2019 and SBUEL was consolidated for the full year. SW4 Catering is a wholly owned subsidiary of South Bank Colleges.

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Going Concern

Governors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2018/19 has been a successful year with income growth of 13.5% to £164.9m (including the acquisition of Lambeth College) building on earlier re-structuring and investment for future success. A financial surplus of £2.9m is reported, £1.3m better than the approved budget, as a result of continued strong recruitment, sound financial management and effective cost control. This is after accounting for re-structure costs of £1.0 m and a year on year increase in pension service charge of £4.3m.

The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits increased from £49.4m to £58.8m whilst Bank and other loans increased from £24.3m at 31 July 2017 to £36.4m at 31 July 2018 reflecting the loans novated from Lambeth College to LSBU group.

The levels of borrowing facilities are reviewed on a regular basis and are considered adequate to meet current operational plans.

A budget surplus of £1.5m has been approved for 2019/20, reflecting the need for continued surplus whilst maintaining appropriate levels of investment to drive the necessary corporate strategic outcomes. Recruitment has been positive this year, with new student enrolments expected to exceed targets, despite continued increased levels of market competition. We are confident that we can deliver to the agreed budget surplus.

London South Bank University (charity) Public Benefit statement

LSBU is an exempt charity within the meaning of the Charities Act 2011. Its principal regulator is the Office for Students (OfS). On 18 September 2018 LSBU was entered into the register of English higher education providers.

The accounts of South Bank Colleges (SBC), an exempt charity within the meaning of the Charities Act 2011, form part of these accounts. Further details on how SBC meets its public benefit obligations are set out in SBC's own accounts.

Charity Commission Guidance on Public Benefit

The members of the Board of Governors are the charitable trustees of LSBU. In undertaking its duties, the Board of Governors has regard to the Charity Commission's guidance on public benefit.

Charitable Objects

The charitable objects (under s.3 Charities Act 2011) of LSBU, as set out in its Articles of Association, are to:

- conduct a university for the public benefit for the advancement of education, promotion of research and dissemination of knowledge;
- provide full time and part time courses of education at all levels; and
- provide facilities to promote these objects and provide associated support and welfare for students.

LSBU's objects are applied solely for the public benefit, as follows.

LSBU advances education for the public benefit by:

- providing teaching to its students in the form of lectures, seminars, personal tuition and online resources;

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- delivering many courses accredited by recognised professional bodies, full and part time;
- setting and marking assessments, giving feedback to students and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

LSBU promotes research and the dissemination of knowledge by:

- undertaking academic research and publishing the results;
- publishing articles in peer-reviewed journals;
- maintaining an online and physical academic library with access for students, staff and guests;

LSBU provides support and services for students through:

- wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- student advice and guidance services via a one-stop-shop and student helpdesks
- employability services, supporting students who are working while studying, helping students source work experience and graduate opportunities;
- money advice, including debt management;
- specific support services for particular groups of students, including care leavers, carers and pregnant students;
- mentoring and coaching;
- providing student accommodation;
- funding some individual students' education through bursaries and fee waivers; and
- providing funds to London South Bank University Students' Union (LSBUSU).

Beneficiaries

In carrying out its objects, LSBU benefits its students and future students through teaching and learning activities either directly or through the support of its subsidiaries (SBA and SBC). LSBU also benefits the wider public, through research and knowledge transfer.

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at LSBU are open to anyone whom it believes has the potential to succeed. Throughout its history, LSBU has enabled wider access to education. Its Strategy, 2015-2020 sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; and access to opportunity.

Like other universities, LSBU must charge tuition fees. However, tuition fee and maintenance loans are available to home undergraduates who have applied for funding via Student Finance England. In addition, the University offers financial assistance in the form of scholarships, bursaries and charitable funds to students in need.

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £ 854,880 on 31 July 2019 (2018: £823,960). The funds are managed with the aim of securing capital growth and an annual income. In 2018/19 the income received was £ 30,910 (2017/18: £25,882). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2017 (the last available year of DLHE data), 87.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2017 – 18).

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2014, with the majority of its research graded as

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“Internationally Excellent” and “Recognised Internationally”. LSBU is committed to Open Access, sharing scholarly works with industry, the professions and wider public through LSBU Research Open and providing an Open Access Fund to pay Open Access publication costs.

LSBU is London’s largest University contributor to community based enterprise and evidenced by some £11M of ERDF and ESF projects. In addition the University is in the top two of all London Universities for the number of Knowledge Transfer Partnership run with local businesses and enterprises. The commitment to local enterprise education and SME development is recognised internationally, from working with refugee groups across south London to operating commercially in Borough Market.

Access and Participation

As part of LSBU’s registration with the OfS in September 2018, an access and participation plan was approved by the OfS. This sets out how LSBU will continue to enable opportunities for student success. This plan has been updated to cover the next five years and was approved by the OfS in September 2019.

Group structure

During the year, Lambeth College joined the LSBU Group. This major strategic decision was taken to create an educational Group which could more broadly serve the local community and is directly linked to LSBU’s charitable object of delivering courses of education at all levels.

Disclosure of information to auditors

At the date of making this report each of the Governors, as set out on [pages 2-3](#), confirm the following:

- So far as each Governor is aware, there is no relevant information needed by the University’s auditors in connection with preparing their report of which the University’s auditors are unaware; and
- Each Governor has taken all the steps that he or she ought to take as a Governor in order to make him or herself aware of any relevant information needed by the University’s auditors in connection with preparing their report and to establish that the University’s auditors are aware of that information.

Auditor

The Board of Governors will be asked to reappoint KPMG UK LLP as auditor of the University by written resolution.

Directors’ report

This Strategic Report also serves as the University’s Directors’ Report for the purposes of the Companies Act 2006.

Approval

Approved by the Board of Governors and signed on behalf of the Board by:

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

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Strategic Report

Date

21 November 2019

Statement of Board of Governors responsibilities in respect of the Strategic Report and the Financial Statements

The Board of Governors is responsible for preparing the Strategic Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and 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 group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

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 group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with 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 group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

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

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

Chair of the Board of Governors
21 November 2019

Corporate Governance Statement

The following statement is given to assist readers of the financial statements in understanding the governance and legal structure of the University. The Financial Statements of South Bank Colleges (SBC) and South Bank University Enterprises Ltd form part of these Financial Statements (South Bank Academies is also within the LSBU Group but is not consolidated). Further details on the corporate governance arrangements of these companies is included in their own Financial Statements.

The University's Board of Governors is committed to maintaining the highest standards of corporate governance. In carrying out its duties it follows:

- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006
- The CUC Higher Education Code of Governance
 - Higher Education Senior Staff Remuneration Code
- The Office for Students (OfS) Terms and conditions of funding for higher education institutions and the Audit Code of Practice (March 2018)
- The OfS Public Interest Governance Principles
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care
- The University's Articles of Association and standing orders
- The seven principles of standards in public life
- Other legislative requirements of corporate and Higher Education bodies

Governance and Legal Structure

London South Bank University is a company limited by guarantee and an exempt charity within the meaning of the Charities Act 2011. Its objects and powers are set out in its Articles of Association. The Articles provide the governance framework of the University and set out the key responsibilities of the Board of Governors and its powers to delegate to committees, the Vice Chancellor and the Academic Board.

Compliance with the Public Interest Governance Principles

The University demonstrated its compliance with the OfS's Public Interest Governance principles when registering with the OfS and continue to be upheld by LSBU through the current governance structures reported in this section and the university's relevant published policies.

Compliance with the CUC Higher Education Code of Governance

The Board has materially complied with all aspects of the Higher Education Code of Governance (CUC, December 2014) during the year under review, as demonstrated below. References to paragraphs of the code are shown in brackets below.

Decision making

London South Bank University is led by a Board of Governors, which is collectively responsible for the strategic direction of the University, approval of major projects and partnerships and ensuring that the potential of every student is maximised (1.1).

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and where appropriate, its committees make decisions by consensus at meetings or electronically (2.4). The schedule is reviewed on an annual basis. The schedule is currently being updated to reflect the new group structure of LSBU.

During the year, the Board met five times (five times in 2017/18). In addition, the Board held two strategy days (two in 2017/18) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was an 82% (2017/18: 82%) attendance rate at Board meetings.

Corporate Governance Statement

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page 14 (1.2)). The Board receives an annual reminder on Charity Commission guidance (most recently, 17 October 2019). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS through the Audit Committee (1.3).

Compliance

All governors and members of the Executive are required to declare their interests on appointment, on an annual basis and are required to declare any interests which relate to decisions at meetings. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests (2.2). The governing body affirms that it makes decisions without any undue pressure from external interest groups, which is assured through the declaration of interests' process (2.3).

HEFCE undertook its five-yearly assurance visit in January 2017 and concluded that it could place reliance on LSBU's accountability information, the highest opinion of the four possible.

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (3.6). One reportable event (the acquisition of Lambeth College) was reported and no material adverse changes were reported to the OfS during the year. The closure of two partnerships was reported to the OfS in September 2019.

The Board receives annual reports from the Students' Union in relation to its democratic processes and finances (2.5).

Sustainability

The Board is responsible for the sustainability of the institution and approves the annual budget, which is aligned to the five year corporate strategy (3.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing key performance indicators, management accounts and five year forecasts (3.3). Overall financial control is delegated to the Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required.

Academic governance

The Board has oversight of academic governance across the institution, receiving an annual report from the Academic Board.

The Board has regard to the principle of academic freedom (4.1, 4.2, 4.3).

In addition, the Board meets with the Academic Board twice each year to discuss strategy.

External activities

The Board reviews all proposals for all significant, external activities and independent legal advice is sought, if necessary. Due diligence is conducted when entering into major projects that have significant risk associated with them (5.1).

During the year under review the Board approved the acquisition of the undertaking of Lambeth College after taking account of appropriate due diligence.

Equality and Diversity

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (6.3, 6.4, 6.5). During the year, a recruitment firm that specialises in equality and diversity was used to recruit five new governors, which has helped improve the diversity of the Board.

Structures and processes

Corporate Governance Statement

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on [pages 2-3](#). The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (7.2). On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.2, 2.1).

Following the publication of the OfS Public Interest Governance Principles in 2018, all governors have confirmed that they meet the 'fit and proper' definitions as set out by the OfS.

Committees

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually (3.6). Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee has a majority of independent governors. The chairs of each committee are independent governors and are set out below under Key Individuals.

The following principal committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee
- Remuneration Committee
- Honorary Awards Joint Committee

The Nomination committee is responsible for recruiting new independent governors (7.3). Recommendations are made to the Appointments Committee, which makes the final decision on appointment. A written description of the role and capabilities required of governors has been agreed by the Nomination Committee. Candidates are judged against the capabilities required and the balance of skills, experience currently on the Board. The balance of skills, experience and diversity of independent governors is kept continually under review by the Nomination Committee.

Membership of the Audit Committee is between three and four independent governors (3.12), and a co-opted external member. Following OfS requirements, the Audit Committee produces an annual report for the Board, which gives an annual opinion on risk management control and governance; economy, efficiency and effectiveness; and management and quality assurance of data submitted to external bodies, (3.4, 3.5). The Audit Committee reviews the effectiveness of the systems of control in place across the institution. The Audit Committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10). The Audit Committee receives assurance annually from the external auditor that public funds have been spent appropriately.

There is a Remuneration Committee which decides the remuneration of senior executives, including the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16).

Further details on the work of the committee are included in the annual remuneration report below (at pages [26 to 30](#)).

The Honorary Awards Joint Committee is a joint committee with the Academic Board. It has delegated authority from the Board of Governors to select recipients for the conferment of an honorary degree or an honorary fellowship based on procedures and criteria as approved by the Academic Board. Its membership comprises independent governors, and staff and student governors who are also members of the Academic Board.

Governance effectiveness review

During the year, the Board completed a full effectiveness review which was reported to the July 2019 Board meeting. Following this review no major changes to the Board's structure have been proposed. The review was undertaken

Corporate Governance Statement

internally but was quality assured by PwC, who concluded that they “did not identify any issues with the way in which the process was run by the governance team. We are comfortable that the process was free of bias and was conducted appropriately”.

The main recommendations arising out of the review are:

1. to review both assurance and reporting from the Academic Board to the Board to enable greater visibility of the work done by the Academic Board;
2. that agendas for Board meetings and Strategy Days provide greater focus on strategic discussions and a reduction of operational papers; and
3. continued focus on finalising ‘Group’ governance arrangements and structure and for the Board of Governors to be assured of its responsibilities and potential liabilities in relation to it.

An action plan has been developed and the Board is monitoring progress against the plan.

LSBU Group

With the creation of the LSBU Group in 2018/19, the LSBU Board acts as a ‘Group Board’. As a ‘Group Board’ it has oversight of strategy, performance and key decisions across all aspects of the group.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Douglas Denham St Pinnock
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont (until 31 December 2018) Duncan Brown (from 1 January 2019)
Chair of Finance, Planning and Resources Committee	Hillary McCallion (until 31 July 2019) Michael Cutbill (from 1 August 2019)
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng (until 1 July 2019) Jeremy Parr (from 2 July 2019)
University Secretary and Clerk to the Board of Governors	James Stevenson

Corporate Governance Statement

Key individuals can be contacted through the office of the University Secretary and Clerk to the Board of Governors, Mr James Stevenson, at London South Bank University, 103 Borough Road, London SE1 0AA. Published documents are available on the governance section of the University website.

Corporate Governance Statement

Statement of Primary Responsibilities of the Board of Governors

(based on the CUC Guide for Members of Higher Education Governing Bodies in the UK)

1. To approve the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of quality assurance and systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard and promote the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

Corporate Governance Statement

Statement on Internal Control

As the governing body of London South Bank University Group, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Articles of Association, and the OfS terms and conditions of funding.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements, and accords with OfS guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provides oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;
- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- Senior Managers meet regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;
- Formal risk management and internal control procedures have been embedded within ongoing operations.

In the future, the Audit Committee and Board will perform a Group role, with a terms of reference for the oversight of risk and audit of the LSBU and its subsidiaries.

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 21 November 2019 and were signed on its behalf by:

Mr Jeremy Cope

Corporate Governance Statement

Chair of the Board of Governors

21 November 2019

Annual Remuneration Report, 2018/19

Introduction

This remuneration report sets out the University's approach to determining senior pay and outlines performance and reward during the year.

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page 3.

The Board has adopted the CUC Remuneration Code and approved a senior remuneration policy.

Full details of the senior pay policies referred to in this report are available on the LSBU website.

Terms of Reference

The Remuneration Committee's Terms of Reference are available online.

Committee Membership 2018/19

The members of the committee for the year 2018/19 were Mee Ling Ng (Committee Chair until July 2019 and committee member throughout the year), Jeremy Parr (Committee Chair from July 2019), Jerry Cope (Chair of the Board), Michael Cutbill and Douglas Denham St Pinnock. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2018/19

The committee met twice in the 2018/19 academic year.

- 6 November 2018
- 2 July 2019

In addition, the committee made a decision via email in February 2019.

The committee also met on 21 November 2019 to consider Senior Executive performance and remuneration for 2018/19.

Approach to remuneration of all staff in 2018/19 and for 1 August 2019 onward

LSBU is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as the leading Modern University in London. This requires the provision of high quality teaching and support to its students, at home and overseas, enabling them to face the real world confidently and successfully. The teaching environment will be underpinned by input from employers and will have a strong focus on Enterprise and applied Research.

To achieve this objective, LSBU needs to attract, retain and motivate a strong calibre of leaders with competitive remuneration packages, within both a London and international labour market. However, the approach to senior remuneration must be framed within a context that all LSBU employees are, and feel, remunerated fairly for their roles and responsibilities and enthusiasm for the success of the University.

At LSBU, we create an environment which attracts and fosters the very best staff, and in which all staff, whatever their role, feel valued and proud of the University and take appropriate responsibility for its development. Embracing and

Annual Remuneration Report, 2018/19

integrating equality and diversity and inclusion is fundamental to our success and growth as an institution of higher education.

Senior Remuneration

In setting senior remuneration, LSBU has adopted the CUC Higher Education Senior Staff Remuneration Code (2018).

LSBU's Senior Remuneration Policy sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves above the median expected for the role;
- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the VC's base salary and total remuneration to the median earnings of the Institution as a whole, both absolute and the change from the previous years.
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 5% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

Benchmarking

An independent review of the benchmark set for Senior Executive salaries was carried out by Korn Ferry in September 2018 and based on recommendations a revised approach to benchmarking was approved by the Committee at its meeting of 6 November 2018.

The committee agreed that based on the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators will be taken into consideration when setting and reviewing Senior Executive salaries:

- Institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%);
- London modern universities; and
- Other universities with a group structure or similar complexity of structure or regulatory framework.

The Hay Group Guide Chart Profile Method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

Annual Remuneration Report, 2018/19

Institutional performance, 2018/19

The Board monitors the performance of the University through the agreed key performance indicators. As set out in the *Strategic Report*, the University performed well in terms of both financial and strategic outcomes.

Institutional performance including areas measured by the key performance indicators plus individual objectives are reviewed as part of individual Senior Executives' appraisals and are overseen by the Remuneration Committee.

Vice Chancellor performance, 2018/19

This assessment of Vice Chancellor performance is for academic year 2018/19. The bonus awarded based on performance for academic year 2018/19 will be paid in financial year 2019/20 and appear in next year's accounts.

The Vice Chancellor's performance was reviewed by the Chair of the Board as part of the appraisal process, looking at key results both against key KPIs for the University, which the Vice Chancellor oversees, and against the specific personal objectives (marked *) set for the Vice Chancellor by the Remuneration Committee:

- *The financial stability of the organisation has been ensured and the diversity of income streams has been increased;
- Recruitment in 2019, has been above expectation, where others have struggled, thanks to the growing reputation of the University;
- Progression rates were flat but disappointingly below target;
- *Institutional reputation and specifically League table rankings across all tables have improved above the average improvement by comparators;
- *The transaction for Lambeth College, as part of the family of educational institutions' strategy, has been completed;
- Costs have been controlled carefully, but with investment in key strategic areas;
- *The staff engagement score improved by a considerable 4%, at a time of significant change;
- *Progress has been made on the Estates strategy with major improvements across the elephant estate, and work started at Vauxhall;
- * The family of educational institutions concept has progressed within a new approved 2020-2025 Group strategy; and
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders.

So in summary LSBU has had a further excellent year at a particularly complex and challenging time and is well placed to thrive in a potentially tough environment going forward, The Board recognises the importance of maintaining a strong and determined leadership team at this time.

During the year under review, the Vice Chancellor was awarded a bonus of £[tbc] for individual performance (a bonus of £19k was awarded for performance in 2017/18) and a bonus of £[tbc] for team performance.

Performance related pay, 2018/19 and 2019/20

Under the Senior Remuneration Policy, for 2018/19, the Vice Chancellor and Senior Executives are eligible for a bonus of up to 10% of salary and for a team bonus of up to 5% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University met its overall financial target and eight members of the executive were eligible to receive an individual bonus and a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved [tbc] individual (including the Vice Chancellor) bonuses

Annual Remuneration Report, 2018/19

and a team bonus (of [tbc]%) together totalling £[tbc] (for 2017/18 performance, eight individual bonuses were awarded totalling £80k).

For 2019/20, a separate team bonus to a maximum of [tbc]% will operate in addition to the individual bonuses set out above and in line with a policy to increase the proportion of pay related annually to performance.

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Bonuses for performance during 2018/19 will be determined in November 2019 (32 bonuses were awarded totalling £165k in 2018/19 for performance during 2017/18).

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2018/19 with a comparison to 2017/18. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2018–19	2017–18
	£'000	£'000
Salary	234	228
Performance related pay	19	18
Taxable benefits	10	10
Subtotal	263	256
Pension scheme contributions or payments in lieu of pension contributions	34	34
Total	297	289

In August 2019, the Vice Chancellor paid back a loan of £350k in full to the University (full details of the loan are included in note 8(F)). From August 2019, the Remuneration Committee agreed a central London accommodation allowance of £10,000.

For the current year, the Vice Chancellor has been awarded a pay increase of [tbc]%, in line with the average annual pay rise for all employees.

Pay Multiple

The Vice Chancellor's basic salary is 6.15 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.78 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The pay multiple has remained in line with that of previous years.

Annual Remuneration Report, 2018/19

Year	Ratio – basic salary	Ratio – total remuneration
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU basic salary ratio compares to the sector ratio of 6.9 (based on UCEA data for 2018).

External appointments, expenses and severance

LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor (and in the case of the Vice Chancellor by the Chair of the Board). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2018/19, the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

LSBU's Expense policy is available online. It applies to all staff including Senior Executives.

In 2018/19, the Vice Chancellor's expenses totalled £2.5k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £2k were booked through the University's central travel buying team for the Vice Chancellor.

The Remuneration Committee has approved a policy on severance arrangements.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF LONDON SOUTH BANK UNIVERSITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the principal accounting policies in note one.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction for periods beginning on or after 1 August 2019 as published on 25 October 2019; 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 group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Board of Governors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the Group and this is particularly the case in relation to Brexit.

Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF LONDON SOUTH BANK UNIVERSITY

Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Report and the Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

- we have not identified material misstatements in the other information;
- in our opinion the information given in Strategic Report and the Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have 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 by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's 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.

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 17, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF LONDON SOUTH BANK UNIVERSITY

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 18(1) of the University's Articles of Association. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

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.

**Consolidated and University Statement of Comprehensive
Income and Expenditure
Year ended 31 July 2019**

	Note	Consolidated		University	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Income					
Tuition fees and education contracts	1	111,344	106,537	109,571	106,537
Funding body grants	2	30,896	16,544	16,338	16,054
Research grants and contracts	3	4,429	3,738	4,073	3,310
Other income	4	17,413	17,708	14,590	15,195
Investment income	5	303	179	299	177
Transfer of net assets from Lambeth College		16,210			
Total income before other grants and donations		180,398	144,706	144,871	141,273
Donations and endowments	6	646	596	376	596
Total income		181,044	145,302	145,247	141,869
Expenditure					
Staff costs	7	90,385	82,106	80,534	80,346
Other operating expenses	9	56,455	47,658	48,099	46,466
Depreciation and amortisation	12,13	10,353	9,626	9,352	9,626
Interest and other finance costs	11	4,586	4,298	4,360	4,298
Total expenditure		161,779	143,688	142,345	140,736
Surplus before other gains and losses		19,265	1,614	2,902	1,133
Gains on investments	20	31	17	31	17
Surplus for the year		19,296	1,631	2,933	1,150
Actuarial (loss)/gain in respect of pension schemes	26	(3,145)	19,083	(3,142)	19,083
Total comprehensive income /(expenditure) for the year		16,151	20,714	(209)	20,233
Represented by:					
Endowment comprehensive income for the year		31	17	31	17
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income /(loss) for the year		16,120	20,697	(240)	20,216
		16,151	20,714	(209)	20,233

All activities consist of continuing operations. South Bank Colleges, whose accounts are consolidated here, acquired Lambeth College on the 31 January 2019 and results for the six months from 1st February 2019 are included in the Consolidated Statement of Comprehensive income and Expenditure.

Consolidated and University Statement of Changes in Reserves

	Note	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
		Endowment	Unrestricted		
Consolidated		£'000	£'000	£'000	£'000
Balance at 1 August 2017		807	61,386	27,382	89,575
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,614	-	1,614
Other comprehensive income		17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve		-	660	(660)	-
Total comprehensive income / (expenditure) for the year		17	21,357	(660)	20,714
Balance at 1 August 2018		824	82,743	26,722	110,289
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	19,265	-	16,263
Other comprehensive income	26	31	(3,145)	-	(3,114)
Transfers between revaluation and income and expenditure Reserve		-	771	(771)	-
Total Comprehensive income / (expenditure) for the year		31	16,891	(771)	16,151
Balance at 31 July 2019		855	99,634	25,951	126,440
University					
Balance at 1 August 2017		807	61,295	27,382	89,484
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,133	-	1,133
Other comprehensive income		17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve		-	660	(660)	-
Total comprehensive income / (expenditure) for the year		17	20,876	(660)	20,233
Balance at 1 August 2018		824	82,171	26,722	109,717
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	2,902	-	2,902
Other comprehensive income		31	(3,142)	-	(5,633)
Transfers between revaluation and income and expenditure reserve		-	771	(771)	-
Gift aid received		-	517	-	517
Total Comprehensive income / (expenditure) for the year		31	(1,048)	(771)	308
Balance at 31 July 2019		855	83,219	25,951	110,025

London South Bank University

Consolidated and University Balance sheets

As at 31 July 2019

	Notes	Consolidated		University	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Non-current assets					
Intangible assets	12	165	1,065	165	1,065
Tangible fixed assets	13	295,738	217,804	224,452	217,804
Investments	14	38	38	38	38
		<u>295,941</u>	<u>218,907</u>	<u>224,655</u>	<u>218,907</u>
Current assets					
Stocks		6	10	6	10
Trade and other receivables	15	18,999	19,408	26,253	19,022
Investments	22	11,713	11,573	11,713	11,573
Cash and cash equivalents	22	47,088	37,841	45,602	36,821
		<u>77,806</u>	<u>68,832</u>	<u>83,574</u>	<u>67,426</u>
Creditors: amounts falling due within one year	16	(34,266)	(31,285)	(30,296)	(30,451)
Net current assets		<u>43,540</u>	<u>37,547</u>	<u>53,278</u>	<u>36,975</u>
Total assets less current liabilities		<u>339,481</u>	<u>256,454</u>	<u>277,933</u>	<u>255,882</u>
Creditors: amounts falling due after more than one year	17	(79,686)	(45,422)	(56,032)	(45,422)
Provisions					
Pension provisions	19	(133,355)	(100,743)	(111,876)	(100,743)
Total net assets		<u><u>126,440</u></u>	<u><u>110,289</u></u>	<u><u>110,025</u></u>	<u><u>109,717</u></u>
Restricted reserves – endowment reserves	20	855	824	855	824
Unrestricted reserves					
Income and expenditure reserve		99,634	82,743	83,219	82,171
Revaluation reserve	21	25,951	26,722	25,951	26,722
Total Reserves		<u><u>126,440</u></u>	<u><u>110,289</u></u>	<u><u>110,025</u></u>	<u><u>109,717</u></u>

These financial statements were approved by the Board of Governors on 21 November 2019 and were signed and authorised on their behalf by:

London South Bank University

Consolidated Statement of Cash Flows Year ended 31 July 2019

	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Surplus for the year		19,296	1,631
Adjustment for non cash items			
Amortisation / depreciation	12,13	10,353	9,626
Investment income	5	(303)	(179)
Interest payable	11	4,586	4,298
Decrease / (increase) in stock		4	(2)
Decrease / (increase) in debtors	15	1,387	(1,030)
Increase in creditors	16	3,272	4,653
Pension costs less contributions payable	26	7,097	2,876
Gain on transfer of assets and liabilities from Lambeth College		(16,210)	-
Adjustment for investment or financing activities			
Investment income	5	23	22
Interest receivable	5	280	157
Net cash inflow from operating activities		29,786	12,746
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets	12/13	(17,406)	(9,623)
Cash (added to) / removed from fixed term deposits	22	(140)	5,047
Acquisition of Lambeth College		197	-
		(17,349)	(4,576)
Cashflows from financing activities			
Capital element of bank loan repayments	18	(1,624)	(1,347)
Interest element of bank loan repayments	11	(1,566)	(1,128)
		(3,190)	(2,475)
Increase in cash and cash equivalents during the year		9,247	5,695
Cash at bank and on deposit at the start of the year	22	37,841	32,146
Cash at bank and on deposit at the end of the year		47,088	37,841

Principal Accounting Policies

The following principal accounting policies adopted, have been applied consistently in both the current and prior year in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets.

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the University has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 14 of these financial statements. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the University's accounting policies.

Consolidation of accounts

The financial statements incorporate the financial statements of London South Bank University and its subsidiary undertakings; South Bank University Enterprises Limited (SBUEL), South Bank Colleges and SW4 Catering Limited.

The University sponsors South Bank Academies, which operates the University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC. The funds of South Bank Academies are restricted to its own purpose and will not be available to the creditors of the University, for example in the event of the University's insolvency. If South Bank Academies were to become insolvent, the University would not receive its assets or reserves. Therefore, the accounts of South Bank Academies are not consolidated into the University accounts.

Consolidation of subsidiaries is based on the equity method. Intragroup loans or balances are recognised at fair value.

Income recognition

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

Fee income is stated gross and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as gross expenditure and not deducted from income.

Revenue Government grants, including funding council block and research grants from government sources are recognised within the Statement of Comprehensive Income and Expenditure over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a Government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions is deferred on the Balance sheet and released to the Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Government capital grants are recognised in income over the expected useful economic life of the asset. Other capital grants are recognised in income when the University is entitled to funds subject to any performance related conditions being met.

Donations and endowments with donor imposed restrictions are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Income is retained within the restrictive reserve until such a time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Any realised gains or losses from dealing in the related assets are retained within the restricted reserve in the Balance sheet and reported in the Statement of Comprehensive Income and Expenditure.

Principal Accounting Policies

Donations with no restrictions are recorded within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income.

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

Intangible assets

Software costing less than £10,000 per individual item or group of items is written off to the Statement of Comprehensive Income and Expenditure in the year of acquisition. All other software is capitalised as an intangible asset and amortised at 25% per annum.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that have been revalued to fair value on the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Properties are not carried under the valuation method and therefore regular revaluations of assets are not undertaken by the University.

Freehold land and buildings, long leasehold and short leasehold premises are included in the financial statements at cost or valuation together with subsequent refurbishment expenditure, less amounts written off by way of depreciation. Freehold land is not depreciated. Finance costs that are directly attributable to the construction of land and buildings are not capitalised.

Assets in the course of construction are accounted for at cost, based on the value of Quantity Surveyors' certificates and other direct costs incurred to the end of the year. They are not depreciated until they are brought into use.

Equipment costing less than £10,000 per individual item or group of items is written off to the Statement of Comprehensive Income and Expenditure in the year of acquisition. All other equipment is capitalised.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Long leaseholds	Period of lease
Short leaseholds	Period of lease
Building improvements	6.7% per annum
IT equipment	25% per annum
Other equipment and motor vehicles	20% per annum
Furniture	6.7% per annum

As LSBU is not a research intensive University, all equipment purchased with research grants is assumed to have a life equal to the length of the research project and will be depreciated accordingly. Assets purchased using research funds, including computers and software, costing less than £10,000 per individual item or group of related items are written off in the year of acquisition in line with the University's normal accounting policy regarding depreciation of fixed assets. All other items are capitalised and depreciated over the remaining life of the research project.

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

At each financial year end the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered a diminution in value. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value and its value in use, is estimated in order to determine the extent of the impairment loss.

Investments

Investments in subsidiaries and associated undertakings are shown in the University's Balance sheet at cost less any provision for impairment in their value.

Endowment Asset Investments are included in the Balance sheet at fair value.

Principal Accounting Policies

Stocks

Stocks are valued at the lower of cost and net realisable value.

Pension costs

The University contributes to the Teachers' Pensions Scheme (England and Wales), the London Pension Fund Authority Pension Fund (LPFAPF) and the Universities Superannuation Scheme (USS). These schemes are administered by Teachers' Pensions (on behalf of the Department for Education), the London Pension Fund Authority and USS Ltd respectively and are all of the defined benefit type.

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year. The TPS and USS are multi-employer schemes for which is not possible to identify the University's share of assets and are therefore reported as if they were defined contribution schemes, so that the cost is equal to the total of contributions payable in the year. Contractual obligations relating to these schemes including any agreements to pay additional contributions to fund a deficit are calculated at net present value and are included in provisions.

For other defined benefit schemes, including the LPFAPF, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that return on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The University has a defined contribution pension scheme for employees of its subsidiary, SBUEL. The University pays contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Employment benefits

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

Taxation status

The University is an exempt charity within the meaning of part 3 of the Charities Act 2011, and as such is a 'charity' within the meaning of Section 467 of the Corporation Tax Act (CTA) 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478 of the CTA 2010 and Section 256C of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary company SBUEL is subject to corporation tax and is therefore required to account for deferred tax and current tax.

South Bank Colleges is considered to pass the test set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, South Bank Colleges is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax 2010 or Section 256 of the Taxation of Chargeable Gains Acts 1992, to the extent that such income or gains are applied exclusively to charitable purposes. It is partially exempt in respect of Value Added Tax, so it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Principal Accounting Policies

Deferred tax is provided in full on timing differences which 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 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 financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Agency arrangements

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

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

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

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

Maintenance

Maintenance expenditure is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

Refurbishment expenditure on a property is deemed to be of a capital nature if it either enhances the property's operational capabilities, or if it significantly upgrades the mechanical or electrical infrastructure of that property. To the extent that the expenditure is of a capital nature, it is capitalised and written off over its useful economic life. Refurbishment expenditure that does not meet either of these criteria is treated as maintenance expenditure.

Reserves

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

Where fixed assets were revalued prior to the implementation of FRS 102, the gain or loss on revaluation was credited or debited to the revaluation reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve.

The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 26).

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty.

Liquid resources comprise assets which in normal practice are generally convertible to cash and cash equivalents. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Financial instruments

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and it is intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Judgements and estimates

Principal Accounting Policies

Material Judgements and estimates

Accounting policies are supplemented by estimation techniques where judgement is required to establish the monetary amounts of assets, liabilities, gains and losses included in the financial statements and the estimates and associated assumptions are believed to be reasonable and prudent. In all cases these judgements and estimates are either based on past experience or are prepared by qualified advisors. In preparing these financial statements management have made the following judgements and estimates:

The present value of the London Pension Fund Authority Pension Fund (LPFAPF) and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price increase and any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability.

Land has been revalued at 31/7/14 resulting in a one off adjustment to increase the deemed cost of land by £41,946,000. The valuation was prepared by qualified valuers in accordance with the Red Book. The fair value depends on the classification of assets and a number of material assumptions including the condition of properties, ground and services, estimated market value and estimated rental income at the date of valuation.

A determination whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

As of 1st February 2019 South Bank Colleges acquired the assets and liabilities of Lambeth College. In line with FRS102 land and buildings were revalued to fair value using indices as used by professional valuers. These assets will be held at deemed costs and depreciated over their useful economic life in line with our accounting policy for fixed assets.

Non Material Judgements and Estimates

The Provision for bad debt is calculated based on the University's past experience of collecting student and other debt. It is estimated that, at the date of signing the financial statements and after making deductions where a repayment arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

A determination as to whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Foreign currency translation

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets arise where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the University. These are disclosed by way of a note, where there is a probable, rather than a present asset arising from a past event.

Notes to the Accounts

Year ended 31 July 2019

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Full-time home and EU students	72,287	60,218	70,514	60,218
Full-time international students	9,900	8,621	9,900	8,621
Part-time students	14,034	13,198	14,034	13,198
Other courses	1,920	1,925	1,920	1,925
Strategic Health Authority education contracts	13,203	22,575	13,203	22,575
	<u>111,344</u>	<u>106,537</u>	<u>109,571</u>	<u>106,537</u>
2. Funding body grants				
Recurrent grant	26,699	14,498	15,245	14,498
Non recurrent grants				
Specific grants	2,907	665	-	175
Pension liabilities	141	318	141	318
Other grants	952	964	952	964
Teaching Agency grant	-	99	-	99
	<u>30,699</u>	<u>16,544</u>	<u>16,338</u>	<u>16,054</u>
3. Research grants and contracts				
Research councils	2,358	1,768	2,018	1,340
UK based charities	398	242	398	242
European Commission	1,089	1,389	1,073	1,389
Other grants and contracts	334	208	334	208
Knowledge Transfer Partnerships	250	131	250	131
	<u>4,429</u>	<u>3,738</u>	<u>4,073</u>	<u>3,310</u>
4. Other income				
Residence and catering income	11,024	10,514	11,000	10,514
Other income	6,389	7,194	3,590	4,681
	<u>17,413</u>	<u>17,708</u>	<u>14,590</u>	<u>15,195</u>
5. Investment income				
Interest on short term investments	23	22	23	21
Endowment income and interest receivable	280	157	276	156
	<u>303</u>	<u>179</u>	<u>299</u>	<u>177</u>

Notes to the Accounts

Year ended 31 July 2019

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
6. Donations and endowments				
Unrestricted donations	646	596	376	596

Donations include the estimated market value of SBC's rent free occupation of its Lambeth College premises in Brixton.

	Consolidated	
	2019	2018
	No.	No.
7. Staff		
Average staff numbers by major category:		
Academic staff	877	690
Student support staff	128	107
Other support staff	649	590
	1,654	1,387

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Costs:				
Wages and salaries	66,221	62,469	58,356	60,967
Social security costs	6,968	6,526	6,229	6,401
Employers' pension contributions	17,196	13,111	15,949	12,978
	90,385	82,106	80,534	80,346

Staff costs for the year include costs arising from redundancies of £1m (2018 £2m), of which £0.8m was paid during the year and £0.2m was accrued.

8. Remuneration of Board of Governors and higher paid employees

A. Governors

The University's governors do not receive remuneration from the University in their capacity as governors.

The salaries and pension contributions below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University.

	2019	2018
	£'000	£'000
Salaries	404	400
Pension contributions or payment in lieu of pension contributions	59	57
	463	457

Governors are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2019 five trustees were paid total expenses of £1,217 (2018: five governors were paid total expenses of £2,731) for travel and subsistence.

B. Determining pay of senior staff

Pay of senior executives, including the Vice Chancellor, is determined, by a Remuneration Committee, composed of Independent governors, and chaired by an experienced Independent governor. The Vice Chancellor is not a member of the Remuneration Committee.

The Committee, in making its determination, considers remuneration levels in a number of comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on

Notes to the Accounts

Year ended 31 July 2019

the performance of senior executives against individual measurable objectives and may award individual bonuses of up to 10% and a group bonus of up to 5%.

Further information is provided in the Annual Remuneration Report on [pages 26 to 30](#).

C. Emoluments of the Vice Chancellor	2019	2018
	£'000	£'000
Salary	234	228
Bonus	19	18
Taxable benefits	10	10
Pension Scheme contributions or payments in lieu of pension contributions	34	33
	<hr/>	<hr/>
Total emoluments and remuneration	<u>297</u>	<u>289</u>

The Vice Chancellor is the highest paid Governor.

Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 8(F). The Vice Chancellor's taxable benefit includes £8,750 interest benefit for the loan and £1,460 for medical care cover.

The Vice Chancellor's basic salary is 6.15 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration is 6.78 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The calculation of these ratios comply with the draft 2019/20 OfS guidance.

Notes to the accounts

Year ended 31 July 2019

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding bonus, benefits and pension contributions) in excess of £100,000 during the year. Six of these employees accrued benefits under defined benefit pension schemes during the year (2018:5). These employees are grouped as follows:

	Consolidated and University	
	2019	2018
	No.	No.
£100,000 to £104,999	1	-
£120,000 to £124,999	-	2
£125,000 to £129,999	1	2
£130,000 to £134,999	-	1
£135,000 to £139,999	2	-
£140,000 to £144,999	1	1
£145,000 to £149,999	1	1
£155,000 to £159,999	1	1
£225,000 to £229,999	-	1
£230,000 to £234,999	1	-
	8	9
	8	9

E. Key management personnel

Key Management personnel include members of the University Executive Group, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excludes employers pension contributions). Members of the University Executive are listed on [page 3](#) of these Financial Statements.

	£'000	£'000
Key management personnel	1,213	1,370
	1,213	1,370

F. Related party disclosures

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

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these financial statements. During the year the university paid for staffing, expenses and equipment for SBUEL totalling £240k (2018: £217k), and collected rental income of £59k (2018: £90k). At the year-end SBUEL owed the University £538k (2018: 356k).

The University is the sole Member of South Bank Colleges (SBC), a Private Limited Company by guarantee, which was incorporated on 1st August 2018. SBC and it's wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1st February 2019 SBC received £13.7m from the Education and Skills Funding Agency (ESFA) which was transferred to the University on 2nd February 2019 to hold on its behalf and to transfer back to SBC as it is needed to fund operational and capital expenditure requirements. During the 6 months from 1st February the University transferred £7.45m to SBC. Services totalling £965k were recharged to SBC during the year and the balance between SBC and the University at the year-end was £8,414k.

The President and the Union Council Chair of the LSBU Students' Union are members of the Board of Governors. During the year the LSBU Students' Union received financial support from the University of £945,000 (2018: £945,000) net of services provided by the University. Services provided by the University totalled £37,960. The balance between the two parties at the year-end was £1,260 (2018: £nil).

Notes to the accounts

Year ended 31 July 2019

A member of the Board, Hilary McCallion, is a visiting professors at Kings College London. During the year the University paid Kings College London £31,482 (2018: £74,100) in respect of seconded staff and received £4,117 in tuition fees. Hilary McCallion is also a non-executive director of Ashford and St Peters NHS Foundation Trust. During the year the University received £5,685 in tuition fee income from Ashford and St Peters.

A member of the Board, Jeremy Cope, is a board member of the Universities and Colleges Employer Association (UCEA). During the year the University paid £2,306 (2018: £20,832) in respect of membership and conference fees.

A member of the Board, Duncan Brown, is a retired partner of PricewaterhouseCoopers LLP (PwC) and receives a retirement allowance from that organization. During the year the University paid PwC £1,942,015 (2018: £164,625) in respect of internal audit and professional fees, and the University received £8,800 in respect of tuition fees.

The University controls the board of South Bank Academies. During the year the University charged South Bank Academies Trust £25,000 (2018:£6,000) for clerking services and £1,791 (2018:£18,000) in reimbursement of actual expenses incurred. SBUEL charged South Bank Academies £50k for staff provided through LSBU Employment, an employment agency run by SBUEL. At the year-end South Bank Academies owed The Group £1,791.

The Vice Chancellor is a Trustee of the British University in Egypt. During the year the University invoiced £1,545,491 (2018:£1,539,279) in respect of educational services.

The Vice Chancellor is a member of the Board, and Chair of the Funding Policy Network of Universities UK. During the year the University paid Universities UK £941 in respect of conference fees.

The Vice Chancellor is a member of the Board of the National Centre for Universities and Businesses (NCUK). During the year the University paid NCUK £9,000 in respect of subscription fees and project contributions.

The Vice Chancellor of the University received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to contribute to a specified property and was fully secured by way of legal mortgage on the property in favour of London South Bank University. As of 31 July 2019 the outstanding balance was £350,000, with the total balance being repaid on 8th August 2019.

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
9. Other operating expenses				
Academic	12,033	10,275	11,691	10,275
Academic support	12,175	7,254	9,088	7,254
Other support	5,530	6,696	5,530	6,696
Premises	13,529	13,032	12,584	13,032
Residence and catering	4,032	3,981	4,032	3,981
Other expenses	9,156	6,420	5,174	5,228
	<u>56,455</u>	<u>47,658</u>	<u>48,099</u>	<u>46,466</u>

Group other operating expenses are stated after charging:

	2019	2018
	£'000	£'000
Auditors' remuneration*		
<i>External audit</i> KPMG LLP	100	53
<i>Other services</i> KPMG LLP	79	17

Notes to the accounts

Year ended 31 July 2019

Rentals under operating leases: Plant and machinery** 208 168

* Includes £100,285 attributable to the University (2018: £62,294)

**Includes £156,641 attributable to the University (2018: £167,936)

10. Taxation

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 £X.Xk (2018: £9.9k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated		University	
	2019	2018	2019	2018
11. Interest and other finance costs	£'000	£'000	£'000	£'000
Loans Interest	1,566	1,128	1,569	1,128
Net charge on pension scheme	3,020	3,170	2,791	3,170
	<u>4,586</u>	<u>4,298</u>	<u>4,360</u>	<u>4,298</u>

12. Intangible Assets Software

Cost or Valuation	Consolidated and University		
	Software	Assets in Course of Construction	Total Intangible Assets
	£'000	£'000	£'000
At August 2018	4,140	50	4,190
Additions	-	73	73
Transfer	-	-	-
At 31 July 2019	<u>4,140</u>	<u>123</u>	<u>4,263</u>
Amortisation Charge			
At August 2018	(3,125)	-	(3,125)
Charge for the year	(973)	-	(973)
At 31 July 2019	<u>(4,098)</u>	<u>-</u>	<u>(4,098)</u>
Net Book Value			
At 31 July 2019	<u>42</u>	<u>123</u>	<u>165</u>
At 31 July 2018	<u>1,015</u>	<u>50</u>	<u>1,065</u>

Notes to the accounts

Year ended 31 July 2019

13. Tangible fixed assets (Consolidated)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold Land and Buildings £'000	Assets in Course of Construction £'000	Fixed Assets Total £'000
Cost or Valuation							
At 1 August 2018	64,368	167,110	47,210	46,906	44	19,091	344,729
Additions	-	28	(10)	28	-	17,287	17,333
Additions at 1 February	24,597	41,100	2,468	1,130	-	687	69,982
Disposal	-	-	-	(24)	-	-	(24)
Transfers	-	4,743	-	6,052	-	(10,795)	-
At 31 July 2019	<u>88,965</u>	<u>212,981</u>	<u>49,668</u>	<u>54,092</u>	<u>44</u>	<u>26,270</u>	<u>432,020</u>
Depreciation							
At 1 August 2018	-	(59,099)	(30,620)	(37,170)	(37)	-	(126,926)
Charge for the year	-	(5,368)	(1,256)	(2,756)	-	-	(9,380)
Disposals	-	-	-	24	-	-	24
At 31 July 2019	<u>-</u>	<u>(64,467)</u>	<u>(31,876)</u>	<u>(39,902)</u>	<u>(37)</u>	<u>-</u>	<u>(136,282)</u>
Net book value							
At 31 July 2019	<u>88,965</u>	<u>148,514</u>	<u>17,792</u>	<u>14,190</u>	<u>7</u>	<u>26,270</u>	<u>295,738</u>
At 31 July 2018	<u>64,368</u>	<u>108,013</u>	<u>16,589</u>	<u>9,736</u>	<u>7</u>	<u>19,091</u>	<u>217,804</u>

Additions at 1 February relate to fixed assets acquired by South Bank Colleges from Lambeth College.

Tangible Fixed assets (University)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold Land and Buildings £'000	Assets in Course of Construction £'000	Total Fixed Assets Total £'000
Cost or Valuation							
At 1 August 2018	64,368	167,110	47,210	46,906	44	19,091	344,729
Additions	-	-	-	-	-	15,028	15,028
Disposal	-	-	-	(24)	-	-	(24)
Transfers	-	4,743	-	6,052	-	(10,795)	-
At 31 July 2019	<u>64,368</u>	<u>171,853</u>	<u>47,210</u>	<u>52,934</u>	<u>44</u>	<u>23,324</u>	<u>359,733</u>
Depreciation							
At 1 August 2018	-	(59,099)	(30,620)	(37,170)	(37)	-	(126,962)
Charge for the year	-	(4,677)	(1,231)	(2,471)	-	-	(8,379)
Disposals	-	-	-	24	-	-	24
At 31 July 2019	<u>-</u>	<u>(63,776)</u>	<u>(31,851)</u>	<u>(39,617)</u>	<u>(37)</u>	<u>-</u>	<u>(135,281)</u>
Net book value							
At 31 July 2019	<u>64,368</u>	<u>108,077</u>	<u>15,359</u>	<u>13,317</u>	<u>7</u>	<u>23,324</u>	<u>224,452</u>
At 31 July 2018	<u>64,368</u>	<u>108,013</u>	<u>16,589</u>	<u>9,736</u>	<u>7</u>	<u>19,091</u>	<u>217,804</u>

Notes to the accounts

Year ended 31 July 2019

14. Investments	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
CVCP Properties plc	38	38	38	38

The University holds 9% of the £1 ordinary shares of CVCP Properties plc. The principal activity of the company is leasing of buildings, with the majority of tenants being Higher Education organisations.

Details of the companies, all incorporated in England and Wales, in which London South Bank University holds directly or indirectly more than 20% of the nominal value of any class of share capital are as follows:

South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL). Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012.

South Bank Colleges

The University is the sole member of South Bank Colleges, a private company limited by guarantee and incorporated on 1st August 2018 and its results are fully consolidated in these accounts. South Bank Colleges took over the operations of Lambeth College from 1st February 2019 and has one subsidiary, SW4 Catering Ltd.

Other investments

All other investments represent less than 20% of the issued share capital in each case and are therefore not individually disclosed.

15. Debtors: amounts falling due within one year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade debtors	15,787	14,454	14,167	14,072
Amounts owed by group undertakings	-	-	8,952	356
Other debtors	996	1,255	977	1,253
Prepayments and accrued income	2,216	3,349	2,157	2,991
Total debtors due within one year	18,999	19,058	26,253	18,672
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	-	350	-	350
	18,999	19,408	26,253	19,022

16. Creditors: amounts falling due within one year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank and other loans	1,909	1,367	1,909	1,367
Trade creditors	810	1,677	809	1,661
Other creditors	1,913	1,582	1,620	1,449
Social security and other taxation payable	1,984	1,544	1,487	1,544
Accruals and deferred income	27,650	25,115	24,471	24,430
	34,266	31,285	30,296	30,451

Notes to the accounts
Year ended 31 July 2019

17. Creditors: amounts falling due after more than one year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank and other loans	34,452	22,895	34,452	22,895
Other creditors	2,576	-	-	-
Deferred income	42,658	22,527	21,580	22,527
	79,686	45,422	56,032	45,422

Included within deferred income are items of income which have been deferred until specific performance related conditions have been met.

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Government	12,026	7,818	11,863	7,492
Non-government	2,167	2,603	2,016	2,448
Capital grants	30,738	23,158	22,206	23,158
	44,931	33,579	36,085	33,098

18. Borrowings

Bank loans are repayable as follows:

Due in less than one year (note 16)

Due between one and two years

Due between two and five years

Due after five years

Total due after one year (note 17)

Consolidated and University

2019 £'000	2018 £'000
1,909	1,367
1,945	1,383
6,035	4,156
26,472	17,356
34,452	22,895
36,361	24,262

Notes to the accounts

Year ended 31 July 2019

Details of bank basic loans

Lender	Term	Interest rate	Security	2019 £'000	2018 £'000
Barclays Bank	25 years to 2032	5.67% fixed	} McLaren House	3,886	4,197
Barclays Bank	To April 2029	5.25 % fixed		5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed		6,909	7,291
Barclays Bank	23 years to 2032	0.225% over Libor		3,786	4,083
Barclays Bank	16 years to 2035	5.16-5.20% Fixed plus 1.65% margin	McLaren House	13,467	-
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	3,113	3,491
Salix	Variable	Interest free	Unsecured	200	200
				36,361	24,262

19. Provisions for liabilities: Consolidated

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Enhanced pension £'000	Total £'000
Balance at 1 August 2018	977	99,766	-	100,743
Additions at 1 February	-	19,040	1,934	20,974
Utilised during the year	-	(6,278)	(279)	(6,557)
Charged to comprehensive income and expenditure	1,163	16,827	205	18,195
Balance at 31 July 2019	2,142	129,355	1,860	133,355

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are in note 26B.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26B. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,229,497, a decrease of £912,372 from the current year end provision.

The enhanced pension provision relates to the cost of staff who retired from Lambeth College Corporation with enhanced pension provisions between 1995/96 and 2006/7. The value of the provision is calculated in accordance with guidelines issued by the Association for Colleges.

Notes to the accounts
Year ended 31 July 2019

University

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Total Provisions £'000
Balance at 1 August 2018	977	99,766	100,743
Utilised during the year	-	(5,842)	(5,842)
Charged to comprehensive income and expenditure	1,165	15,810	16,975
Balance at 31 July 2019	2,142	109,734	111,876

20. Restricted reserves	Endowments		Consolidated and University	
	Restricted Permanent £'000	Restricted Expendable £'000	2019 Total £'000	2018 Total £'000
Balance at 1 August	692	131	824	807
Increase in market value of investments	25	6	31	17
Balance at 31 July	717	137	855	824

21. Unrestricted reserve	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Revaluation reserve				
Balance at 1 August	26,722	27,382	26,722	27,382
Addition at 1 February	6,777	-	-	-
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(846)	(660)	(771)	(660)
Balance at 31 July	32,653	26,722	25,951	26,722

22. Cash and cash equivalents

	At 1 Aug 2018 £'000	Cashflows £'000	At 31 July 2019 £'000
Consolidated			
Investments	11,573	140	11,713
Cash at bank and on deposit	37,841	9,247	47,088
Balance at 31 July	49,414	9,387	58,801

Investments comprise funds held in fixed term deposits for periods exceeding three months at 31 July 2019. Cash at bank and on deposit comprise funds held in bank and on deposit not exceeding 3 months.

Notes to the accounts

Year ended 31 July 2019

Consolidated and University

23. Capital commitments

	2019	2018
	£'000	£'000
Commitments contracted at 31 July	15,442	6,941

Of the above, £6,178k relates to LSBU and £9,264k relates to SBC (2018: £6,941k relates to University)

24. Lease obligations

At 31 July 2019 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Expiring within one year	77	-	-	-
Expiring within two and five years	41	-	-	-
Expiring in over five years	459	470	459	470
	577	470	459	470

25. Amounts disbursed as agent

Teacher Training Bursaries

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance at 1 August	(10)	3	(10)	3
Funding council grant	26	23	26	23
Disbursed to students	(16)	(36)	(16)	(36)
Balance at 31 July	-	(10)	-	(10)

Apprenticeship Employer Incentive Payments

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance at 1 August	-	-	-	-
Funds received	19	12	19	12
Disbursed to employers	(19)	(12)	(19)	(12)
Balance at 31 July	-	-	-	-

Learner support funds

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance at 1 August	-	-	-	-
Acquired at 1 February 2019	305	-	-	-
24+ bursary	231	-	-	-
Disbursed to students	(516)	-	-	-
Administration costs	(20)	-	-	-

Notes to the accounts

Year ended 31 July 2019

Balance at 31 July - - - -

Teacher Training Bursary funds are paid to universities by the Teaching Agency to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS). The grant is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors.

26. Pension arrangements

Different categories of staff were eligible to join one of four different schemes:

- Teachers' Pension Scheme (TPS)
- Universities Superannuation Scheme Limited (USS)
- London Pension Fund Authority (LPFA) Pension Fund
- London South Bank University Defined Contribution Scheme, administered by Aviva.
- National Employment Savings Trust (NEST)

A. The Teachers' Pension Scheme

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

Retirement and other pension benefits are provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Teachers' contributions are credited to the Exchequer under arrangements governed by the above act. The Teachers' Pension Regulations require that an annual account, the Teachers' Budgeting and Valuation Account, be kept of receipts and expenditure, including the cost of pension increases.

From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

- The last valuation of the TPS was as of 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 5 March 2019. The Key results of the valuation are:
- Uncorrected employer contribution rate effective over the implementation period: 19.5% of pensionable pay. This is an increase of 3.1% on the current contribution rate. This increase is primarily due to the reduction in the discount rate (known as the SCAPE rate) to 2.4% pa above CPI with effect from 1 April 2019.
- Corrected employer contribution rate payable over the implementation period: 22.8% of pensionable pay. This is an increase of 6.4% on the current contribution rate. This rate is calculated in the same way as the uncorrected employer contribution rate except that the accrual rate of the 2015 Scheme is assumed to be improved from 1 April 2019 to the extent necessary such that the employer contribution correction cost equals the target cost of the scheme.

Following agreement between the Department for Education and HM Treasury no change will be made to the employer contributions until September 2019, with employers continuing to pay contributions at a rate of 16.4% of pensionable pay. As a consequence of this delay in implementing the change, an additional 0.8% of pay will be payable over the remainder of the period to 31 March 2023 to ensure that the level of the notional fund at the next valuation of the scheme is expected to be unaffected by the delay. Employers will therefore pay contributions at a rate of 23.6% of pensionable pay from September 2019.

Notes to the accounts

Year ended 31 July 2019

At 31 July 2019 the University Group had 1125 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 16.48% (2017: 16.48%) of salaries and the Group's contribution to the TPS for 2019 was £4,635,824 (2018: £4,294,274). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

Under the definitions set out in FRS 102 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

B. The Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contributing rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS102 'Employee Benefits', the University accounts for the scheme as if it were a wholly defined contribution scheme. Since the University has entered into an agreement that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that relate to the deficit and movement in this provision is treated as an expense.

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

As of 31/7/19, The latest available complete actuarial valuation of the Retirement Income builder section of the scheme is 31 March 2017, which was carried out using the projected unit method. The valuation as at 31 March 2018 was completed after the year end.

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

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

Discount rates (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32%, Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21, Years 21 +: CPI + 1.7%
Pension increases	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Notes to the accounts

Year ended 31 July 2019

Pre- retirement	71% of AMC00 (Duration 0) for males and 112% of AFC00 (duration 0) for females.
Post-retirement	96.5% of SAPS SINMA 'light' for males and 101.3% of RFV00 for females
Future improvements to mortality:	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	Males		Females	
	Years		Years	
	2019	2018	2019	2018
Current pensioners (currently 65 years)	24.6	24.5	26.1	26.1
Future pensioners (currently 45 years)	26.6	26.5	27.9	27.8

	2019	2018
Scheme Assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

At 31 July 2019 the Group had 40 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £1,643,839 (2018: £513,726). The employer contribution rate was 18%, rising to 19.5% from 1st April 2019. (2018: 18%). From 1st October 2019 the employer rate will rise to 22.5% then again from 1st April 2020 to 24.2%.

C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 2013. To finance these benefits, assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2016 with the valuation results taking into account changes to the scheme from 1 April 2017. The results showed the market fund attributable to the Group as £XXM. The actuarial value of those assets represented xx% of the value of the benefits that have accrued to the group's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2019 are 12.7% for London South Bank University and 13.5% for South Bank Colleges, plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years for the university and x years for South Bank Colleges. During the year ending 1 April 2018 this payment amounted to £2.31m.

Pension costs under FRS 102

For accounting purposes, the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15-year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does

Notes to the accounts

Year ended 31 July 2019

not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	Consolidated and University	
	31 July 2019	31 July 2018
	% per annum	% per annum
Salary increases	3.9%	3.85%
Pension and price increases	2.4%	2.35%
Discount rate	2.1%	2.65%

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.5% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males		Females	
	Years		Years	
	LSBU	South Bank colleges	LSBU	South Bank Colleges
Current pensioners	20.3	20.3	23.3	23.1
Future pensioners	22.1	22.1	25.2	25.0

Fund assets

The return on the fund, on a bid value to bid value basis, for the year to 31 July 2019 is estimated at 10%. The actual return on fund assets over the year may be different. The estimated asset allocation at 31 July 2019 is as follows:

	Consolidated		University	
	Fair value as at 31 July 2019	Fair value as at 31 July 2018	Fair value as at 31 July 2019	Fair value as at 31 July 2018
	£'000	£'000	£'000	£'000
Equities	110,359	87,224	86,706	87,224
Target return portfolio	51,438	31,847	40,413	31,847
Cash	10,684	6,599	8,394	6,599

Notes to the accounts

Year ended 31 July 2019

Infrastructure	11,607	7,155	9,119	7,155
Property	18,451	11,044	14,496	11,044
Total fair value of assets	202,539	143,869	159,128	143,869

Net pension liability

The following amounts at 31 July 2019 related to the Group are measured in accordance with the requirements of FRS 102:

Consolidated	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	95,865	143,869	133,771	112,066	105,534
Present value of funded obligations	(217,553)	(232,750)	(234,955)	(221,698)	(182,439)
Net underfunding in funded plans	(121,688)	(88,881)	(101,184)	(109,632)	(76,905)
Present value of unfunded obligations	(10,885)	(10,884)	(11,565)	(11,868)	(11,852)
Net Pension Liability	(132,573)	(99,765)	(112,749)	(121,500)	(88,757)

University	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	159,128	143,869	133,771	112,066	105,534
Present value of funded obligations	(260,964)	(232,750)	(234,955)	(221,698)	(182,439)
Net underfunding in funded plans	(101,836)	(88,881)	(101,184)	(109,632)	(76,905)
Present value of unfunded obligations	(10,420)	(10,884)	(11,565)	(11,868)	(11,852)
Net Pension Liability	(112,256)	(99,765)	(112,749)	(121,500)	(88,757)

The movement for the year in the net pension liability is shown in note 19.

Analysis of the amount included in staff costs for the year	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Service cost	10,853	8,616	9,904	8,616
Total operating charge	10,853	8,934	9,904	8,934
Analysis of the amount included in interest payable for the year	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest on the defined liability (asset)	2,789	2,969	2,578	2,969
Administration expenses	239	174	187	174
Total interest charge	3,028	3,143	2,765	3,143

Notes to the accounts
Year ended 31 July 2019

	Consolidated		University	
	2019	2018	2019	2018
Analysis of the amount recognised in Other Comprehensive Income	£'000	£'000	£'000	£'000
Return on fund assets in excess of interest	13,330	4,524	10,446	4,524
Other actuarial gains on assets	-	-	-	-
Change in financial assumptions	(36,403)	14,543	(29,620)	14,543
Change in demographic assumptions	16,593	-	13,510	-
Experience gains and losses on defined benefit obligation	114	16	-	16
	<u>(6,366)</u>	<u>19,083</u>	<u>(5,664)</u>	<u>19,083</u>
Remeasurement of the net assets / (defined liability)				

	Consolidated		University	
	2019	2018	2019	2018
Analysis of movement in the present value of scheme liabilities	£'000	£'000	£'000	£'000
At 1 August	243,634	246,520	243,634	246,520
Movement in the year:				
Acquisition by SBC of Lambeth College	59,081	-	-	-
Current service cost	8,526	8,488	7,822	8,488
Interest cost	7,174	6,609	6,406	6,609
Changes in financial assumptions	36,403	(14,543)	29,620	(14,543)
Change in demographic assumptions	(16,593)	-	(13,510)	-
Experience loss / (gain) in defined benefit obligation	(114)	(16)	-	(16)
Past service costs, including curtailments	2,327	128	2,082	128
Estimated benefits paid net of transfers in	(6,432)	(4,513)	(5,649)	(4,513)
Contributions by scheme participants	1,846	1,697	1,707	1,697
Unfunded pension payments	(740)	(736)	(728)	(736)
	<u>335,112</u>	<u>243,634</u>	<u>271,384</u>	<u>243,634</u>
At 31 July				

	Consolidated		University	
	2019	2018	2019	2018
Analysis of movement in the fair value of scheme assets	£'000	£'000	£'000	£'000
At 1 August	143,869	133,771	143,869	133,771
Acquisition by SBC of Lambeth College	40,242	-	-	-
Interest on assets	4,359	3,640	3,848	3,640
Return on assets less interest	13,330	4,524	10,446	4,524
Other actuarial gains	-	-	-	-
Administration expenses	(213)	(174)	(187)	(174)
Contributions paid	8,124	7,357	7,549	7,357
Estimated benefits paid plus unfunded net of transfers in	(7,172)	(5,249)	(6,377)	(5,249)
	<u>202,539</u>	<u>143,869</u>	<u>159,148</u>	<u>143,869</u>
At 31 July				

The projected pension expense for the year to 31 July 2020 is £15,144,000 (consolidated) £13,233,000 (University).

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2019 the University had 32 members participating in the scheme. The University's contribution to the Aviva scheme for the year ending 31 July 2019 was £104,754 (2018: £89,516) and employer's contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2019 were £10,060 (2018: £7,373).

Notes to the accounts

Year ended 31 July 2019

E. National Employment Savings Trust (NEST)

The University provides a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31 July 2019 there were 12 staff in the scheme. Employer contribution to the NEST scheme for the year ending 31 July 2019 was £4,579 and employer contributions were 3%. Pension contributions payable at 31 July 2019 were £1,502.

27. Contingent Liabilities

Funds amounting to £4.4m received from the Education and Skills Funding Agency (ESFA) are subject to conditions linked to future estates development for SBC to deliver a viable, sustainable, high quality, relevant and diverse offer from Level 1 to Level 6 learners and employers across the local area with a college presence in Brixton and Clapham and/or Vauxhall without a requirement for government funding to support operating losses.

The University's subsidiary, South Bank Colleges, has received a pre-action claim for reimbursement of costs by a developer in respect of the Vauxhall development project undertaken by South Bank College's predecessor Lambeth College Corporation. The governing body believes that any claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of its knowledge and belief it is satisfied that no provision is necessary in respect of this claim.

28. Post Balance Sheet Events

As set out in Note 26 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £912,373 in the provision for the Obligation to fund the deficit on the USS pension which would instead be £1,229,497. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26B. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,229,497, a decrease of £912,372 from the current year end provision.

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	CONFIDENTIAL
Paper title:	Written resolution to reappoint KPMG as External Auditors with delegation of remuneration to Executive
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Jerry Cope, Chair of the Board
Purpose:	For Approval
Recommendation:	The Board is requested to approve the written resolutions set out below regarding the reappointment and remuneration of KPMG as external auditors.

Executive Summary

The Board is requested to approve the written resolutions set out below regarding the reappointment and remuneration of KPMG as external auditors.

An email will follow to members to enable them to signify consent prior to the meeting.

Company Number: 00986761

The Companies Act 2006

Ordinary Resolutions

of

London South Bank University

(University)

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006 (**Act**), the Governors/directors of the University propose that the following resolutions (**Resolutions**) are passed as ordinary resolutions:

Ordinary Resolutions

1. That the University reappoint KPMG LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are approved by the directors.
2. That the University delegate approval of the remuneration of the auditors, KPMG LLP, for the year ending 31 July 2020 to the Executive.

Agreement

The members of the University who were entitled to vote on the Resolutions on 21 November 2019 irrevocably agree to the Resolutions and authorise the Chair to sign on their behalf:

..... **Dated**.....

Jeremy Cope, Chair of the Board of Governors

	CONFIDENTIAL
Paper title:	Prevent Annual Report
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	Ed Spacey, Head of People and Organisation Compliance
Sponsor(s):	Nicole Louis, Chief Customer Officer
Purpose:	For Approval
Recommendation:	The Board is requested to approve the report and the statement to OfS.

Executive summary

The Board is required to provide the following assurances to the OfS relating to the Prevent Duty:

Throughout the year and up to the date of approval, London South Bank University:

- *has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)*
- *has provided to OfS all required information about its implementation of the Prevent duty*
- *has reported to OfS in a timely way all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted.*
- *has reviewed and where necessary, updated its Prevent risk assessment and action plan'*

The attached report evidences how LSBU has met its requirements under the Prevent Duty during 2018/19. The report has been reviewed by the Executive and the Audit Committee.

The Board is requested to approve the report and the statement to OfS.

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Prevent Annual Report

1.0 Background and Purpose

- 1.1 To provide an annual report on the implementation of the “Prevent Duty”.
The “Prevent Duty” is the responsibility to stop people being drawn into terrorism.
- 1.2 The monitoring framework requires the University to submit an annual return to the Office for Students by 2 December 2019. The report covers the period of the last academic year and developments to date.

2.0 OFS Required Statement of Assurance

Recommendation

The Board of Governors approves the statement below and notes the text. A signed document is needed for the OfS return.

Throughout the academic year and up to the date of approval, London South Bank University:

- has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)
- has provided to OfS all required information about its implementation of the Prevent duty
- has reported to OfS in a timely way all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted.
- Has reviewed and where necessary, updated its Prevent risk assessment and action plan

3.0 Accountability statement

(Governing bodies/proprietors are required to provide a short statement (max 300 words) outlining the mechanisms to which they have been assured they are able to sign the declaration satisfactorily. This is proposed as below).

- The Vice Chancellor is fully engaged with the approach to Prevent and the Pro Vice Chancellor (Compulsory and Further Education) is Executive Lead.
- There have been no referrals to Channel during 2018 to date, nor where there any in previous reporting periods. Channel is the highest level multi agency referral panel.
- In 2018/19 there were 9 occasions where potential prevent issues were raised internally for consideration under our policy, compared to 7 last year. Of those 9, 4 were about the same individual. Sources of referrals were Lecturers(7), Student Wellbeing Team(1) and Police Personal Data Request(1). There was no further prevent action required in any case.
- The Pro Vice Chancellor (Compulsory and Further Education) chairs an overarching Safeguarding Committee, which monitors work on Prevent and includes representation such as the Chief Executive of the Student Union and senior managers including at Dean of School level and the Executive Director of Student Support and Employment.
- Prevent continues to feature in reports made to the Health and Safety Joint Committee 3 times per year.
- The Prevent Policy, Risk Assessment, Action Plan and External Speakers Policy has been fully reviewed. The approach to prevent training and completion is monitored/regularly reviewed by the Safeguarding Committee.
- The Head of Compliance (formerly Acting Deputy Director of HR Services) continues to be an active member of the London Regional Higher Education Prevent Network, and regularly attends Roundtable consultation meetings with the DFE on Counter Extremism.
- In August 2019, the Head of Compliance met with a representative of the DFE Counter Extremism Unit to provide sector advice on dealing with Prevent and post Terrorism incident issues. He agreed to work with and support requests from NaCTSO (National Counter Terrorism Security Office) for sector related guidance.

Name	
Signed	
Date	

	CONFIDENTIAL
Paper title:	Report and decisions of committees
Board/Committee:	Board of Governors
Date of meeting:	21 November 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Relevant committee chairs
Purpose:	To update the Board on committee decisions
Recommendation:	The Board is requested to note the report on decisions of committees and approve the academic board terms of reference and modern slavery act statement

Executive Summary

A summary of Committee decisions is provided for information. Minutes and papers are available on modern.gov.

The Board is requested to approve:

- Academic Board terms of reference; and
- Modern Slavery Act statement

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Finance, Planning and Resources – [5 November 2019](#)

The committee discussed:

- student recruitment – semester 1 recruitment was above target;
- student retention and progression, which had declined from year 2 – 3. The executive is reviewing both the academic and support environments;
- management accounts to 30 September 2019 which forecast delivering the budget surplus of £1.5m;
- five year forecasts for submission to the OfS. The committee recommended the forecasts to the Board for approval subject to the Executive reviewing the mix of income growth;
- the draft annual report and accounts;
- an update on research and enterprise activity; and
- the results of the staff survey of June 2019

The committee noted:

- the annual fundraising report

Audit Committee – [7 November 2019](#)

The committee reviewed and recommended to the Board:

- External audit findings – no material weaknesses had been identified;
- External audit letter of representation;
- Draft report and accounts – subject to amendments while the audit was being completed. The committee will review the final version of the accounts ahead of the Board meeting;
- The modern slavery act statement (an appendix to this report for approval by the Board);
- Prevent annual report to OfS; and
- The Audit Committee annual report.

The committee reviewed:

- The final internal audit annual report;
- Internal audit progress report;
- Internal Audit report on CMA Compliance which was rated as ‘high’ risk
- Internal Audit report on London South Bank Innovation Centre which was rated as ‘medium’ risk;
- External audit performance against KPI’s;
- External audit – review of non-audit services;

- The evidence behind the going concern statement in the annual report and accounts;
- Report on the system of internal control; and
- General Data Protection Regulation (GDPR) update.

The committee noted:

- Anti-fraud, bribery and corruption report – one instance of fraud had been identified in SBA but had resulted in no loss to the LSBU group;
- Audit committee annual business plan;
- The revised risk policy; and
- Speak up report – one new instance had been reported.

SBUEL Board – [12 November 2019](#)

The Board approved:

- Annual report and accounts;
- Letter of representation to the auditors;
- Staff bonuses;
- Staff salary review;
- Staff terms and conditions.

The Board discussed:

- Enterprise income performance; and
- External auditor report

Academic Board – [13 November 2019](#)

The Board discussed:

- The revised membership and remit;
- The major strategic issues and focus points for the new academic year. A working group was proposed to discuss and finalise priorities for the next year;
- The Quality Assurance return;
- The Academic Board annual report; and
- Student Union issues

The Board noted:

- The HSC Partnership Review Panel final report July 2019 and action plan;
- The admissions and enrolment procedure;
- Student academic outcomes report;
- Academic KPIs;
- Reports from sub-committees; and

- Annual work plan

South Bank Colleges Board –[14 November 2019](#)

The Board approved:

- Accounts for the year ended 31 July 2019 (which are consolidated into the LSBU group accounts);
- Letter of representation to the auditors;
- Closure accounts for Lambeth College Corporation

The Board discussed:

- An update on the Vauxhall development. A joint meeting between the SBC Board and MPIC will be held on 10 December 2019 to approve the estates strategy for submission to the ESFA;
- Report from the Students' Union President;
- An update on transition with LSBU;
- Risk register; and
- Audit Committee annual report which included the "The committee's opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets is that these arrangements are adequate and effective".

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Academic Board

Terms of Reference

The Academic Board is responsible for academic standards and the direction and regulation of academic matters.

1. Remit

1.1 The remit of the Academic Board is to:

1.1.1 develop academic strategy and monitor progress against academic key performance indicators

1.1.2 monitor development of academic portfolio

1.1.3 oversee the development of the academic environment

1.1.4 have oversight of academic ethics

1.1.5 approve academic regulations and oversee their enactment, including for:

- admission of students;
- granting and annulling of degrees, qualifications and titles;
- exclusion of students for academic reasons;
- appointment of internal and external examiners;
- assessment and examination of academic performance of students;
- character of curricula;
- quality of courses including validation and accreditation by external bodies; and
- granting distinctions including honorary degrees and academic titles.

2. Committees

The Academic Board may carry out its remit through sub-committees, including Quality and Standards, Student Experience and Research committees or other working groups from time to time. The minutes (or a report) of its sub-committees shall be reported to the Academic Board.

3. Membership

3.1 Membership consists of the following:

Holders of Senior Posts (3)	Provost (Chair) Chief Operating Officer (DVC Education)
Senior Academic Staff and Professors (21)	Deans (x7) or School Executive alternative Two nominated senior academic staff members from each school (x14)
Non-teaching staff (6)	Director of Academic Quality and Enhancement Executive Director of Student Services Nominated member of research professional staff Nominated member of technical staff Chair of the 'Professoriate' Students' Union, President Students' Union, Vice President (Education)

3.2 A quorum consists of 7 members.

3.3 The term of office of nominated members is three years.

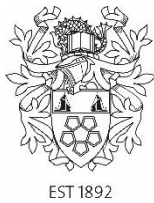
3.4 The Academic Board meets three times per year.

3.5 Board governors may attend any meeting of Academic Board or sub-committee to observe their proceedings.

4. Reporting Procedures

4.1 The minutes (or a report) of meetings of the Committee will be circulated to all members of the Board of Governors.

Updated November 2019



Modern Slavery Statement 2019

Introduction

London South Bank University (“LSBU” or “the University”) is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain and imposes the same high standards on its suppliers.

LSBU is one of London’s oldest universities. It has a rich history with strong educational roots dating back to 1892. The University as it is today was created in 1992.

This statement is made in accordance with section 54 (1) of the Modern Slavery Act 2015 and sets out the steps taken by LSBU during the financial year ending 31 July 2019 and constitutes LSBU’s slavery and human trafficking statement.

LSBU is committed to running the organisation ethically, sustainably and responsibly. We strive to maintain high ethical principles and to respect human rights. We are committed to procuring goods and services and employing people without causing harm to others.

Structure of our organisation

London South Bank University is a UK based University. It employs approximately 2,000 staff and teaches over 18,000 students. It operates primarily in the UK but has partnership arrangements with providers of education in the UK and overseas. LSBU has a total income of approximately £150 million. Information regarding the University’s business and structure is available at <https://www.lsbu.ac.uk/about-us/people/governance>.

Our Governance



The Sustainability Steering Group is responsible for the oversight, development and ongoing monitoring of the University environmental and sustainability strategy and overall direction. Work within this area is reported to the University's Executive Committee

Our spend categories and those that present risks of human rights abuses

The principal categories which the University deems as carrying significant risks are security, catering, cleaning, IT, laboratory consumables, uniforms and workwear. The University deems the corresponding source countries to be as follows:

Category	Country
Security and Reception services	United Kingdom
Catering services	United Kingdom
Cleaning services	United Kingdom
Laboratory consumables	Malaysia, Indonesia, India, Pakistan
IT Equipment	East Asia, China, Eastern Europe, Mexico
Uniforms/Workwear	UK, Indonesia, Malaysia, China, Bangladesh

Due diligence and compliance

The University is a member of the London Universities Procurement Consortium (LUPC), which is a non-profit professional buying organisation. LUPC is a member of Procurement England Limited (PEL). These bodies have together published a shared Sustainability Policy to which all PEL member consortia are committed.

LUPC has also published its own Slavery and Human Trafficking Statement setting out its position with regard to modern slavery and human trafficking.

The University also purchases via the APUC, NEUPC, SUPC, NWUPC consortia and via Crown Commercial Services which have also published their own Slavery and Human Trafficking Statements.

The University is an affiliate member of Electronics Watch. Electronics Watch is an independent monitoring organisation that assists public sector buyers to protect labour rights and improve working conditions for an estimated 18 million workers in their global electronic supply chains more effectively than any single public buyer sector could accomplish on its own.

The University procures IT equipment through the LUPC led national electronics framework agreement for Desktop and Notebook PCs, which includes model Electronics Watch contract clauses. The University affiliate membership allows the use of the same clauses, resources and information to work with suppliers to improve conditions for electronics workers globally.

Further actions and key goals for 2020

To supplement the actions taken this financial year to prevent slavery or human trafficking from occurring in its business or supply chains, the University will continue to review its approach to Anti-Slavery and consider further measures to combat modern slavery and trafficking.

The University reaffirms its commitment to improving its understanding of supply chains and to continue to develop processes and ways of working to identify categories where the risk of modern slavery or human trafficking may exist.

The University will continue to work with its partners (especially the LUPC) to gain experience of supply chain due diligence and mitigation of the risks to human rights in supply chains.

The University will ensure that senior managers responsible for higher risk spend categories and contracts receive Modern Slavery awareness training.

It will also continue to attend events and use available learning material produced especially for public procurement practitioners.

Approval

This statement was approved by LSBU's Board of Governors on 21 November 2019 and will be reviewed annually.

<<<signature here>>>

Professor David Phoenix
Vice-Chancellor and Chief Executive

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