

Board of Governors and Academic Board Strategy Day

10.00 am - 2.00 pm on Thursday, 26 April 2018
in Avonmouth House

Agenda

<i>No.</i>	<i>Time</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.		Agenda for the day	3 - 4	JC
2.		Joint Session: Update	5 - 14	DP
3.		Joint Session: Finance update and 5-year forecast	15 - 34	RF
4.		Joint Session: Future financial sustainability	35 - 46	NL

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Board of Governors and Academic Board joint strategy day

9.45am for 10am to 3.30pm on Thursday 26 April 2018
at Avonmouth House, London SE1 6NX

P R O G R A M M E

Questions to consider during the course of the day

- (i) Is the Board confident about the medium-term financial sustainability of LSBU to fulfil its mission?
- (ii) Bearing in mind risk of initiative overload, is there anything else that we need to explore?

<i>Time</i>	<i>Topic</i>	<i>Presenter/s</i>
9.45	Tea and coffee	
10.00	Welcome – Board of Governors and Academic Board	Jerry Cope
10.05	Joint session: Update <ul style="list-style-type: none">• external environment• internal achievements & challenges• concept of group (including update on Lambeth)• campus development• changes to Executive structure• changes to regulatory environment• <i>questions / discussion</i>	David Phoenix
11.05	Tea and coffee	
11.20	Joint session: Finance update – 5-year forecast <ul style="list-style-type: none">• 17/18 in-year challenges and response• 18/19 implications for next year and financial response• <i>questions / discussion</i>	Richard Flatman
12.15	Break	
12.20	Joint session: Future financial sustainability <ul style="list-style-type: none">• application and trend data and risks to income• changing shape• <i>questions / discussion</i>	Nicole Louis
13.15	Lunch: Board of Governors and Academic Board Members of Academic Board depart after lunch	
14.00	Board of Governors' session: discussion and conclusions <ul style="list-style-type: none">(i) Is the Board confident about the medium-term financial sustainability of LSBU to fulfil its mission?(ii) Bearing in mind risk of initiative overload, is there anything else that we need to explore?	Jerry Cope
15.30	Close	

Attendance

Board of Governors: Jerry Cope (Chair), Douglas Denham St Pinnock (Vice-Chair), David Phoenix, Sodik Akinbade, Steve Balmont, Duncan Brown, Julie Chappell, Michael Cutbill, Peter Fidler, Jenny Owen, Tony Roberts and Suleyman Said

Apologies: Kevin McGrath, Mee Ling Ng, Hilary McCallion and Shachi Blakemore

Members of the Executive: Pat Bailey, Deputy Vice Chancellor
Richard Flatman, Chief Finance Officer
Paul Ivey, Pro Vice Chancellor (Research and External Engagement)
Nicole Louis, Chief Marketing Officer
Ian Mehrtens, Chief Operating Officer
James Stevenson, University Secretary & Clerk to the Board of Governors
Shân Wareing, Pro Vice Chancellor (Education and Student Experience)

Apologies: Many Eddolls, Executive Director of Organisational Development and Human Resources

With: Michael Broadway, Deputy University Secretary
Joe Kelly, Governance Officer

Additional members of the Academic Board: Ian Albery, Research Staff Representative
Craig Barker, Dean of Law & Social Science
Janet Bohrer, Director of Academic Quality Development Office
Kirsteen Coupar, Director of Student Services
Charles Egbu, Dean of Built Environment & Architecture
Patrick Callaghan, Dean of Applied Sciences
Patricia Godwin, Student Union, Vice President Education
Asa Hilton Barber, Dean of Engineering
Janet Jones, Dean of Arts & Creative Industries
Mike Molan, Pro Vice Chancellor (Enhancement), Dean of Business
Sarah Moore-Williams, Director of Education & Student Experience, Business
Lesley Roberts, Professional Staff Representative
Warren Turner, Dean PVC Health & Social Care
Saranne Weller, Director, Centre for Research Informed Teaching

Apologies: Shushma Patel, Professorial Representative

Board strategy day

Vice Chancellor's Update



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LSBU's reputation within the sector is growing



2018: 92nd
2017: 108th



2019: 93rd
2018: 108th



LSBU featured in the Times Higher Education (THE) World University Rankings in 2016-17 for the first time, and in the 2017/18 ranking was one of only 93 UK institutions featured in the international ranking.



University of the Year for Graduate Employment 2018

Awarded TEF Silver status
Aligned with UCL, King's College London and Queen Mary

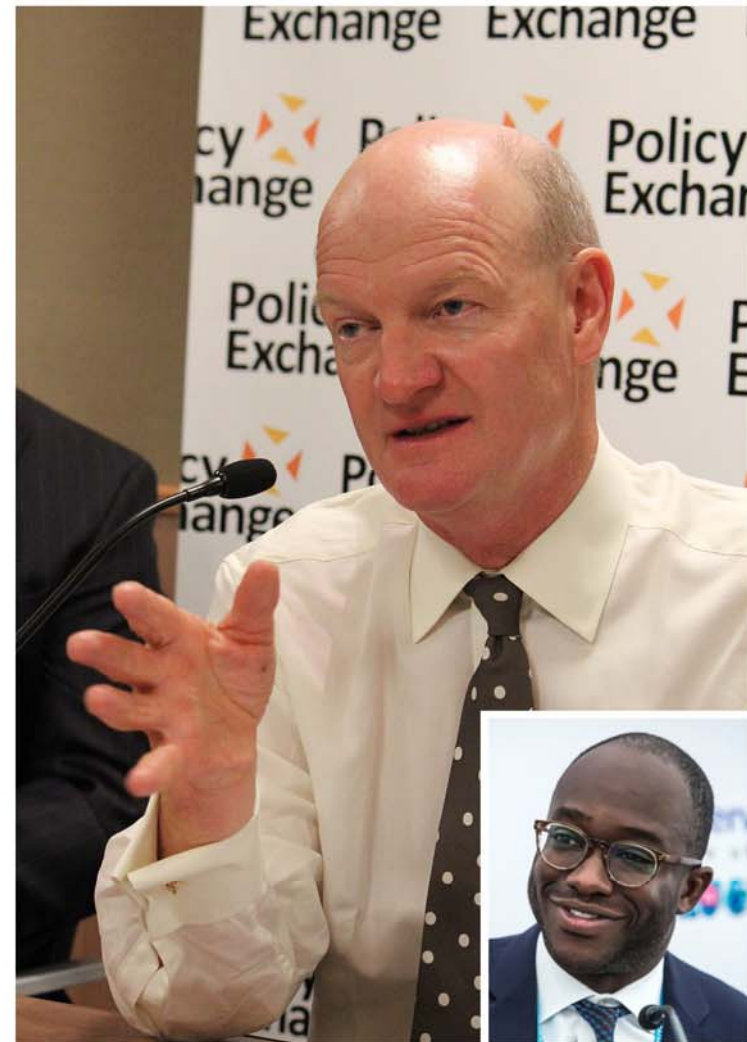


Entrepreneurial University of the Year 2016



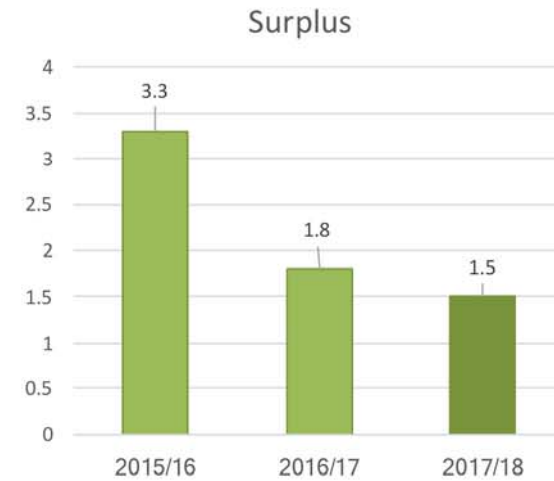
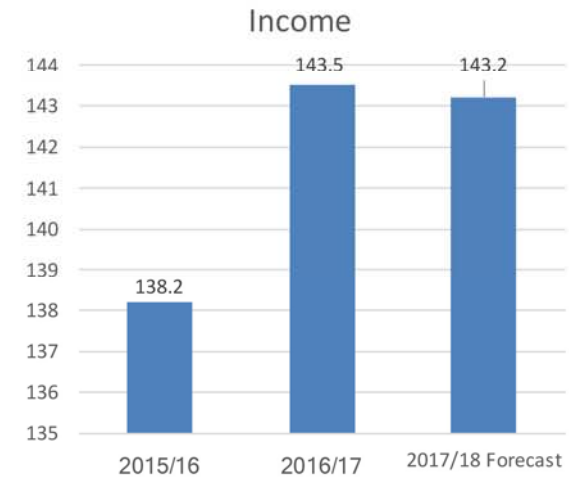
Influence

- Praised on Newsnight by the Universities Minister, and on Radio 4 by Lord Willetts.
- Three recent meetings with the Department for Education
- Visit by Education Select Committee Chair planned



Challenges

- Market and recruitment
- International
- Enterprise
- Retention



Policy Environment

- Office for Students now in operation 
- Government Level 4/5 review and Post-18 funding reviews underway
- Government yet to confirm EU student funding for 2019/20 or future EU research funding
- Universities continue to be objects of criticism



Our Response

New Partnership Opportunities Based on Strengths

- Employer Partnerships
- Community Partnerships
- International Partnerships

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Passmore Centre,
Borough Road

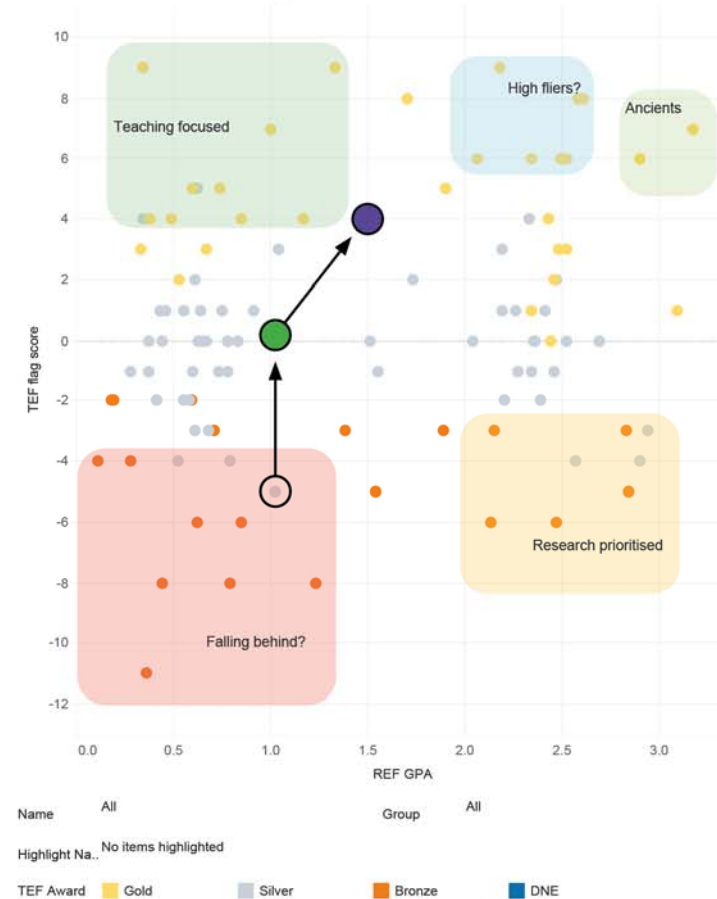


Our Response

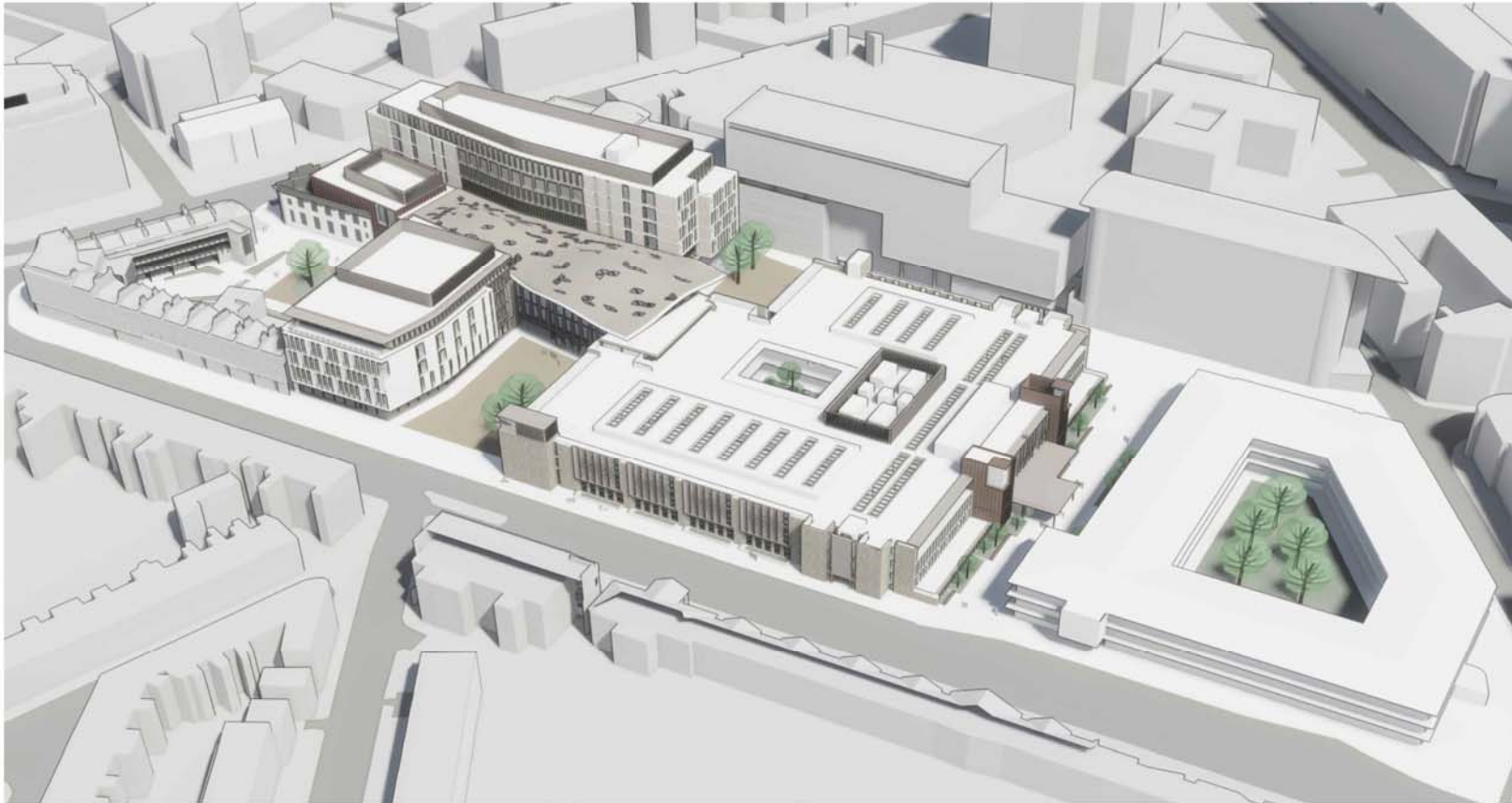
Quality Focused

- Silver in the Teaching Excellence Framework
- Diversity in provision through the Family of Educational Providers

TEF and REF results compared



Campus Redevelopment



Looking Forward

- Student satisfaction and progression
- Brand positioning
- Development of the family of educational institutions
- Developing our educational 'offer'



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Finance update for Board strategy day

Richard Flatman
26 April 2018

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Agenda

- Management accounts / in-year financial challenges
- Income projections for next 3 years
- 2018/19 budget update
- Cashflow / capex funding
- Key messages

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Managing the 17/18 income shortfall

SEM 1
estimated
income
shortfall £5m



- £3m contingency (re-basing staff cost forecasts)
- £0.5m reduction in re-structure fund
- £0.5m opex reduction – Schools
- £1.0m opex reduction – PSGs



The surplus of £1.5M is challenging

16/17 Actuals	Description	17/18 Budget	Feb 17/18 Forecast	Variance to Budget
£143.5	Income	£149.5	£143.3	-£6.2
£77.9	Staff Costs	£85.2	£84.6	£0.6
£9.6	Depreciation	£10.0	£9.7	£0.3
£49.8	OPEX	£44.8	£43.6	£1.2
£4.4	Interest	£4.4	£4.4	£0.0
£0.0	Investment Pot	£3.6	£0.6	£3.0
£141.6	Total Costs	£148.0	£142.8	£5.2
£1.8	Surplus	£1.5	£0.5	-£1.0

Feb management accounts include further £1M income reduction following Semester 2 so income is flat but staff costs are £6.7M higher than 16/17.

We have been required to further reduce staff costs and/or opex to deliver the agreed surplus.

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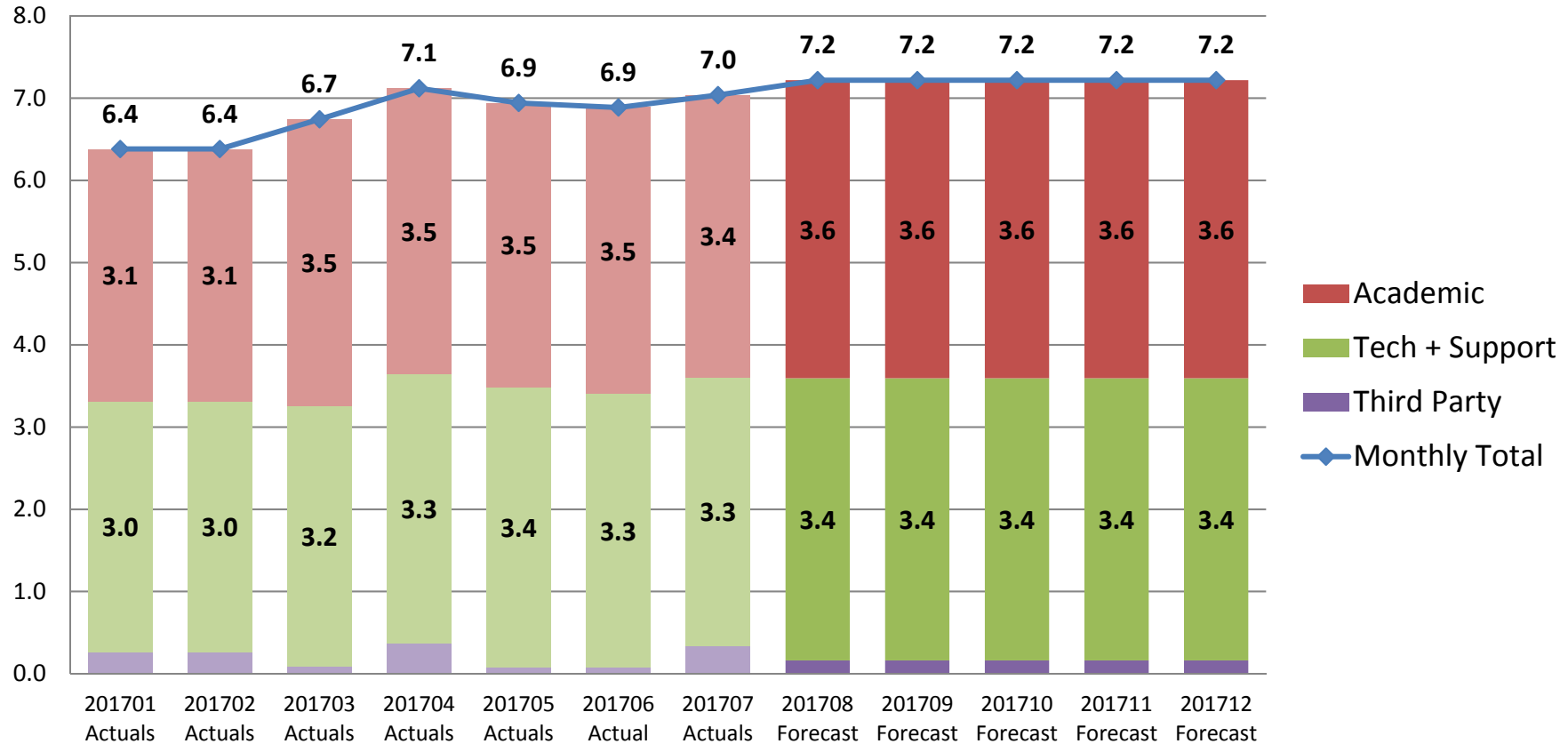


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Staffing Forecast is broadly accurate

2017/18 Staff Costs



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There may be up to £1M of additional staff savings in the forecast

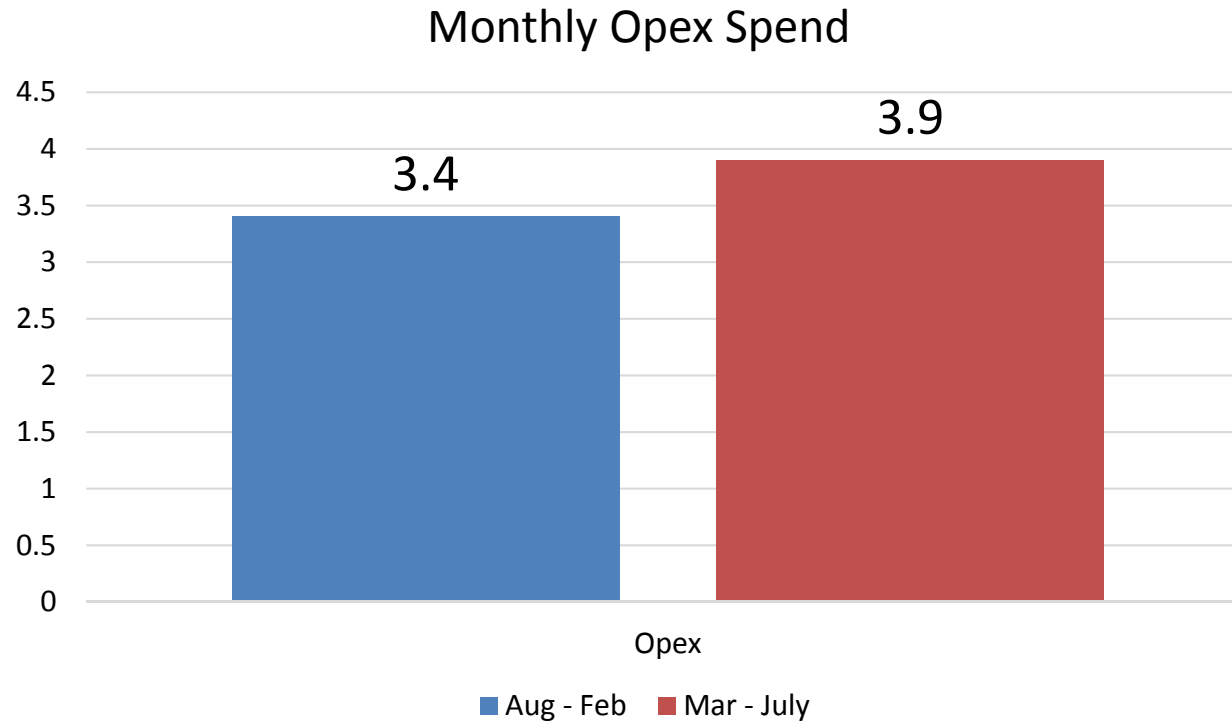
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So we need to control OPEX



There is flexibility in the opex forecast. We were forecast to spend an extra £0.5M a month.

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Additional £1M savings agreed for 17/18

Additional Opex savings £1m
agreed

Schools £0.5m

PSGs £0.5m

(based on standard reduction
against all non committed
spend at 31 March 2018)

Previous run rate £3.4m pm

New run rate (Apr-July) £3.7m
after adjustment

Re-structure provision already
reduced by £0.5m to £1m. Any
potential in year underspend on
staffing costs (£1m if staffing
held at current levels) used to
mitigate financial risks:

- VS
- Pension costs
- Lambeth due diligence
- SGQ development

£0.5m banked in March
management accounts from
£0.8m positive YTD variance

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Future financial challenges

- Income growth given roll forward impact of undergraduate under-recruitment in 2016/17 and 2017/18
- Current forecast shortfall in international income
- HSC student numbers / applications
- Staff costs currently higher than benchmark
- Removal of 1% cap on pay uplift
- Need for higher levels of surplus. We have a surplus but it is not sufficient
- Increased interest cost and depreciation burden of capex development programme
- Focus on fee levels



Focused cost reduction and tight cost control

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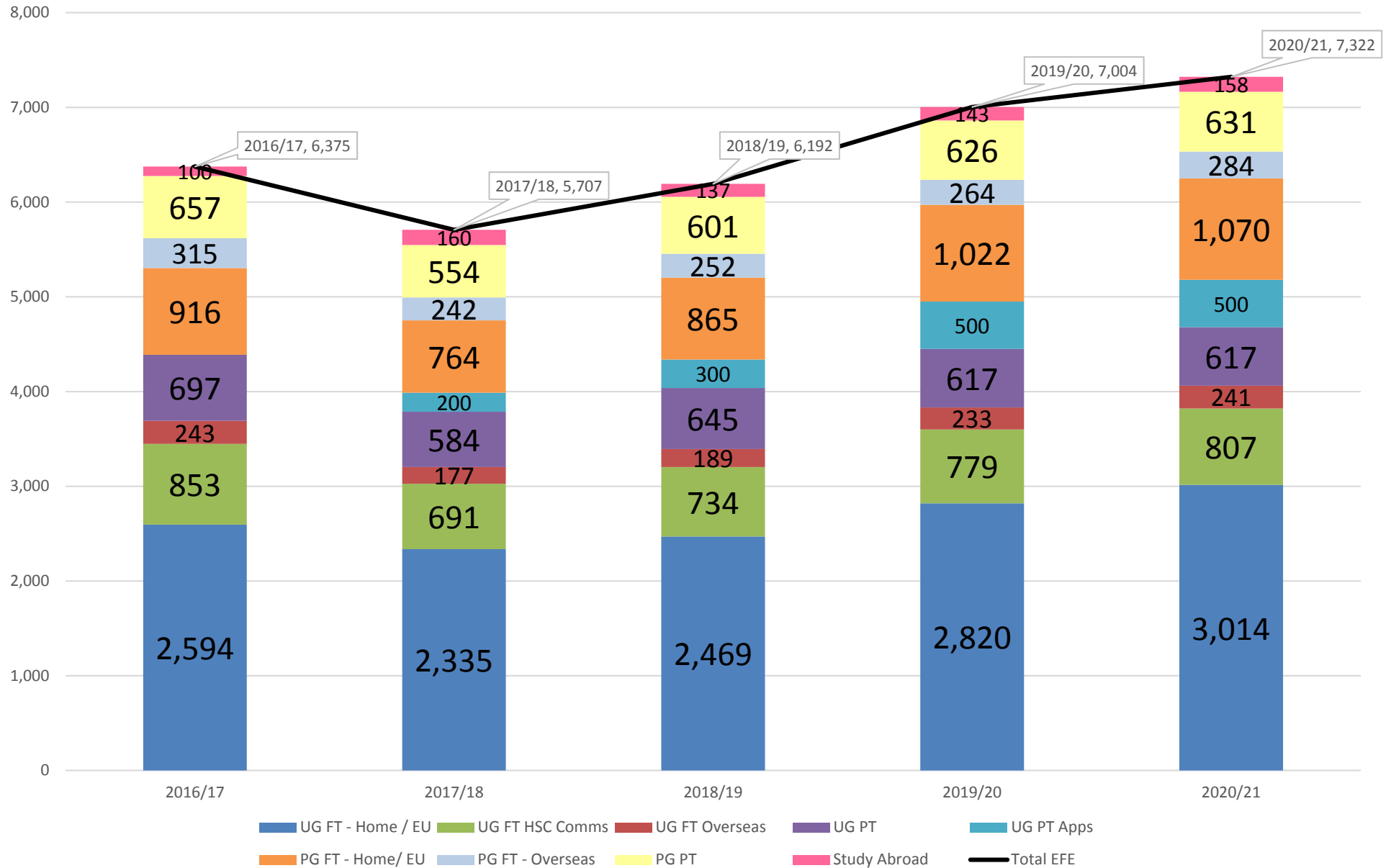


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Budget Update – Recruitment recovery

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1st draft: Income growth but risks

17/18 Forecast	Description	18/19 Forecast	19/20 Forecast	20/21 Forecast
£13.7	HEFCE Grant	£11.3	£12.2	£12.9
£18.6	Health	£10.9	£4.4	£3.4
£64.9	Home / EU UG	£71.7	£80.1	£84.1
£8.4	Home / EU PG	£10.1	£11.7	£12.2
£8.8	Overseas	£12.0	£15.0	£16.0
£2.1	TNE	£3.0	£4.0	£4.0
£5.1	Research/QR	£5.1	£6.6	£7.6
£10.7	Enterprise	£13.0	£15.0	£19.0
£10.9	Other	£11.9	£12.3	£12.6
£143.3	Total	£149.1	£161.3	£171.8

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Income scenarios

Scenario	Income 2018/19	18/19 Forecast
#1	£149m	<ul style="list-style-type: none"> Home/EU FTUG returns to 2500 (2350 in 17/18) <ul style="list-style-type: none"> HSC income levels stable Growth in PG, Enterprise and overseas
#2	£145m	As scenario #1 but Home/EU FTUG 2450 and overseas £9m i.e. no growth in overseas
#3	£140m	As scenario 2 but PG also stable compared with 17/18 and Home/EU FTUG closer to 2200

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Budget Update: 18/19

Feb 17/18 Forecast	Description	18/19 Scenario 2 (current staff base)	18/19 Scenario 2 (Proposed)	18/19 Scenario 3
£143.3	Income	£145.0	£145.0	£140.0
£83.6	Staff Costs	£88.6	£80.0	£80.0
£1.0	Restructuring	£1.5	£1.5	£1.5
£9.7	Depreciation	£11.0	£11.0	£11.0
£42.6	OPEX	£42.6	£41.2	£41.2
£4.4	Interest	£5.3	£5.3	£5.3
£0.6	Investment Pot	£1.0	£1.0	£1.0
£141.8	Total Costs	£150.3	£140.0	£140.0
£1.5	Surplus / (Deficit)	(£5.0)	£5.0	£0
58.3%	Staff cost %	61.1%	55.1%	57.1%

- Funding letter due 9 May 2018
- Opex takes account of further £1m reduction in 17/18 to £42.6m and a further 3% reduction in 18/19 (6% real terms reduction)

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Driving cost efficiency

Opportunities:

- LEAP
- O&E priority projects
- Family of Institutions
- Future pensions provision
- New operating model for some PSG functions



But will not deliver efficiencies in 18/19

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Staffing costs: 18/19

Description	18/19
17/18 staff cost forecast including restructure costs (as March management accounts)	£84.6
Less re-structure costs	£1.5
17/18 FYF staffing costs	£83.1
Reduction required	(£8.0)
Adjusted staff costs	£75.1
50% staff cost for growth in research & enterprise	£2.1
Revised total before uplift	£77.2
Uplift (including increments etc) 3.5%	£2.8
Total	£80.0

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Progress to date – savings targets

Description	17/18 FYF £m	Savings agreed £m
Schools	44.4	2.00
TQE/CRIT	2.0	0.18
Student Services & employment	5.2	0.20
Academic Related Resources	9.9	0.75
Estates & Academic environment	3.9	0.50
Marketing and Recruitment	3.8	0.20
REI	4.3	0.27
O&P	2.5	0.25
FMI	4.8	0.20
Executive office	2.8	0.30
Total	83.6	4.85

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Cashflow / capex planning

- £80m capex spend agreed by MPIC
- £65m LR + £15m LEAP
- Funded from existing cash reserves (£40m) + cash generated over next 4 years
- Cash only generated if we deliver a surplus
- Short term cash borrowing over next few years at cost £900k pa. Developing proposal for £25m 5YR RCF
- Additional depreciation of £3.0m-£5.25m pa
- Affordable but no/limited additional funds available for other projects



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Capex funding £000s

	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Opening Cash Position	39,000	37,500	20,700	12,100	5,900	39,000
London Road		25,000	20,000	20,000	0	65,000
LEAP	1,500	6,800	3,600	1,200	1,200	14,300
Planned Expenditure	1,500	31,800	23,600	21,200	1,200	79,300
Cash Generation		15,000	15,000	15,000	15,000	60,000
Closing Cash Position	37,500	20,700	12,100	5,900	19,700	19,700
RCF: to fund working capital (£25m)		25,000	25,000	25,000	25,000	
Total funding available		45,700	37,100	30,900	44,700	
Net liquidity (days)		129	100	80	110	
Sector average 128 days						
Sector forecast		88	81			

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Worst case cashflow £000s

	2018-19	2019-20	2020-21	2021-22
i.e. if cash out before cash in	5,700	-2,900	-9,100	4,700
RCF: to fund working capital (£25m)	25,000	25,000	25,000	25,000
Total funding available	30,700	22,100	15,900	29,700
Net liquidity (days)	87	60	41	73
Lambeth commercial loans offset	8000	3000	0	0
Revised	110	68	41	73

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Borrowing headroom

5x multiple of
EBITDA = £75m
at present



- Current loans £25m
- Inherit £14m loans from Lambeth
- If draw full RCF facility £25m total = £64m
- £64m = 32% of total group income 2020 assuming Lambeth £25m
- Sector average currently 36.6%

Would need to check covenants carefully

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Key messages

- Current year delivery to budget is challenging
- Further £1m opex reductions agreed
- Hold staff costs at current run rate to mitigate risk
- We must plan for higher levels of surplus
- 18/19 forecast income (up 1.4% to £145m) is subject to a number of risks and we are considering alternative scenarios
- Number of priority projects to drive efficiency but will not deliver in 18/19
- Significant short term reductions to cost base therefore required
- Strategy remains to grow income to minimum £170m and preferably £200m+
- Lambeth still key factor in terms of planning I&E and cashflows

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Market, Portfolio, Brand Update

LSBU Board Strategy Day

April 2018

Nicole Louis: Chief Marketing Officer



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Content

- Market Headlines
- The under-graduate market
- The post graduate market
- LSBU priorities
- Portfolio development
- Brand

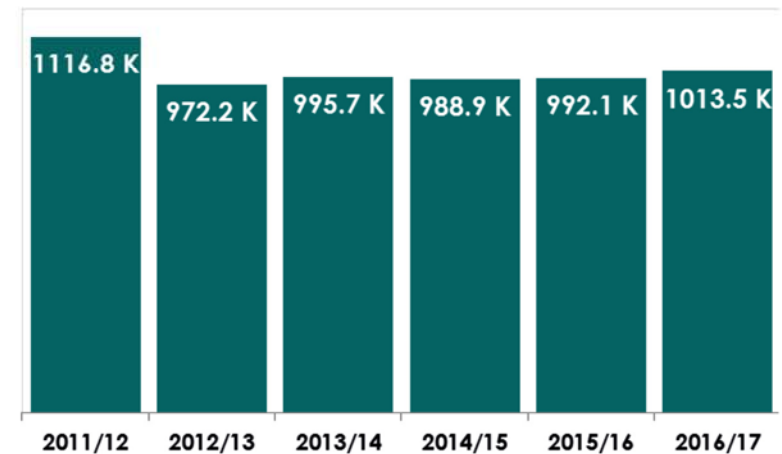


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Market Headlines

- 2016/17 saw the largest national intake since tuition fee increase
- PG driving growth – UG remaining in decline
- But... modern institutions losing share to traditional institutions in most areas of study
- Clearing market reducing, including amongst London competitor set

Overall Enrolments (by headcount)

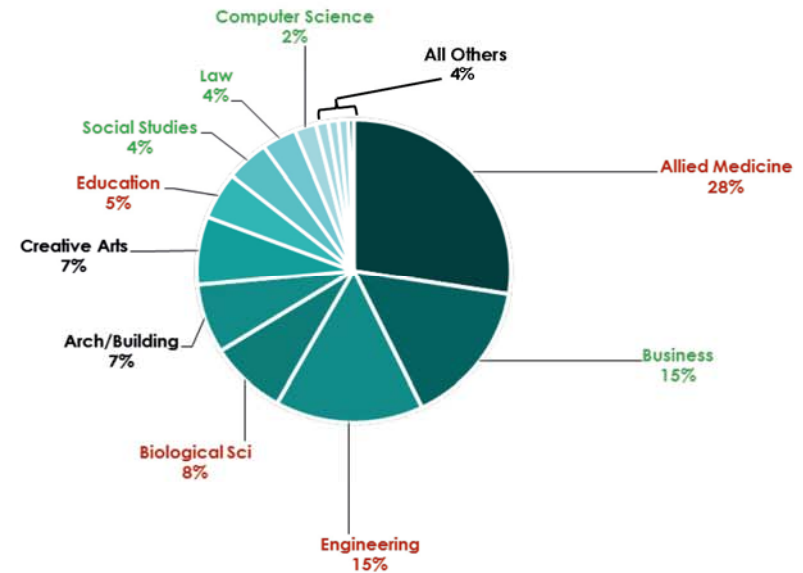


UK graduate intake of more than 1 million new students for the first time since 2011/12



Undergraduate Market

- Undergraduate entry continued to decline through to 2016/17
- Subject demand highly polarised across subjects but strong demand in **Business, Social Studies, Computer Science**
- LSBU has a broad portfolio, currently a large weight across declining subjects, but with ability to grow share in high growth and recovering subjects

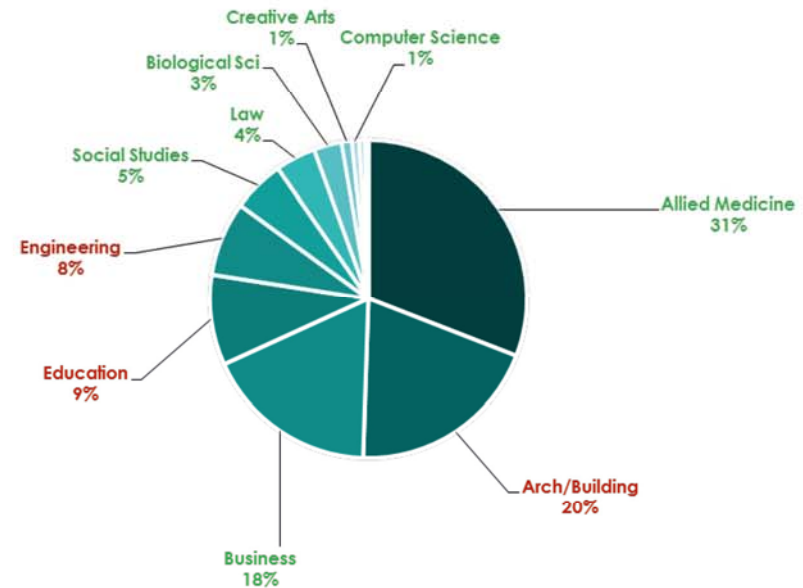


Around a quarter of LSBUs current UG intake is in subjects which are growing nationally



Postgraduate Market

- PG drove the entire market growth through to 2016/17 due to introduction of PG Loan Scheme
- Growth spread across the majority of subjects compared to UG
- However, the 'moderns' saw a decline in PGT numbers, and few PGT courses generate significant surpluses
- Subjects within Social Studies, the Biological Sciences, the Arts and Law are the fastest growing besides Allied Health
- LSBU's current PG portfolio covers most subjects but the range is more tightly focussed. Future development will focus on areas such as Business and Health where demand is more certain



Of the many growing areas, our PGT courses under Allied Medicine and Business offer the greatest potential



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LSBU Performance & Priorities

- Application **market share has and continues to** improve and needs to continue
- **Application conversion** needs to improve, particularly for specific subjects which significantly under-perform
- **Portfolio development** prioritised around market opportunity and improvement of conversion
- Brand awareness needs to increase with establishment of **clear brand positioning**

UG Applications Current Cycle

LSBU

Ex Health Apps	+4%
Inc Health Apps	-6%

London Competitors

Ex Health Apps	-2%
Inc Health Apps	-5%

In current UG recruitment cycle, LSBU has increased applications in non-health subjects by 4%



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Portfolio Focus

Develop new Provision

Biomedical Sciences
Fashion related

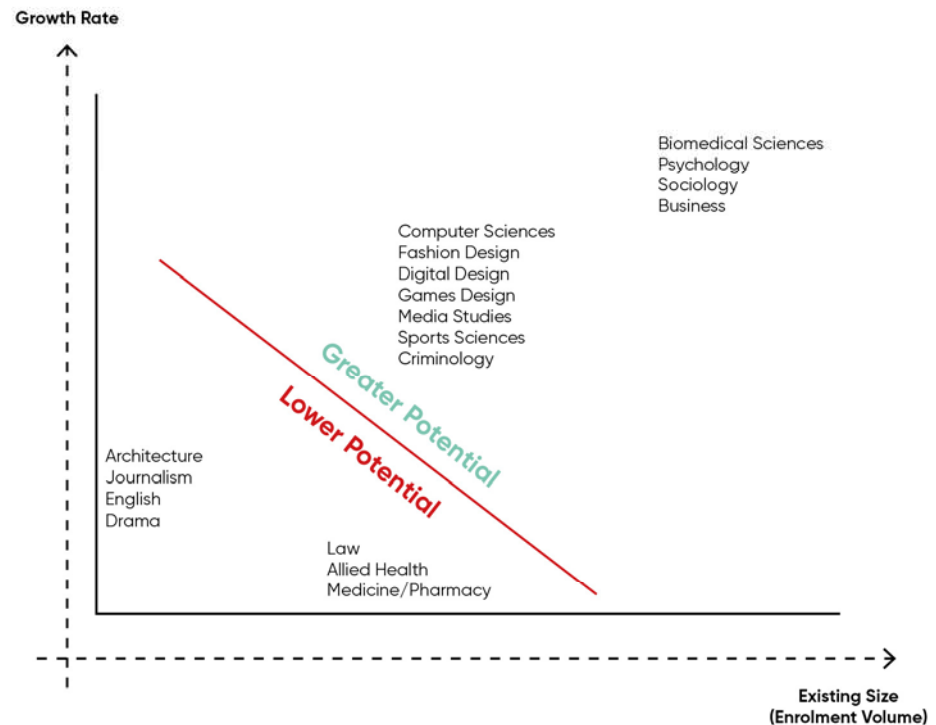
Drive More Applicants

Digital / Games Design
Sports Sciences
Sociology
Criminology
Chemical Engineering

Improve Conversion Rates

Health
Psychology
Sociology
Business
Accounting

Indicative Sector View



- Undergraduate focus, but selected PGT
- Careful analysis of local/London/UK/int'l markets
- Some special 'niche' (BEA) or 'LSBU' (HSC) opportunities
- Course design (e.g. apprenticeships) also key driver



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Establishing a new narrative around the LSBU brand



Education. We equip our students with the knowledge, skills and resourcefulness to thrive in the real world



Life skills. Developing our graduates' talents and resilience that sets them up for a lifetime of opportunity and success



Accredited. Applied. Professional. Teaching and practical experience that makes our graduates work-ready



Game changers. Motivating, challenging and empowering students with an enterprising mindset and the ability and confidence to change and influence their world



Employability. Our graduates have excellent career prospects as they're attractive to employers today (and tomorrow)



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The concept of 'enterprising' is driving our brand journey

- Developing a suite of messages that positions LSBU in a distinctive and consistent way (with flexibility and nuancing for different audiences)
- A big campaign idea (currently testing two routes) that will drive our advertising and recruitment activity for the next three years
- Brand architecture that defines how the different parts of the LSBU family work together
- Creative refresh implemented
 - Colour palette that is drawn from our geographic location
 - Social photography that tells a story
 - Tone of voice that is engaging, conversational and full of impact



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Looking Ahead

- Generating compelling brand content and making it work hard for us
- Staff engagement to develop a shared understanding of the brand and what it means
- Cultural change to deliver brand behaviours and improve customer experience
- Brand rollout with practical training, guidance and frameworks to deliver consistency of brand and messaging
- Developing our employer brand to improve staff recruitment & retention

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