

Meeting of the Finance, Planning and Resources Committee

4.00 - 6.00 pm on Tuesday, 5 November 2019
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and Apologies		MC
2.	Declarations of Interest		MC
3.	Minutes from the last meeting	3 - 6	MC
4.	Matters Arising	7 - 8	MC
Finance			
5.	Student recruitment update	9 - 16	NL
6.	Student retention and progression update	17 - 22	NL
7.	Management accounts to September 2019	23 - 30	RF
8.	2019 finance return to OfS	31 - 44	RF
9.	Draft out-turn: annual report and accounts, 2018/19	45 - 108	RF
10.	Key performance indicators - targets	109 - 112	RF
11.	Research and enterprise update	To Follow	PI
People and Organisation			
12.	Staff survey 2019 key themes	To Follow	NL
Chair's business			
13.	FPR area of focus	Verbal Report	MC
Items to note			
14.	Annual fundraising report 2018/19	113 - 118	NL

Date of next meeting
4.00 pm on Tuesday, 25 February 2020

Members: Michael Cutbill (Chair), Jerry Cope, Peter Fidler, Nelly Kibirige, Mee Ling Ng, David Phoenix and Deepa Shah

In attendance: Pat Bailey, Michael Broadway, Richard Flatman, Paul Ivey, Nicole Louis, Ralph Sanders and James Stevenson

No. Item

Pages

Presenter

Appendix for information only:

- Higher Education Financial Statements, KPMG Benchmarking, 2017/18

**Minutes of the meeting of the Finance, Planning and Resources Committee
held at 4.00 pm on Tuesday, 24 September 2019
Technopark, SE1 6LN**

Present

Michael Cutbill (Chair)
Jerry Cope
Peter Fidler
Mee Ling Ng
David Phoenix
Deepa Shah

Apologies

Nelly Kibirige

In attendance

Pat Bailey
Michael Broadway
Richard Flatman
Paul Ivey
Nicole Louis
James Stevenson
Shân Wareing

1. Welcome and apologies

The above apology was noted.

2. Declarations of interest

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

3. Minutes from the last meeting

The minutes of the meeting of 2 July 2019 were approved and the proposed redactions for publication with minor amendments.

4. Matters arising

All matters arising were on the agenda for the meeting or would be discussed at a future meeting.

5. Full year management accounts to 31 July 2019

The committee discussed the year-end management accounts to 31 July 2019, which showed a surplus of £3m, subject to audit. The committee noted the surplus took into account a non-recurring and unbudgeted pension cost of £3m.

The committee noted that the expected surplus would be used to build up reserves and help finance investment in the medium-term (further discussed under minute 7). A core investment pot of £1m was included in the budget each year to allow in-year investments. The committee noted the importance of visibility of strategic investments to the committee.

6. **Student recruitment and retention update**

The committee noted the strong student recruitment numbers for semester 1, 2019/20. The Executive expects to meet the enrolment target for semester 1 recruitment and to exceed the income target. All schools had delivered to target, except the School of Arts and Creative Industries.

Initial benchmarking data across the sector would be available in October 2019 with full data available in January 2020.

The committee noted the strong performance in Clearing despite the challenges of having phone lines down on the first morning of Clearing.

The committee thanked the executive and staff for the positive result.

The committee noted that due to over recruitment there were challenges with space and timetabling. The committee noted the importance of continuing to deliver a good student experience.

An update on progression from 2018/19 would come to the committee in November 2019.

7. **Group cashflow**

The committee discussed the 5 year cashflow forecast 2019-23 and the requirements for additional funds for ongoing and proposed projects, which had also been discussed at the Major Projects and Investment Committee meeting of 19 September 2019.

Due to the university's planned strategic investments, the need for additional borrowing would increase from approximately £30m to £45m with a need to generate increased cashflow over the next few years. The Executive is reviewing various options for additional borrowings and is currently testing the market.

The committee noted Board approval would be required for any borrowing.

8. **Treasury management report**

The committee noted the report showing £60m cash at bank.

9. **REI update**

The committee discussed the update on research and enterprise activity.

The committee noted the challenges of winning EU bids and that alternative funding streams were being investigated.

An update on research and enterprise income would be presented to the next committee meeting.

The committee noted the sub-strategies of the new corporate strategy 2020-2025 would consider the mix of research, enterprise and teaching.

10. Research update

The committee noted improving research culture leading up to the Research Excellence Framework (REF) exercise in 2021. Following a mock REF audit, the University hoped to improve its REF score in 2021.

11. Chief Operating Officer's report

The committee noted that the People and Organisation function will be overseen by the Chief Customer Officer. A new Director of P&O had recently started who is developing the people and organisation strategy.

The updates on ICT key projects were noted.

12. Business continuity update

The committee noted progress in developing business continuity plans across the group. Business continuity planning would be covered by the internal audit programme in 2020/21.

13. Cyber security update

The committee agreed to defer this item to its November 2019 meeting.

The committee noted that this Shân Wareing's final committee meeting. The Chair thanked Shân Wareing for her contributions to the University and the committee. Shân Wareing left the meeting.

14. KPI strategic enablers

The committee noted the KPI report and requested the executive to review 2019/20 targets.

15. Insurance claims

The committee noted the insurance claims report. The number of claims was low.

16. Committee business plan

The committee noted its business plan which would be updated following discussion on the committee's area of focus.

17. FPR areas of focus

The committee discussed its proposed areas of focus over the next three years. The committee agreed to focus on income and expenditure including student recruitment; student experience including wellbeing; and the research and enterprise environment. The committee would continue to review overall performance through the updated key performance indicators and to receive reports on strategic HR matters and IT.

In addition, the committee's remit and terms of reference would be reviewed from a group perspective for discussion at the next meeting.

**Date of next meeting
4.00 pm, on Tuesday, 5 November 2019**

Confirmed as a true record

..... (Chair)

**FINANCE, PLANNING AND RESOURCES COMMITTEE - TUESDAY, 24 SEPTEMBER 2019
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Officer	Action Status
6.	Student recruitment and retention update	Update on progression to Nov FPR meeting	Nicole Louis	To do
9.	REI update	Update on research and enterprise income to next FPR meeting	Paul Ivey	To do
13.	Cyber security update	Cyber security update to next FPR meeting	Nicole Louis	To do
14.	KPI strategic enablers	Review 2019/20 KPI targets	Richard Flatman	Completed
17.	FPR areas of focus	Review FPR remit and terms of reference from a Group perspective	Michael Broadway	To do

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Agenda Item 5

Date of original paper: 17/10/2019	CONFIDENTIAL
Paper title:	Group Recruitment Report, October 2019
Board/Committee(s)	Financial Planning and Recruitment Committee
Date of original meeting(s):	05/11/2019
Authors:	Mehmet Tarhan, Planning and Insight Manager Fiona Morey Pro VC Education (Colleges) Dan Cundy South Bank Academies Principal
Executive/Operations sponsor:	Nicole Louis, Chief Customer Officer
Purpose:	Information
Recommendation:	The committee is requested to note

Executive Summary

The position at the 17th October 2019 is that the University has achieved its headcount enrolment target for September 2019, with over 6,550 enrolments secured against a target of 6,400. Our gross new-starter income target is £52.7m and we anticipate delivering a surplus. Our model currently indicates £53.5m of current income is currently secure from fully enrolled students, with and opportunity for that to further increase based on our pipeline of 235 partially enrolled students. A further 25-40 full enrolments should be achievable based on the pipeline.

Lambeth college is currently on target to achieve its 16-19 year old annual recruitment target with September recruitment 14% above the same time last year. 16-19 year old recruitment is heavily weighted to September starts with further in-year recruitment focussed on ESOL and Gateway to Employment provision. Adult Education recruitment runs throughout the year, funding for adults is based on qualifications unlike 16-19 year olds which is based on headcount and guided learning hours. The college strategy is to increase the internal delivery of its AEB funding and reduce reliance on sub-contracting. Based on the first ILR RO3 return funding claim is in-line with the same time last year. Further work is underway to increase college delivered AEB provision in line with the 19/20 budget

For South Bank Academies, there is a generally positive picture in terms of numbers, with UAE increasing its intake into both Year 7 and 12, and the UTC increasing its intake into Year 12. Year 10 recruitment at the UTC remains a challenge, with small numbers starting in 2019. All years remain under-capacity in both schools, albeit fractionally in many cases. Finally enrolled student numbers in total are below those modelled for the budget, although sufficiently close to ensure that curriculum and staffing models are appropriate, and each school has a workable financial model for the year.

Enrolment (Home/EU/OS S1 2019-20 New-entrants)

As at Thursday 17th October 2019

We've fully enrolled 6,550 students to date against a target of 6,400. On the mix and profile of our fully enrolled student cohort, and based on average fee modelling, we expect to deliver a surplus against our gross income target of £52.7m. Our model currently indicates £53.5m of income from full enrolments, with opportunity for that to increase further from the additional pipeline of 235 partially enrolled students.

Earlier this month there were 400 partial enrolments and that figure now stands at 235, indicating a good level of conversion from partial to full enrolment status. While we do expect another 25-40 full enrolments from this pipeline, which could generate a further 200k+ depending on the mix of courses, we know from experience that not every partial enrolment will fully convert. As such we do not expect more substantial numbers from the remaining pot of 235, as we are approaching the end of enrolment.

Fig 1 Enrolments as at 17th October 2019 – Home/EU/OS

As at	Secured			Pipeline of
17/10/2019	Full Enrolments			Partial Enrolments
Level & Mode Domicile	Current Full Enrolments	Target Enrolments	Progress to Target	Current Partial Enrolments
UGFT	4,185	3,980	105.2%	130
UGPT	311	326	95.4%	17
Apprenticeships	598	535	111.8%	14
PGFT	909	989	91.9%	45
PGPT	447	439	101.8%	29
Study Abroad	104	137	75.9%	0
LSBU Overall	6,554	6,406	102.3%	235
Home	5,513	5,376	102.5%	192
EU	458	564	81.2%	16
OS	583	466	125.1%	27

NB on EU: With 458 full enrolments, EU is currently tracking at 81.2% to target against a goal of 564 for September 2019. That does not quite reconcile with earlier in-cycle reports that suggested a substantial increase in the EU cohort.

Over recent weeks, through enrolment, we've seen a number of EU students reclassified as Home enrolees on completing the enrolment process; basing their classification on fee status.

School Level Enrolments (versus prior year) (Home/EU/OS S1 2019-20 New-entrants)

As at Thursday 17th October 2019

While our overall university performance, as outlined in the previous section, is strong, it is assuring to see that performance at an individual School level is largely positive as well. LSBU enrolment has grown across almost all Schools, as opposed to a strong dependency in any one specific area.

At the UGFT level, which is our main driver of growth this year, all Schools except ACI have seen an increase in full enrolments. Year on year growth ranges between 38-39% at the higher end (BUS and APS) to 7-10% at the lower end (for BEA/HSC). ACI, despite a -6% fall in UGFT which is only equivalent to 26 fewer enrolments, have seen growth in the Division of Creative Industries.

Fig 3 Year-on-Year change in enrolments (by number and percentage) as at 17th October 2019 – Home/EU/OS

Change in enrolments, by number							
YoY #	UGFT	UGPT	Apprent ¹	PGFT	PGPT	St. Abroad	Overall
BUS	▲ 221	▼ -6	▲ 38	▲ 76	▲ 8	▼ -11	326
BEA	▲ 19	▲ 2	▲ 176	▲ 10	▲ 4	▬ 0	211
LSS	▲ 152	▼ -15	▲ 73	▼ -7	▼ -17	▬ 0	186
APS	▲ 135	▲ 1		▲ 13	▲ 1	▼ -1	149
ENG	▲ 109	▼ -5	▲ 14	▼ -5	▲ 2	▼ -9	106
HSC	▲ 101	▼ -15	▲ 30	▼ -5	▼ -42	▬ 0	69
ACI	▼ -26	▬ 0		▲ 4	▼ -2	▲ 4	-20
LSBU	711	-38	331	86	-46	-17	1027

Change in enrolments, by percentage							
YoY %	UGFT	UGPT	Apprent ¹	PGFT	PGPT	St. Abroad	Overall
BUS	▲ 37.3%	▼ -15.8%		▲ 54.7%	▲ 28.6%	▼ -31.4%	39.1%
APS	▲ 38.4%	▲ 16.7%		▲ 22.0%	▲ 2.6%	▼ -50.0%	32.5%
LSS	▲ 29.1%	▼ -60.0%		▼ -5.0%	▼ -20.0%	▬ 0.0%	23.9%
BEA	▲ 7.5%	▲ 1.0%	▲ 69.8%	▲ 9.0%	▲ 2.7%	▬ 0.0%	21.8%
ENG	▲ 24.8%	▼ -9.8%	▲ 93.3%	▼ -11.1%	▲ 28.6%	▼ -81.8%	18.6%
HSC	▲ 11.0%	▼ -53.6%		▼ -1.6%	▼ -23.5%		4.8%
ACI	▼ -6.6%			▲ 17.4%	▼ -28.6%	▲ 6.2%	-4.1%
LSBU	20.5%	-10.9%	124.0%	10.4%	-9.3%	-14.0%	18.6%

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

Lambeth College Recruitment Report

As at Friday 25th October 2019

The focus in September is primarily on 16-19 year old recruitment as this is the key time for this student cohort. The college has a planned budget target to recruit 1,343 16-19 year olds in order to achieve funding increase in 20/21, linked to lagged funding. To date 16-19 year old recruitment is sitting at 1,204 which is 14% above this time last year. The final data for September starts will be available in the middle of November when the post-42 days ILR RO4 is submitted. We can expect to recruit in the region of 160 students in the Spring and Summer term, which would bring us to 20/21 budget target.

The table below shows headcount recruitment against target and against 18/19 outturn.

Headcount	Faculty Full Year Target*	Current September Enrolments*	Diff	18/19 September *	ESFA Full Year Allocation	College Full Year Target
16-19 yr. olds	1,325	1,204	-121	1,041	1,243	1,343
AEB	4,006	3,279	-727	NA	NA	NA

*September starts

Building on the new Business planning and growth process introduced last year a number of new strategies were put in place to support growth including a new strategy for internal progression, adaptations to the enrolment process and start of term arrangements including a September 'Chance to Change' campaign supporting students to transfer if they weren't on an appropriate course rather than dropping out of education.

The table below shows 16-19 year old recruitment by Faculty against target and 18/19 September actual. It is important to note that there will be further ESOL and gateway enrolment of 16-19 year olds this term and throughout the year.

Enrolment Report 2019-20 - This September to December start - Only Continuing and Completed enrolments updated: 22-Oct-2019 14:49:59 Last	16-18				
	18/19 Actual	19/20 Actual	Annual Difference	Target	+/-
Whole College	1041	1204	+163	1325	-121
Business and Enterprise	125	130	+5	162	-32
Creative and Digital	211	224	+13	236	-12
English and Maths	51	38	-13	30	+8
ESOL and Supported Learning	329	298	-31	335	-37

Gateway to Personal Development and Employment	68	48	-20	65	-17
Health and Wellbeing	193	201	+8	192	+9
Construction, Engineering and Science	225	265	+40	305	-40

Adult recruitment is largely in line with the same time last year with an R03 funding claim of £2,233,551. We need to continue to work to deliver planned growth and the strategy to reduce reliance on sub-contracting. The Assistant Principal - Curriculum and Innovation is leading on this and is developing provision with key stakeholders including HEE, JCP and the local authority to ensure we deliver to budget. Recruitment in ESOL is strong and new evening and weekend provision has been added. The R04 return will provide more robust data on adults once all amendments are made to maximise funding of current enrolments.

South Bank Academies Recruitment Report

As at Friday 25th October 2019

South Bank Academies currently comprises two schools, South Bank Engineering UTC which enrolls students into Years 10 and 12 each year for a 14-19 cohort, and University Academy of Engineering South Bank which enrolls students into Years 7 and 12 each year for an 11-19 cohort. Both schools are comparatively new, with UAE starting in 2014, expanding from Year 7 up. The UTC started in 2016.

The Published Admissions Number (PAN) of each school is as follows:

UTC – 150 per year group, Year 10-13 = 600 total capacity

UAE – 150 per year group Years 7-11, 75 per year 12-13 = 900 total capacity

UAE are almost fully subscribed into Year 7, with 145 on roll in the October census, which is used to determine funding for the academic and financial year. This represents an improving trend over time, with a higher number of applications received, reflecting the school's growing reputation and profile in the local area. UAE's 6th form numbers have grown significantly this year, partly due to 2019 being the first year that UAE had internal Year 11s to feed into its 6th form. Capacity is 75 in each cohort however, so the 6th form remains undersubscribed. An expanded curriculum offer for 2020 will increase numbers further, as there will be a wider range of course pathways for potential students to consider.

At the UTC, recruitment into Year 10 at age 14 remains a significant challenge. Although common and successful in other international jurisdictions, Year 10 is a non-traditional

transfer point in the English education system. This is compounded by a relative lack of publicity and profile across the UTC's London-wide catchment, as well as the highly competitive education market locally, in addition to demographic change in neighbouring areas. Despite this, Year 10 numbers remain close to forecast, so the curriculum and staffing model is appropriate for a financially sustainable operation. In the 6th form however, it is a far more positive picture at the UTC, with over 100 enrolments into Year 12 for the first time. This is a positive development and reflects the UTC's technical specialism and unique offer.

The addition of a second specialism in health from 2020 at the UTC offers a broader appeal and a powerful curriculum model, unique in the local market. This is being promoted now and is predicted to attract significantly higher application numbers for 2020 start.

Enrolments at University Academy of Engineering

As At	Secured			Pipeline of
25/10/2019	Full Enrolments			Partial Enrolments
Year of Study	Current Full Enrolments	Target Enrolments	Progress to Target	Current Partial Enrolments
Year 7	145	150	-5	0
Year 8	143	143	0	0
Year 9	133	133	0	0
Year 10	141	141	0	0
Year 11	139	139	0	0
Year 12	50	75	-25	0
Year 13	21	21	0	0
	772	802	-30	0

Enrolments at University Technical College

As At	Secured			Pipeline of
25/10/2019	Full Enrolments			Partial Enrolments
Year of Study	Current Full Enrolments	Target Enrolments	Progress to Target	Current Partial Enrolments
Year 10	28	45	-17	0
Year 11	39	40	-1	0
Year 12	103	85	18	0

Year 13	61	70	-9	0
	231	240	-9	0

South Bank Academies Total

As At	Secured			Pipeline of
25/10/2019	Full Enrolments			Partial Enrolments
Year of Study	Current Full Enrolments	Target Enrolments	Progress to Target	Current Partial Enrolments
Year 7	145	150	-5	0
Year 8	143	143	0	0
Year 9	133	133	0	0
Year 10	169	186	-17	0
Year 11	178	179	-1	0
Year 12	153	160	-7	0
Year 13	82	91	-9	0
	1,003	1,042	-39	0

End.

Agenda Item 6

	CONFIDENTIAL
Paper title:	Student retention update
Board/Committee:	Finance, Planning and Resources Committee
Date of meeting:	05 November 2019
Author(s):	Nicole Louis, Chief Customer Officer
Sponsor(s):	Nicole Louis, Chief Customer Officer
Purpose:	For Discussion
Recommendation:	The committee is requested to discuss the update

Executive summary

Please see report.

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Student Retention Update

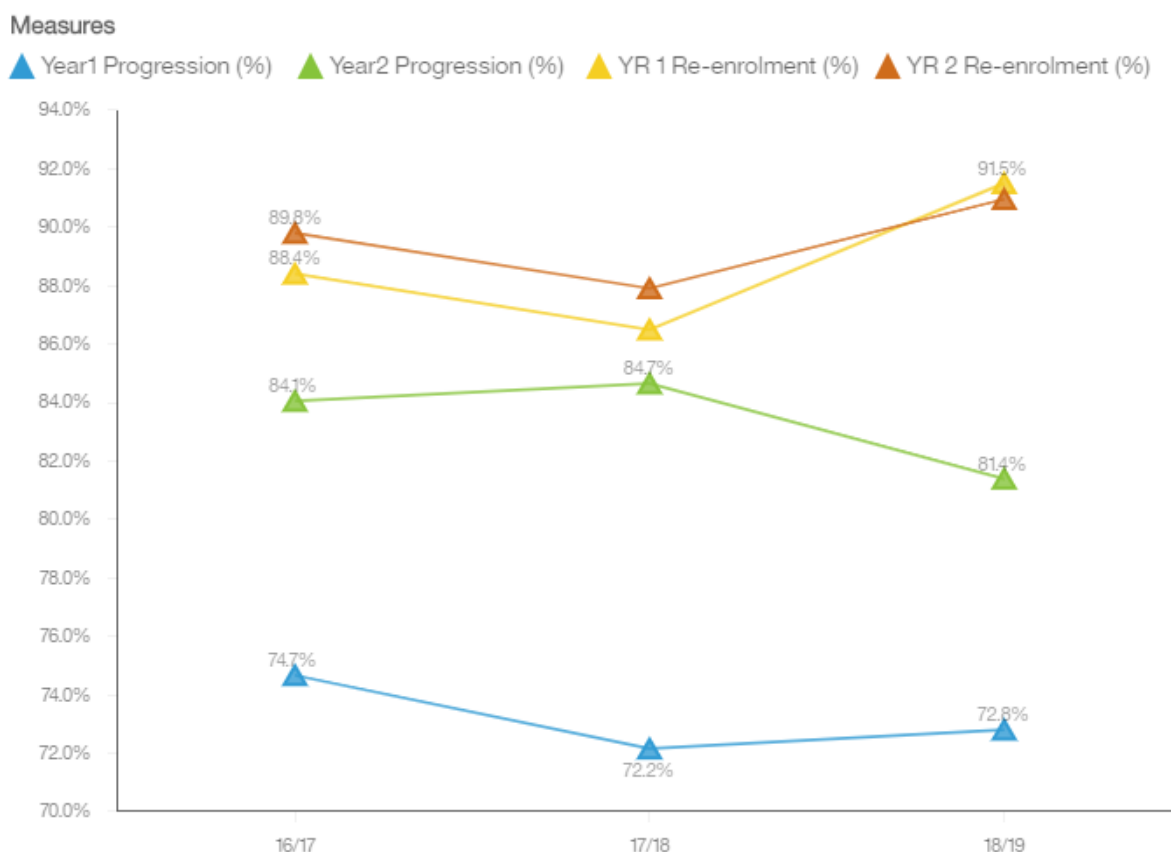
Report date: 25 October 2019

- 1 This report covers 2018/19 Progression and Re-enrolment of UK domiciled full-time, first degree students.

Overall Performance

- 2 Compared to 2017/18, LSBU has seen a marginal improvement in progression from Year 1 to Year 2 (+0.6%) but a significant decline in progression from Year 2 to Year 3 (-3.3%). This decline was driven by an increased proportion of failed, withdrawn and interrupted Year 2 students. Analysis by School and by reasons for non-progression is provided below.
- 3 Re-enrolment rates in 2018/19 have increased by c.4% compared to the prior year. The improvement is seen across all Schools.

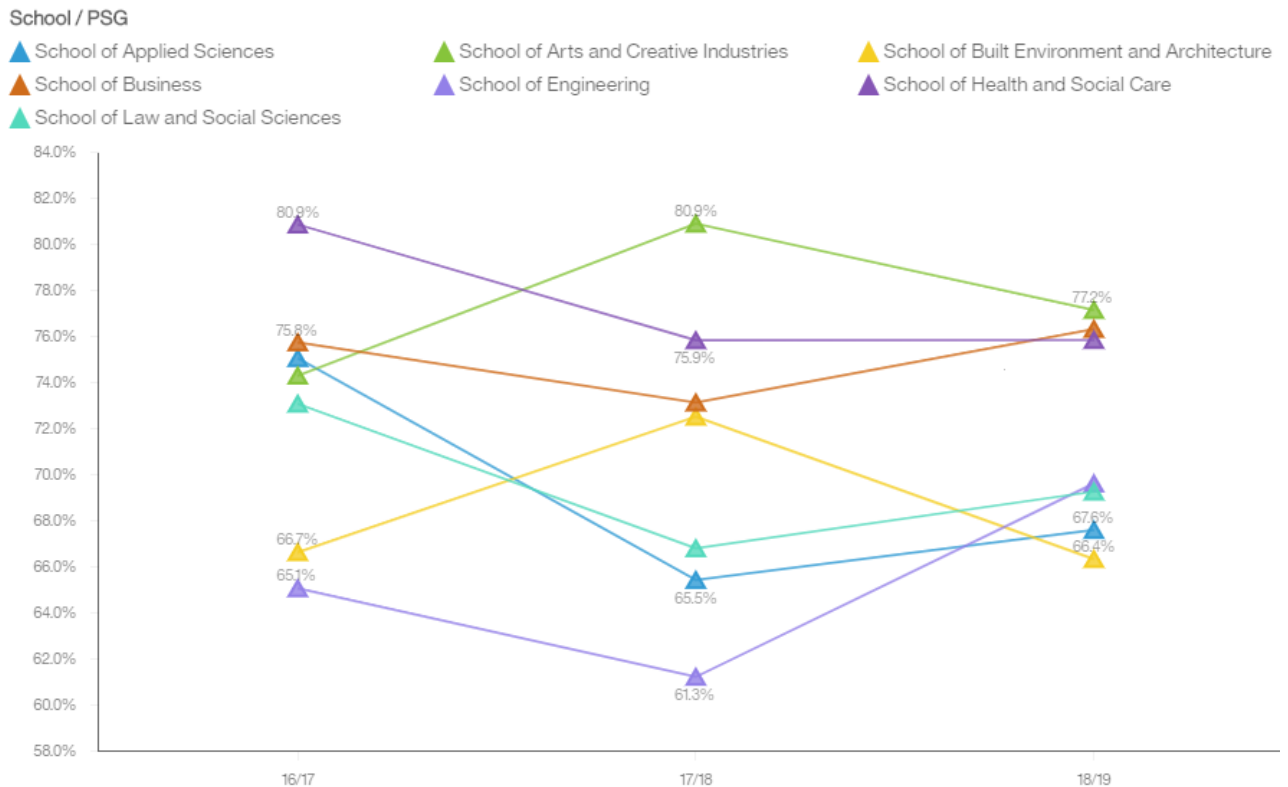
Figure 1: Progression and Re-enrolment three-year trend



Progression Analysis

- 4 Progression by School: while Year 1 to Year 2 progression has marginally increased at institutional level, performance by School has varied significantly, as shown in the chart below (figure 2).

Figure 2: Year 1 to Year 2 Progression by School



- 5 Year 2 to Year 3 progression has declined in all Schools with the exception of Applied Sciences which remained stable (though below institutional average) and Law and Social Sciences (+2%). The biggest decline was in the School of Built Environment and Architecture (-8%).
- 6 Reasons for non-progression: 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. Numbers 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 but a 9% smaller Year 2-3 population causes the overall decline in Year 2-3 progression.
- 7 Non-progressing student demographics: 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.

Actions

- 8 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.
- 9 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.

PPA – 25 October 2019

Appendix: Definitions

Progression – The proportion of students on a course greater than one year that return in the following academic year in a higher year of programme (e.g. progressing from year 1 to year 2). Internal measure.

Re-enrolment – The proportion of students eligible for re-enrolment that re-enrol the following academic year. Includes progressing, interrupting and repeating students, but excludes students that have withdrawn from studies or have been withdrawn due to multiple assessment failures. Internal measure.

The 2018/19 measures in this report are draft and have the potential to improve over the coming months. A further update, to include the external Continuation metric, will be issued later in the year.

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Agenda Item 7

	INTERNAL
Paper title:	September 2019 Management Accounts
Board/Committee:	Finance, Planning and Resources Committee
Date of meeting:	05 November 2019
Author(s):	Ralph Sanders - Director of Financial Planning, Reporting & Registry
Sponsor(s):	Richard Flatman CFO
Purpose:	To brief the committee on the September Financial Position
Recommendation:	To review the September 2019 management accounts

EXECUTIVE SUMMARY

The full year forecast as at 30 September 2019 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, 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 the forecast income position 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.

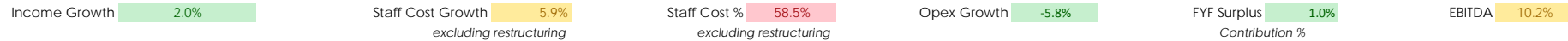
The University is currently holding cash and cash equivalents of £57m. We have transferred £8m to South Bank Colleges to support its cash requirements including the NESD development, and the University is also holding a remaining balance of £5.8m. Without these transactions the University would be holding £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.

SEPTEMBER 2019 EXECUTIVE SUMMARY

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

2) RAG Status



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.

Table 1: Full Year Forecast vs. Budget

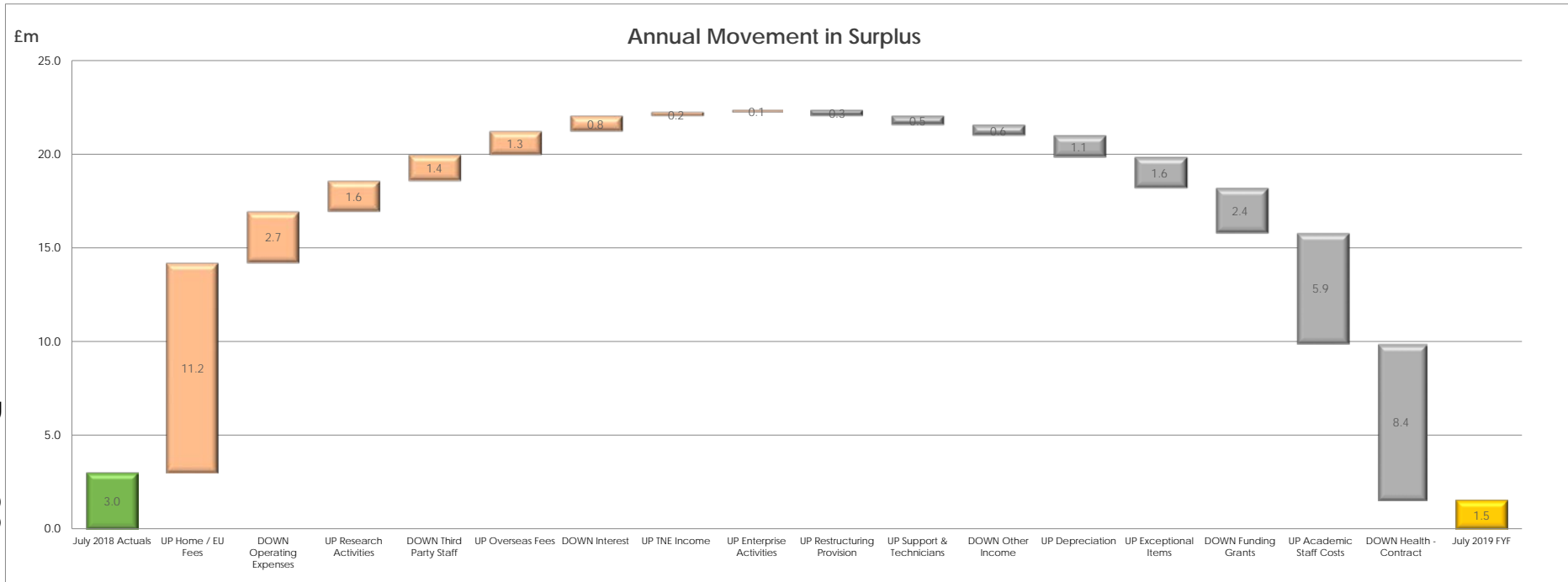
Financial Summary in £'m	CURRENT YEAR BUDGET vs PRIOR YEAR ACTUALS			
	18/19 Actuals	19/20 Budget	Change to 18/19	Change %
Funding Grants	14.4	12.0	-2.4	-17%
Health - Contract	10.6	2.2	-8.4	-79%
Home / EU UG Fees	73.5	82.5	8.9	12%
Home / EU PG Fees	10.2	12.5	2.3	22%
Overseas Tuition Fees	10.3	11.6	1.3	12%
TNE Income	1.8	2.0	0.2	10%
Research Activities	5.9	7.5	1.6	28%
Enterprise Activities	10.6	10.7	0.1	1%
Student Related Income	10.3	10.9	0.6	6%
Other Operating Income	1.1	0.1	-1.0	-90%
Endowments & Interest	0.3	0.1	-0.2	-63%
Income	149.0	152.1	3.1	2%
Academic Staff Costs	39.9	45.9	5.9	15%
Support & Technicians	41.4	41.9	0.5	1%
Third Party Staff	2.7	1.3	-1.4	-51%
Restructuring	1.2	1.5	0.3	26%
Depreciation	9.4	10.5	1.1	12%
Operating Expenses	47.1	44.4	-2.7	-6%
Interest Payable	4.4	3.5	-0.8	-19%
Exceptional Items	0.0	1.6	1.6	0%
Expenditure	146.1	150.6	4.6	3%
Surplus for the year	3.0	1.5	-1.5	-50%
Surplus as % of income	2.0%	1.0%		

FULL YEAR FORECAST OUTTURN POSITION				
Aug 19/20 Forecast Outturn	Monthly move	Sept 19/20 Forecast Outturn	Variance to 19/20	Budget variance %
12.0	0.0	12.0	0.0	0%
2.2	0.0	2.2	0.0	0%
82.5	0.0	82.5	0.0	0%
12.5	0.0	12.5	0.0	0%
11.6	0.0	11.6	0.0	0%
2.0	0.0	2.0	0.0	0%
7.5	0.0	7.5	0.0	0%
10.7	0.0	10.7	0.0	0%
10.9	0.0	10.9	0.0	0%
0.1	0.0	0.1	0.0	0%
0.1	0.0	0.1	0.0	0%
152.1	0.0	152.1	0.0	0%
45.8	0.0	45.8	-0.0	-0%
41.9	0.0	41.9	0.0	0%
1.3	0.0	1.3	0.0	0%
1.5	0.0	1.5	0.0	0%
10.5	0.0	10.5	0.0	0%
44.4	0.0	44.4	-0.0	-0%
3.5	0.0	3.5	0.0	0%
1.6	0.0	1.6	0.0	0%
150.6	0.0	150.6	-0.0	-0%
1.5	0.0	1.5	0.0	0%
1.0%		1.0%		

YEAR ON YEAR (Y-T-D COMPARISON)			
18/19 Actuals	19/20 Actuals	Change to 18/19	Change %
2.5	2.5	-0.0	-0%
2.2	1.1	-1.1	-50%
47.4	56.3	8.9	19%
4.3	6.8	2.6	60%
2.5	3.6	1.1	44%
-0.1	0.0	0.1	0%
0.8	1.1	0.4	47%
1.1	0.7	-0.4	-40%
1.8	1.6	-0.3	-15%
0.1	0.1	0.0	46%
0.0	0.1	0.1	336%
62.6	73.9	11.3	18%
6.4	6.4	0.0	0%
6.4	6.6	0.2	4%
0.4	0.1	-0.3	-75%
0.0	0.0	-0.0	-100%
1.5	0.0	-1.5	-100%
5.7	6.2	0.5	8%
0.8	1.1	0.3	34%
0.0	0.0	0.0	0%
21.3	20.5	-0.8	-4%
41.4	53.5	12.1	29%
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

E'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 7 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)

E'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 -----]				
School	Sep-18	Sep-19	Change	% Change
ASC	443	549	106	24%
ACI	483	401	-82	-17%
BEA	652	917	265	41%
BUS	748	1,168	420	56%
ENG	562	692	130	23%
HSC	1,442	1,543	101	7%
LSS	736	914	178	24%
YTD Total	5,066	6,185	1,119	22%

[----- Continuing -----]				
School	Sep-18	Sep-19	Change	% Change
ASC	575	519	-56	-10%
ACI	645	650	5	1%
BEA	1,088	1,131	44	4%
BUS	1,129	899	-230	-20%
ENG	766	718	-48	-6%
HSC	1,930	1,847	-83	-4%
LSS	773	808	36	5%
YTD Total	6,905	6,572	-333	-5%

[----- TOTAL -----]				
School	Sep-18	Sep-19	Change	% Change
ASC	1,018	1,068	50	5%
ACI	1,128	1,051	-77	-7%
BEA	1,740	2,048	309	18%
BUS	1,877	2,067	190	10%
ENG	1,328	1,410	82	6%
HSC	3,372	3,390	18	1%
LSS	1,509	1,723	214	14%
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 Jul 19	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 - RESTRICTED TO MEETING PARTICIPANTS	
Paper title:	2019 OFS Finance Return
Board/Committee:	Finance, Planning and Resources Committee
Date of meeting:	05 November 2019
Author(s):	Ralph Sanders Director of Financial Planning, Reporting & Registry
Sponsor(s):	Richard Flatman CFO
Purpose:	For Approval
Recommendation:	To support the forecasts for approval by the Board prior to submission by the OfS

Executive summary

In previous years, HEFCE and HESA collected financial data and associated student number projections in two separate returns. In July 2019, the OFS indicated that they would collect this finance data and these forecasts in a single return. This means that providers will no longer be required to complete a HESA finance return.

In July 2019, the OFS provided a sample template and the relevant sections for the 5 year forecast have been completed in advance of distribution of the final template to ensure that the Executive and the FPR committee have adequate time for review in advance of the 2 December 2019 submission date.

The OFS released the final template on 29 October 2019 and this is broadly comparable with the sample template. The remaining sections of the return which include a detailed analysis of 2018/19 performance by HESA cost centre will be presented to the Executive in November, in advance of formal submission to the OFS.

The attached 5-year forecast is for LSBU and SBUEL only. We are currently consulting with the OFS as to whether a group return including SBC is required.

The return includes 8 sections

- 1) A 5 year forecast consistent with that presented to the Executive in July but with 50% of targeted Align savings, a £45M Revolving Credit Facility from 2020/21 and associated interest costs

- 2) The balance sheet for this 5-year forecast
- 3) The cashflow for this 5-year forecast
- 4) A breakdown of Income for the OFS
- 5) A breakdown of our Tuition fees between New and Continuing Students & Home / EU / Overseas
- 6) A breakdown of the number of students between New and Continuing & Home / EU / Overseas so that we can see the recruitment numbers necessary to deliver income targets
- 7) What those students look like in FTE terms
- 8) Staff Costs and Staff FTE numbers

Income in the forecast is as per earlier presentations to the Board and Executive growing to £180M by 2022/23 and include the reduced Enterprise and Overseas budget targets that were agreed with the Chief Business Officer.

Income targets are consistent with the Group Cashflow paper that was approved by the Executive and FPR in July which indicated that a Revolving Credit Facility of £45M would be required to maintain LSBU's preferred £20M cash buffer.

The 5 year forecast includes New and Continuing student numbers and FTE equivalents and assumes no increase in progression which remains at 72% for Year 1 to Year 2 and 80% into Year 3. Recruitment of EU students is expected to halve in 2021/22 with income growth dependent upon increased Home recruitment.

The forecast includes the £150M of planned Capital Expenditure that was presented at the recent Board strategy day and assumes that we will drawdown the £45M revolving credit facility in August 2020.

Consistent with the discussions at the recent Board strategy day about improved effectiveness and financial sustainability, we have factored in 50% of the targeted Align savings. The savings of £4M a year by 2021/22 are assumed to be 70% staff costs and 30% Opex. The impact of Align would be to improve the margin of the University, increase Academic staff by 99 FTE as compared to 18/19 and reduce the number of support staff by 31 FTE by 2023/24.

The committee is requested to support the forecasts for approval by the Board prior to submission by the OfS.

Table 1: Consolidated statement of comprehensive income and expenditure Includes 50% Align savings + 45K RCF + Additional Interest cost		Audited data		Forecast data				
		2017/18	2018/19	Current year 2019/20	2020/21	2021/22	2022/23	2023/24
Financial year ending:		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1	Income							
1a	Course fees and education contracts	106,536	109,571	110,740	114,300	120,700	127,100	131,127
1b	Funding body grants	16,543	16,905	14,821	15,834	15,934	15,834	15,834
1c	Research grants and contracts	3,739	4,412	5,318	5,966	6,966	8,166	9,166
1d	Other income	17,708	17,485	21,112	23,790	26,290	28,790	33,763
1e	Investment income	179	300	110	110	110	110	110
1f	Donations and endowments	596	376		0	0	0	0
1g	Total income	145,301	149,049	152,100	160,000	170,000	180,000	190,000
2	Expenditure							
2a	Staff costs	82,106	82,520	88,382	91,636	95,380	100,291	106,481
2b	Fundamental restructuring costs			1,500	1,500	1,500	1,500	1,500
2c	Other operating expenses	47,658	49,809	45,585	45,714	49,220	51,309	52,119
2d	Depreciation	9,626	9,352	10,500	12,500	13,500	15,500	17,500
2e	Interest and other finance costs	4,298	4,360	4,633	5,800	5,800	5,800	5,800
2f	Total expenditure	143,688	146,041	150,600	157,150	165,400	174,400	183,400
3	Surplus/(deficit) before other gains/losses and share of surplus/(deficit) in joint ventures and associates	1,614	3,008	1,500	2,850	4,600	5,600	6,600
4	Gain/(loss) on disposal of tangible assets							
5	Gain/(loss) on investments	17	31					
6	Share of operating surplus/(deficit) in joint venture(s)							
7	Share of operating surplus/(deficit) in associate(s)							
8	Surplus/(deficit) before tax	1,631	3,039	1,500	2,850	4,600	5,600	6,600
9	Taxation							
10	Surplus/(deficit) for the year	1,631	3,039	1,500	2,850	4,600	5,600	6,600
11	Unrealised surplus on revaluation of land and buildings							
12	Actuarial gain/(loss) in respect of pension schemes	19,083	-5,664					
13	Change in fair value of hedging financial instrument(s) plus foreign currency translation							
14	Miscellaneous types of Other comprehensive income							
15	Total comprehensive income for the year	20,714	-2,625	1,500	2,850	4,600	5,600	6,600
16	Surplus for the year attributable to:							
16a	Non-controlling interest							
16b	Provider	20,714	-2,625	1,500	2,850	4,600	5,600	6,600

Option 1

OfS collects

Option 2

HESA collects

OfS collects

Note: OfS will collect heading 16 under both Option 1 and Option 2

Table 2: Consolidated balance sheet		Audited data		Forecast data				
		2017/18	2018/19	Current year 2019/20	2020/21	2021/22	2022/23	2023/24
Financial year ending:								
1	Non-current assets							
1a	Intangible assets	1,015	42	42	42	42	42	42
1b	Goodwill							
1c	Negative goodwill							
1d	Net amount of goodwill and negative goodwill	1,015	42	42	42	42	42	42
1e	Fixed assets	217,854	224,576	257,713	290,475	297,094	293,740	291,240
1f	Heritage assets							
1g	Investments	38	38	38	38	38	38	38
1h	Investment in joint venture(s)							
1i	Investments in associate(s)							
1j	Other							
1k	Total non-current assets	218,908	224,657	257,794	290,556	297,174	293,821	291,321
Full-time PGCE / Health Contract								
2	Current assets							
2a	Stock	10	6					
2b	Trade and other receivables (excluding loans to directors)	19,765	27,457	34,807	49,394	49,394	49,394	49,394
2c	Investments	11,573	11,713	11,713	11,713	11,713	11,713	11,713
2d	Cash and cash equivalents	37,841	45,706	6,922	-37,636	-39,936	-31,487	-23,113
2e	Loans to directors							
2f	Accrued course fees							
2g	Other / RCF Funding				45,000	45,000	45,000	45,000
2h	Total current assets	69,188	84,883	53,442	68,471	66,171	74,620	82,994
3	Creditors: amounts falling due within one year							
3a	Overdrafts							
3b	Bank loans and external borrowing	1,367	1,909	1,909	1,909	1,909	1,909	1,909
3c	Obligations under finance leases and service concessions							
3d	Deferred course fees							
3e	Tax and social security costs	1,544	1,487	1,487	1,487	1,487	1,487	1,487
3f	Loans from directors							
3g	Other	28,731	28,049	28,049	28,049	28,049	28,049	28,049
3h	Total creditors (amounts falling due within one year)	31,642	31,446	31,446	31,446	31,446	31,446	31,446
4	Share of net current assets/(liabilities) in associate							
5	Net current assets / (liabilities)	37,546	53,437	21,996	37,025	34,725	43,174	51,548
6	Total assets less current liabilities	256,454	278,094	279,790	327,581	331,899	336,995	342,869
7	Creditors: amounts falling due after more than one year							
7a	Bank loans and external borrowing	22,895	34,452	32,660	30,647	28,411	25,953	23,272
7b	Obligations under finance leases and service concessions							
7c	Loans from directors / RCF Funding				45,000	45,000	45,000	45,000
7d	Other	22,527	21,580	20,692	19,770	18,849	17,927	17,005
7e	Total creditors (amounts falling due after more than one year)	45,422	56,032	53,353	95,417	92,259	88,879	85,277
8	Provisions							
8a	Pension provisions	100,743	114,398	117,274	120,150	123,026	125,902	128,778
8b	Other							
8c	Total provisions	100,743	114,398	117,274	120,150	123,026	125,902	128,778
9	Total net assets	110,289	107,664	109,164	112,014	116,614	122,214	128,814
10	Restricted reserves							
10a	Income and expenditure endowment reserve	823	855	855	855	855	855	855
10b	Income and expenditure restricted reserve							
11	Unrestricted reserves							
11a	Income and expenditure unrestricted reserve	82,744	80,858	82,358	85,208	89,808	95,408	102,008
11b	Revaluation reserve	26,722	25,951	25,951	25,951	25,951	25,951	25,951
11c	Other reserves							
12	Total restricted and unrestricted reserves	110,289	107,664	109,164	112,014	116,614	122,214	128,814

13	Non controlling interest								
14	Total reserves	110,289	107,664	109,164	112,014	116,614	122,214	128,814	
15	Share capital								
					0	0	0	0	0
16 Off-balance sheet items									
	What is the off-balance sheet item?	What is the value of this item?	What is the reason for holding this item off-balance sheet?	Who (or what) holds in relation to this item?					
16a									
16b									
16c									
16d									
16e									
16f									
16g									
16h									
16i									
16j									
...									

Table 3: Consolidated statement of cash flows		Audited data		Forecast data				
		2017/18	2018/19	Current year 2019/20	2020/21	2021/22	2022/23	2023/24
Financial year ending:								
1	Cash flow from operating activities							
1a	Surplus for the year	1,631	3,039	1,500	2,850	4,600	5,600	6,600
2	Adjustment for non-cash items							
2a	Depreciation	9,626	9,352	10,500	12,500	13,500	15,500	17,500
2b	Amortisation of intangibles							
2c	Benefit on acquisition							
2d	Amortisation of goodwill							
2e	Loss/(gain) on investments	-179	-300	-110	-110	-110	-110	-110
2f	Decrease/(increase) in stock	-2	4	6	0	0	0	0
2g	Decrease/(increase) in debtors	-1,386	-7,693	-7,350	-14,587	0	0	0
2h	Increase/(decrease) in creditors	-4,298	10,414	-2,679	42,064	-3,158	-3,380	-3,602
2i	Increase/(decrease) in pension provisions	2,876	13,655	2,876	2,876	2,876	2,876	2,876
2j	Increase/(decrease) in other provisions							
2k	Receipt of donated equipment							
2l	Share of operating surplus/(deficit) in joint venture							
2m	Share of operating surplus/(deficit) in associate							
2n	Remains of 13.75 ESFA Grant							
3	Adjustment for investing or financing activities							
3a	Investment income	179	300	110	110	110	110	110
3b	Interest payable	4,298	4,360	4,633	5,800	5,800	5,800	5,800
3c	Endowment income							
3d	Loss/(gain) on the sale of fixed assets							
3e	Capital grant income							
4	Net cash inflow from operating activities	12,745	33,131	9,486	51,504	23,618	26,396	29,174
5	Cash flows from investing activities							
5a	Proceeds from sales of fixed assets							
5b	Proceeds from sales of intangible assets							
5c	Capital grants receipts							
5d	Disposal of non-current asset investments							
5e	Withdrawal of deposits							
5f	Investment income							
5g	Payments made to acquire fixed assets	-9,623	-15,101	-43,637	-45,262	-20,118	-12,147	-15,000
5h	Payments made to acquire intangible assets							
5i	New non-current asset investments							
5j	New deposits	5,047						
5k	Total cash flows from investing activities	-4,576	-15,101	-43,637	-45,262	-20,118	-12,147	-15,000
6	Cash flows from financing activities							
6a	Interest paid	-1,128	-1,569	-2,110	-2,210	-3,510	-3,510	-3,510
6b	Interest element of finance lease and service concession payments							
6c	Endowment cash received							
6d	New secured loans							
6e	New unsecured loans							
6f	Repayments of amounts borrowed	-1,347	-1,569	-1,791	-2,014	-2,236	-2,458	-2,680
6g	Capital element of finance lease and service concession payments							
6h	Other		-6,886	269	-1,576	-53	168	391
6i	Total cash flows from financing activities	-2,475	-10,024	-3,633	-5,800	-5,799	-5,801	-5,800
7	(Decrease)/Increase in cash and cash equivalents in the year	5,694	8,006	-37,784	442	-2,300	8,449	8,374
8	Investments, Cash and cash equivalents at beginning of the year	43,719	49,413	57,419	18,635	19,077	16,777	25,226
9	Investments, Cash and cash equivalents at the end of the year	49,413	57,419	18,635	19,077	16,777	25,226	33,600
10	Current year cash management							
10a	Date of lowest cash balance							
10b	Cash balance (£)							
11	When is cash forecast to fall below a zero balance during the current year and how will you manage this?							
	Period during which the net cash balance is negative	Action to manage negative cash balance						

11a		
11b		
11c		
11d		
11e		
...		

Table 4: Analysis of income		Audited data		Forecast data				
		2017/18	2018/19	Current year 2019/20	2020/21	2021/22	2022/23	2023/24
Financial year ending:		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1	Course fees and education contracts	106,536	109,571	110,740	114,300	120,700	127,100	131,127
2	Funding body grants							
2a	Office for Students teaching grant (formerly distributed by HEFCE)	12,660	13,321	11,133	12,578	12,678	12,578	12,578
2b	Research England research grant (formerly distributed by HEFCE)	1,838	1,924	2,176	1,834	1,834	1,834	1,834
2c	Office for Students/Research England other grants (formerly distributed by HEFCE)	982	708	624	500	500	500	500
2d	Education and Skills Funding Agency funding							
2e	Department for Education teacher training funding	99						
2f	Capital grants recognised in the year	964	952	888	922	922	922	922
2g	Total funding body grants	16,543	16,905	14,821	15,834	15,934	15,834	15,834
3	Research grants and contracts							
3a	UK sources	2,349	3,340	3,508	5,061	6,514	7,940	8,940
3b	Other EU sources	1,390	1,073	1,810	905	452	226	226
3c	Non-EU sources							
3d	Total research grants and contracts	3,739	4,412	5,318	5,966	6,966	8,166	9,166
4	Other income							
4a	Other services rendered							
4ai	UK public sources (Central government, health and hospital authorities, Research Councils)							
4aii	EU sources							
4aiii	Other							
4aiv	Total other services rendered							
4b	Residences and catering operations (including conferences)							
4bi	Residences operations	8,822	9,284	9,658	10,309	10,640	11,047	11,600
4bii	Catering operations	1,586	1,567	1,691	1,691	1,860	1,953	2,050
4biii	Total residences and catering operations (including conferences)	10,407	10,851	11,348	12,000	12,500	13,000	13,650
4c	Income from health and hospital authorities (excluding teaching contracts for student provision)							
4d	Other EU grant income							
4e	Capital grants recognised in the year							
4f	Income from intellectual property rights							
4g	Other operating income	7,301	6,634	9,764	11,790	13,790	15,790	20,113
4h	Total other income	7,301	6,634	9,764	11,790	13,790	15,790	20,113
5	Investment income	179	300	110	110	110	110	110
6	Donations and endowments	596	376	0	0	0	0	0
7	Total income	145,301	149,049	152,100	160,000	170,000	180,000	190,000

Option 1

OfS collects

Option 2

OfS collects

Financial year ending:		Current year 2019/20		Year 4 2020/21		Year 5 2021/22		Year 6 2022/23		Year 7 2023/24	
		New students	Continuing students	New students	Continuing students	New students	Continuing students	New students	Continuing students	New students	Continuing students
Table 6: Analysis of income - Course fees and education contracts analysed by domicile, mode, level and source											
1	Higher education course fees										
1a	UK-domiciled students										
1ai	Full-time undergraduate	28,775	34,058	30,803	36,597	33,370	39,126	35,937	40,703	37,649	41,341
1aii	Health Contract	2,170		2,640		2,760		2,880		2,880	
1aiii	Full-time postgraduate taught (excluding PGCE)	6,208	2,187	6,797		8,298		9,438		9,910	
1aiv	Full-time postgraduate research									0	
1av	Part-time undergraduate	4,914	6,482	5,246	4,755	5,246	4,755	5,508	4,992	5,771	5,255
1avi	Part-time postgraduate taught	1,308	1,473	1,766	1,036	1,942	1,060	2,119	1,083	2,295	1,067
1avii	Part-time postgraduate research									0	
1aviii	Total UK fees	43,376	44,200	47,252	42,388	51,616	44,940	55,882	46,778	58,504	47,663
1b	Other EU-domiciled students										
1bi	Full-time undergraduate	3,655	4,413	3,847	4,153	1,924	3,356	962	3,038	962	1,705
1bii	Full-time PGCE / Health Contract			60		40		20		13	
1biii	Full-time postgraduate taught (excluding PGCE)	870	275	1,201		601		300		200	
1biv	Full-time postgraduate research										
1bv	Part-time undergraduate	48	131	72	126	24	99	24	35	24	16
1bvi	Part-time postgraduate taught	71	100	94	106	38	62	38	22	19	21
1bvii	Part-time postgraduate research										
1bviii	Total Other EU fees	4,644	4,920	5,275	4,385	2,626	3,518	1,344	3,096	1,218	1,742
1c	Total UK and EU fees	48,020	49,120	52,527	46,773	54,242	48,458	57,226	49,874	59,723	49,404
1d	Non-EU-domiciled students										
1di	Full-time undergraduate	4,461	3,323	4,830	3,554	5,269	4,512	5,708	5,470	6,147	6,429
1dii	Full-time PGCE										
1diii	Full-time postgraduate taught (excluding PGCE)	2,797	762	3,616		4,219		4,822		5,425	
1div	Full-time postgraduate research										
1dv	Part-time undergraduate	119	26								
1dvi	Part-time postgraduate taught	29	83								
1dvii	Part-time postgraduate research										
1dviii	Total Non-EU fees	7,406	4,194	8,446	3,554	9,488	4,512	10,530	5,470	11,571	6,429
1e	Total higher education course fees	55,426	53,314	60,973	50,327	63,730	52,970	67,756	55,344	71,294	55,833
2	Non-credit bearing course fees / TNE Income	2,000		3,000		4,000		4,000		4,000	
3	FE course fees										
4	Research training support grants										
4a	Income for general research studentships from charities (open competitive process)										
4b	Other research training support grants										
4c	Total research training support grants										

5	Total course fees and education contracts	57,426	53,314	63,973	50,327	67,730	52,970	71,756	55,344	75,294	55,833
	Total course fees and education contracts		110,740		114,300		120,700		127,100		131,127

Option 1

OfS collects

Option 2

HESA collects
(student record)

OfS collects

Note: Under Option 1 student numbers will be taken from the HESA student record for Years 1 and 2 where available

Financial year ending:		Year 1 Fee	Continuing Fee	Current year 2019/20		Year 4 2020/21		Year 5 2021/22		Year 6 2022/23		Year 7 2023/24	
				New students	Continuing students	New students	Continuing students	New students	Continuing students	New students	Continuing students	New students	Continuing students
Table 7a: Student numbers (bodies)													
1 Higher education student full-time equivalent (FTE)													
1a UK-domiciled students													
1ai	Full-time undergraduate	£8,556	£8,187	3,363	4,160	3,600	4,470	3,900	4,779	4,200	4,972	4,400	5,050
1aii	Health Contract	£7,307	£0	297		361		378		394		394	
1aiii	Full-time postgraduate taught (excluding PGCE)	£8,489	£653	731	335	801		977		1,112		1,167	
1aiv	Full-time postgraduate research												
1av	Part-time undergraduate	£5,246	£4,691	937	1,382	1,000	1,014	1,000	1,014	1,050	1,064	1,100	1,120
1avi	Part-time postgraduate taught	£1,766	£1,725	741	427	1,000	600	1,100	614	1,200	628	1,300	618
1avii	Part-time postgraduate research												
1aviii	Total UK student			6,069	6,304	6,762	6,084	7,355	6,407	7,956	6,664	8,361	6,788
1b Other EU-domiciled students													
1bi	Full-time undergraduate	£7,694	£8,473	475	503	500	490	250	396	125	359	125	201
1bii	Full-time PGCE / Health Contract					8		5		3		2	
1biii	Full-time postgraduate taught (excluding PGCE)	£6,904	£641	126	43	174		87		44		29	
1biv	Full-time postgraduate research												
1bv	Part-time undergraduate	£4,829	£5,680	10	23	15	22	5	18	5	6	5	3
1bvi	Part-time postgraduate taught	£3,752	£3,349	19	30	25	32	10	19	10	7	5	6
1bvii	Part-time postgraduate research												
1bviii	Total Other EU student			630	599	722	544	357	432	186	371	166	210
1c Total UK and EU student													
				6,699	6,903	7,484	6,628	7,713	6,839	8,142	7,035	8,527	6,998
1d Non-EU-domiciled students													
1di	Full-time undergraduate	£8,781	£11,577	508	287	550	307	600	390	650	473	700	555
1dii	Full-time PGCE												
1diii	Full-time postgraduate taught (excluding PGCE)	£12,055	£650	232	147	300		350		400		450	
1div	Full-time postgraduate research												
1dv	Part-time undergraduate	£4,581	£6,622	26	4								
1dvi	Part-time postgraduate taught	£7,297	£3,186	4	26								
1dvii	Part-time postgraduate research												
1dviii	Total Non-EU student			770	464	850	307	950	390	1,050	473	1,150	555
1e Total higher education student													
				7,469	7,367	8,334	6,935	8,663	7,229	9,192	7,508	9,677	7,554

Option 1

OfS collects

Option 2

HESA collects
(student record)

OfS collects

Financial year ending:		Last audited year 2018/19		Current year 2019/20		Year 4 2020/21		Year 5 2021/22		Year 6 2022/23		Year 7	
		New students	Continuing students	New students	Continuing students	New students	Continuing students	New students	Continuing students	New students	Continuing students	Registered students	Forecast students to be registered
Table 7: Student numbers (FTE)													
1 Higher education student full-time equivalent (FTE)													
1a UK-domiciled students													
1ai	Full-time undergraduate	3,048	3,895	3,363	4,160	3,600	4,470	3,900	4,779	4,200	4,972	4,400	5,050
1aii	Health Contract	172	60	297	0	361	0	378	0	394	0	394	0
1aiii	Full-time postgraduate taught (excluding PGCE)	678	339	731	335	801	0	977	0	1,112	0	1,167	0
1aiv	Full-time postgraduate research			0	0	0	0	0	0	0	0	0	0
1av	Part-time undergraduate	646	1,010	468	553	500	405	500	405	525	426	550	448
1avi	Part-time postgraduate taught	430	473	370	85	500	120	550	123	600	126	650	124
1avii	Part-time postgraduate research			0	0	0	0	0	0	0	0	0	0
1aviii	Total UK student FTE	4,974	5,777	5,230	5,133	5,762	4,996	6,305	5,307	6,831	5,523	7,161	5,621
1b Other EU-domiciled students													
1bi	Full-time undergraduate	414	435	475	503	500	490	250	396	125	359	125	201
1bii	Full-time PGCE			0	0	8	0	5	0	3	0	2	0
1biii	Full-time postgraduate taught (excluding PGCE)	107	50	126	43	174	0	87	0	44	0	29	0
1biv	Full-time postgraduate research			0	0	0	0	0	0	0	0	0	0
1bv	Part-time undergraduate	59	40	5	9	8	9	3	7	3	2	3	1
1bvi	Part-time postgraduate taught	40	47	10	6	13	6	5	4	5	1	3	1
1bvii	Part-time postgraduate research			0	0	0	0	0	0	0	0	0	0
1bviii	Total Other EU student FTE	620	572	616	561	702	505	350	407	179	362	161	204
1c Total UK and EU student FTE													
		5,594	6,349	5,846	5,694	6,464	5,501	6,655	5,714	7,010	5,885	7,322	5,825
1d Non-EU-domiciled students													
1di	Full-time undergraduate	340	285	508	287	550	307	600	390	650	473	700	555
1dii	Full-time PGCE			0	0	0	0	0	0	0	0	0	0
1diii	Full-time postgraduate taught (excluding PGCE)	257	186	232	147	300	0	350	0	400	0	450	0
1div	Full-time postgraduate research			0	0	0	0	0	0	0	0	0	0
1dv	Part-time undergraduate			13	2	0	0	0	0	0	0	0	0
1dvi	Part-time postgraduate taught	5	41	2	5	0	0	0	0	0	0	0	0
1dvii	Part-time postgraduate research			0	0	0	0	0	0	0	0	0	0
1dviii	Total Non-EU student FTE	602	512	755	441	850	307	950	390	1,050	473	1,150	555
1e Total higher education student FTE													
		6,196	6,861	6,601	6,135	7,314	5,808	7,605	6,104	8,060	6,358	8,472	6,380
			13,057		12,736		13,122		13,709		14,417		14,853

Option 1	OfS collects	
Option 2	HESA collects	OfS collects

Table 9: Analysis of expenditure - staff costs		Audited data		Forecast data				
		2017/18	2018/19	Current year 2019/20	2020/21	2021/22	2022/23	2023/24
Financial year ending:		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1	Staff costs							
1a	Salaries and wages academic staff	31,665	30,132	32,916	34,905	36,622	38,260	40,347
1b	Salaries and wages non-academic staff	30,805	29,909	30,165	30,143	30,477	31,613	33,053
1c	Social security costs	6,526	6,396	6,720	6,930	7,148	7,444	7,819
1d	Employer Universities Superannuation Scheme costs	435	491	536	568	596	623	657
1e	Employer Teachers' Pension Scheme costs / TPA	4,321	4,222	4,612	4,890	5,131	5,360	5,653
1f	Employer Local Government Pension Scheme costs / LPFA	8,222	11,237	11,992	12,855	14,007	15,522	17,398
1g	Employer Other pension costs / SBUEL	133	134	135	135	136	141	148
1h	Changes to pension provisions							
1i	Other staff related costs / Third Party Staff			1,306	1,210	1,263	1,326	1,406
4B	Total staff costs	82,106	82,520	88,382	91,636	95,380	100,291	106,481
2	Average staff numbers							
2a	Average academic staff numbers (FTE)	690	637	676	696	709	719	736
2b	Average non-academic staff numbers (FTE)	697	657	643	624	613	617	626
2c	Total staff numbers (FTE) as disclosed in accounts	1,387	1,295	1,319	1,320	1,322	1,336	1,363

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	INTERNAL
Paper title:	Annual Report and Accounts for year ending 31st July 2019
Board/Committee:	Finance Policy and Resources
Date of meeting:	05 November 2019
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group Chief Financial Officer
Purpose:	For Review
Recommendation:	It is recommended that the Committee review the attached report and accounts.

Executive Summary

The audit for the year ended 31 July 2019 is almost complete. The draft report and accounts are presented here and KPMG are in the process of finalising their audit letter. The audit committee will review the accounts from an audit perspective at its meeting of 8 November 2018 and will be asked to recommend the accounts to the Board for approval.

Committee members should in particular draw their attention to the following sections in the accounts:

- A commentary on the financial results for the year is shown on pages 10 – 14 of the accounts. Results for the year have previously been considered in the July management accounts. KPMG are in the process of finalizing their review of the accounts but no material adjustments are proposed or anticipated.
- The ‘Strategic Report’ on pages 5 - 9 of the accounts sets out the University’s objectives and strategy for achieving those objectives in its performance through the year and its prospects for the future.
- A description of the principal risks and uncertainties facing the University is shown on page 9 of the accounts.
- An assessment of the University as a going concern, as will be presented to the Board, is shown on pages 14 of the accounts.

For information, KPMG benchmarking on university financial statements 2017/18 is included as an appendix to the pack.

Recommendation

The committee is requested to note the attached report and accounts.



Report and Financial Statements

31 July 2019

Draft at 28/10/19

Outstanding matters:

1. Corporate Governance statement – final after AC
2. Remuneration report – final after AC
3. Audit report –KPMG to send report
4. Page numberings
5. Cashflow – balancing number to analyse out in cashflow.
6. Taxation and gift aid
7. note on TPS incomplete
8. note on LPFA to complete relating to SBC

Report and financial statements 2019

Contents	Page
Strategic report	2
Statement of responsibilities of the Board of Governors	14
Corporate governance statement	16
Annual Remuneration Report	22
Independent auditors' report to the Board of Governors of London South Bank University	27
Consolidated and University statement of comprehensive income and expenditure	29
Consolidated and University statement of changes in reserves	30
Consolidated and University balance sheets	31
Consolidated statement of cashflows	32
Principal accounting policies	33
Notes to the accounts	38

Report and financial statements 2019

Strategic Report

This Strategic Report is that of the University and its subsidiaries, South Bank Colleges and South Bank University Enterprises Limited.

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 16-21 and the members of the Board of Governors during the year ended 31 July 2019 are listed on page 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 is regulated principally by OfS. 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	Mills and Reeve LLP Botanic House 100 Hills Road Cambridge CB2 1PH	Veale Wasbrough Vizards LLP Orchard Court Orchard Lane Bristol BS1 5WS
Eversheds 70 Great Bridgewater Street Manchester M1 5ES		
Auditor KPMG LLP 15 Canada Square London E14 5GL	Internal Auditor Up 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 Up 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

Report and financial statements 2019

Strategic Report

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
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

Report and financial statements 2019

Strategic Report

Mr Richard Flatman	Group Chief Financial Officer
Professor Paul Ivey	Deputy Vice Chancellor and Chief Business Officer
Miss Nicole Louis	Chief Customer Officer
Mr Ian Mehrtens	Chief Operating Officer (Resigned 31 December 2018)
Ms Fiona Morey	Executive Principal Lambeth College / Pro Vice Chancellor Compulsory and Further Education
Mr James Stevenson	Group Secretary
Professor Shân Wareing	Chief Operating Officer and Deputy Vice Chancellor (Education)

A separate Corporate Governance Statement is shown on [pages 16-21](#).

Objectives and Activities

London South Bank University transforms lives, communities, business and society through applied education and insight. We were established over 125 years 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 the 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 multi-touch 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 and we are second only to UCL in London for Knowledge Transfer Partnerships. 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, and University of the Year for Graduate Employment - twice.

LSBU Group

LSBU has adopted a new group structure, which structure 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. The LSBU Family comprises London South Bank University, South Bank Academies (South Bank Engineering UTC and University Academy of Engineering, South Bank), South Bank University Enterprises Ltd and, since 1 February, South Bank Colleges, previously known as Lambeth College. These organisations work to a shared mission and values and use a shared educational framework to achieve shared outcomes.

Report and financial statements 2019

Strategic Report

LSBU is formally the sponsor of the Multi Academy Trust which, whilst not consolidated in these accounts, has a close working relationship with the LSBU Group and was also established in accordance with this mission.

On 31 January Lambeth College Corporation was formally dissolved, and its assets are now part of 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 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 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 expansion of the Group including with further education colleges, schools and other facilities.

Mission

The mission of LSBU is to be recognised as an enterprising civic university that addresses real world challenges. London South Bank University's Corporate Strategy 2015–2020 sets out how the University will achieve its vision of becoming London's top modern university by 2020. The University's 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 very 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*].

Report and financial statements 2019

Strategic Report

- 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 through research successes, high profile appointments and other accolades.

- 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. She undertakes work for both Millwall Football Club and for Women in Football. Professor Leary, is a Fellow of the Queen's Nursing Institute and Chair of Healthcare & Workforce Modelling at London South Bank University.
- 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, as part of the seventy most influential people in the UK.
- 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 also 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 produced £317m in combined income; has 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 Sellafeld, London Underground and FitFlop.

Report and financial statements 2019

Strategic Report

Applied research with local and international impact

Since 2015, LSBU has teamed up 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.

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 will provide 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 (21,500sqft), Blackwells (6,000sqft) and the Clarence Centre for Enterprise and Innovation (10,000sqft). 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 in 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*]

- LSBU is a top 15 UK university and the top London Modern for part-time postgraduate study. Over a quarter of LSBU students are on postgraduate courses, with 45% of them sponsored by their employer (HESA Student Full Person Equivalent (FPE))

Report and financial statements 2019

Strategic Report

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 tech to food tech. Through these programmes over the next 3 years we aim to support over 1000 SMEs, create 120 jobs, bring over 180 new products/services to firms/markets and create over 100 long term collaborations with innovative SMEs. To date, these programmes have attracted over 700 SMEs and are on target to assist over 1200 in their lifetimes, creating 120 jobs, 240 new products and 160 long-term symbiotic relationships.

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 MOU 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.

Strategic Enablers

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

- We've seen our gender pay gap steadily reduce from 13.25% in 2009 to 6.7% in 2017/18 – significantly out-performing the higher education sector as a whole.

LSBU Chancellor

In November 2018 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 will act 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), Customer Relationship Management (CRM) systems and exploring the introduction of a Curriculum Portfolio Management (CPM) system. We need to think broadly how the University can fully transform the experience at LSBU 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 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 will positively transform our University for all. Upon completion the London Road building will become a Learning Hub providing an enhanced library, improved Academy of Sport, enhanced space for

Report and financial statements 2019

Strategic Report

Elephant Studios and some community space. The project officially begins on 31 August 2019 and is scheduled for completion in spring 2021.

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 this stage 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
Revenue reduction	<ul style="list-style-type: none"> • Quality Standards Committee approval of course validations informed by market insight • Weekly review of numbers by Marketing, Admissions & Communications leadership team • Monthly review of Admissions & Enrolments report • Revised Outreach
Progression rates don’t increase	<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
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 Govt. 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, Policy 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

Report and financial statements 2019

Strategic Report

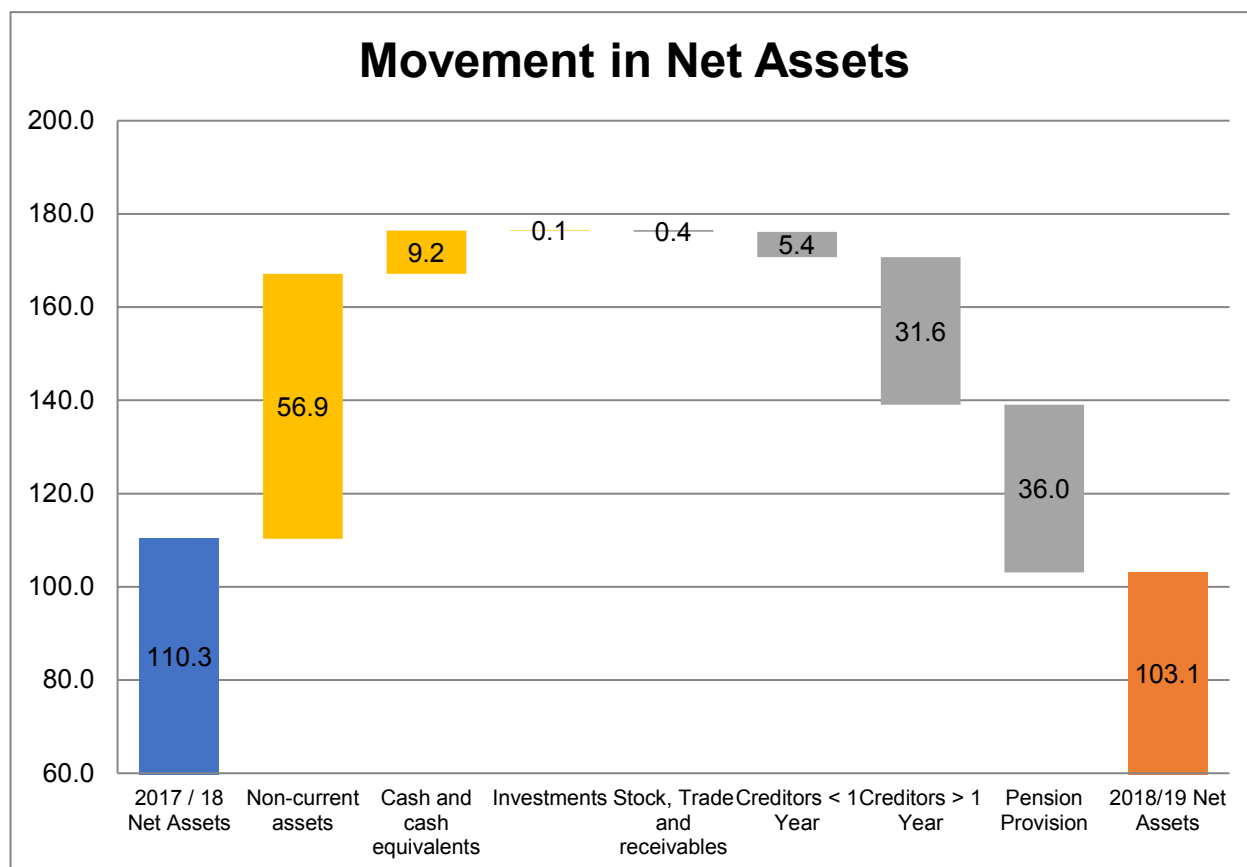
	<ul style="list-style-type: none"> • Communication plan aims to shift student perceptions • Long term roadmaps in development to identify greater opportunities for incorporation of student feedback in provision of professional services
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Financial Review

Balance sheet and liquidity

The Group’s net assets decreased by 7% during the year moving from £110.3m to £103.1m. £2.2m of this decrease was due to changes in LSBU net assets, the remainder was due to SBC having an initial negative net asset position of £4.6m.

Of the other changes to Net Assets, the 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 is due to the novation of a Lambeth College Loan and the inclusion of SBC deferred income as a group asset.



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 the 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.

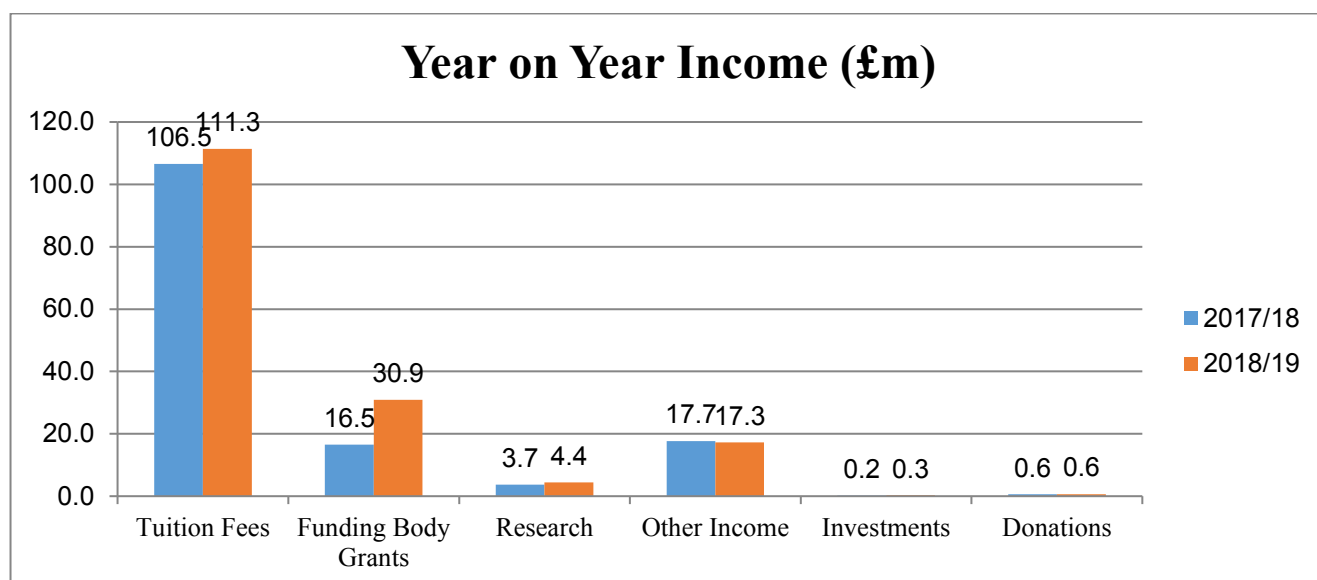
Report and financial statements 2019

Strategic Report

Result for the Year

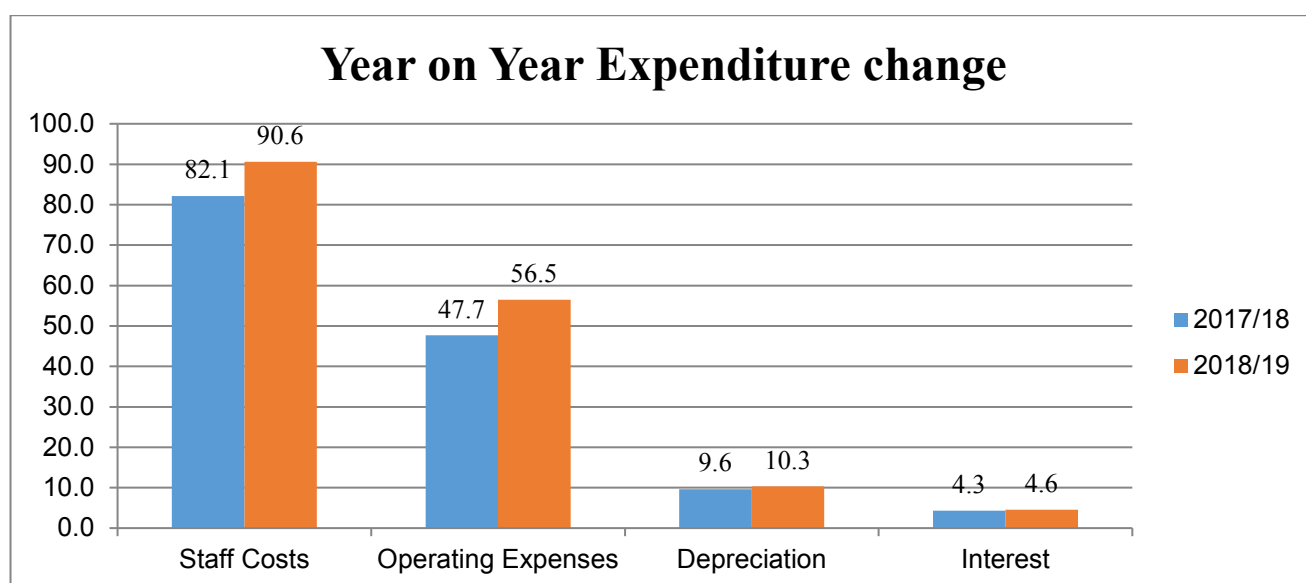
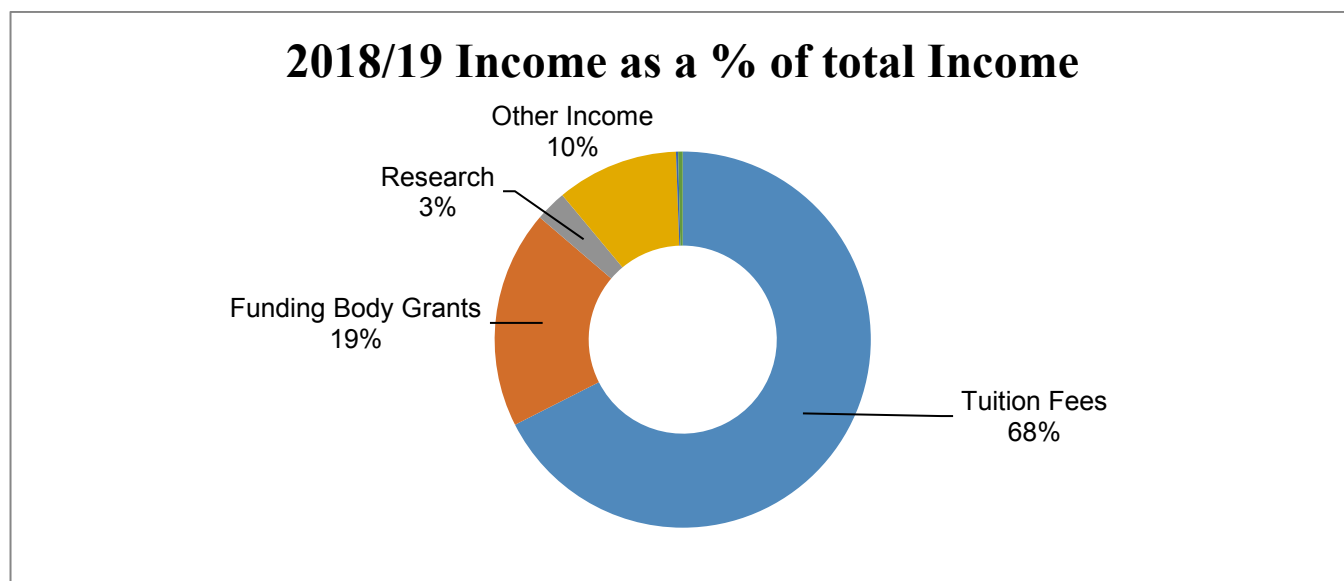
Financial Summary in £m			Variance from 2017 / 18 £m	
	2018/19	2017/18		
Income	164.9	145.3	19.6	13.5%
Expenditure	162.0	143.7	18.3	11.3%
Surplus for the year	2.9	1.6	1.3	81.3%
Surplus %	1.8%	1.1%		

The operating surplus of £2.9m 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.



Total income for the group increased by 13.5% (£19.6m) to £164.9m (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 the LSBU group. Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for the 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.

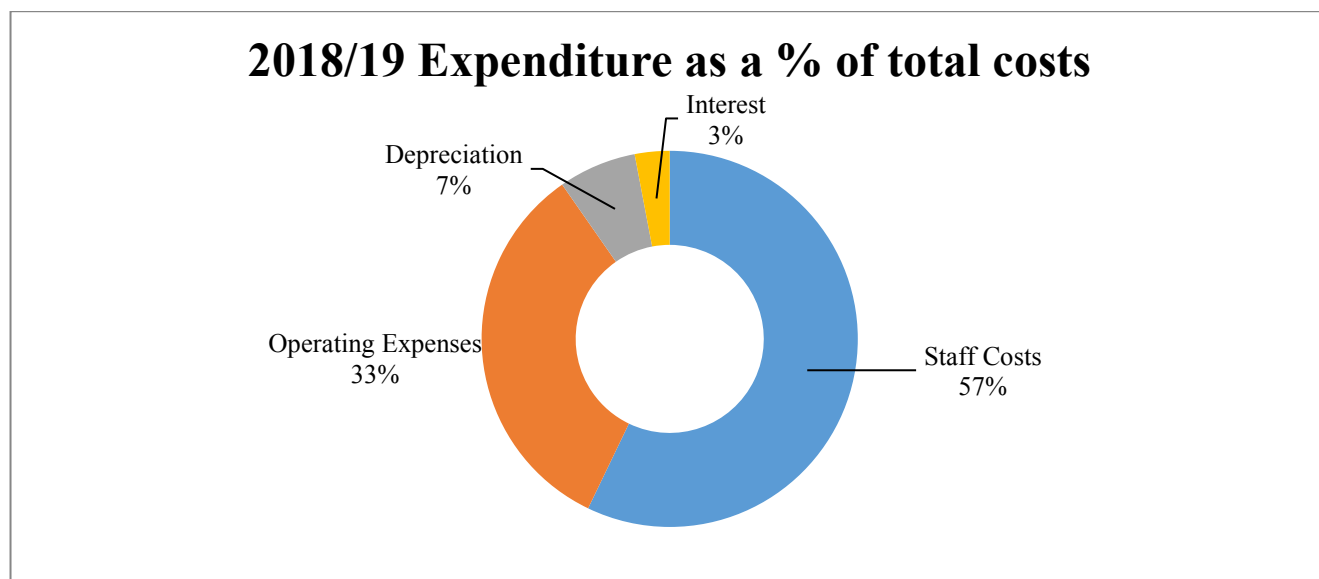
Report and financial statements 2019 Strategic Report



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 due to the additional staff within SBC. 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 University Group in 2018/19.

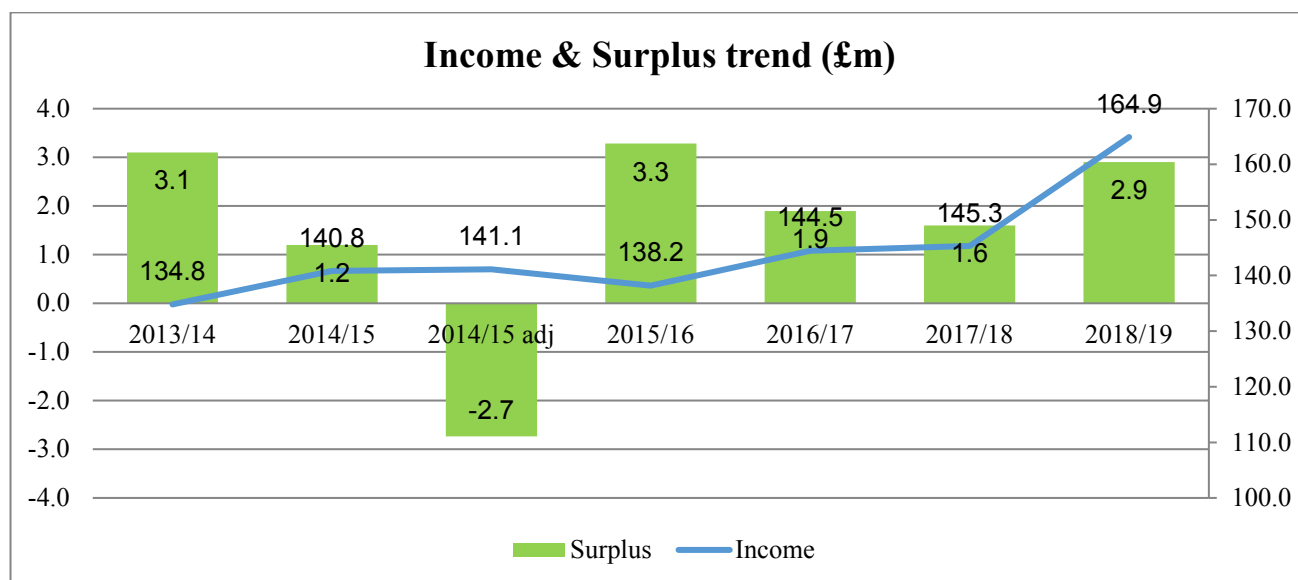
Other operating expenses increased by 15.6% from £47.7m in 2016/17 to £56.5m. The University Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the full implementation 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.

Report and financial statements 2019 Strategic Report



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 22% 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.

Report and financial statements 2019

Strategic Report

The University 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.

Subsidiaries

South Bank Colleges acquired the assets of Lambeth College on 31st 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.

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 the 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 spend 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.

Public Benefit statement

The University is an exempt charity within the meaning of the Charities Act 2011. It was regulated by the Higher Education Funding Council for England (HEFCE) until 1 April 2018 when its regulation transferred to the Office for Students (OfS). On 18 September 2018 the University was entered into the register of English higher education providers (the Register <https://www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/>)

Charity Commission Guidance on Public Benefit

The members of the Board of Governors are the charitable trustees of the University. 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 the University, as set out in its Articles of Association, are to:

Report and financial statements 2019

Strategic Report

- 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.

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

The University advances education for the public benefit by:

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

The University promotes research and the dissemination of knowledge by:

- undertaking academic research and publishing the results;
- publishing articles in peer-reviewed journals;
- maintaining an academic library with access for students and academics;

The University provides student 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;
- providing funds to London South Bank University Students' Union (LSBUSU).

Beneficiaries

In carrying out its objects the University benefits its students and future students through teaching and learning activities; and 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 London South Bank University are open to anyone who the University believes has the potential to succeed. Throughout its history LSBU has enabled wider access to education. The University's 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 £823,960 on 31 July 2018 (2017: £761,457). The funds are managed with the aim of securing capital

Report and financial statements 2019

Strategic Report

growth and an annual income. In 2017/18 the income received was £25,882 (2016/17: £24,427). 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, 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 "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 at <http://researchopen.lsbu.ac.uk> and providing an Open Access Fund to pay Open Access publication costs.

Disclosure of information to auditors

At the date of making this report each of the Governors, as set out on page 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 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)

Date

21 November 2019

Statement of Responsibilities of the Board of Governors

In accordance with the University's Articles of Association, the Board of Governors is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year. The Board of Governors (the Governors of which are also the directors of the University for the purposes of company law) is responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board of Governors to prepare financial statements for each financial year. Under that law, the Board of Governors is required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition, the Board of Governors is required to prepare the financial statements in accordance with the terms and conditions of the OfS Memorandum of assurance and accountability (July 2016), through its accountable officer. Under company law, the Board of Governors 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 University and the Group and of the surplus or deficit, gains and losses, changes in reserves and cash flows of the University and the Group for that year.

In preparing the financial statements, the Board of Governors is required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements comply with the Articles of Association, the Statement of Recommended Practice - Accounting for Further and Higher Education as issued in March 2014 and any subsequent amendments, the HEFCE Accounts Direction and the Companies Act 2006. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Governors has taken reasonable steps to:

- ensure that funds from OfS and other funding bodies are used only for the purposes for which they have been given and in accordance with the OfS memorandum of assurance and accountability (July 2016) and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources;
- ensure that the University has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities; and
- secure the economic, efficient and effective management of the University and the Group'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 United Kingdom 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

Statement of Responsibilities 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 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.

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.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page [1.2](#)). The Board receives an annual reminder on Charity Commission guidance

Corporate Governance Statement

(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). [Two reportable events were reported and no material adverse changes were reported to the OfS during the year. One reportable event was the acquisition of Lambeth College and one was the closure of a partnership – *to confirm at November 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 reviewed the quality process and agreed an assurance statement during the year under review – *to confirm at the November 2018 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 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

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

Corporate Governance Statement

period are listed on page (x). 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 Principles in 2018, all governors have confirmed that they meeting 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

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. The Audit Committee produces an annual report for the Board, following OfS requirements (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).

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 x to x).

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 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.

Corporate Governance Statement

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

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
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

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, 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 Memorandum of Assurance and Accountability with HEFCE/OfS.

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 2018 and up to the date of approval of the financial statements, and accords with HEFCE/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 provide 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. Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE/OfS Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2017. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Corporate Governance Statement

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

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 **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 2017/18

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 award 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 significant 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 £xxk (a bonus of £19k was awarded for performance in 2017/18). [figures to be finalised following RemCo meeting]

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 xx individual (including the Vice Chancellor) bonuses and a team bonus (of 4.5%) together totalling £xxk (for 2017/18 performance, eight individual bonuses were awarded totalling £80k). [figures to be finalised following RemCo meeting]

For 2019/20, a separate team bonus to a maximum of 8% [to be agreed at Nov 2019 remuneration committee meeting] 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 (xx bonuses were awarded totalling £xxk 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)). Included in taxable benefits is the value of the benefit to the Vice Chancellor of the loan during 2018/19. Following repayment of the loan, and from 2019/20, this taxable benefit will be replaced by an annual, non-consolidated taxable accommodation allowance of £10k to reflect the loss of the taxable benefit and as a contribution to the Vice Chancellor’s increased living costs.

For the current year, the Vice Chancellor has been awarded a pay increase of [1.8]%, in line with the average annual pay rise for all employees (including the value of increments).

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	6.1	6.97

The ratios do not include agency workers.

The LSBU ratio compares to the sector ratio of xx (based on UCEA data for xx).

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 (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 (KPMG to send 2019 version)

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, 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; 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.

Going concern

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

Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Report and 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 the Strategic Report and 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 14, 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;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

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
Total income before other grants and donations		164,385	144,706	144,871	141,273
Donations and endowments	6	646	596	376	596
Total income		165,031	145,302	145,247	141,869
Expenditure					
Staff costs	7	90,586	82,106	80,534	80,346
Other operating expenses	9	56,455	47,658	48,099	46,466
Depreciation and Amortisation	12,13	10,350	9,626	9,352	9,626
Interest and other finance costs	11	4,586	4,298	4,360	4,298
Total expenditure		161,977	143,688	142,345	140,736
Surplus before other gains and losses		3,054	1,614	2,902	1,133
Gains on investments	20	31	17	31	17
Surplus for the year		3,085	1,631	2,933	1,150
Actuarial (loss)/gain in respect of pension schemes	26	(6,571)	19,083	(5,664)	19,083
Total comprehensive income /(loss) for the Year		<u>(3,486)</u>	<u>20,714</u>	<u>(2,731)</u>	<u>20,233</u>
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		(3,517)	20,697	(2,762)	20,216
		<u>(3,486)</u>	<u>20,714</u>	<u>(2,731)</u>	<u>20,233</u>

All activities consist of continuing operations. South Bank Colleges, whose accounts are consolidated here, acquired Lambeth College on the 31st 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	21	-	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
Acquisition by SBC of Lambeth College		-	(10,521)	6,777	(3,744)
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	3,054	-	3,054
Other comprehensive income	26	31	(6,571)	-	(6,540)
Transfers between revaluation and income and expenditure Reserve	21	-	846	(846)	-
Total Comprehensive income / (expenditure) for the year		31	(13,192)	5,931	(7,229)
Balance at 31 July 2019		855	69,551	32,653	103,060
University					
Balance at 1 August 2017		807	61,295	27,382	89,484
Surplus 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 from statement of other comprehensive income and expenditure		-	2,902	-	2,902
Other comprehensive income		31	(5,664)	-	(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	(1,474)	(771)	(2,214)
Balance at 31 July 2019		855	80,697	25,951	107,503

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	275,582	217,804	224,452	217,804
Investments	14	38	38	38	38
		<u>275,785</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	18,998	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>77,805</u>	<u>68,832</u>	<u>83,574</u>	<u>67,426</u>
Creditors: amounts falling due within one year	16	<u>(36,706)</u>	<u>(31,285)</u>	<u>(30,296)</u>	<u>(30,451)</u>
Net current assets		<u>41,099</u>	<u>37,547</u>	<u>53,278</u>	<u>36,975</u>
Total assets less current liabilities		<u>316,884</u>	<u>256,454</u>	<u>277,933</u>	<u>255,882</u>
Creditors: amounts falling due after more than one year	17	(77,045)	(45,422)	(56,032)	(45,422)
Provisions					
Pension provisions	19	(136,780)	(100,743)	(114,398)	(100,743)
Total net assets		<u><u>103,059</u></u>	<u><u>110,289</u></u>	<u><u>107,503</u></u>	<u><u>109,717</u></u>
Restricted reserves – endowment reserves	20	855	824	855	824
Unrestricted reserves					
Income and expenditure reserve		69,551	82,743	80,697	82,171
Revaluation reserve	21	32,653	26,722	25,951	26,722
Total Reserves		<u><u>103,059</u></u>	<u><u>110,289</u></u>	<u><u>107,503</u></u>	<u><u>109,717</u></u>

38

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		3,085	1,631
Adjustment for non cash items			
Acquisition of Lambeth debtors and creditors (balancing item)			
Figure to balance cashflow		(30,549)	-
Amortisation / Depreciation	12,13	10,350	9,626
Investment income	5	(303)	(179)
Interest payable	11	4,586	4,298
(Increase) / decrease in stock		4	(2)
Decrease / (increase) in debtors	15	410	(1,030)
(Decrease) / increase in creditors	16	37,047	4,653
Pension costs less contributions payable	26	4,575	2,876
Adjustment for investment or financing activities			
Loss on disposal of assets	13	-	-
Investment income	5	23	22
Interest receivable	5	280	157
Net cash inflow from operating activities		29,508	12,746
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets	12/13	(17,406)	(9,623)
Cash removed from /(added to) fixed term deposits		140	5,047
Acquisition of Lambeth College	22	197	-
		(17,069)	(4,576)
Cashflows from financing activities			
Capital element of bank loan repayments	18	1,623	(1,347)
Interest element of bank loan repayments	11	1,569	(1,128)
		3,193	(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 11 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) and South Bank Colleges. Following a change to the constitution of London South Bank University Students' Union (LSBUSU) from August 2012, the University no longer exercises control over LSBUSU and therefore took the decision to cease consolidating the accounts of LSBUSU within these financial statements from that date.

The University sponsors South Bank Academies, which operates The University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC. Although the University has representation on the Trust's Board and the local governing boards of the two schools, the Trustees and Governors act for the Trust or schools and not the University. The University does not gain direct benefits from its activities and 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. Furthermore, if South Bank Academies were to fail, 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 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 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 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.

Principal Accounting Policies

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.

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.

Principal Accounting Policies

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.

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

Principal Accounting Policies

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.

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.

Principal Accounting Policies

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

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.

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.

Principal Accounting Policies

Annual Remuneration Report

	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				
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Recurrent grant	26,699	14,498	15,245	14,498
Non recurrent grants				
Specific grants	3,104	665	-	175
Pension liabilities	141	318	141	318
Other grants	952	964	952	964
Teaching Agency grant	-	99	-	99
	<u>30,896</u>	<u>16,544</u>	<u>16,338</u>	<u>16,054</u>
3. Research grants and contracts				
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
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				
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
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				
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
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>

Annual Remuneration Report

	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	66,222	62,469	58,356	60,967
Social security costs	6,968	6,526	6,229	6,401
Employers' pension contributions	17,396	13,111	15,949	12,978
	90,586	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, who are also all trustees, 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 trustees were paid total expenses of £2,731) for travel and subsistence.

B. Determining pay of senior staff

Senior pay, including the pay of the Vice Chancellor, is overseen, and for designated posts is determined, by a Remuneration Committee, composed of Independent Board Members, and chaired by an experienced Independent Member. 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

Annual Remuneration Report

the performance of Senior post holders against individual measurable stretching objectives and may award bonuses of up to 10% for clear achievement of those objectives, but only providing the overall financial performance of the University has been met.

Further information is provided in the Annual Remuneration Report on [pages 22 to 26](#).

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
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	-
	<u>8</u>	<u>9</u>

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 4 of these accounts.

	£'000	£'000
Key management personnel	<u>1,213</u>	<u>1,370</u>

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 its wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1st February 2019 SBC received £13.7m from the 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 an annuity 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 Vice Chancellor of the University, Professor David Phoenix and the University are both members of 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
9. Other operating expenses	£'000	£'000	£'000	£'000
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		
External audit * KPMG LLP	100	53
Other services 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

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	-	45,539	2,468	1,130	-	687	49,824
Disposal	-	-	-	(24)	-	-	(24)
Transfers	-	4,743	-	6,052	-	(10,795)	-
At 31 July 2019	<u>64,368</u>	<u>217,420</u>	<u>49,668</u>	<u>54,092</u>	<u>44</u>	<u>26,270</u>	<u>411,862</u>
Depreciation							
At 1 August 2018	-	(59,099)	(30,620)	(37,170)	(37)	-	(126,926)
Charge for the year	-	(5,366)	(1,256)	(2,756)	-	-	(9,378)
Disposals	-	-	-	24	-	-	24
At 31 July 2019	<u>-</u>	<u>(64,465)</u>	<u>(31,876)</u>	<u>(39,902)</u>	<u>(37)</u>	<u>-</u>	<u>(136,280)</u>
Net book value							
At 31 July 2019	<u>64,368</u>	<u>152,955</u>	<u>17,792</u>	<u>14,190</u>	<u>7</u>	<u>26,270</u>	<u>275,582</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>

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), which was formed in order to take over the commercial aspects of the University's activities. 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	15,786	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	18,998	19,058	26,253	18,672
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	-	350	-	350
	18,998	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	4,489	1,582	1,620	1,449
Social security and other taxation payable	1,978	1,544	1,487	1,544
Accruals and deferred income	27,520	25,115	24,471	24,430
	36,706	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
Deferred income	42,593	22,527	21,580	22,527
	77,045	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	Consolidated and University	
	2019 £'000	2018 £'000
Bank loans are repayable as follows:		
Due in less than one year (note 16)	1,909	1,367
Due between one and two years	1,945	1,383
Due between two and five years	6,035	4,156
Due after five years	26,472	17,356
Total due after one year (note 17)	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	-	18,839	1,934	20,773
Utilised during the year	-	(6,278)	(74)	(6,352)
Charged to comprehensive income and expenditure	1,165	20,246	205	21,616
Balance at 31 July 2019	2,142	132,573	2,065	136,780

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	18,332	19,497
Balance at 31 July 2019	2,142	112,256	114,398

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 from the Training and Development Agency for Schools (TDA) 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 SCAPE discount 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 we understand that 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

Notes to the accounts

Year ended 31 July 2019

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

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.

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 is underway but not yet complete.

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 Years		Females 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

Notes to the accounts

Year ended 31 July 2019

index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does 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 31st July 2019 is estimated at 10%. The actual return on fund assets over the year may be different. The estimated asset allocation at 31st 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

Notes to the accounts

Year ended 31 July 2019

Cash	10,684	6,599	8,394	6,599
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

Notes to the accounts

Year ended 31 July 2019

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

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Analysis of the amount recognised in Other Comprehensive Income				
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
Remeasurement of the net assets / (defined liability)	(6,366)	19,083	(5,664)	19,083

Analysis of movement in the present value of scheme liabilities	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 August	243,634	246,520	243,634	246,520
Movement in the year:	59,081	-	-	-
Acquisition by SBC of Lambeth College	-	-	-	-
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)
At 31 July	335,112	243,634	271,384	243,634

Analysis of movement in the fair value of scheme assets	Consolidated		University	
	2019	2018	2019	2018
	£'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)
At 31 July	202,539	143,869	159,148	143,869

The projected pension expense for the year to 31 July 2020 is £15,144(consolidated) £13,233(University).

Notes to the accounts

Year ended 31 July 2019

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 31st 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).

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 31st July 2019 there were 12 staff in the scheme. Employer contribution to the NEST scheme for the year ending 31st July 2019 was £4,579 and employer contributions were 3%. Pension contributions payable at 31st July 2019 were £1,502.

27. 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.

	CONFIDENTIAL
Paper title:	KPI targets 2019/20 review
Board/Committee:	Finance, Planning and Resources
Date of meeting:	05 November 2019
Author(s):	Richard Duke (Director of Strategy & Planning)
Sponsor(s):	Richard Flatman (COO)
Purpose:	For Review
Recommendation:	The document is noted by the FP&R Committee

Executive Summary

At its meeting of 24 September 2019, FPR reviewed performance against the KPIs and requested the executive to review 2019/20 targets where the 2019/20 target has already been achieved. These are:

KPI	2019/20 target	2018/19 result	Proposed new target
26 - Guardian league table position	70	68	65
27- CUG league table position	87	87	85

The committee is requested to review these targets and approve the proposed new targets.

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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:	Annual Report on Fundraising and Charitable Funds, 2018/19
Board/Committee	Finance, Planning and Resources Committee
Date of meeting:	5 November 2019
Author:	Olivia Rainford, Director of Alumni and Development
Sponsor:	Nicole Louis, Chief Customer Officer
Purpose:	<ol style="list-style-type: none"> 1. To report on the University's fundraising and philanthropy programme 2. To report on the University's charitable endowments and other charitable funds 3. To report on matters arising from the University Policy on Gift Acceptance
Recommendation:	The committee is requested to note the report

Executive Summary

1) Fundraising and Philanthropy Programme

- (a) In 2018/9 LSBU received £18,500 in charitable donations. The University did not actively fundraise or launch a fundraising campaign in 2018/19.
- (b) A Fundraising Steering Group was established in October 2018 and consists of internal and external members that meet three times a year.
- (c) The University's Case for Support, No Barriers to Brilliance was approved by the Executive in June 2019, including a financial target of £500,000 pledged income for 2020.
- (d) The University is actively recruiting for x2 fundraiser positions as of 24th September 2019. In November 2019 recruitment will also commence for Director of Alumni and Development maternity backfill (February – September 2020).

2) Charitable Funds

As at 31st July 2019 the University held **£806,359 in historic endowments** and **£403,982 in other restricted charitable funds**. The largest of which is the Nathu Puri Institute fund, which constitutes £330,400 of this total. The

remainder of the funds cover a variety of historic prizes and scholarship commitments.

3) Gift Acceptance Policy

There is nothing to report with regard to Matters Arising from University Policy on Gift Acceptance. The policy is under review and will be updated in accordance with the Case for Support and **revisions to the Fundraising Code of Practice in August 2019.**

The Committee is requested to note the report.

Annual Report on Fundraising and Charitable Funds, 2018/19

1. The University's fundraising and philanthropy programme

1.1 Income Received

In 2018/19 LSBU received £18,499.50 in charitable donations, including a £10,000 commitment donation from alumnus Kevin Herriot, a Fundraising Steering Group member.

1.2 Fundraising Steering Group

The Group, founded in October 2018 has met four times to discuss and debate strategic direction and operations. At its next meeting the Group will review the University's revised Gift Acceptance Policy. Group membership is due for review in January 2020. Membership currently includes:

- **Professor Pat Bailey**, Deputy Vice Chancellor
- **Professor Patrick Callaghan**, Dean of Applied Sciences
- **Mike Simmons**, Director of Corporate Affairs
- **Linsey Cole**, Associate Director for Enterprise and Entrepreneurship
- **Andrea Boothman**, Senior Development Manager - LSBU
- **Olivia Rainford**, Director of Alumni and Development - LSBU
- **Nelly Kibirige**, President - LSBSU
- **Dan Cundy**, Executive Principal – South Bank Academies
- **Tom Toumazis**, Chairman – Product Earth Expo, Alumnus and LSBU Honorary Fellow
- **Kevin Herriot**, Alumnus and Donor
- **Torie Chilcott**, Co-founder – Paddle Consulting and LSBU Honorary Doctor

1.3 Case for Support

Following extensive consultation with the Steering Group, the University's Case for Support 'No Barriers to Brilliance' was approved by the Executive in June 2019. It was accompanied by a three-year Investment Case that included a £500,000 pledged income target for 2020.

Fundraising Investment Case Gift Table

Period	Prize income target	Bursary income target	Group-wide project income target	Target total
2019/20	£120,000	£0	£380,000 Inclusive learning projects Lambeth Mentoring pilot project	£500,000
2020/21	£250,000	£350,000	£900,000 Mentoring and additional projects to be identified	£1,500,000

2021/22	£250,000	£480,000	£1,270,000 Mentoring and additional projects to be identified	£2,000,000
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1.4 Recruitment and Resourcing

Further to the Investment Case approval, recruitment is underway for a Fundraising Manager (Grade 7) and a Fundraising Officer (Grade 5), to accompany the existing 1.5 headcount allocated to fundraising in the team. Both positions are fixed term contracts until October 2021. The Director of Alumni and Development will require maternity backfill from February 2020 and an options analysis for appropriate resourcing is underway.

2. The University's charitable endowments and other charitable funds

At 31 July 2019 the University held £806,359 in a charitable endowment, which is an amalgamation of historic endowed charitable funds. These funds are invested and managed by Sarasin whose performance is overseen by the Finance, Policy and Resources Committee. The funds are managed with the aim of securing capital growth and an annual income. In 2017/18 the income received was £26,108 up from £25,882 in the previous year.

Of the income, £4096.52 was historically designated to the provision of the Richard Davis Scholarship. The Charity Commission confirmed that this fund can be amalgamated into our remaining endowed charitable funds earlier this year as the course it supports is no longer provided at the University. This income was transferred to Student Services to support existing and planned student experience project activity.

The University held another £403,982 of restricted charitable funds. This is largely made up of remaining funds for the Nathu Puri Institute as well as designated gifts, such as the Annual Hitesh Tailor event and a small number of historic prizes and scholarships.

3. Matters arising from the University Policy on Gift Acceptance

The existing policy was approved by the Board of Governors in October 2012. The aim is "to ensure that the University's reputation and operation are not adversely affected by its acceptance of financial or other donations and that due diligence is maintained in regard to the acceptance of donations to the University". The key points of the policy are:

- “We do not accept gifts, grants or commercial sponsorship for University activities where the funding comes from an individual or organisation whose activities are counter to the recipient area of the University
- We do not enter into relationships which the University believes might compromise the independent status of LSBU or bring the name of LSBU into disrepute. We establish our principles including academic freedom independently or any funding opportunities.
- Donations, grants or commercial sponsorship are only accepted in accordance with the requirements of the UK Bribery Act 2010.
- We do not accept donations above £1000 from current students (or known related parties) without the express permission of the Vice Chancellor.”

The policy is currently under review in accordance with changes to the strategic priorities of the Alumni and Development team along with revisions to the Fundraising Code of Practice. The Gift Acceptance Policy will be distributed to the Executive and the Board from November 2019.

The Alumni and Development team has not been informed of or identified any gifts, grants or commercial sponsorship which have been accepted or solicited in breach of the existing policy.

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