

Meeting of the Board of Directors of South Bank University Enterprises Ltd

3.00pm on Tuesday 26 June 2012
held in 1B33, Technopark, London South Bank University

Agenda		<i>Paper No.</i>	<i>Presenter</i>
1.	Membership of the Board		Sec
2.	Welcome and Apologies		Chair
3.	Declarations of Interest		
4.	Minutes of the meeting of 28 March 2012 (to approve)		Chair
5.	Matters Arising		Chair
6.	University Enterprise Business Plan (to recommend to shareholder for approval)	UE.03(12)	ED
	• Budget, 2012/13	UE.04(12)	Accountant
7.	Management Accounts to 31 May 2012 (to note)	UE.05(12)	Accountant
8.	Governance Approvals	UE.06(12)	Chair
9.	Recapitalisation (to recommend to shareholder for approval)	UE.07(12)	Accountant
10.	Gift Aid Policy (to recommend to shareholder for approval)	UE.08(12)	Accountant
11.	Revised Memorandum and Articles of Association (to recommend to shareholder for approval)	UE.09(12)	Sec
12.	Delegations:		Financial Controller
	• University Financial Regulations (to note)	UE.10(12)	
	• SBUEL Procurement Regulations (to approve)	UE.11(12)	
	• Letter of Delegated Authority to the Director of Enterprise (to approve)	UE.12(12)	
13.	HR Matters		Dir of HR
	• Procedures (to approve)	UE.13(12)	
	• TUPE (to recommend to shareholder for approval)	UE.14(12)	
	• Pension scheme (to note)	UE.15(12)	

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| 14. | Notice of Written Resolutions (to approve) | UE.16(12) | Sec |
| 15. | Transfer of Shares held on trust to LSBU (to approve) | UE.17(12) | Sec |
| 16. | Any Other Business | | Chair |
| 17. | Date of Next Meeting – Friday 14 September 2012 at 2.30pm | | Sec |

Members: Richard Flatman (Chair), Tim Gebbels, Bev Jullien, Ed Tinley

In attendance: Company Secretary, Director of HR, Financial Controller, Accountant and Governance Officer.

Minutes of a Meeting of the Board of Directors
of South Bank University Enterprises Ltd
held at 2.30pm on Wednesday 28 March 2012
in Room 1B07, Technopark, London Road, London SE1

Present

Mr R Flatman Chair
Ms B Jullien
Dr E Tinley

In attendance

Mr T Gebbels Director of Enterprise (*for minutes 1-28*)
Mr J Stevenson Company Secretary
Ms R Warren Accountant for South Bank University Enterprises Ltd. (*for minutes 1-28*)
Mr M Broadway Governance Officer

Welcome and apologies

01. It was noted that no apologies had been received.

Declarations of Interest

02. It was noted that Tim Gebbels had an interest in his proposed appointment as director of the company. The Chair permitted him to remain in the meeting but not to participate in this discussion.
03. It was noted that Tim Gebbels and Rebecca Warren had an interest in the tabled paper on pensions. They agreed to leave the meeting when this item was under discussion.

Membership of the Board

04. The Board noted that Andy Tillbrook had resigned as a director on 13 January 2012.
05. After due consideration, the Board appointed Tim Gebbels as a director of the company with immediate effect.

06. The Board noted that the University, as 100% shareholder, planned to appoint a non-executive chairman and a number of non-executive directors to the Board in due course.
07. The Board noted Ed Tinley's intention to resign as a director of the company when the new non-executive chairman was appointed.

Minutes of the last meeting

08. The committee approved the minutes of the meeting of 14 November 2011 subject to the following amendments:
 - a. To make it clear in minute 26 that £5.5k had been authorised and paid to Caze Ltd.
 - b. Minute 34 to "The board approved this arrangement and agreed that a written service level agreement between the company and the University would be produced".

Matters Arising

09. The Board noted that the company's accounts had been filed at Companies House.
10. The Board noted that the meeting with London Knowledge Innovation Centre (minute 28 refers) had not taken place while clarification on SBUEL's role was being worked out.
11. In relation to the "University Enterprises" project, the Board noted that service level agreements between the company and the University were being drawn up in discussions with the Director of Enterprise. The intention was to have these in place for the new financial year. This would be submitted to the May University Executive meeting and the July University Board of Governors meeting for approval.

Intellectual Property Steering Group

12. The Board noted that the Intellectual Property Steering Group was an active group which met quarterly and was chaired by Richard Flatman. The Board agreed that this was a SBUEL business matter and Tim Gebbels agreed to chair this group in the future.
13. It was noted that moving towards a sustainable investment model of intellectual property management would form part of the "University Enterprises" business case which was currently being prepared for approval by the University's Board of Governors.

14. The Director of Enterprise agreed to investigate the intellectual property costs of changing the company's name.
15. The Board noted that the Intellectual Property Policy had been reviewed recently.

Intellectual Property and Spin out Company Matters

16. The Board discussed a tabled paper dealing with non-student businesses in which the company had invested.

Caze Filters Ltd and BBM Technology Ltd

17. The Board noted that the court case had been settled and that BBM had found a licensee (Fripura Ltd) for the ceramic filter technology who had entered an agreement with Morganite Thermal Ceramics to manufacture the ceramic filters. It was noted that this had the potential to bring in around £500k to the company. The Board requested company representation on BBM's board and requested Tim Gebbels to meet with BBM.
18. The Board requested any shareholder agreements with BBM to be reviewed.

BIOX Systems Ltd

19. The Board noted that the company licensed intellectual property to BIOX and received royalties. The Board questioned whether BIOX could expand their sales and marketing team and sell to new markets.

Solion Ltd

20. The Board noted that the case against Solion by Renusol had been thrown out of the German courts and that Solion had counter-claimed Renusol for an invalid patent.
21. The Board noted that the company had a £52k loan outstanding with Solion and that the terms of the loan agreement and any shareholders agreements should be checked. Solion's accounts for 2011 were outstanding. The Board requested the Director of Enterprise meet with Solion.

Update on Memorandum and Articles of Association

22. The Board noted an update on proposed changes to the Memorandum and Articles of Association which would closely follow the Model Articles for private companies limited by shares (under schedule 1 of the Companies (Model Articles) Regulations 2008). Legal advice would be sought on the inclusion of objects in the Articles.
23. Key questions to be considered include: control by parent, taxation, gift aid, indemnity and recapitalisation.

Management Accounts

24. The Board noted the Management Accounts to 29 February 2012 (paper **SBUEL.02(12)**). The Board noted that the management accounts showed a profit of £274,000 but that this was largely due to property and rental income.
25. It was agreed that the Director of Enterprise would be responsible for the pricing policy for “University Enterprises” projects in the future.
26. The Board discussed the question of control over income from the University. The matter would be addressed in the “University Enterprises” business plan and the related service level agreement with the University. A recommendation would be made to the University Executive meeting.
27. The Board requested that format of the management accounts be changed to allow comparisons of in-year activity to the expected costs and forecast.
28. The Board noted that for 2012/13 there would be set of “University Enterprise” accounts and budget which would provide a picture of total enterprise activity within the LSBU group.

Recapitalisation

29. The Board agreed in view of the plans for “University Enterprises” it was in the best interests of the company to recapitalise in order to strengthen the balance sheet , provide working capital and a stable base for future growth. The Board requested the accountant to prepare options for the Board to consider.
30. It was noted that recapitalisation would need to be done periodically in the future unless the company was able to retain some of its profits.

New Pension Scheme

The Director of Enterprise and the Accountant left the meeting

31. The Board discussed proposals for a new defined contribution pension scheme which would be submitted to the Board of Governors of the University in summer 2012 for approval. The Board agreed that the proposed scheme was competitive with similar schemes in other organisations and would be appropriate as part of a reasonable remuneration package for the company's present and future employees.
32. The Board agreed to implement the scheme, subject to approval by the University's Board of Governors.

There being no further business, the meeting concluded.

Approved as a true record:

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Chairman

SBUEL Board of Directors

Title: University Enterprise – Summary Business Plan for 2012-13

Date: 26th June 2012

Author: Tim Gebbels, Director of Enterprise

Executive member responsible: Bev Jullien, Pro Vice-Chancellor (External)

Purpose of the Paper: To present the summary Business Plan setting out the context for University Enterprise, summarising the plans for growing commercial revenue and articulating the resources necessary to deliver the plan. If approved the plan will be presented to the University's P&R committee and thence to the Board of Governors.

Outcome of Paper:

Information

Discussion

Decision **(Please check as appropriate)**

Paper Recommendation: That the Board approves the summary business plan.

Paper Equality Impact Assessment – N/A

Paper Communication – who should be made aware of the decision and how it would be communicated?

Paper Background (brief summary and key points – up to 2 A4 pages)

University Enterprise is embarking on an ambitious programme of change and growth to meet the aims of the University as set out in its Corporate Plan. To achieve our ambitions will require a step change in our approach to income generation and to profitability and a university wide change in culture.

This paper summarises the changes that are necessary and also highlights the early opportunities that have already been identified to increase revenue and profit. We provide an initial quantification of the financial opportunity available in the short to medium term.

This paper is to be read alongside the paper (also on this agenda) recommending changes necessary to the governance of South Bank University Enterprises Ltd.

1. University Ambition

In its Corporate Plan 2011-14, *Student Success*, the University has set out its ambition to become London's Enterprising University as a fundamental element of delivering the University's mission to create professional opportunity for all who can benefit. This is not a modest incremental change but a transformation of the whole University, creating an entrepreneurial culture throughout the organisation, its staff and its students, and in its external relationships.

Such a transformation cannot effectively be brought about through an uncoordinated series of ad-hoc initiatives but, instead, needs a coherent and concerted University-wide approach. Such an approach is already underway, led through the Corporate Plan and delivered through the re-invigoration of the University Enterprise team and a series of new staff initiatives and incentives that are being established, including the recent Enterprising Staff awards and the appointment of a prominent entrepreneur as the University's new Chancellor.

The focus of this paper is on the short-term opportunities defined and organisational changes needed to deliver them. During 2012/13, a more detailed plan with opportunities identified across sectors for the next 5 years will be prepared.

2. University Enterprise

Enterprise is fundamental to the delivery of Student Success. By establishing a virtuous circle of interaction between teaching, enterprise and research we can create benefit across the University and at all stages of student engagement. Lecturers engaged in commercial enterprise are better equipped to illustrate their teaching with up-to-date, real-world examples. Researchers who undertake commercial research as well as grant funded research are better placed to deliver lasting impact from their work and to find research opportunities for graduate students. Students will find their courses more relevant to their career aspirations and they will have the opportunity to learn first-hand the enterprise skills they need and want to succeed. A key role of University Enterprise, therefore, is to create this virtuous circle by creating strong links between business, academics and students.

The other key purpose of University Enterprise activity is revenue generation. The Corporate Plan sets an objective to double enterprise income over five years, with a specific target for income of £12m by 2014/15, and has established University Enterprise to drive this growth. Our role must be pro-active, identifying new markets and new opportunities and building portfolios of new products and services to serve them. University Enterprise will become the primary channel engagement with commercial clients for the whole University. But we must also continue to work in partnership with others in the University, particularly the academic staff through whom our work will be delivered.

University Enterprise has three areas of activity: Commercial Enterprise, Student Enterprise and IP and Spin-Out activity. These elements are complementary and mutually supporting and each contributes a vital element to the University's enterprising proposition. In this paper the focus is on commercial enterprise..

Subsequent papers will set out our proposals for student enterprise and for IP and spin-out companies.

3. Commercial Enterprise in the Past

The University has a long history of commercial enterprise. Activity in the past was led principally by academic staff who focused on opportunities they could identify within their field of expertise. The Enterprise team provided reactive and mainly administrative support. In consequence, enterprise was largely based around small silos of expertise, often with the engagement of a single academic. There was no systematic approach to markets or to the development of the University's commercial offer. The general approach was that of a "cottage industry".

Projects were typically low in value and, with no systematic approach to profitability, operating profit varied hugely between projects. Of nearly 250 projects undertaken between 2005 and 2011, over 75% had gross income less than £20,000 and, for more than half, it was less than £8,600. Operating profit was, on average, **-£238**, resulting in a total loss of over **£59,000** over the same period, excluding the costs of enterprise support – which was largely funded through HEIF.

Until 2011, the University had a substantial team in place to support commercial enterprise activity. Over 20 FTE staff, some of whom were distributed among the faculties, made up the team, and they were funded from £1.6m income from HEIF. However, the University's HEIF funding was cut by 50% in 2011 and, in consequence, the enterprise team has also been reduced substantially.

The University has undertaken some competitor benchmarking, based on returns of commercial revenue. In 2009/10 the University generated some £8m revenues and was a mid-range performer for modern universities nationally. The best (but with very specific circumstances) posted £22m (London Metropolitan, driven by CPD) and £53m (Hertfordshire, including revenues from a bus company acquisition). Upper quartile performers generally achieved revenues of some £12-20m, which is the basis for the University's revenue growth ambition – although the profitability of University enterprise activities across the sector is very unclear.

Achieving our ambitious growth targets will require a step change in the University's approach to enterprise – both revenue generation and profitability. We need a much more pro-active, focussed and systematic approach developing high value markets, products and solutions. And we need a new culture of enterprise across the University based on a radically new business model for commercial enterprise.

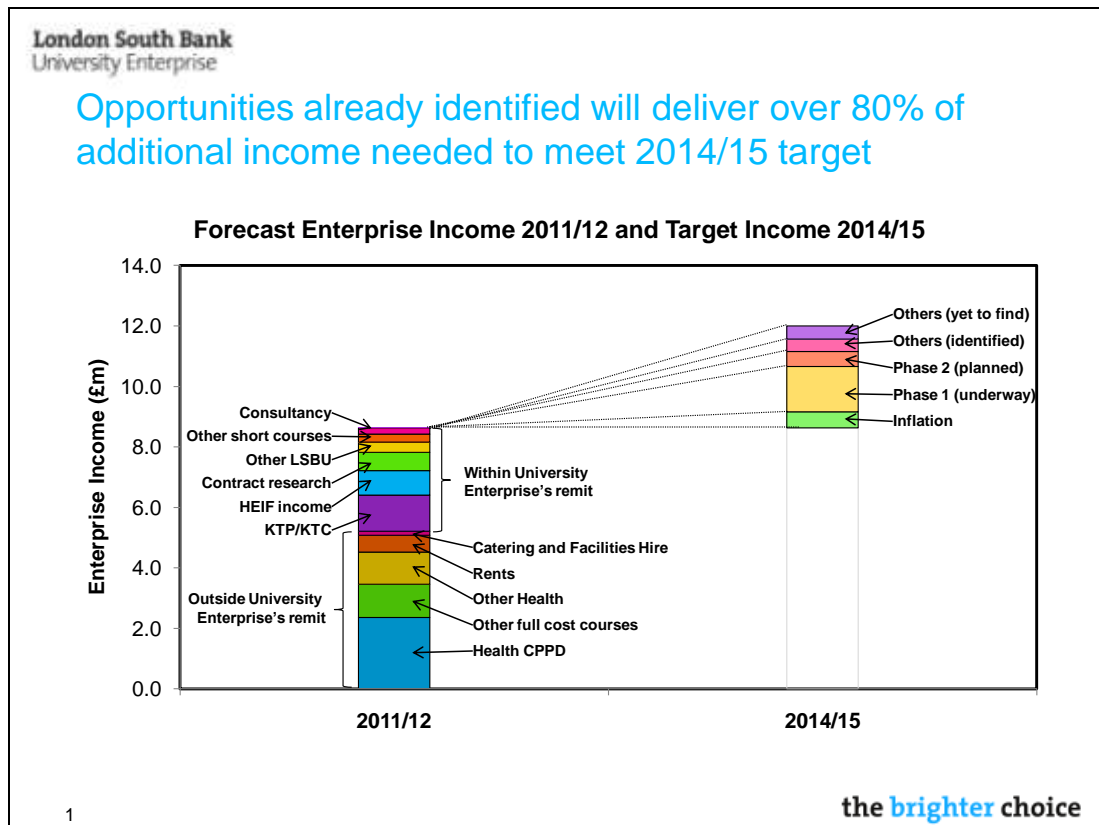
Within the smaller and refocused team we will use the remaining HEIF funding as seed-corn to leverage greater opportunities to secure commercial income than have been realised in the past, doing more with less. The role of University Enterprise will be to provide a "toolkit" of support and processes for academics to engage in smaller enterprise activities independently – and to focus the majority of our effort on major projects which can deliver step change. Indicatively, we will target individual projects or programmes with minimum annual income generation potential of £100k.

4. Future Growth Opportunities

This initial plan focuses on areas where we can deliver short-term income and operating profit. Collectively, the projects set out below have the potential to deliver extra sales of £750k in 2012/13 and £2.4m by 14/15. From our early evaluation, we are confident that significant further potential exists through these and other projects to meet the target for £12m in Enterprise income in 2014/15.

The opportunities identified are summarised in the following sections. Projects in Phase 1 are already underway, and will quickly allow us to make progress against this target. Projects in Phase 2 are planned into the forward programme for the coming year. Beyond these two phases we have also identified a number of other opportunities that we will pursue in the medium term. The contribution each of these areas is expected to make to achieving the 2014/15 target income levels is illustrated in Figure 1.

Figure 1:



Phase 1 – projects ready to market immediately

There are a number of areas where the University already has propositions that are market ready. These can quickly be brought to market, and will be the focus of our work in the short term. For each of these we have set out in the paragraphs below a short description of the project and preliminary estimates of potential income and operating profit.

ACCA Full Cost Courses

LSBU has run internally assessed ACCA¹ courses for 40 years and is amongst only four institutions in the world that can offer fully taught and internally assessed courses for individual ACCA qualifications. We plan to run these without University accreditation as full cost commercial courses from September.

Changes being introduced by the UK Borders Agency (April 2012) mean that many existing providers will lose their ability to sponsor international students for these qualifications, resulting in a substantial market of “stranded” students, creating a real opportunity for us.

To recruit forecast student numbers we will undertake a major marketing and promotion programme, beginning immediately. This represents a significant “at risk” investment but one that is necessary to generate the returns we have identified.

Based on preliminary modelling, these ACCA courses have the potential to generate an operating profit of over £100,000 from a gross income of over £900k by 2014/15.

In addition, we have the potential to become an examination centre for ACCA itself. Although we administer our own examinations for ACCA courses, the other institutions offering ACCA training cannot do this. Their students must sit ACCA exams at one of a number of ACCA examination centres. By becoming one of these centres we can secure further upside profit from this activity as well as strengthening our already strong relationship with the ACCA.

E-Learning through ILSI

The Institute for Leadership and Service Improvement (ILSI), a unit within the Faculty of Health and Social Care, is developing a range of e-learning and blended learning products in partnership with Brickwall Ltd targeting the healthcare sector.

The first of the products, The Commissioning Place, provides training to GP consortia and other potential service commissioners on the new approach to health service commissioning. The Health Faculty have developed the product and proven the concept – University Enterprise will provide the upfront investment and commercial resources needed to bring it to market. We will launch the Commissioning Place in late June 2012 at the national NHS conference on commissioning. A full business case to support the marketing investment and product launch and follow up is in development.

Preliminary assessment of the market for the Commissioning Place suggests that it has the potential to generate an operating profit of £150,000 on gross income of £200,000 in year 1. The very substantial profit margin is entirely because the development costs, which were, in any case, largely borne by grants received from external funders, are sunk costs and, for e-learning products, the marginal cost of production is close to zero. We have not yet developed estimates of possible income for the other products being developed.

It is expected that, if successful, this product range can be further extended to deliver a much wider range of e- and blended learning. We will develop business

¹ ACCA is the largest international body for professional accountants and its qualifications are recognised around the world. They have approximately 140,000 members and 404,000 students in over 170 countries.

plan jointly with the Health Faculty during 2012-13 setting out future plans and options, including options for covering the development costs through continued co-funding arrangements.

Management and Leadership Training in Health

LSBU has successfully delivered bespoke Management and Leadership training for the North East London Foundation Trust (NELFT) and we have sold another bespoke course to Croydon University Hospital (CUH) for delivery in 2012. Both programmes were built from a common core of material that could readily be packaged for delivery to other health trusts and hospitals in the region and nationally.

Preliminary assessment of the market potential of this offer suggests that income might reach £200,000 by year 3, based on income secured from CUH for one cohort. This could potentially generate an operating profit of up to £60,000 per year.

KTP/KTC

KTP (Knowledge Transfer Partnerships) is a Government funded scheme promoting transfer of University knowledge into businesses. The University has, in the past, been one of the most successful Universities at securing KTP projects. However, recent changes to the programme, now administered by the Technology Strategy Board, have both reduced the overall KTP budget and focussed it more towards research intensive universities. In consequence, although we expect to continue to secure KTP projects in future these are unlikely to be at the same level as in the past.

In part to fill the gap left by KTP, we have developed a new programme, Knowledge Transfer Collaboration (KTC) which is more flexible and eliminates the need for Government funding. The scheme is new, with the first projects going live in 2012, and we expect the number of projects and their associated income to rise quickly over the next three years. By year 3, we aim for a combined gross income from both KTP and KTC to be up to £1.6m, earning net income of £250,000.

Both KTPs and KTCs provide an effective route for the University to engage with and build relationships with SMEs. In the medium term we expect to develop ongoing commercial relationships with, and revenue streams from, many of these companies, following on from successful KTP/KTC projects. In addition, the KTC model provides a very direct student engagement with business – the KTC associate delivering the project to the company is also enrolled on an MSc by learning contract with the University.

Phase 2 – Near term opportunities needing further development

Building Information Modelling Centre

Building Information Modelling (BIM) is a relatively new discipline in the construction industry that uses 3-D computer models of buildings to improve collaboration among all firms and professionals working on major construction projects, streamlining operations and reducing overall costs. LSBU has established expertise in BIM with good connections both to the principal suppliers of the 3-D modelling software and

to businesses across the construction sector. Specifically, we can offer training in BIM on behalf of software vendors, CPD short courses on BIM, what it is and does, and its implications both for individual companies and for the sector as a whole, consultancy to support the adoption of BIM and to undertake specific BIM projects and specific Knowledge Transfer projects.

We need to undertake further market research to better understand the extent and value of the opportunities presented through BIM. However, early estimates suggest that we may be able to generate up to £200,000 in gross income after two or three years in the market, returning a profit of over £50,000. We would expect to be able to launch our commercial BIM offer, supported by a robust business plan shortly after the start of the year.

Professional Development in Local Authorities

The model of professional management and leadership training adopted in the health sector is also applicable to Local Authorities and more widely in the public and third sectors. However, for Local Authorities there is a wider range of other CPD that we have the expertise and capability to deliver, too, spanning several, if not all, University faculties. This includes HR, organisational change, finance, law, marketing and communications, health and wellbeing, social work, adult and children's social care, planning, housing, environmental technologies and, possibly, many others.

Provision of this kind of training would likely be commissioned through a large-scale contract for CPD provision rather than piecemeal as a series of ad-hoc individual course offerings. The returns could be significant once we are able to establish a presence in this market. Further work is necessary to establish the breadth and value of the University offer and the size of the market.

Commercial Research to the Nuclear Industry

We have a long record of success consulting to the nuclear industry through one major client, Sellafield. We now have the opportunity, encouraged by Sellafield themselves, to extend our offer to the wider family of former BNFL companies in the UK. We have a range of expertise, knowledge and experience that both we and Sellafield believe are of wider value in the industry and our senior level contacts at Sellafield have indicated that they are willing to introduce us to their peers across the UK industry. We have not yet determined the potential offered by this market but, because of the personal introductions we have been offered by our current client, costs of entry should be low.

Other Commercial Opportunities

There is a wide range of other potential commercial opportunities across the University and, subject to appropriate prioritisation, we will take these forward, too, as early as possible. Examples include:

- London Institute for Real Estate
- Health, fitness and nutrition
- London Institute for Petroleum Engineering

- Consulting to major regeneration schemes (e.g. Elephant and Castle) – and partnering developers for their employee CPD requirement
- Urban sustainability

5. Creating a Culture of Enterprise

To achieve its purpose, enterprise activity must be recognised as a fundamental and essential part University life. Whereas, previously, enterprise was a subsidiary activity for most staff and the Enterprise team was a support organisation, in the future enterprise activity must become recognised as one of the principal, core activities for all University staff, and the University Enterprise team must become a pro-active partner for academic and other staff to foster the creation of the virtuous cycle described above.

A key element of the culture change that is necessary is the professionalization of our service delivery in commercial enterprise. We need to focus much more on the needs of our clients and customers. In practice, this means that there can be no distinction between term time and out-of-term time when it comes to undertaking commercial activity. It means being flexible on modes and times of delivery, especially of CPD activity, where evening and weekend delivery, often in intense blocks (e.g. 8 hours teaching in a day), will be important to clients. It means meeting client specification for deliverables both in quality and timeliness. And it means being accessible and responsive to clients at all times. These behaviours are part of what it is to be successful in the commercial world but they are not part of the current University culture.

To support this culture change, University Enterprise will implement better support for academics undertaking commercial work, providing “full service” support from lead generation and bid writing, through project management and client relationship management, to delivery to the client, billing and seeking client feedback. Our intention is to relieve the academics undertaking the work from as much administrative burden as possible. But we will also be ensuring the timeliness and quality of delivery is maintained and this may entail applying firm project discipline to academics, too.

We will further incentivise culture change by putting in place a range of bonus and profit sharing schemes during 2012/13. These will firstly be used to reward success to help create a truly commercial culture within the University Enterprise team. It will also be used to reward enterprising academics, teams and departments, giving them personally and at departmental level a genuine stake in successful commercial outcomes and profitability.

To underpin these changes, University Enterprise will deploy a new business model that will allow, for the first time, a true P&L picture of commercial activity to be established. This will involve University Enterprise contracting with the client for delivery of a product or service and then sub-contracting with a faculty or department for delivery.

6. Resources

University Enterprise Income and Expenditure

The University has established a subsidiary company, South Bank University Enterprises Ltd (SBUEL), as a vehicle for administering its commercial activity. In part this is for tax purposes, but it also clearly distances commercial activity from the charitable status of the University. Much enterprise activity is formally accounted through SBUEL, but there are some significant elements that do not for a number of tax or historical reasons. For this reason, University Enterprise activity falls across both SBUEL and LSBU accounts.

Table 1 summarises the budgeted income and expenditure for University Enterprise activity (excluding Student Enterprise) for 2012/13. Figures are shown separately for the LSBU and SBUEL, covering the full extent of University Business.

There are three principal elements of income. The first of these is £807k from the final year of the HEIF 5 funding award for 2010-13. Secondly, SBUEL generates income from property rental and the letting of facilities (such as the Keyworth Conference Centre). There is a small direct cost associated with this activity that is the cost of the team administering the facilities hire service. Finally, the largest element of income is project income generated both through LSBU and SBUEL. This is the core function of the Commercial Enterprise activity of University Enterprise. Further details of project income and expenditure are provided below.

The largest element of expenditure is the costs associated with project delivery. Projects are budgeted on the basis of a full cost model, and most of the direct and indirect costs arise from elsewhere in the University. The second largest element of expenditure is staff costs. These are expected to increase by 12% next year, reflecting the appointment of staff into key posts that were vacant for at least part of this year (e.g. Director). Further details on staffing are provided below.

Professional fees are largely composed of the legal and other costs (such as patent costs) associated with maintaining and commercialising our IP assets. In the coming year costs will be slightly higher than 2011/12 as we rationalise our historic portfolio and accelerate the most promising developments.

Operating expenditure includes all costs associated with the work of the University Enterprise team that are not directly attributable to projects. Broadly, the budget is in line with forecast expenditure this year, but has been increased to reflect the increased activity likely as a result of filling the vacant posts in the team this year.

The final cost element is a range of estimated internal recharges that will be charged by central University departments for our use of their services. These reflect a University wide policy of recharging for central services. These costs represent part of our “full cost” of operations.

Project income and expenditure

Table 2 sets out the expected project income and expenditure levels for University Enterprise, again split between LSBU and SBUEL.

The largest element of project income is, and is forecast to remain, the KTP/KTC programme. We anticipate renewed growth in these programmes, particularly in the proprietary KTC programme which was only launched in 2012 for the first time. The cost structure for both these schemes is well established and, in the case of KTP, determined by the TSB as part of the programme definition.

We plan to launch a major new programme in September to sell on a commercial basis professional training for ACCA (accountancy) qualifications. In order to meet the recruitment targets we have set for September and for the subsequent February intake, we need to begin marketing the programme this year. In consequence, there is £101k of project expenditure in 2011/12. Once underway, the project quickly breaks even and in future years is expected to generate substantial profits.

We have budgeted for a further £215k of income to be generated from among the other new commercial projects identified above. This is an estimate and, until we have developed robust business plans for the individual projects, it is not possible to provide greater precision or a more detailed breakdown.

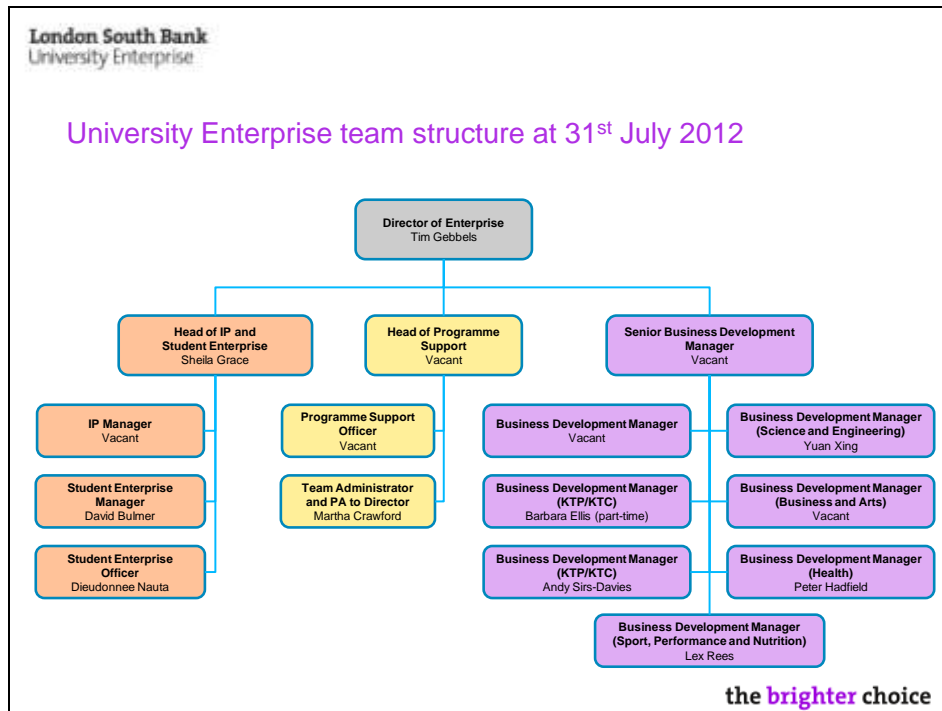
Finally, there is a substantial portfolio of existing enterprise projects that will generate a forecast £950k this year and £860k next year in gross revenue. As already highlighted, these projects collectively make a loss for SBUEL. We will support the management of these projects to closure and will aim to increase the profitability of new projects we bring forward.

Staffing

As set out above, following a 50% reduction in HEIF funding, the University has reduced the number of staff engaged in University Enterprise activity substantially. After a period of significant internal change, the new team size and structure will be established by the start of 2012/13 and fully populated shortly thereafter. The cost of this team is still fully borne by HEIF income (which is dependent on the Enterprise activity – there is no opportunity cost associated with this use of HEIF), so does not represent a cost to the University. However, the new focus on larger scale programmes will ensure a better commercial return from the work of the team, achieving more from less.

The team structure is illustrated in Figure 1. Overall there are 15.6 FTE posts in the organisation. Of these, 2.5 FTE are allocated to Student Enterprise, 1.5 to IP and Spin-out companies and 9.6 FTE to Commercial Enterprise. The balance (2 FTE) provides overall management (Director) and administrative support to the team.

Figure 1



At 31st July there are expected to be 6 vacancies in the team, two of which are due to maternity leave. Recruitment to fill 3 posts should be completed and posts filled early in the new financial year. Further recruitment will be undertaken as necessary to meet the objectives of the team.

A separate paper on this Board agenda sets out proposals to transfer existing University Enterprise staff from University Employment to become SBUEL employees. This transfer will promote within the team the commercial culture of enterprise that we wish to promote across the University.

7. Governance Changes

There are a number of important issues that need to be resolved before University Enterprise can begin to operate fully in the ways proposed. Many of these relate to governance and to the relationship between the University and SBUEL.

The intention is that the SBUEL Board will become a properly established and independent Board governing SBUEL as a separate legal entity. However, before that can be achieved, the nature of the relationship between that Board and the University's Board of Governors needs to be more clearly defined. This requires changes both to the SBUEL memorandum and articles of association and to the key documents setting out the overarching governance of the University, including financial regulations, levels of delegated authority, appointments procedure for boards of subsidiary companies and others.

A separate paper on this agenda sets out the changes necessary and seeks approval for them by the Board of Governors.

8. Implementation

Operationally, there are some key issues still to be resolved as we take forward the plans for the commercial projects outlined above. Three key elements are how we contract with faculties to deliver commercial projects, how we compensate faculties for delivery and how we distribute any profits.

As we develop new business we need from the outset to be confident that we will be able to resource delivery. SBUEL can take on permanent or temporary staff where necessary but, for the bulk of work in the short to medium term, delivery will be by faculty staff or through HPLs sourced through the faculty. SBUEL will need to contract this work and will need to establish a framework within which such contracts can be established.

Early work suggests that the kind of relationship necessary between SBUEL and the faculties will differ radically depending on the type and nature of the project. For example, delivery of the ACCA professional programme will require a very different contract than commercialisation of the Commissioning Place with ILSI. At present, it seems likely that bespoke arrangements will initially be needed on a per project basis. However, we hope quickly to be able to establish a straightforward typology around which to establish some more or less standard framework contracts.

Similar issues arise with the question of compensating Faculties for their work on projects. In principle we have already established the intention to pay faculties the full economic cost of delivery. However, we are already in discussion with BUS on other models of transfer pricing for the ACCA professional programme. In the case of the Commissioning Place, too, the issue is not straight forward. Much of the funding for the development of this product came from a third party (KSS Deanery) while the Faculty has contributed substantial (unrecorded) time and effort into the product. Initially, therefore, it is likely that we will need to develop bespoke models for each project. However, here, too, we would expect to standardise on a set of prototype examples covering different types of project.

We also wish to begin to distribute a proportion of profits back to individuals and departments as part of an incentive programme to encourage engagement in Enterprise activity. For well established programmes such as KTP, an incentive programme has been applied before and is well established and we will re-introduce this. For other projects we will again need to consider a range of models and determine which applies best to different types of project.

We will develop these models as quickly as possible, building on the experience of the early projects we bring forward. We will aim to bring a paper for discussion early in the new financial year.

Table 1

University Enterprise Income and Expenditure					
(Excluding Student Enterprise)					
Income	Description	2011/12 Forecast		2012/13 Budget	
		LSBU	SBUEL	LSBU	SBUEL
	HEIF 5	£ 807,516	£ 0	£ 807,516	£ 0
	Rental Income	£ 0	£ 716,400	£ 0	£ 730,728
	Inter-company transfer (contract for delivery)	£ 0	£ 0	-£ 536,590	£ 536,590
	Gross Project Income	£ 0	£ 948,500	£ 1,050,939	£ 1,075,000
Total Income		£ 807,516	£ 1,664,900	£ 1,321,865	£ 2,342,318
Expenditure	Description				
	Staff Salaries	£ 559,972	£ 118,384	£ 215,966	£ 618,236
	Recruitment	£ 5,650	£ 406	£ 1,313	£ 22,874
	Travel, Accommodation & Subsistence	£ 10,600	£ 1,625	£ 5,253	£ 10,404
	Training	£ 10,600	£ 1,625	£ 5,253	£ 10,404
	Temp Staffing	£ 0	£ 0	£ 0	£ 45,144
Total Staff		£ 586,822	£ 122,040	£ 227,785	£ 707,061
	Consultancy (non-project)	£ 0	£ 8,000	£ 0	£ 23,060
	Legal fees	£ 0	£ 17,000	£ 0	£ 17,340
	Intellectual Property	£ 0	£ 60,000	£ 0	£ 80,000
	Audit and Bank charges	£ 0	£ 2,000	£ 0	£ 2,040
Total Professional Fees		£ 0	£ 87,000	£ 0	£ 122,440
	Telephones	£ 6,000	£ 0	£ 3,094	£ 5,106
	Mobiles	£ 1,700	£ 0	£ 1,031	£ 1,447
	Consumables & Stationery	£ 8,000	£ 0	£ 4,297	£ 6,808
	IT and office equipment	£ 4,800	£ 0	£ 2,922	£ 4,085
	Postage and Couriers	£ 5,700	£ 0	£ 2,750	£ 4,851
	Photocopying	£ 6,700	£ 0	£ 3,609	£ 5,702
	Subscriptions	£ 27,000	£ 0	£ 12,332	£ 22,978
	Marketing and advertising	£ 10,000	£ 0	£ 5,715	£ 8,510
	Publications	£ 18,000	£ 0	£ 10,313	£ 15,319
	Events	£ 1,700	£ 0	£ 3,738	£ 1,447
	Catering and Room Hire	£ 5,000	£ 0	£ 2,879	£ 4,255
	Website maintenance	£ 4,200	£ 0	£ 2,535	£ 3,574
	Licence fees	£ 1,400	£ 0	£ 902	£ 1,191
Total Operational		£ 100,200	£ 0	£ 56,118	£ 85,275
	Marketing SLA	£ 0	£ 0	£ 30,825	£ 21,922
	HR SLA	£ 0	£ 0	£ 8,328	£ 16,493
	ICT SLA	£ 0	£ 0	£ 4,918	£ 9,741
	Finance SLA	£ 0	£ 0	£ 97,789	£ 80,099
	Executive and Secretariat SLA	£ 0	£ 0	£ 20,550	£ 14,615
	Space Charges	£ 99,528	£ 0	£ 34,060	£ 67,459
Total Internal Recharges		£ 99,528	£ 0	£ 196,470	£ 210,328
	Loan Interest	£ 0	£ 1,290	£ 0	£ 1,290
	Depreciation	£ 0	£ 0	£ 0	£ 0
Total Other Costs		£ 0	£ 1,290	£ 0	£ 1,290
	Gross Project Expenditure	£ 105,550	£ 967,800	£ 966,733	£ 1,063,699
	Rental Expenditure	£ 0	£ 123,662	£ 0	£ 126,135
Total Expenditure		£ 892,100	£ 1,301,792	£ 1,447,107	£ 2,316,228
Operating Profit		-£ 84,584	£ 363,108	-£ 125,242	£ 26,090
Overall Operating Profit		£ 278,524		-£ 99,152	

Table 2

University Enterprise Project Income and Expenditure					
Project Income	Description	2011/12 Forecast		2012/13 Budget	
		LSBU	SBUEL	LSBU	SBUEL
	ACCA	£ 0	£ 0	£ 551,357	£ 0
	New Commercial Enterprise	£ 0	£ 0	£ 0	£ 215,000
	Other Existing Projects	£ 0	£ 948,500	£ 0	£ 860,000
	KTP/KTC	£ 0	£ 0	£ 499,582	£ 0
Total Project Income		£ 0	£ 948,500	£ 1,050,939	£ 1,075,000
Project Expenditure	Description				
	ACCA	£ 101,500	£ 0	£ 400,294	£ 0
	New Commercial Enterprise	£ 0	£ 0	£ 0	£ 129,000
	Other Existing Projects	£ 0	£ 697,000	£ 0	£ 631,966
	KTP/KTC	£ 0	£ 0	£ 243,546	£ 0
	Total Direct Costs	£ 101,500	£ 697,000	£ 643,840	£ 760,966
	Staff Bonus	£ 0	£ 0	£ 8,000	£ 8,600
	Faculty/Department Profit Share	£ 0	£ 0	£ 20,000	£ 8,600
	Total Profit Share	£ 0	£ 0	£ 28,000	£ 17,200
	Total Contribution		27%	39%	29%
	Description				
	Existing Projects Overhead	£ 0	£ 270,800	£ 0	£ 245,533
	ACCA Overhead	£ 4,050	£ 0	£ 151,063	£ 0
	New Commercial Enterprise	£ 0	£ 0	£ 0	£ 40,000
	KTP/KTC	£ 0	£ 0	£ 143,830	£ 0
	Total Other Costs	£ 4,050	£ 270,800	£ 294,893	£ 285,533
Total Project Expenditure		£ 105,550	£ 967,800	£ 966,733	£ 1,063,699
Projects Gross Profit		-£ 105,550	-£ 19,300	£ 84,206	£ 11,301

	PAPER NO: UE. 04(12)	
Board:	SBUEL	
Date:	26 June 2012	
Paper title:	SBUEL Budget	
Author:	Tim Gebbels	
Recommendation:	To approve the Budget for 2012/13	
Further approval required?	N/A	
Communications – who should be made aware of the decision?	N/A	

Executive summary

The attached spreadsheet includes the forecast for the current financial year, the budget for 2012/13, and projections for subsequent years (these projections are for information only at present; they are not for approval at this meeting).

The Board is requested to approve the budget for 2012/13.

SBUEL Income and Expenditure

Income	Description	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Proof of Concept/Market Entry fund	£ 716,400	£ 730,728	£ 745,343	£ 760,249	£ 775,454	£ 790,963
	Rental Income	£ 948,500	£ 1,075,000	£ 860,000	£ 1,075,000	£ 1,827,500	£ 3,493,750
Total Income	Gross Project Income	£ 1,664,900	£ 1,805,728	£ 1,605,343	£ 1,835,249	£ 2,602,954	£ 4,284,713
Internal Transfer	LSBU/SBUEL Contract for Delivery	£ -	£ 536,590	£ 681,818	£ 688,235	£ 688,235	£ 688,235
Expenditure	Description						
	Staff Salaries	£ 118,384	£ 618,236	£ 750,312	£ 799,930	£ 815,929	£ 832,247
	Recruitment	£ 406	£ 22,874	£ 15,216	£ 6,102	£ 3,518	£ 3,588
	Travel, Accommodation & Subsistence	£ 1,625	£ 10,404	£ 13,005	£ 13,796	£ 14,072	£ 14,353
	Training	£ 1,625	£ 10,404	£ 13,005	£ 13,796	£ 14,072	£ 14,353
	Temp Staffing	£ -	£ 45,144	£ 48,128	£ 50,821	£ 51,837	£ 52,874
	Total Staff	£ 122,040	£ 707,061	£ 839,665	£ 884,444	£ 899,427	£ 917,416
	Consultancy (non-project)	£ 8,000	£ 23,060	£ 23,521	£ 23,992	£ 24,471	£ 24,961
	Legal fees (non-IP)	£ 17,000	£ 17,340	£ 17,687	£ 18,041	£ 18,401	£ 18,769
	Intellectual Property	£ 60,000	£ 80,000	£ 81,600	£ 83,232	£ 84,897	£ 86,595
	Audit and Bank charges	£ 2,000	£ 2,040	£ 2,081	£ 2,122	£ 2,165	£ 2,208
	Total Professional Fees	£ 87,000	£ 122,440	£ 124,889	£ 127,387	£ 129,934	£ 132,533
	Student Bursaries	£ -	£ -	£ -	£ -	£ -	£ -
	Student waivers and discounts	£ -	£ -	£ -	£ -	£ -	£ -
	Laboratory and Classroom Equipment	£ -	£ -	£ -	£ -	£ -	£ -
	Learning Materials	£ -	£ -	£ -	£ -	£ -	£ -
	EA Rent	£ -	£ -	£ -	£ -	£ -	£ -
	Proof of Concept/Market Entry fund	£ -	£ -	£ -	£ -	£ -	£ -
	Total Student-related Costs	£ -	£ -	£ -	£ -	£ -	£ -
	Telephones	£ -	£ 6,128	£ 7,659	£ 8,125	£ 8,288	£ 8,453
	Mobiles	£ -	£ 2,043	£ 2,553	£ 2,708	£ 2,763	£ 2,818
	Consumables & Stationery	£ -	£ 8,510	£ 10,638	£ 11,285	£ 11,511	£ 11,741
	IT and office equipment	£ -	£ 5,787	£ 7,234	£ 7,674	£ 7,827	£ 7,984
	Postage and Couriers	£ -	£ 5,447	£ 6,808	£ 7,222	£ 7,367	£ 7,514
	Photocopying	£ -	£ 7,149	£ 8,936	£ 9,479	£ 9,669	£ 9,862
	Subscriptions	£ -	£ 24,425	£ 30,531	£ 32,387	£ 33,035	£ 33,696
	Marketing and advertising	£ -	£ 11,319	£ 14,149	£ 15,009	£ 15,309	£ 15,615
	Publications	£ -	£ 20,425	£ 25,531	£ 27,084	£ 27,625	£ 28,178
	Events	£ -	£ 7,404	£ 9,255	£ 9,818	£ 10,014	£ 10,214
	Catering and Room Hire	£ -	£ 5,702	£ 7,127	£ 7,561	£ 7,712	£ 7,866
	Website maintenance	£ -	£ 5,021	£ 6,276	£ 6,658	£ 6,791	£ 6,927
	Licence fees	£ -	£ 1,787	£ 2,234	£ 2,370	£ 2,417	£ 2,466
	Total Operational	£ -	£ 111,146	£ 138,933	£ 147,380	£ 150,327	£ 153,334
	Marketing SLA	£ -	£ 21,922	£ 22,360	£ 22,807	£ 23,264	£ 23,729
	HR SLA	£ -	£ 16,493	£ 20,213	£ 21,021	£ 21,021	£ 21,021
	ICT SLA	£ -	£ 9,741	£ 11,938	£ 12,415	£ 12,415	£ 12,415
	Finance SLA	£ -	£ 80,099	£ 66,110	£ 66,421	£ 76,518	£ 93,616
	Executive and Secretariat SLA	£ -	£ 14,615	£ 14,907	£ 15,205	£ 15,509	£ 15,819
	E&F SLA	£ -	£ 67,459	£ 84,323	£ 89,450	£ 91,239	£ 93,064
	Total SLA recharges	£ -	£ 210,328	£ 219,850	£ 227,320	£ 239,966	£ 259,664
	SBUEL Accountant	£ -	£ -	£ -	£ -	£ -	£ -
	Loan Interest	£ 1,290	£ 1,290	£ 1,290	£ 1,290	£ 1,290	£ 1,290
	Depreciation	£ -	£ -	£ -	£ -	£ -	£ -
	Total Other Costs	£ 1,290	£ 1,290	£ 1,290	£ 1,290	£ 1,290	£ 1,290
	Gross Project Expenditure	£ 967,800	£ 1,063,699	£ 811,150	£ 964,175	£ 1,599,287	£ 3,034,044
	Rental Expenditure	£ 123,662	£ 126,135	£ 128,658	£ 131,231	£ 133,856	£ 136,533
Total Expenditure		£ 1,301,792	£ 2,342,100	£ 2,264,434	£ 2,483,226	£ 3,154,088	£ 4,634,813
Operating Profit		£ 363,108	£ 219	£ 22,726	£ 40,258	£ 137,102	£ 338,136

Board:	Board of Directors	
Date:	26 June 2012	
Paper title:	Management Accounts to 31 May 2012	
Author:	Rebecca Warren, Accountant	
Executive sponsor:	Richard Flatman, Executive Director of Finance	
Recommendation by the Executive:	That the Board note these accounts	
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	N/A	

Executive summary

The Board is requested to note the management accounts and the associated projects report. The review of the management accounts will be used by the directors when signing the solvency statement - paper UE.07(12).

Heading 1

1. Paragraph 1
2. Paragraph 2

Heading 2

Sub heading

3. Paragraph 3

Sub heading

4. etc

2010/11 OUTTURN				PROFIT & LOSS ACCOUNT SOUTH BANK UNIVERSITY ENTERPRISES LTD FULL YEAR	2011/12 FORECAST				2011/12 TOTAL BUDGET				2011/12 TOTAL FORECAST VARIANCE			
TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £		TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £	TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £	TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £
2,168,102	588,499	801,794	777,809	TOTAL INCOME	1,813,994	244,311	719,895	849,788	1,351,780	55,500	587,500	708,780	462,214	188,811	132,395	141,008
688,880	210,149	417,736	60,995	DIRECT EXPENSES (EXTERNAL)	617,695	112,928	452,852	51,915	432,040	3,000	418,093	10,947	(185,655)	(109,928)	(34,759)	(40,968)
42,703	10,245	32,458	-	Salaries	32,132	31,748	384	-	-	-	-	-	(32,132)	(31,748)	(384)	-
251,743	29,124	98,290	124,330	Consultancy	119,859	33,305	52,857	33,697	134,225	7,500	67,500	59,225	14,366	(25,805)	14,643	25,528
58,965			58,965	Other expenses	49,722			49,722	80,000			80,000	30,278			30,278
				Intellectual Property												
1,042,292	249,518	548,484	244,290	TOTAL DIRECT EXPENDITURE	819,409	177,981	506,093	135,334	646,265	10,500	485,593	150,172	(173,143)	(167,481)	(20,500)	14,838
1,125,811	338,981	253,310	533,519	GROSS PROFIT	994,585	66,330	213,801	714,454	705,515	45,000	101,907	558,608	289,070	21,330	111,894	155,846
52%	58%	32%	69%	% of total income	55%	27%	30%	84%	52%	81%	17%	79%	63%	11%	85%	111%
472,659	181,940	286,897	3,822	LSBU RECHARGES **	298,575	44,547	252,769	1,259	168,350	78,175	90,175	-	(130,225)	33,628	(162,594)	(1,259)
-				University charge on invoices	-			-	-				-			-
1,290			1,290	Management charge	1,290			1,290	-				(1,290)			(1,290)
				Loan interest												
473,949	181,940	286,897	5,112	TOTAL LSBU RECHARGES	299,865	44,547	252,769	2,549	168,350	78,175	90,175	-	(131,515)	33,628	(162,594)	(2,549)
651,862	157,041	(33,587)	528,408	PROFIT/LOSS BEFORE ADMINISTRATIVE EXPENSES	694,720	21,783	(38,967)	711,905	537,165	(33,175)	11,732	558,608	157,555	54,958	(50,699)	153,297
30%	27%	-4%	68%	% of total income	38%	9%	-5%	84%	40%	-60%	2%	79%	34%	29%	-38%	109%
45,549				ADMINISTRATIVE EXPENSES (EXTERNAL)	-								-			
47,773				Bad debts (increase in provision)	121,660				24,540				(97,120)			
12,475				Salaries	6,215				6,000				(215)			
				Other operational expenses												
105,798				TOTAL ADMINISTRATIVE EXPENSES	127,875				30,540				(97,335)			
546,064				PROFIT/LOSS AFTER ADMINISTRATIVE EXPENSES	566,845				506,625				60,220			

* Profit before Gift Aid

** intercompany charges that will cancel out on consolidation

2010/11 YTD ACTUAL TO APRIL				PROFIT & LOSS ACCOUNT SOUTH BANK UNIVERSITY ENTERPRISES LTD YEAR TO DATE	2011/12 YTD ACTUAL				2011/12 YTD BUDGET				2011/12 VARIANCE TO BUDGET			
TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £		TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £	TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £	TOTAL £	CONSULT- ANCY £	CONTRACT RESEARCH £	OTHER £
1,412,027	379,378	536,633	496,016	TOTAL INCOME	1,509,686	203,592	597,937	708,157	1,126,483	46,250	489,583	590,650	383,203	157,342	108,354	117,507
516,790	181,047	291,887	43,856	DIRECT EXPENSES (EXTERNAL)	513,904	94,106	376,535	43,262	360,033	2,500	348,411	9,123	(153,870)	(91,606)	(28,124)	(34,140)
26,293	1,735	24,558	-	Salaries	26,777	26,457	320	-	-	-	-	-	(26,777)	(26,457)	(320)	-
140,202	16,800	41,907	81,495	Consultancy	99,882	27,754	44,047	28,081	111,854	6,250	56,250	49,354	11,972	(21,504)	12,203	21,274
36,342			36,342	Other expenses	41,435			41,435	66,667			66,667	25,232	-	-	25,232
				Intellectual Property												
719,628	199,583	358,352	161,692	TOTAL DIRECT EXPENDITURE	681,998	148,318	420,902	112,778	538,554	8,750	404,661	125,143	(143,444)	(139,568)	(16,241)	12,365
692,399	179,795	178,281	334,324	GROSS PROFIT	827,688	55,275	177,035	595,379	587,929	37,500	84,922	465,507	239,759	17,775	92,113	129,872
49%	47%	33%	67%	% of total income	55%	27%	30%	84%	52%	81%	17%	79%	63%	11%	85%	111%
379,112	167,169	209,418	2,525	LSBU RECHARGES **	248,813	37,123	210,641	1,049	140,292	65,146	75,146	-	(108,521)	28,023	(135,495)	(1,049)
-				University charge on invoices	-				-				-			
-				Management charge	-				-				-			
				Loan interest												
379,112	167,169	209,418	2,525	TOTAL LSBU RECHARGES	248,813	37,123	210,641	1,049	140,292	65,146	75,146	-	(108,521)	28,023	(135,495)	(1,049)
313,288	12,626	(31,136)	331,798	PROFIT/LOSS BEFORE ADMINISTRATIVE EXPENSES	578,876	18,152	(33,605)	594,329	447,637	(27,646)	9,777	465,507	131,238	45,798	(43,382)	128,822
22%	3%	-6%	67%	% of total income	38%	9%	-6%	84%	40%	-60%	2%	79%	34%	29%	-40%	110%
-				ADMINISTRATIVE EXPENSES (EXTERNAL)	-				-				-			
35,384				Bad debts (increase in provision)	85,196				20,450				(64,746)			
5,724				Salaries	5,179				5,000				(179)			
				Other operational expenses												
41,108				TOTAL ADMINISTRATIVE EXPENSES	90,376				25,450				(64,926)			
272,179				PROFIT/LOSS AFTER ADMINISTRATIVE EXPENSES	488,500				422,187				66,313			

* Profit before Gift Aid

** intercompany charges that will cancel out on consolidation

31 JULY 2011	SOUTH BANK UNIVERSITY ENTERPRISES LTD	31 MAY 2012
£		£
	FIXED ASSETS	
	INVESTMENTS	
24	Investment In Biox Systems Ltd 24 shares of £1	24
45	Other Investments (Solion £30, Engineering Surfaces £15)	45
69		69
	Current assets	
92,854	Debtors (note 1)	220,559
1,374,630	Cash at bank & in hand	1,640,026
1,467,484		1,860,585
(1,841,325)	Creditors: Amounts falling due within one year (note 2)	(1,745,926)
(373,841)	Net Current Liabilities	114,659
(373,772)	Total Assets less Current Liabilities	114,728
(215,000)	Creditors: Amounts falling due after more than one year	(215,000)
(588,772)	Net Liabilities	(100,272)

5	Called up share capital	5
(588,777)	Reserves	
	Income and Expenditure	(100,277)
(588,772)		(100,272)

31 JULY 2011	SOUTH BANK UNIVERSITY ENTERPRISES LTD	31 MAY 2012
£	NOTE 1 : DEBTORS	£
128,287	Trade Debtors	255,371
(46,955)	Bad Debt Provision	(46,333)
4,597	Other debtors (net of provision)	4,597
4,462	Accrued Income	4,462
2,463	Prepayments	2,463
-	Interest Receivable	-
-	VAT Receivable	-
92,854	TOTAL DEBTORS	220,559

31 JULY 2011	SOUTH BANK UNIVERSITY ENTERPRISES LTD	31 MAY 2012
£	NOTE 2 : CREDITORS	£
14,359	Trade Creditors	634
626,520	Deferred Income	603,041
1,184,453	Inter Company	1,021,306
-	VAT Payable	103,963
3,993	Sundry Creditors	5,483
12,000	Accruals	11,500
1,841,325	Amount due within one year	1,745,926
215,000	Amounts due after one year	215,000
2,056,325	TOTAL CREDITORS	1,960,926

SOUTH BANK UNIVERSITY ENTERPRISES LTD
MANAGEMENT ACCOUNTS
YEAR ENDED 31 JULY 2012

SBUEL14(12)

INCOME AND EXPENDITURE BY FACULTY
31 MAY 2012

YEAR TO DATE 2010/11		YEAR TO DATE PER MANAGEMENT ACCOUNTS 2011/12											
TO APRIL													
TOTAL TURNOVER £	FACULTY PROFIT/ (LOSS) £	FACULTY/ACTIVITY	TOTAL TURNOVER £	SALARIES £	OTHER PAYMENTS £	GROSS PROFIT £	TOTAL RECHARGES /ADMIN £	FACULTY PROFIT/ (LOSS) £	BUDGETED TURNOVER £	VARIANCE £	BUDGETED PROFIT £	VARIANCE £	
18,910	3,408	AHS	7,783	911	874	5,999	5,302	696	14,167	(6,383)	9,211	(8,514)	
126,922	(14,303)	BUSINESS	132,042	118,114	22,200	(8,273)	15,954	(24,226)	125,000	7,042	(3,031)	(21,196)	
512,847	13,778	ESBE	550,112	281,267	24,812	244,033	228,247	15,786	410,833	139,278	(14,838)	30,624	
30,871	-	HSC	87,956	70,702	17,665	(412)	43	(455)	-	87,956	-	(455)	
200,103	(12,996)	LLU+	-	-	4,933	(4,933)	(764)	(4,169)	-	-	-	(4,169)	
(1,137)	(2,045)	MARKETING	5,764	-	106	5,658	-	5,658	-	5,764	-	5,658	
30,170	(5,389)	RBDO	23,164	-	23,164	-	-	-	-	23,164	-	-	
-	-	CLSD	-	-	-	-	-	-	-	-	-	-	
2,273	(21)	ACADEMY OF SPORTS	2,433	558	4,929	(3,055)	31	(3,085)	-	2,433	-	(3,085)	
163,852	120,576	LETTING OF FACILITIES*	151,968	42,352	-	109,616	-	109,616	112,500	39,468	109,167	450	
5,289	(30,646)	INTELLECTUAL PROPERTY**	-	-	41,435	(41,435)	-	(41,435)	-	-	(66,667)	25,232	
318,653	237,653	PROPERTY INCOME***	541,533	-	27,974	513,558	-	513,558	463,983	77,549	413,796	99,762	
3,273	(37,836)	OTHER	6,932	-	-	6,932	90,376	(83,444)	-	6,932	(25,450)	(57,994)	
1,412,027	272,179	GRAND TOTAL	1,509,686	513,904	168,095	827,688	339,188	488,500	1,126,483	383,203	422,187	66,313	

FULL-YEAR 2011/12												
TOTAL TURNOVER £	FACULTY PROFIT/ (LOSS) £	FACULTY/ACTIVITY	TOTAL TURNOVER £	SALARIES £	OTHER PAYMENTS £	GROSS PROFIT £	TOTAL RECHARGES /ADMIN £	FACULTY PROFIT/ (LOSS) £	BUDGETED TURNOVER £	VARIANCE £	BUDGETED PROFIT £	VARIANCE £
		AHS	9,340	1,093	1,049	7,198	6,363	836	17,000	(7,660)	11,053	(10,217)
		BUSINESS	158,450	140,378	26,640	(8,568)	19,145	(27,713)	150,000	8,450	(3,637)	(24,075)
		ESBE	662,504	339,890	29,774	292,839	273,896	18,943	493,000	169,504	(17,806)	36,749
		HSC	105,547	84,843	21,199	(494)	52	(546)	-	105,547	-	(546)
		LLU+	-	-	5,920	(5,920)	(917)	(5,003)	-	-	-	(5,003)
		MARKETING	6,917	-	127	6,790	-	6,790	-	6,917	-	6,790
		RBDO	27,797	-	27,797	-	-	-	-	27,797	-	-
		CLSD	-	-	-	-	-	-	-	-	-	-
		ACADEMY OF SPORTS	2,919	669	5,915	(3,665)	37	(3,702)	-	2,919	-	(3,702)
		LETTING OF FACILITIES	182,362	50,822	-	131,539	-	131,539	135,000	47,362	131,000	539
		INTELLECTUAL PROPERTY	-	-	49,722	(49,722)	-	(49,722)	-	-	(80,000)	30,278
		PROPERTY INCOME***	649,839	-	33,569	616,270	-	616,270	556,780	93,059	496,555	119,715
		OTHER	8,318	-	-	8,318	129,165	(120,847)	-	8,318	(30,540)	(90,307)
		GRAND TOTAL	1,813,994	617,695	201,714	994,585	427,741	566,845	1,351,780	462,214	506,625	60,220

*Letting of facilities managed by External Relations
**Intellectual property managed by Finance -- Infrastructure
***Property income managed by Estates and Facilities

Title: Revisions to SBUEL Governance

Purpose: To seek approval for changes to the governance arrangements for the existing commercial subsidiary, South Bank University Enterprises Ltd (SBUEL) necessary to support the delivery of the Enterprise Strategy.

Recommendation: That the Board approves the changes to SBUEL governance, financial and other delegation, the recapitalisation of SBUEL and the proposed plan for internal audit as set out in the attached pro-forma minutes.

Summary

South Bank University Enterprises Ltd (SBUEL) is a wholly owned subsidiary of London South Bank University and is the vehicle through which the University chooses to account for its commercial activity. Established in 1988, it is a company limited by shares and is a separate legal entity and therefore subject to its own governance arrangements. To date, it has been used solely as a financial vehicle.

As set out in the Corporate Plan, the University seeks to reshape and substantially expand its Enterprise activity to double its commercial income over five years. The Enterprise Strategy, presented as paper **UE.03(12)** elsewhere on this agenda, sets out how University Enterprise is to achieve this objective. Following the example of other successful not-for-profit organisations, a pro-active, flexible and responsive subsidiary company, operating to commercial principles, is required.

This paper sets out and seeks formal approval for changing SBUEL governance and the relationship between SBUEL and the University so that it is able to operate in this way. Specifically, a series of papers presented at this meeting are for approval.

The Need for Change

The University first established SBUEL as a subsidiary company in 1988. Since that time, and until very recently, it has acted simply as a financial vehicle through which to process commercial transactions. The activity was run by the University and was entirely subject to University processes and management. SBUEL did not generate any activity of its own and was purely and exclusively a passive financial vehicle.

With the publication of *Student Success*, The University Corporate Plan 2011-14, the University embarked on a substantial programme of change for its management of commercial activity and it identified the need for a pro-active commercial subsidiary to support this and to drive growth in collaboration with the University. This is common practice in the not-for-profit sector and has proven very successful, for example at the Science Museum. Rather than creating a new subsidiary, the University decided that it would be more effective to adapt SBUEL for this purpose.

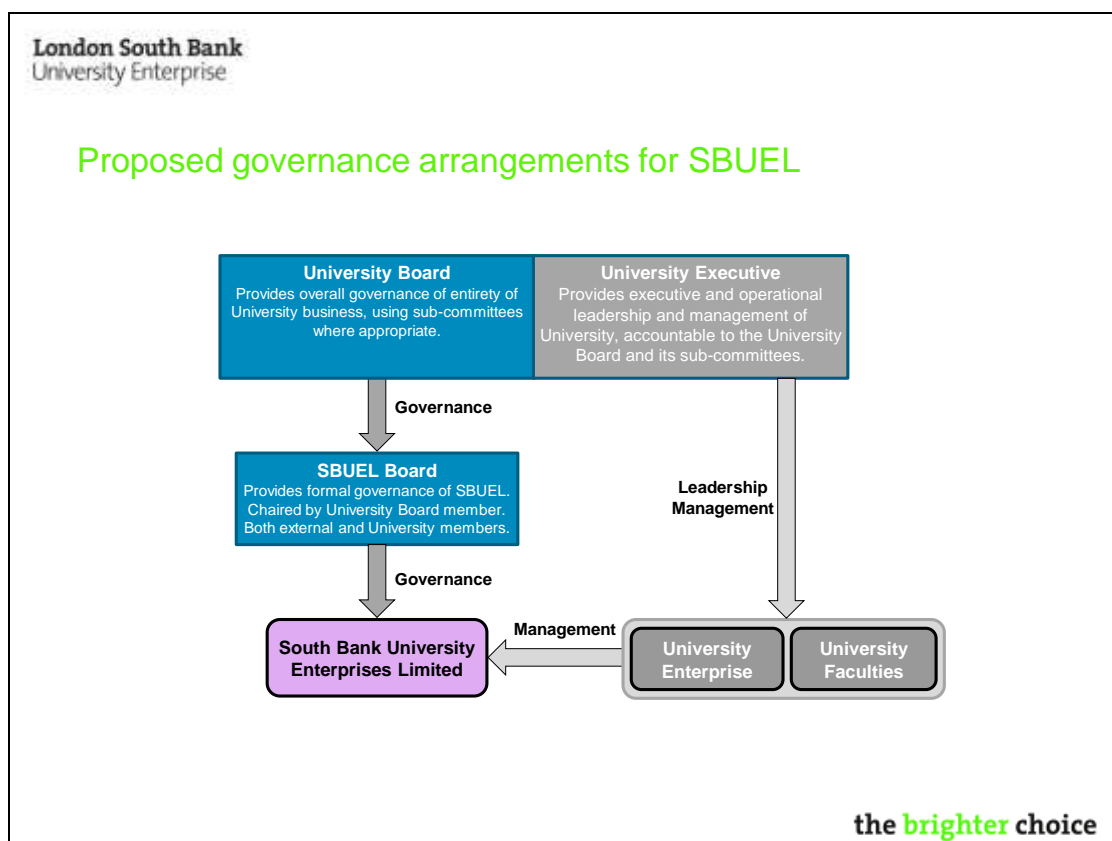
SBUEL will become the key route to market for the University's commercial offer. Its staff will seek opportunities and promote sales, acting as the commercial agent for

the University and contracting with clients for delivery of products and services. To achieve this, it needs to be able to be pro-active in identifying and developing relationships with external customers, flexible and fast in identifying and implementing solutions. It needs to attract and incentivise commercial staff, and be able to operate opposite the University in a way which incentivises collaboration, but also allows for additional resource to be brought in, flexibly, to deliver projects as and when required

Existing governance does not meet these requirements. The new proposals are intended to provide arrangements appropriate to the new ambition, whilst retaining the necessary oversight and control by the University Group.

Governance and the SBUEL Board

Figure 1 sets out schematically the proposed governance relationship between the University Board of Governors and the SBUEL Board of Directors.



The Board of University Governors holds overall control of governance processes relating to SBUEL as it does for all aspects of University Business. It will be proposed, however, to the LSBU Board of Governors that they delegate considerable autonomy to the SBUEL Board of Directors, such that SBUEL and its Board can operate substantially as an autonomous company but that the Governors will retain to themselves such reserved powers as are necessary to retain overall control.

The SBUEL Board of Directors will be led by a Chair who must also be an independent University Governor and composed, *ex officio*, of the University's Executive Director of Finance and Pro-Vice Chancellor (external). Additionally, the Director of Enterprise (an SBUEL Employee) will also become a Director *ex officio*, and two further external Directors will be appointed by the Board itself.

Key powers reserved to the Governors will include the power to appoint the Chair of the SBUEL Board to amend the Articles of Association, through resolutions as sole member of the company to amend the Statement of Governance and to appoint the Director of Enterprise. As the Chair holds a casting vote on the Board of Directors, a controlling majority on the Board is directly accountable to the University Board of Governors. This provides the assurance and control necessary to allow full transfer of delegated powers to the Board of Directors.

There is an additional operation line of control underpinning delegated powers. The Director of Enterprise is managed operationally on a day to day basis by the PVC (External), thus ensuring that there is direct oversight and control of SBUEL activity by the University Executive.

An overarching Statement of Governance is attached at Annex 1.

Internal Audit

It is proposed that SBUEL should remain within the remit of the existing University internal audit process, to maintain a process of independent assurance for the Board of Governors. It is proposed that an initial audit will be undertaken six months after approval of this paper to focus on the robustness of the established processes to be followed, eighteen months later by an audit of compliance to these processes. Assuming satisfactory outcomes, SBUEL would thereafter follow a normal 3-yearly internal audit cycle. Ten days has been added to the second quarter of the Internal Audit programme for 2012/13.

Items for Approval on the agenda

- Proposed arrangements for recapitalisation of SBUEL - **UE.07(12)**
- Proposed Gift Aid Policy – **UE.08(12)**
- Updated SBUEL Memorandum and Articles of Association - **UE.09(12)**
- Delegations to SBUEL:
 - University Financial Regulations (for noting) – **UE.10(12)**
 - Procurement Regulations – **UE.11(12)**
 - Proposed letter of delegation of financial authority from SBUEL Board of Directors to the Director of Enterprise - **UE.12(12)**
- HR Matters
 - Procedures – **UE.13(12)**
 - TUPE – **UE.14(12)**
 - Update on pension scheme (for noting) – **UE.15(12)**

UE.06(12)

- Proposed resolutions by the University as the sole member of SBUEL - **UE.17(12)**

Recapitalising SBUEL – UE.07(12)

The balance sheet of SBUEL currently holds approximately £500k of net liabilities. To ensure that future gift aid payments remain possible, and that the profits of SBUEL continue to be sheltered from Corporation tax, it is necessary to recapitalise SBUEL to create distributable reserves.

In June 2010 the University Board of Governors considered a recapitalisation approach in which LSBU would waive the intercompany loan and trading debt owed to the University. However, more recent advice from Deloitte is to convert the intercompany debt SBUEL has with LSBU into share capital and then put in place a capital reduction. In order to do this, the University must be satisfied (for example, on the basis of its business plan) that SBUEL is operating on sound business principles and on an ongoing basis, with an expectation that it will make a profit.

The University should not make a simple 'donation' to settle the SBUEL debt. Further, it must also identify assets, staff and services provided to SBUEL and fully recharge their costs. Failure on either of these points would create a risk of the University incurring non-charitable expenditure which may lead to a direct tax charge.

The recapitalisation will be completed before 1st August 2012, i.e. prior to the start of the 2012/13 financial year.

Full details of the proposed recapitalisation are presented in paper **UE.07(12) for approval**.

UE.06(12)

Gift Aid Policy – Paper UE.08(12)

Under the Schedule of Matters Reserved (subject to approval by the LSBU Board of Governors in July 2012) the Board of Directors will be responsible for approving the Gift Aid Policy. The policy has been drafted to allow flexibility to SBUEL to retain profits in the Company.

The Board are asked to approve the attached policy. The LSBU Board of Governors will be informed of the policy in July 2012.

UE.06(12)

Memorandum and Articles – Paper UE.09(12)

The SBUEL Memorandum and Articles of Association have been updated to comply with the Companies Act 2006 including conflict of interest provisions and appropriate control by parent by LSBU as sole member.

The revised Articles are attached as Paper **UE.09(12) for approval** (the Memorandum is now a purely historic document).

The Articles give the University, as sole shareholder in the company, power to direct the company to act or not to act in any ways it chooses. Attached to these Articles are a Schedule of Matters Reserved to the Board and the proposed Composition of the Board. The formal resolutions of SBUEL (LSBU as sole member) required to achieve this are set out the appendix to this paper.

Delegated Powers – Papers UE.10(12), UE.11(12) and UE.12(12)

At its July 2012 meeting the University Board of Governors will be asked to approve amended financial regulations. As part of the preparation of these revised regulations, consideration has been given to the regulations that should apply to SBUEL. Where necessary and appropriate, the University regulations will include explicit exceptions where SBUEL will be given delegated powers to establish its own regulations. The proposed University Financial Regulations are attached for information.

The overarching principle informing the delegation proposed is that, subject to the reserved powers, the Board of Governors delegates as fully as possible the operation of SBUEL to its Board of Directors. Key delegations include:

- The role of the Board of Directors in financial control
- Authority to approve budgets, business plans and annual reports
- Levels of delegated financial authority
- Procurement regulation
- Contracting for service or product delivery
- Provision of working capital
- Audit processes
- Surplus distribution policy
- Recruitment, employment and HR regulations

The Board of Directors are asked to note the University's Financial Regulations **paper UE.10(12)** and to **approve** its own Procurement Regulations – **paper UE.11(12)**.

A Board of Directors are asked to **approve** the proposed letter of delegation of financial authority from the SBUEL Board to the Director of Enterprise – **paper UE.12(12)**.

UE.06(12)

Human Resources – paper UE.13(12), UE.14(12) and UE.15(12)

Procedures

In order to operate as a commercial organisation, SBUEL requires terms and conditions which will attract and motivate commercial staff. These must include a competitive base salary and a bonus system which provides appropriate incentives to support the business, as well as an appropriate defined contribution pension scheme. These will apply to all new employees. The Board is asked to approve the proposed HR Procedures – **UE.13(12)**.

TUPE

In addition, a process outlined in a paper **UE.14(12)** on this agenda is in place to progressively move the University Enterprise team from University employment to SBUEL employment, under the same commercial terms as for new employees, as circumstances permit.

Pension

At its last meeting the Board approved provisions of a new defined contribution scheme for SBUEL employees subject to approval from the University's Board of Governors. The proposed scheme was approved by the University's Board of Governors at its meeting of 24 May 2012.

The scheme is now in the process of going out to tender. The Board is asked to note this update.

UE.06(12)

Notice of Written Resolutions – paper UE.16(12)

Notice of the Written Resolutions required from the University as sole member have been attached in paper **UE.16(12)** for approval by the Board.

London South Bank
University

To the Directors of South Bank University Enterprises Ltd

We agree to accept five ordinary shares in South Bank University Enterprises Ltd (the Company) in satisfaction of £700,000 owing to London South Bank University by the Company, being payment in full for five ordinary shares of £1 each plus a share premium of £140,000 each in South Bank University Enterprises Ltd, and we apply for and request you to allot such shares to us. We agree to take the said shares subject to the Articles of Association of the company and we authorise you to enter my name in the register of members as the holder of the said shares.

Dated

Signature.....

Name

For and on behalf of London South Bank University

SOUTH BANK UNIVERSITY ENTERPRISES LIMITED

(Company No. 02307211)

("the Company")

Minutes of a meeting of the board of directors of the Company held in 1B33, Technopark, London Road at 6pm on Thursday 19 July 2012.

Present:

Richard Flatman (Chairman)

Bev Jullien

Tim Gebbels

Representing the Shareholder:

David Longbottom – Chairman of the Board of Governors on behalf of the Shareholder

In attendance:

James Stevenson – Company Secretary

Michael Broadway – Governance Officer

PRELIMINARY

Richard Flatman took the chair and declared that all the directors of the Company were present and that the meeting had been duly convened.

DIRECTORS' INTERESTS

- 2.1 The directors declared that they had no interest, direct or indirect, in the transactions and proposals to be considered by the meeting for the purposes of section 177 of the Companies Act 2006 ("the Act") and the articles of association of the Company.

RECAPITALISATION

- 3.1 The Chairman reported that in order for the Company to continue making Gift Aid payments to London South Bank University ("the Parent"), it would be necessary to recapitalise the balance sheet in order to create distributable reserves. It was proposed that the Company issue new

shares to London South Bank University at a share premium followed by a capital reduction.

ISSUE OF NEW SHARES

- 4.1 The Chairman reported that under Article 3(a) and section 551 of the Act it was necessary for the parent to authorise the directors of the Company to allot new shares through an ordinary resolution (the “Ordinary Resolution”).
- 4.2 The draft ordinary resolution was produced to the meeting by which the parent, would:
- 4.2.1 pass the Ordinary Resolution to approve the allotment of twenty five additional ordinary shares;
- 4.3 Having considered the Ordinary Resolution **it was resolved** that:
- 4.3.1 the form of the Ordinary Resolution be approved;
 - 4.3.2 the Ordinary Resolution be presented to London South Bank University, the parent of the Company and
 - 4.3.3 that the board meeting be adjourned to enable the same to be considered by the parent.
- 4.4 The meeting then briefly adjourned to allow the Ordinary Resolution to be signed.
- 4.5 Upon resumption of the meeting the directors noted that the Ordinary Resolution had been approved and duly signed for and on behalf of the parent.
- 4.6 Upon authorisation to allot additional shares the Board resolved to issue five ordinary shares of £1 each with a share premium of £700,000 to London South Bank University.
- 4.7 The Board noted a letter from the Parent in which it agreed to accept the allotment of five ordinary shares plus a share premium of £700,000 in satisfaction of £700,000 owing to the Parent from the Company as being in the best interests of the University and based on the expectation that it will enable the Company to enhance its profitability and therefore promote the success of the University by way of increased gift aid receipts.

CAPITAL REDUCTION

- 5.1 The Chairman reported that it was proposed that the Company reduce its share capital in accordance with the provisions of Chapter 10 of Part 17 of the Act in order to create distributable reserves. Specifically, it was

proposed that the Company reduce its share capital by the cancellation of £700,000 of the amount standing to the credit of the share premium account of the Company (“the Capital Reduction”):

5.2 The Chairman reported that:

5.2.1 immediately prior to the Capital Reduction the share capital of the Company was £700,010 divided into ten ordinary shares of £1 each all of which were fully paid up and with a share premium of £700,000; and

5.2.2 immediately following the Capital Reduction the share capital of the Company would be £10 divided into ten ordinary shares of £1 each all of which were fully paid up.

5.3 The Chairman further reported that pursuant to section 641 of the Act, the Capital Reduction could be effected by way of a special resolution supported by a solvency statement in accordance with the procedures set out in sections 642 to 644 of the Act.

5.4 The directors noted that, pursuant to section 3(2) of The Companies (Reduction of Share Capital) Order 2008:

5.4.1 the prohibition in section 654(1) of the Act which provides that a reserve arising from a reduction in capital is not distributable, did not apply to a reduction of capital effected by way of a special resolution supported by a solvency statement in accordance with the procedures set out in sections 642 to 644 of the Act; and

5.4.2 that a reserve arising from a reduction of capital carried out in such a way was to be treated for the purposes of Part 23 of the Act as a realised profit.

5.5 Accordingly, the directors considered it appropriate to consider the procedures set out in sections 642 to 644 of the Act and the following points were noted in respect of those procedures:

5.5.1 that the Capital Reduction must be approved by a special resolution of the Company (“the Special Resolution”);

5.5.2 that the Special Resolution must be supported by a statement of solvency which all the directors of the Company were required to make in accordance with section 643 of the Act, a form of which (which had been prepared in accordance with The Companies (reduction of Share Capital) Order 2008) was produced to the meeting (“the Solvency Statement”) and the

directors noted that the form and text of the Solvency Statement would involve each of them making statements that they had formed the opinion:

5.5.2.1 as regards the Company's situation at the date of the statement, that there was no ground on which the Company could then be found to be unable to pay (or otherwise discharge) its debts; and

5.5.2.2 that (on the basis that it is not intended to commence winding up of the Company within 12 months) the Company will be able to pay (or otherwise discharge) its debts as they fall due during the year immediately following that date;

5.5.3 that in forming the opinions set out in the Solvency Statement the directors were required to take into account all of the Company's liabilities (including any contingent or prospective liabilities);

5.5.4 the provisions of section 643(4) of the Act which provide that where a director makes such a statement, without having reasonable grounds for the opinions expressed in it, and the statement is delivered to the Registrar of Companies ("the Registrar"), an offence is committed by that director for which on conviction he or she would be liable to a term of imprisonment not exceeding 2 years or a fine or both;

5.5.5 that the Company must not be prohibited from effecting the Capital Reduction by its articles of association and it was noted that there was no such prohibition in the Company's articles of association;

5.5.6 as the Special Resolution was proposed as a written resolution, a copy of the Solvency Statement must be sent or submitted to every eligible member at or before the time at which the proposed resolution is sent or submitted to him;

5.5.7 that within 15 days after the Special Resolution is passed the Company must deliver to the Registrar:

5.5.7.1 a print of the Special Resolution;

5.5.7.2 a copy of the duly signed Solvency Statement;

5.5.7.3 a statement of capital in the form of prescribed form SH19;

5.5.7.4 a statement prepared in accordance with section 644(5) of the Act, duly signed by all the directors of the Company, confirming that the Solvency Statement was made not more than 15 days before the date on which the Special Resolution was passed; and was provided to all the members in accordance with section 642 of the Act, a form of which was produced to the meeting (“the Compliance Statement”);

and that the Capital Reduction would take effect upon registration by the Registrar of the above documents.

5.6 Having carefully considered the above matters the directors **unanimously resolved:**

5.6.1 that the Capital Reduction was in the best interests of the Company and that it would promote the success of the Company for the benefit of its members as a whole having regard to the matters set out in section 172 of the Companies Act 2006; and

5.6.2 that the necessary steps be taken by the Company to effect the Capital Reduction.

SOLVENCY STATEMENT

6.1 The directors considered the following documents, each of which was produced to the meeting:

6.1.1 The Enterprise business plan

6.1.2 Management accounts for the period to 31 May 2012

6.1.3 Full year forecast for the year to 31 July 2012

6.1.4 A detailed analysis of all current projects

6.1.5 SBUEL budget for the year to 31 July 2013

6.1.6 Five year forecasts of income and expenditure for SBUEL for the period to 31 July 2017

6.1.7 A detailed analysis/forecast of all enterprise activity showing the allocation between London South Bank University (LSBU), the parent company and sole member and SBUEL

6.2 The directors noted that the Management Accounts showed that the Company had made [a net profit of £] [a loss of £] since the Accounts Date and the directors confirmed that from their knowledge of

events since the Management Accounts Date, there had been no material adverse change in the financial position of the Company since that date.

- 6.3 The directors also noted that they had no intention to commence winding up the Company within 12 months of the date of the Solvency Statement.
- 6.4 Having reviewed and discussed the documents listed above, the directors confirmed that in their opinion the Company would have sufficient working capital to enable it to pay its debts immediately following the date of the Solvency Statement and, having regard to the intentions of the directors in the management of the Company's business and to the amount and character of the financial resources which will be available, the Company will, following the date of the Solvency Statement, be able to continue in business as a going concern and thus be able to pay its debts as they fall due. The directors also confirmed that they had taken account of all contingent and prospective liabilities (for example contingent liabilities that are required to be disclosed in the notes to annual financial statements and commitments under hire purchase agreements or supply contracts) that a court would take into account when considering whether it could pay its debts under Sections 122 and 123 of the Insolvency Act 1986.
- 6.5 In light of the above, each of the directors formed the opinion that, as regards the Company's situation at the date of the Solvency Statement, that there was no ground on which the Company could then be found to be unable to pay (or otherwise discharge) its debts; and that the Company will be able to pay (or otherwise discharge) its debts as they fall due during the year immediately following date of the Solvency Statement.
- 6.6 **It was therefore resolved** that the form of the Solvency Statement was approved. Each of the directors then signed the Solvency Statement and the Solvency Statement was dated with the date of the meeting.

SPECIAL RESOLUTION

- 7.1 A draft special resolution ("the special Resolution") was produced to the meeting by which the parent would:
- 7.1.1 pass the Special Resolution to approve the Capital Reduction;
- 7.2 Having considered the Special Resolution **it was resolved** that:
- 7.2.1 the form of the Special Resolution be approved;
- 7.2.2 the Special Resolution be presented to the parent and
- 7.2.3 that the meeting be adjourned to enable the same to be considered by the parent.

- 7.3 The meeting then briefly adjourned to allow the Special Resolution to be signed.
- 7.4 Upon resumption of the meeting the directors noted that the Special Resolution had been approved and duly signed by the parent and that prior to signing the Chairman of London South Bank University had inspected the original signed Solvency Statement.

COMPLIANCE STATEMENT AND FORM SH19

- 8.1 The directors considered the form of the Compliance Statement and noted that it required them to confirm, in accordance with section 644(5) of the Act, that:
- 8.1.1 the Solvency Statement was made not more than 15 days before the Written Resolution was passed; and
- 8.1.2 a copy of the Solvency Statement had been provided to the members of the Company in accordance with section 642(2) of the Act.
- 8.2 **It was resolved** that the form of the Compliance Statement be approved. Each of the directors then signed the Compliance Statement and the Compliance Statement was dated with the date of the meeting.
- 8.3 A duly completed form SH19 reflecting the capital of the Company as reduced pursuant to the Special Resolution was produced to the meeting and **it was resolved** that such form be approved. The form was then signed by an appropriate officer of the Company.

RETURNS TO THE REGISTRAR OF COMPANIES

- 9.1 The Secretary was instructed to deliver all to the Registrar within 15 days of the date of the meeting:
- 9.1.1 a print of the Written Resolution;
- 9.1.2 a copy of the duly signed Solvency Statement;
- 9.1.3 the Compliance Statement; and
- 9.1.4 the form SH19.
- 9.2 The Secretary was instructed to notify the Company upon receipt by them of confirmation that the above documents had been registered by the Registrar and as such the Capital Reduction had been effected.

CONCLUSION

There being no further business, the meeting then ended.

.....
Chairman

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

SOUTH BANK UNIVERSITY ENTERPRISES LIMITED

(a company registered in England no. 02307211)
("the Company")

**WRITTEN RESOLUTION
OF
THE SOLE MEMBER**

Circulation Date:

Date Passed:

Under Chapter 2 of Part 13 of the Companies Act 2006, the directors of the Company propose that the resolution below is passed as an ordinary resolution ("**the Resolution**"). The Resolution is being proposed in connection with a proposed allotment of additional shares of the Company.

ORDINARY RESOLUTION

1. **THAT** with effect from the time of the passing of this resolution the directors are unconditionally authorised, pursuant to sections 549 and 551, Companies Act 2006, to allot relevant securities up to the maximum amount of £25, in accordance of Article 3(a) of the Articles of Association of the Company at any time during the period of five years from this date.

AGREEMENT TO WRITTEN RESOLUTION

Please read the notes at the end of this document before signifying your agreement to the Resolution.

The undersigned, on behalf of the sole member entitled to vote on the Resolution on the circulation date set out above, hereby irrevocably agree to the passing of the Resolution.

.....
Chairman of the Board of Governors

.....
Date of Signature

Signed for and on behalf of
London South Bank University

NOTES:

1. If you wish to agree to the resolutions, please indicate your agreement by signing and dating this document where indicated and returning it to the company at the company's registered office.
2. If you do not agree to the resolutions you need not do anything. You will not be deemed to agree if you fail to respond.
3. Once you have indicated your agreement to the resolutions you may not revoke your agreement.
4. Unless by the end of the period of 15 days beginning with the circulation date set out above sufficient agreement has been received for the resolutions to be passed they will lapse.¹

¹ The Special Resolution must be passed within 15 days of the solvency statement.

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

[] LIMITED
(a company registered in England no. [])
("the Company")

SOLVENCY STATEMENT² UNDER SECTION 643 OF THE COMPANIES ACT 2006

This statement is a solvency statement for the purposes of section 642 of the Companies Act 2006.

This solvency statement is made on 19 July 2012.

SBUEL is proposing a capital reduction of £650,000 through the elimination of share premium, thereby creating realised profits and eliminating losses incurred in the past. This capital reduction will provide SBUEL with a stable financial base on which to build as the focus of its parent company's plans to grow income from enterprise activity.

Enterprise, and hence the success of SBUEL, is fundamental to the delivery of student success for London South Bank University (LSBU) the parent company. There are therefore no plans to commence the winding up of SBUEL within 12 months of this date.

To enable them to make appropriate judgments regarding the future solvency of SBUEL, the Directors of SBUEL at their meeting on 26 June 2012 reviewed the following documents:

- The Enterprise business plan
- Management accounts for the period to 31 May 2012
- Full year forecast for the year to 31 July 2012
- A detailed analysis of all current projects
- SBUEL budget for the year to 31 July 2013
- 5 year forecasts of income and expenditure for SBUEL for the period to 31 July 2017
- A detailed analysis/forecast of all enterprise activity showing the allocation between London South Bank University (LSBU), the parent company and sole member and SBUEL

² The statement must be signed by all the directors of the company and dated with the same date (but can be signed in counterpart).

We, the directors named below (being all the directors of the Company as at the date of this statement):

1. having taken into account all of the company's liabilities (including any contingent or prospective liabilities), have formed the opinion, as regards the company's situation as at the date of this statement, that there is no ground on which the company could then be found to be unable to pay (or otherwise discharge) its debts; and
2. having taken into account all of the company's liabilities (including any contingent or prospective liabilities), have formed the opinion, that the company will be able to pay (or otherwise discharge) its debts as they fall due during the year immediately following the date of this statement.

Signed by:

.....

Richard Flatman

Date:

Signed by:

.....

Beverley Jullien

Date:

Signed by:

.....

Tim Gebbels

Date:

Signed by:

.....

Ed Tinley?

Date:

This statement is prepared on the basis that there is not intention to wind up the company in the following 12 months. As such it follows the wording set out in section 643(1)(b)(ii) of the Act. If there ins an intention to wind the company up in the following 12 months then alternative wording should be used in accordance with section 643(1)(b)(i) of the Act.

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

SOUTH BANK UNIVERSITY ENTERPRISES LIMITED

(a company registered in England no. 02307211)
("the Company")

**WRITTEN RESOLUTION
OF
THE SOLE MEMBER**

Circulation Date:

Date Passed:

Under Chapter 2 of Part 13 of the Companies Act 2006, the directors of the Company propose that the resolution below is passed as a special resolution ("**the Resolution**"). The Resolution is being proposed in connection with a proposed reduction of the Company's share capital and a solvency statement made by the directors of the Company on 19 July 2012 relating to that proposed reduction of capital is attached to this document.

SPECIAL RESOLUTION

1. That under Chapter 10 of part 17 of the Companies Act 2006 and subject to the approval of the Registrar of Companies the share capital of the Company is reduced by the cancellation of £700,000 of the amount standing to the credit of the share premium account of the Company such that following the passing of this resolution the capital of the Company will be £10 divided into ten ordinary shares of £1 each.

AGREEMENT TO WRITTEN RESOLUTION

Please read the notes at the end of this document before signifying your agreement to the Resolution.

The undersigned, on behalf of the sole member entitled to vote on the Resolution on the circulation date set out above, hereby irrevocably agree to the passing of the Resolution.

.....
Chairman of the Board of Governors

.....
Date of Signature

Signed for and on behalf of London
South Bank University

NOTES:

2. If you wish to agree to the resolutions, please indicate your agreement by signing and dating this document where indicated and returning it to the company at the company's registered office.
3. If you do not agree to the resolutions you need not do anything. You will not be deemed to agree if you fail to respond.
4. Once you have indicated your agreement to the resolutions you may not revoke your agreement.
5. Unless by the end of the period of 15 days beginning with the circulation date set out above sufficient agreement has been received for the resolutions to be passed they will lapse.³

³ The Special Resolution must be passed within 15 days of the solvency statement.

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

SOUTH BANK UNIVERSITY ENTERPRISES LIMITED

(a company registered in England no. 02307211)
("the Company")

STATEMENT UNDER SECTION 644(5) OF THE COMPANIES ACT 2006⁴

Dated: 19 July 2012

This statement has been prepared for the purpose of Section 644(5) of the Companies Act 2006 in relation to a special resolution passed on 29 July 2012 by which it is proposed that the share capital of the Company be reduced under Chapter 10 of Part 17 of the Companies Act 2006 (the "**Special Resolution**") and a solvency statement dated 19 July 2012 and made by all the directors of the Company under sections 642 and 643 of the Companies Act 2006 (the "**Solvency Statement**").

We, the directors named below (being all the directors of the Company as at the date of this statement) hereby confirm that the Solvency Statement was:

- (a) made not more than 15 days before the date on which the Special Resolution was passed; and
- (b) provided to the members of the Company in accordance with section 642(2).

Signed by:

Signed by:

.....

Richard Flatman

.....

Beverley Jullien

Date:

Date:

Signed by:

Signed by:

.....

.....

⁴ Companies House have confirmed that, as the solvency statement is required to be signed by all the directors, they also require this document to be signed by all the directors. Paragraph (b) will require amendment depending upon whether the resolution is passed by way of written resolution (in which case it must be provided to the members in accordance with section 642(2)) or at a general meeting (in which case it must be provided to the members in accordance with section 642(3)).

Tim Gebbels

Date:

Ed Tinley?

Date:

Recapitalisation of SBUEL

Effect on statutory accounts, and next steps

This document sets out the effects of, and the procedure for, a change to the capital structure of South Bank University Enterprises Ltd (SBUEL): a capital injection, in the form of an issue of new shares with a large share premium account, followed by a Companies Act reduction to eliminate the negative reserves.

Double entries

The double entries in the accounts of the University and SBUEL will be as follows. As at the end of July 2011, the negative reserves in SBUEL were £588,776. To allow for a likely discrepancy between taxable profit and accounting profit in 2012 and subsequent years, a capital injection of **£700,000** is suggested, plus the nominal value of the shares (say £5). Then the double entries will be:

In SBUEL:

Debit intercompany creditor £700,005
 Credit share capital £5
 Credit share premium account £700,000

In University:

Debit Investments £700,005
 Credit intercompany debtor £700,005 (this balances the intercompany account in SBUEL).

And then, when the capital reduction takes place, the double entries will be:

In SBUEL:

Debit share premium account £700,000
 Credit reserves £700,000

In the University:

Debit income and expenditure £700,000
 Credit investments £700,000 (leaving the nominal value of the shares, £5, as the debit against this account).

Although the entries above show a charge to the income and expenditure account in the University, this is eliminated on consolidation of the accounts; therefore no overall charge is shown in the consolidated income and expenditure account.

The balance sheet of SBUEL after the capital reduction, based on the position at the end of May, will appear as in the third column below. This balance sheet has been prepared on the assumption that the entire accounting profit of SBUEL will be shed

as Gift Aid, and should therefore be shown as a creditor in the balance sheet rather than as profit.

The final column below shows the position if the available cash balance of SBUEL is used to pay off the remainder of the intercompany creditor, including the long-term loan of £215,000. (This exact position cannot be realised, because the Gift Aid payment cannot be made until after the year-end, but it is indicative of what the future balance sheet is likely to look like).

Note additionally that SBUEL owes very little to external creditors; this is relevant for the solvency statement (see below).

31 May 2012	Before recapitalisation	After capital injection	After capital reduction	After cash settlement of intercompany creditors
	£	£	£	£
Fixed assets -- investments	69	69	69	69
Current assets				
Debtors (primarily trade debtors)	220,559	220,559	220,559	220,559
Cash at bank & in hand	1,640,026	1,640,026	1,640,026	511,264
	1,860,585	1,860,585	1,860,585	731,823
Creditors: Amounts falling due within one year				
Intercompany account (including VAT)	1,125,267	425,262	425,262	-
Intercompany Gift Aid creditor	488,500	488,500	488,500	-
Deferred income	603,041	603,041	603,041	603,041
Other	17,617	17,617	17,617	17,617
	2,234,425	1,534,420	1,534,420	620,658
Total Assets less Current Liabilities	(373,771)	326,234	326,234	111,234
Creditors: Amounts falling due after more than one year	(215,000)	(215,000)	(215,000)	-
Net Liabilities	(588,771)	111,234	111,234	111,234
Called up share capital	5	10	10	10
Profit and loss account	(588,776)	(588,776)	111,224	111,224
Share premium account	-	700,000	-	-
Total equity shareholders' surplus/deficit	(588,771)	111,234	111,234	111,234

The approvals process is set out in the attached pro forma minutes.

South Bank University Enterprises Ltd (SBUEL):

Solvency Statement approved by the Board at the SBUEL board meeting on 26 June 2012

SBUEL is proposing a capital reduction of £650,000 through the elimination of share premium, thereby creating realised profits and eliminating losses incurred in the past. This capital reduction will provide SBUEL with a stable financial base on which to build as the focus of its parent company's plans to grow income from enterprise activity.

Enterprise, and hence the success of SBUEL, is fundamental to the delivery of student success for London South Bank University (LSBU) the parent company. There are therefore no plans to commence the winding up of SBUEL within 12 months of this date.

To enable them to make appropriate judgments regarding the future solvency of SBUEL, the Directors of SBUEL at their meeting on 26 June 2012 reviewed the following documents:

- The Enterprise business plan
- Management accounts for the period to 31 May 2012
- Full year forecast for the year to 31 July 2012
- A detailed analysis of all current projects
- SBUEL budget for the year to 31 July 2013
- 5 year forecasts of income and expenditure for SBUEL for the period to 31 July 2017
- A detailed analysis/forecast of all enterprise activity showing the allocation between London South Bank University (LSBU), the parent company and sole member and SBUEL

On the basis of the information contained therein, the directors are of the opinion at the date of this statement that:

- there are no grounds on which SBUEL could be found to be unable to pay (or otherwise discharge) its debts; and that
- SBUEL will be able to pay its debts as they fall due during the year following the date of this statement.

These opinions take account all of SBUEL's liabilities including contingent liabilities and provisions.

Richard Flatman
Beverley Jullien
Tim Gebbels
Ed Tinley

26 June 2012

South Bank University Enterprises Ltd (SBUEL):**Gift Aid Policy approved by the Board at the SBUEL board meeting on 26 June 2012**

South Bank University Enterprises Ltd (SBUEL) is the trading subsidiary of London South Bank University (the University), and is entirely owned by the University. Each year, the taxable profit of SBUEL is calculated alongside the calculation of the accounting profit. Normal policy is that once the accounts have been finalised, the taxable profit is paid by SBUEL to the University by Gift Aid, thereby eliminating all taxable profits of SBUEL in year and avoiding any corporation tax charges. However, subject to agreement by LSBU, the directors of SBUEL may recommend retaining an element of the taxable profits within SBUEL, and paying the associated corporation tax charge. Gift Aid payments must be made within nine months of the year-end (so if the year-end is July, the payment must be made by the end of the following April). The corporation tax return, which must be submitted to HMRC within one year of the year-end, is prepared after the Gift Aid has been paid.

Composition of the Board of Directors of South Bank University Enterprises Ltd

This document is intended to complement the Articles of Association. If the two conflict, then the Articles shall prevail.

Composition

1. The Board of Directors, when fully complemented, shall consist of the following:
 - (a) one director who is an Independent Governor of London South Bank University (the University)
 - (b) two directors who are independent non-executive directors
 - (c) The Executive Director of Finance (or equivalent) of the University (*ex officio*)
 - (d) The Pro Vice Chancellor (External) (or equivalent) of the University (*ex officio*)
 - (e) The Director of Enterprise (or equivalent) of South Bank University Enterprises Ltd (the Company) (*ex officio*)
2. The Board of Governors of the University shall have the right to amend the composition of the Board of Directors as they see fit.

Appointment

3. The Board of Governors of the University shall appoint the director under 1(a).
4. The Board of Directors of the Company shall appoint the directors under 1(b). The Nominations Committee of the University shall be asked to ratify such appointments.

Term of Office

5. The term of office of the director appointed under section 1(a) shall be for the period of three years or until their period of office as an Independent Governor of the University shall end, whichever is sooner.
6. The term of office of the directors appointed under section 1(b) shall be for the period of three years.
7. Directors appointed under sections 1(a) and 1(b) may be reappointed for a second term.
8. The terms of office of the *ex officio* directors shall be until they cease to hold the position as specified in sections 1(c), 1(d) and 1(e) respectively.

Chairman of the Board

9. The director appointed under section 1(a) shall be the Chairman of the Board.

Company No: 2307211

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

WRITTEN RESOLUTIONS

of

SOUTH BANK UNIVERSITY ENTERPRISES LTD. (the "Company")

DATE OF CIRCULATION -

2012

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006 (the "**Act**"), the directors of the Company propose that the following resolutions are passed as written resolutions of the Company, with resolution one having effect as an ordinary resolution and resolutions two and three having effect as special resolutions (the "**Resolutions**").

ORDINARY RESOLUTION

1. **THAT** the directors of the Company may authorise, to the fullest extent permitted by law, any matter proposed to them which would otherwise result in a director infringing his duty under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may be reasonably regarded as likely to give rise to a conflict of interest.

SPECIAL RESOLUTIONS

2. **THAT** with immediate effect the articles of association of the Company be amended by deleting all provisions of the Company's memorandum of association which, by virtue of section 28 of the Act, are provisions of the Company's articles of association.
3. **THAT** the articles of association attached to this resolution be adopted as the articles of association of the Company to the exclusion of all existing articles.

AGREEMENT

Please read the notes at the end of this document before signifying your agreement to the Resolutions.

I, the undersigned, the sole shareholder entitled to vote on the Resolutions as at the Date of Circulation, hereby irrevocably agree to the Resolutions:-

.....
For and on behalf of
London South Bank University

.....
Date

NOTES

1. If you agree with the Resolutions, please indicate your agreement by signing and dating this document where indicated above and returning it to the Company at 103 Borough Road, London SE1 0AA.
2. If you do not agree with any of the Resolutions, you do not need to do anything: you will not be deemed to agree if you fail to reply.
3. Once you have indicated your agreement to a Resolution, you may not revoke your agreement.
4. If, within 28 days of the Date of Circulation insufficient agreement has been received for a Resolution to pass, such Resolution will lapse. If you agree to all or any of the Resolutions, please ensure that your agreement reaches us within 28 days of the Date of Circulation.

UE.09(12)

Draft

Company No: 2307211

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

SOUTH BANK UNIVERSITY ENTERPRISES LTD.

Incorporated 19 October 1988

(Adopted by special resolution on

2012)



Pinsent Masons

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THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

SOUTH BANK UNIVERSITY ENTERPRISES LTD.

(the "Company")

Incorporated 19 October 1988

(Adopted by special resolution on 2012)

INTERPRETATION

Defined terms

1.1 In the Articles, unless the context requires otherwise:-

"Act"	means the Companies Act 2006
"Articles"	means the Company's articles of association
"bankruptcy"	includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy
"business day"	means any day (other than a Saturday, Sunday or a public holiday in England) on which clearing banks in the city of London are open for the transaction of normal sterling banking business
"chairman"	means the person for the time being appointed to chair meetings of the directors or the shareholders of the Company as the case may be
"Companies Acts"	means the Companies Acts (as defined in section 2 of the Act), in so far as they apply to the Company
"director"	means a director for the time being of the Company, and includes any person occupying the position of director, by whatever name called
"distribution recipient"	has the meaning given in Article 41.2
"document"	includes, unless otherwise specified, any document sent or supplied in electronic form
"electronic form"	has the meaning given in section 1168 of the Act
"fully paid"	in relation to a share, means that the nominal value and any premium to be paid to the Company in respect of that share have been paid to the Company

"hard copy form"	has the meaning given in section 1168 of the Act
"holder"	in relation to shares means the person whose name is entered in the register of members as the holder of the shares
"instrument"	means a document in hard copy form
"ordinary resolution"	has the meaning given in section 282 of the Act
"paid"	means paid or credited as paid
"parent company"	has the meaning given in Article 6.3
"participate"	in relation to a directors' meeting, has the meaning given in Article 13.1
"shareholder"	means a person or corporation who is the holder of a share
"shares"	means shares in the Company
"special resolution"	has the meaning given in section 283 of the Act
"subsidiary"	has the meaning given in section 1159 of the Act
"writing"	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

1.2 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Act as in force on the date when these Articles become binding on the Company.

1.3 The headings to the Articles are for convenience only and shall not affect the interpretation or construction of these Articles.

1.4 A reference in these Articles to an Article is a reference to the relevant Article of these Articles unless expressly provided otherwise.

1.5 A reference to a statute, statutory provision or sub-ordinate legislation is a reference to it as it is in force from time to time, taking account of:-

1.5.1 any subordinate legislation from time to time made under it, and

1.5.2 any amendment or re-amendment and includes any statute, statutory provision or sub-ordinate legislation which it amends or re-enacts.

Exclusion of Model Articles

2. No articles set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies shall apply as the Articles.

LIMITATION OF LIABILITY

Liability of shareholders

3. The liability of the shareholders is limited to the amount, if any, unpaid on the shares held by them.

COMPANY NAME

Change of Name

4. The Company may change its name by ordinary resolution.

DIRECTORS' POWERS AND RESPONSIBILITIES

Directors' general authority

5. Subject to the Articles, the directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.

Shareholders' reserve power

- 6.1 The shareholders may, by special resolution, direct the directors to take, or refrain from taking, specified action.
- 6.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.
- 6.3 Whenever a company shall be the holder of not less than 90 per cent of the issued Ordinary Shares (a "**Parent Company**") the following provisions shall apply and to the extent of any inconsistency shall have over-riding effect as against all other provisions of these Articles:-

- 6.3.1 the Parent Company may at any time and from time to time appoint any person to be a Director or remove from office any Director, but so that in the case of a Managing Director his removal from office shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages in respect of the consequent termination of his executive office;
- 6.3.2 no unissued securities shall be issued or agreed to be issued or put under option without the consent of the Parent Company; and
- 6.3.3 any or all powers of the Directors shall be restricted in such respects and to such extent as the Parent Company may by notice to the Company from time to time prescribe.

- 6.4 Any such appointment, removal, consent or notice shall be in writing served on the Company and signed on behalf of the Parent Company by any two of its Directors or by any one of its Directors and its Secretary or some other person duly authorised for the purpose. No person dealing with the Company shall be concerned to see or enquire as to whether the powers of the Directors have been in any way restricted in accordance with these Articles or as to whether any requisite consent of the Parent Company has been obtained and no obligation incurred or security given or transaction effected by the Company to or with any third party shall be invalid or ineffectual unless the third party had at the time express notice that the incurring of such obligation or the giving of such security or the effecting of such transaction was in excess of the powers of the Directors.

Directors may delegate

- 7.1 Subject to the Articles, the directors may delegate any of the powers which are conferred on them under the Articles:-
 - 7.1.1 to such person or committee;
 - 7.1.2 by such means (including by power of attorney);
 - 7.1.3 to such an extent;
 - 7.1.4 in relation to such matters or territories; and
 - 7.1.5 on such terms and conditions;

as they think fit.

7.2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

7.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

COMMITTEES

8.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by directors.

8.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

Directors to take decisions collectively

9.1 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with Article 10.

9.2 If:-

9.2.1 the Company only has one director for the time being; and

9.2.2 no provision of the Articles requires it to have more than one director,

the general rule does not apply, and the director may (for so long as he remains the sole director) take decisions without regard to any of the provisions of the Articles relating to directors' decision-making.

Unanimous decisions

10.1 A decision of the directors is taken in accordance with this Article when all eligible directors indicate to each other by any means that they share a common view on a matter.

10.2 Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.

10.3 References in this Article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.

10.4 A decision may not be taken in accordance with this Article if the eligible directors would not have formed a quorum at such a meeting.

Records of decisions to be kept

11.1 The directors must ensure that the Company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

11.2 Where decisions of the directors are taken by electronic means, such decisions shall be recorded by the directors in permanent written form.

Calling a directors' meeting

12.1 Any director may call a directors' meeting by giving not less than 7 business days' notice of the meeting (or such lesser notice as all the directors acting reasonably may agree) to the directors or by authorising the Company secretary (if any) to give such notice.

- 12.2 Notice of any directors' meeting must indicate:-
- 12.2.1 its proposed date and time;
 - 12.2.2 where it is to take place; and
 - 12.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 12.3 Notice of a directors' meeting must be given to each director and must be in writing.
- 12.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

Participation in directors' meetings

- 13.1 Subject to the Articles, directors participate in a directors' meeting, or part of a directors' meeting, when:-
- 13.1.1 the meeting has been called and takes place in accordance with the Articles; and
 - 13.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 13.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- 13.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum for directors' meetings

- 14.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 14.2 Subject to Article 14.3, the quorum for the transaction of business at a meeting of the directors is any two directors.
- 14.3 For the purposes of any meeting (or part of a meeting) held pursuant to Article 19 to authorise a director's conflict of interest, where there is only one director in office who is not party to the relevant conflict, the quorum for such a meeting (or part of a meeting) shall be one eligible director.
- 14.4 If the total number of directors in office for the time being is less than the quorum required, the directors must not take any decision other than a decision:-
- 14.4.1 to appoint further directors; or
 - 14.4.2 to call a general meeting so as to enable the shareholders to appoint further directors.

Chairing of directors' meetings

- 15.1 The shareholders may appoint a director to chair meetings of the directors.
- 15.2 The person so appointed for the time being is known as the chairman.
- 15.3 If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

Casting vote

- 16.1 Subject to Article 16.2 if the numbers of votes for and against a proposal at a meeting of directors are equal, the chairman or other director chairing the meeting shall have a casting vote.
- 16.2 The chairman or other director chairing a meeting (or part of a meeting) shall not have a casting vote if, in accordance with the Articles, the chairman, or other director, is not an eligible director for the purposes of that meeting (or part of a meeting).

Directors' discretion to make further rules

17. Subject to the Articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

DIRECTORS' CONFLICTS OF INTEREST

Interests in transactions and arrangements with the Company

- 18.1 Subject to the provisions of the Act, to Articles 19 to 27, and provided that he has disclosed to the directors the nature and extent of any material interest of his, a director notwithstanding his office:-
- 18.1.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- 18.1.2 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and
- 18.1.3 shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
- 18.2 For the purposes of Article 18.1:-
- 18.2.1 a general notice given to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified; and
- 18.2.2 an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.
- 18.3 For the purposes of this Article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- 18.4 Subject to Article 18.5, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.
- 18.5 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.
- 18.6 Subject to:-
- 18.6.1 the provisions of Sections 177 and 182 of the Act; and

18.6.2 to the terms of any authorisation of a conflict made in accordance with the provisions of Articles 19 to 27,

a director may vote at any meeting of directors or of a committee of directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty. The director shall be counted in the quorum present at a meeting when any such resolution is under consideration and if he votes his vote shall be counted.

Powers of Directors to authorise conflicts of interest

19. The directors may authorise, to the fullest extent permitted by law, any matter proposed to them which would otherwise result in a director infringing his duty under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest.
20. Authorisation of a matter under Article 19 is effective only if:-
 - 20.1 the matter has been proposed to the directors by its being submitted in writing for consideration at a meeting of the directors or for the authorisation of the directors by resolution in writing and in accordance with the Board's normal procedures or in such other manner as the Board may approve;
 - 20.2 any requirement as to quorum at the meeting of the directors at which the matter is considered is met without counting the director in question and any other interested director; and
 - 20.3 the matter has been agreed to without the director in question and any other interested director voting or would have been agreed to if their votes had not been counted.
21. Any authorisation of a matter under Article 19 shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.
22. The Board may authorise a matter pursuant to Article 19 on such terms and for such duration, or impose such limits or conditions on it, as it may decide and vary the terms or duration of such an authorisation (including any limits or conditions imposed on it) or revoke it. A director shall comply with any obligations imposed on him by the directors pursuant to any such authorisation.
23. Any terms imposed by the Board under Article 22 may include (without limitation):-
 - 23.1 whether the director may vote (or be counted in the quorum) at a meeting of the Board or any committee or sub-committee of the Board in relation to any resolution relating to the relevant matter;
 - 23.2 whether the director is to be given any documents or other information in relation to the relevant matter; and
 - 23.3 whether the director is to be excluded from discussions in relation to the relevant matter at a meeting of the Board or any committee or sub-committee of the Board or otherwise.
24. The director shall not be required to disclose any confidential information obtained in relation to the relevant matter (other than through his position as a director of the Company) to the Company or to use or apply it in performing his duties as a director if to do so would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter.
25. A director does not infringe any duty he owes to the Company by virtue of sections 171 to 177 of the Act if he acts in accordance with such terms, limits and conditions (if any) as the Board may impose in respect of its authorisation of the director's conflict of interest or possible conflict of interest under Article 19.
26. A director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any matter authorised by the

directors under Article 19 and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

27. A reference in these Articles to a conflict of interest includes a conflict of interest and duty and a conflict of duties.

APPOINTMENT OF DIRECTORS

Number of directors

28. Unless otherwise determined by ordinary resolution, the number of directors shall not be subject to any maximum, but shall not be less than two.

Methods of appointing directors

- 29.1 Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director by ordinary resolution or a decision of the directors.

Termination of director's appointment

30. A person ceases to be a director as soon as:-

- 30.1.1 that person ceases to be a director by virtue of any provision of the Act or these Articles or is prohibited from being a director by law;
- 30.1.2 a bankruptcy order is made against that person;
- 30.1.3 a composition is made with that person's creditors generally in satisfaction of that person's debts;
- 30.1.4 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- 30.1.5 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- 30.1.6 notification is received by the Company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;
- 30.1.7 he is convicted of a criminal offence (other than a motoring offence or series of offences not resulting in disqualification) and the directors resolve that his office be vacated; or
- 30.1.8 in the case of a person who is also an employee of the Company he ceases to be such an employee; or
- 30.1.9 he shall for more than six consecutive months have been absent without permission of the directors from meetings of directors held during that period and the directors resolve that his office be vacated; or
- 30.1.10 the shareholders resolve that his office be vacated.

- 30.2 In addition and without prejudice to the provisions of section 168 of the Act, the Company may by ordinary resolution (whether at a general meeting or in writing and without special notice) remove any director before the expiration of his period of office and may by ordinary resolution (whether at a general meeting or in writing and without any special notice) appoint another director in his place.

Directors' remuneration

- 31.1 Unless the shareholders decide otherwise, directors are not accountable to the Company for any remuneration which they receive as directors or other officers or employees of the Company's subsidiaries or of any other body corporate in which the Company is interested.

Directors' and officers' expenses

- 32.1 The Company may pay any reasonable expenses which the officers (including the secretary) properly incur in connection with their attendance at:-

32.1.1 meetings of directors or committees of directors;

32.1.2 general meetings; or

32.1.3 separate meetings of the holders of any class of shares or of debentures of the Company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

SECRETARY

Appointment and removal of secretary

33. The directors may appoint any person who is willing to act as the secretary for such term, at such remuneration, and upon such conditions as they may think fit and from time to time to remove such person and, if the directors so decide, appoint a replacement, in each case by a decision of the directors.

SHARES

All shares to be fully paid up

- 34.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its shares.

- 34.2 This does not apply to shares taken on the formation of the Company by the subscribers to the Company's memorandum.

Powers to issue different classes of share

- 35.1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

- 35.2 The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

Company not bound by less than absolute interests

36. Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

Authority to allot shares

37. Save to the extent authorised from time to time by an ordinary resolution of the shareholders, the directors shall not exercise any power to allot shares or to grant rights to subscribe for, or to convert any security into, any shares in the Company.

Share certificates

- 38.1 The Company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.

Share transfers

- 39.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.
- 39.2 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.

DIVIDENDS AND OTHER DISTRIBUTIONS

Procedure for declaring dividends

- 40.1 The Company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.
- 40.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.
- 40.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.
- 40.4 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

Payment of dividends and other distributions

- 41.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by any means of payment as the directors agree with the distribution recipient in writing.
- 41.2 In the Articles, "the distribution recipient" means, in respect of a share in respect of which a dividend or other sum is payable:-
- 41.2.1 the holder of the share; or
 - 41.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members.

No interest on distributions

- 42.1 The Company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:-
- 42.1.1 the terms on which the share was issued; or
 - 42.1.2 the provisions of another agreement between the holder of that share and the Company.

Non-cash distributions

- 43.1 Subject to the terms of issue of the share in question, the Company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution

payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any Company).

43.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:-

43.2.1 fixing the value of any assets;

43.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

43.2.3 vesting any assets in trustees.

Waiver of distributions

44.1 Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the Company notice in writing to that effect, but if:-

44.1.1 the share has more than one holder; or

44.1.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

CAPITALISATION OF PROFITS

Authority to capitalise and appropriation of capitalised sums

45.1 Subject to the Articles, the directors may, if they are so authorised by an ordinary resolution:-

45.1.1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

45.1.2 appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

45.2 Capitalised sums must be applied:-

45.2.1 on behalf of the persons entitled; and

45.2.2 in the same proportions as a dividend would have been distributed to them.

45.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

45.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are then allotted credited as fully paid to the persons entitled or as they may direct.

45.5 Subject to the Articles the directors may:-

45.5.1 apply capitalised sums in accordance with Articles 45.3 and 45.4 partly in one way and partly in another;

45.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional certificates or the making of cash payments); and

45.5.3 authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this Article.

DECISION-MAKING BY SHAREHOLDERS AND ORGANISATION OF GENERAL MEETINGS

General meetings

46.1 The directors may make whatever arrangements they consider appropriate to enable those shareholders, or in the case of a corporate shareholders, a duly authorised representative, attending a general meeting to exercise their rights to speak or vote at it.

46.2 In determining attendance at a general meeting, it is immaterial whether any two or more shareholders attending it are in the same place as each other.

Quorum for general meetings

47.1 No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

47.2 The quorum for the transaction of business at a general meeting shall be one shareholder or in the case of a corporate shareholder, a duly authorised representative.

Attendance and speaking by directors and non-shareholders

48.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

48.2 The chairman of the meeting may in his absolute discretion permit other persons who are not:-

48.2.1 shareholders of the Company; or

48.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings,

to attend and speak at a general meeting.

Adjournment

49.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

49.2 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):-

49.2.1 to the same persons to whom notice of the Company's general meetings is required to be given, and

49.2.2 containing the same information which such notice is required to contain.

49.3 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

Voting: general

50. A resolution put to the vote of a general meeting must be decided on a show of hands unless otherwise agreed by all of the shareholders.

Errors and disputes

- 51.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 51.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

ADMINISTRATIVE ARRANGEMENTS

Means of communication to be used

- 52.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied by or to the Company.
- 52.2 Any notice, document or other information shall be deemed served on or delivered to the intended recipient:-
- 52.2.1 if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five business days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the United Kingdom if (in each case) sent by reputable international overnight courier addressed to the intended recipient, provided that delivery in at least five business days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);
 - 52.2.2 if properly addressed and delivered by hand, when it was given or left at the appropriate address;
 - 52.2.3 if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied; and
 - 52.2.4 if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website.

For the purposes of this Article, no account shall be taken of any part of a day that is not a working day.

- 52.3 In proving that any notice, document or other information was properly addressed, it shall be sufficient to show that the notice, document or other information was delivered to an address permitted for the purpose by the Act.
- 52.4 Subject to the Articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.
- 52.5 A director may agree with the Company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Provision for employees on cessation of business

53. The directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

Indemnity

- 54.1 Subject to Article 54.2, but without prejudice to any indemnity to which a relevant officer is otherwise entitled:-
- 54.1.1 each relevant officer shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant officer:-
- (a) in the actual or purported execution and/or discharge of his duties, or in relation to them; and
 - (b) in relation to the Company's (or any associated company's) activities as trustee of an occupational pension scheme (as defined in section 235(6) of the Act),
- including (in each case) any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company's (or any associated company's) affairs; and
- 54.1.2 the Company may provide any relevant officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred to in Article 54.1.1 and otherwise may take any action to enable any such relevant officer to avoid incurred such expenditure.
- 54.2 This Article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.
- 54.3 In this Article:-
- 54.3.1 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and
- 54.3.2 a "relevant officer" means any director or other officer or former director or other officer of the Company or an associated company (including any company which is a trustee of an occupational pension scheme (as defined by section 235(6) of the Act, but excluding in each case any person engaged by the Company (or associated company) as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor).

Insurance

- 55.1 The directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.
- 55.2 In this Article:-
- 55.2.1 a "relevant officer" means any director or other officer or former director or other officer of the Company or an associated company (including any such company which is a trustee of an occupational pension scheme (as defined by section 235(6) of the Act, but excluding in each case any person engaged by the Company (or associated company) as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor),
 - 55.2.2 a "relevant loss" means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company, any associated company or any pension fund or employees' share scheme of the Company or associated company, and
 - 55.2.3 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

Schedule of Matters Reserved to the Sole Member, Board of Directors and to Management

The following schedule sets out the matters reserved respectively to the member, board and chief executive of South Bank University Enterprises Ltd (SBUEL).

Sole Member (London South Bank University)

	Matter	Reference
1.	Power to restrict activities of SBUEL if it sees fit	Art 6.3.3
2.	Appointment of chairman of the SBUEL board	Art. 15.1
3.	Termination of directors' appointment	Art 30.2
4.	Amendments to the composition of the SBUEL Board	
5.	Amendment of SBUEL's articles of association	s.21 CA ¹ 2006
6.	Change of company name	Art. 4
7.	Shares: <ul style="list-style-type: none"> • Approval of the issue of unissued shares • Authority to grant the Board power to allot shares 	Art. 6.3.2 Art. 37
8.	Winding up SBUEL	s.84(1)(b) IA ² 1986
9.	Approval of contracts: <ul style="list-style-type: none"> • Budgeted expenditure above £2m • Not in the ordinary course of business or unbudgeted expenditure above £0.5m 	University Matters Reserved 5.2 & 5.3 and University Financial Regulations 9.6

Board of Directors

	Matter	Reference
10.	Approval of company strategy	

¹ Companies Act 2006

² Insolvency Act 1986

11.	Approval of company budgets, business plans and annual reports	
12.	Levels of delegated financial authority within the University framework	
13.	Procurement regulation	
14.	Contracting for service or product delivery	
15.	Working capital Policy	
16.	External Audit processes	
17.	Recruitment, employment and HR regulations	
18.	Surplus distribution policy / Gift Aid Policy	
19.	Establishing a system of internal control and risk management	
20.	Approval of contracts: <ul style="list-style-type: none"> • Budgeted expenditure above £100,000 and below £2m • Not in the ordinary course of business or unbudgeted expenditure up to £0.5m 	

Chief Executive

	Matter	Reference
21.	Proposing strategic proposals and budgets	
22.	Executing the strategy agreed by the Board of Directors	
23.	Signing of contracts (within authority)	
24.	Staff recruitment and remuneration	



**LONDON SOUTH BANK
UNIVERSITY**

FINANCIAL REGULATIONS

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Terminology

The following will apply in the Financial Regulations:

The University shall mean 'London South Bank University'

Budget holder shall mean an individual who has been given delegated authority and responsibility for managing a budget within a department.

Department shall mean one of the several Departments in the University and will include, for example, any Unit, Faculty or Support Department which has Departmental status for financial management purposes

Glossary

HEFCE Higher Education Funding Council for England

EU European Union

NI National Insurance

PAYE Pay as you Earn

SORP Statement of Recommended Practice

VAT Value Added Tax

1 Introduction

1.1 Purpose and Scope of the Regulations

This document sets out the University's financial regulations. It translates into practical guidance the University's broad policies relating to financial control. It applies to the University and any subsidiary trading companies, including South Bank University Enterprises Limited.

The purpose of the financial regulations is to provide control over the University's resources and provide management with assurances that the resources are being properly applied to ensure delivery of the University's corporate plan and its financial objectives including:

- Future financial viability
- Ensuring value for money
- The provision of effective financial control over the use of public funds
- Compliance with all relevant legislation
- Safeguarding the assets of the institution.

1.2 Compliance with the financial regulations

Compliance with the financial regulations is compulsory for all staff, including those employed by University subsidiary companies. Specific regulations relating to South Bank University Enterprises Limited that override University regulations are detailed in Appendix D. It is the responsibility of heads of department to ensure that their staff are made aware of the existence and content of the University's financial regulations.

A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the University's disciplinary policy.

1.3 Approval and amendment of the financial regulations

Proposals to amend the regulations shall be considered by the Policy and Resources Committee. The Vice Chancellor shall have the authority to make minor changes to the regulations.

The Finance Department is responsible for continuous review of the Financial Regulations and will advise the Policy and Resources Committee of any changes that are necessary.

Any recommendations for amendment or improvement should be made in the first instance to the Executive Director of Finance.

This version of the regulations was approved by The Policy and Resources Committee on 2nd July 2012.

2 Corporate Governance

2.1 Board of Governors

The Board of Governors (Board) is responsible for the management and administration of the University. Its financial responsibilities are to:

- ensure the solvency of the University
- safeguard the University's assets
- ensure the effective and efficient use of resources
- approve the annual budget and five year forecast
- approve the annual financial statements
- appoint the University's internal and external auditors
- ensure that financial control systems are in place and are working effectively
- ensure that the institution complies with the funding body's code of practice
- approve the University's strategic plan
- ensure that the funds provided by the funding body are used in accordance with the terms and conditions specified in the University's financial memorandum with the funding body.

2.2 The Vice Chancellor

The Vice Chancellor has ultimate executive responsibility for the organisation, direction and management of the University. The Vice Chancellor is the Designated Officer as identified by HEFCE and documented within the Financial Memorandum.

2.3 Committee Structure

The Board of Governors has ultimate responsibility for the University's finances, but delegates specific powers and processes to the various committees detailed below. These committees are accountable to the Board of Governors.

2.4 Policy and Resources Committee

The Committee's responsibilities include:

- To review and advise the Board of Governors any policies consistent with the objectives laid down in the Memorandum and Articles of Association and especially those for the development of the University as laid down by HEFCE;
- To review and advise the Board of Governors on any changes to the Articles of Association
- to keep under review and to advise the Board of Governors on the general condition, usage and development of the University's buildings and to consider proposals for the acquisition or disposal of buildings and sites;
- to advise the Board of Governors on financial strategy and policy within resources available
- To receive, consider and present to the Board of Governors the annual rolling five-year forecast that must be submitted to HEFCE
- To consider and recommend the Student Union budget to the Board of Governors
- To monitor regular reports on University income and expenditure showing a comparison of these against the annual budgets
- To review and pass to the Board of Governors for approval annual audited statutory accounts
- To monitor regular reports on the Student Union's income and expenditure.
- to exercise proper custodianship of the University's charitable funds, including investment strategy in relation to those funds, and to exercise control in the allocation and distribution of those funds

2.5 Audit Committee

The University is required by HEFCE's audit code of practice to appoint an audit committee. The committee is independent and reports to the Board of Governors. It has the right of

access to obtain all the information it considers necessary and to consult with members of the University and the internal and external auditors.

The committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that arrangements are in place in the University to promote economy, efficiency and effectiveness.

The Audit Committee also monitors the University's Corporate Risk Management Programme. The audit requirements of the University can be found in Accountability and Audit: HEFCE code of practice. Copies of this document are available in the office of the Executive Director of Finance.

2.6 Human Resources Committee

The responsibilities of the Human Resources Committee include keeping under general review the staffing establishment of the University and to recommend to the Policy and Resources Committee and the Board of Governors the financial limits for salaries and wages within the overall budget plans.

2.7 Appointments Committee

The appointments committee considers nominations for independent Governor vacancies in the Board of Governors' membership. It also determines the annual remuneration of senior post holders.

2.8 Code of conduct

The University is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (formerly known as the Nolan Committee), which members of staff at all levels are expected to observe. These principles are set out at Appendix C.

All members of staff who have a beneficial financial or other interest in any contract between the University and a third party must disclose that interest to their Head of Department, the Executive Director of Finance and the Director of Human Resources.

As a result of the Bribery act 2011, It is illegal for any employee to accept or offer a personal inducement or bribe. It is also a corporate offence to fail to prevent bribery.

Members of staff should not accept any gifts, rewards or hospitality from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitalityThe frequency and scale of hospitality accepted should not be significantly greater than the University would be likely to provide in return.

The University itself must not provide levels of hospitality or entertainment for students, external visitors, alumni, external stakeholders or actual/potential business partners that could be deemed to be an attempt to influence decision making

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice should be sought from the relevant head of department or the Executive Director of Finance.

2.9 Whistleblowing arrangements

The University has a separate whistleblowing and Public Interest Disclosure Act policy.

3 Risk Management

- 3.1 The University acknowledges the risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its objectives. Detailed guidance on the University's underlying approach to risk management and the agreed processes to be followed are set out in a separate risk management strategy.
- 3.2 The Board of Governors has overall responsibility for ensuring that there is a risk management strategy and a common approach to the management of risk throughout the University through the development, implementation and embedding within the organisation of a formal and structured risk management process.
- 3.3 The Executive assumes responsibility for implementing risk policy and for the effective operation of the University's risk management system.
- 3.4 In line with this policy, the Governors require that the risk management strategy and supporting procedures include:
- The adoption of common terminology in relation to the definition of risk and risk management
 - The establishment of institution wide criteria for the measurement of the likelihood and impact of each risk occurring
 - Development of a 'corporate level' risk framework for all significant risks to include a designated member of the Executive who will be responsible and accountable for managing the risk in question
 - Maintenance and regular review of risk management action plans for all risks above established tolerance levels to ensure that agreed additional controls and management actions are put in place in order to mitigate significant risks
 - Regular risk reports to the Audit Committee and Board of Governors
 - An appropriately risk focussed internal audit service
 - An annual review of the implementation of risk management arrangements.
- 3.5 The Governors require that all faculties and support departments carry out a detailed regular review to identify the significant risks associated with the achievement of key objectives and other relevant areas. These procedures include:
- A member of the Executive to act as a 'risk champion' for each faculty and support department and to take responsibility for implementing risk policy within the particular faculty/Support Department
 - Development of faculty and departmental operational risk frameworks, to include a designated local 'risk owner' who will be responsible and accountable for managing the risk in question
 - Maintenance and regular review of risk management action plans for all risks above established tolerance levels to ensure that agreed additional controls and management actions are put in place in order to mitigate significant risks
 - Escalation of operational faculty and departmental risks for consideration by the Executive as necessary. .

4 Financial Management and Control

4.1 Financial Planning

The Finance Department is responsible for preparing annually an income and expenditure budget, a capital budget and a five-year financial forecast for approval by the Board of Governors on the recommendation of the Policy and Resources Committee.

4.2 Budget preparation

LSBU's annual budget preparation is a collaborative process led by the Executive Director of Finance.

Detailed planning and budgeting guidance is published on the Staff Gateway each year. This includes a budget timetable and information on budget assumptions.

The budget is prepared jointly by the Finance Department, Executive Deans, Heads of Support Departments and individual budget holders. The completed budget is presented to the Executive for approval before being submitted to the Policy and Resources Committee for recommendation to the Board of Governors, who confer final approval.

Once the budget is approved, members of the Executive will be issued with a formal letter of delegation which will include details of the budget for which they have responsibility.

4.3 Budgetary control

The Finance Department will prepare monthly management accounts for discussion at Executive meetings and hold monthly meetings with Faculties and Support Departments to discuss performance against the agreed budget.

The control of income and expenditure within the agreed budget is the responsibility of the designated budget holder. This responsibility is formalised in the letter of delegated authority issued to each budget holder at the start of the academic year. Budget holders will be given access to and training in the use of the University's web-based finance system to enable them to monitor income and expenditure on a daily basis. The Finance Department will also provide monthly management information to budget holders in the form of budget monitoring reports

The Head of Department must report significant departures from agreed budgetary targets immediately to the Executive Director of Finance.

4.4 Forecasting

Budget holders, in collaboration with their Finance Business Support Managers, will be responsible for a formal quarterly budget re-forecast. The output of this process will be the latest expected position on income, expenditure and surplus compared to original budget. Budget holders are expected to incorporate all relevant information they have into these forecasts.

4.5 Year end balances

Budget holders will not be permitted to carry forward any unspent amounts at year end.

4.6 Financial year

The University's financial year runs from 1 August until 31 July.

4.7 Basis of accounting

The consolidated financial statements are prepared on a historical cost basis and in accordance with the Companies Act, the Higher Education SORP and other applicable accounting standards.

4.8 Capitalisation and depreciation

New land and buildings will be recorded in the balance sheet at actual build or acquisition costs, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal installments over their estimated remaining useful life. Land will not be depreciated.

Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, on the basis of depreciated replacement value, is greater than the current book value.

Expenditure on equipment, software and motor vehicles will be recorded in the balance sheet where the acquisition cost per item or group of items making up one asset is £10,000 or more. Depreciation will be charged on a straight line basis commencing in the month of acquisition at rates of:

- Equipment, Computer hardware/software, fixtures and fittings and motor vehicles – 5 years
- Refurbishment expenditure – 15 years
- Freehold buildings – 50 years
- Leasehold buildings – lower of 50 years and life of the lease.

4.9 Accounting records

In accordance with the Companies Act 2006, the Executive Director of Finance is responsible for the completeness and accuracy of accounting records.

4.10 Document Retention

The Finance Department is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities.

The University is required by law to retain prime documents for 6 years. These include:

- Official purchase orders
- Paid invoices
- Accounts raised
- Bank statements
- Copies of receipts
- Paid cheques
- Payroll records, including part-time lecturers' contracts.

Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations such as regional development agencies and the EU.

4.11 Taxation

The Executive Director of Finance is responsible for advising Executive Deans/Heads of Support Departments on taxation matters, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies to the University. The Executive Director of Finance is responsible for maintaining the University's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date.

The University is an exempt charity and as such is exempt from corporation tax in respect of income or capital gains 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 (VAT), except in the case of medical equipment and advertising.

To preserve corporation tax exemption, all commercial activities must be channeled through the University's trading subsidiary South Bank University Enterprises Limited (SBUEL). SBUEL is subject to corporation tax and VAT in the same way as any commercial organisation.

The Executive Director of Finance should be notified of any activities that are thought to be commercial in nature before they are undertaken.

4.12 Audit requirements

The university shall appoint both external and internal auditors. In accordance with the HEFCE Audit Code of Practice the same firm shall not under any circumstances be appointed as both external and internal auditors.

Both the external and internal auditors shall have authority to:

- Access University premises at reasonable times
- Access all records, documents and correspondence relating to any financial and other transactions of the institution
- Require and receive from any member of staff such explanations as are necessary concerning any matter under examination promptly.

4.13 External audit

The appointment of external auditors will take place every five years following a competitive tendering process. Appointment of the external auditors is the responsibility of the Audit Committee.

During their period of office, the external auditors will be re-appointed annually at the Annual General Meeting in accordance with the Companies Act.

The primary role of external audit is to report on the University's consolidated financial statements. This will involve carrying out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the consolidated financial statements.

The Financial Accountant is responsible for drawing up a timetable for year-end accounts purposes and will advise staff and the external auditors accordingly.

Separate auditors may, at the discretion of the Audit Committee, be appointed to carry out audits of grant claims as and when required by the relevant funding bodies.

4.14 Internal audit

The appointment of internal auditors will take place every five years following a competitive tendering process. Appointment of the internal auditors is the responsibility of the Audit Committee.

The primary role of internal audit is to provide a risk based internal audit service which provides the Board of Governors with assurances on both the adequacy of the internal control system and value for money. The University's financial memorandum with HEFCE requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in Accountability and Audit: HEFCE Code of Practice.

4.15 Fraud and corruption

It is the duty of all members of staff, management and the Board of Governors to notify the Executive Director of Finance immediately whenever any matter arises which involves, or potentially involves any irregularity, including fraud, corruption, giving or accepting of bribes or any other impropriety.

The Executive Director of Finance shall immediately invoke the fraud response plan (see Appendix A for fuller details).

4.16 Financial statements approval

The consolidated financial statements and those of SBUEL are prepared by the finance department in line with the agreed external audit timetable.

The financial statements must be reviewed and approved by both the Policy & Resources Committee and the Audit Committee.

Once approval has been obtained from both Committees, the financial statements will be recommended to the Board of Governors. Once the Board of Governors have given their approval, the financial statements will be signed by the Chair of the Board of Governors, the Vice Chancellor and the external audit partner at the Annual General Meeting, held on the same date as the meeting of the Board of Governors.

5 Income

5.1 General

The Executive Director of Finance is responsible for ensuring that appropriate procedures are in place to enable the University to receive all income to which it is entitled.

The Policy and Resources Committee approves levels of charges for non-regulated tuition fees, contract research, commercial courses and rents and lettings.

The cash office in the Finance Department, together with credit control, is responsible for the prompt collection, security and banking of all income received.

The Finance Department is responsible for ensuring that all grants notified by HEFCE and other funding bodies are received and recorded appropriately in the University's accounts.

The Finance Department is responsible for ensuring that all claims for funds, including research grants and contracts, are made by the due date.

5.2 Tuition Fee Income

Setting of fees

The Board of Governors on recommendation of the Policy & Resources Committee is responsible for the setting of non-regulated fees.

Inputting of student data

A fees matrix within the QLS Student Records System (SRS) calculates the tuition fee for each student. To ensure the correct fee is calculated, student information must be input completely and correctly into QLS.

Invoicing of fees

The Finance Department is responsible for raising tuition fee invoices.

5.3 HEFCE Recurrent Grant funding

The main element of recurrent funding is the funding per student place. An agreement between HEFCE and the University sets out the minimum number of funded places which the University will provide in each academic program and mode, and the funding per student place. HEFCE makes payments in monthly installments. The profile over the financial year takes account of the timetable for the payment of tuition fees by the Student Loan Company and local education authorities.

5.4 HEFCE Specific Grant funding

The Executive Director of Finance shall ensure that all specific grants are applied in accordance with their terms, and that income from such grants is only recognised to the extent that it has been spent. The Finance Department will provide a unique source of funds code to ensure that expenditure can be accurately monitored.

5.5 HEFCE Capital Grant funding

These funds are allocated to the University for technical equipment and improvements to buildings. HEFCE recommends that each institution has a proper scheme for the planned replacement of equipment, and that it monitors expenditure on equipment and replacement plans.

The Vice Chancellor shall approve the allocation of funding to faculties and support departments.

The Executive Director of Finance shall:

- ensure that equipment purchased is within the terms of the grant
- monitor allocations to avoid overspending;
- ensure that funds are claimed from HEFCE on a timely basis.

5.6 HEFCE Inherited liabilities reimbursement

HEFCE reimburses in full expenditure on capital and staff-related liabilities inherited by the University from the former ILEA where these liabilities were previously met from the former Advanced Further Education pool for capital-related payments. The liabilities eligible for reimbursement are:

- Debt charges on land and buildings;
- Pension increase payments in respect of pre 1989 retirants.

The Finance Department must ensure that:

- claims for reimbursement are submitted promptly at the end of each financial year;
- a record is kept, updated annually, with details of the amount and date when claimed, and the amount and date when paid.

5.7 Receipt of cash, cheques and credit/debit card payments

The cash office of the Finance Department deals with all monies received in payment of tuition fees. Faculties must instruct all students that payments are to be made direct to the cash office and all students wishing to make a payment must be directed to the cash office.

The current single cash transaction limit for the University is the sterling equivalent of €15,000, translated at the most recent rate published by the Financial Times. This is to comply with the Money Laundering Regulations 2003. The cash office must not accept cash over this limit.

The Finance Department must be notified immediately of all cash received. Failure to do so could result in disciplinary proceedings.

All monies received must be recorded promptly and posted to the relevant student account in the University's Student Record System (SRS).

The University's contractor, Loomis, must carry out all banking. The amount banked must be confirmed.

All cash awaiting banking should be stored in a locked safe, and staff should ensure that insurance limits for the level of cash holding are not breached.

5.8 Receipt of BACS payments

All BACS and electronic receipts must be recorded and posted to the finance system on the day, or closest working day, to receipt.

5.9 Collection of tuition fee debt

Any student who has not paid an account for tuition fees or any other item owing to the University shall not receive their certificate for any degree, diploma or other qualification until all outstanding debts have been cleared. The name of such students shall not be included on pass lists. In addition such students shall be prevented from re-enrolling at the University and from using any of the facilities.

5.10 Collection of other debt

The Finance Department should ensure that:

- Debtor invoices are raised promptly on official invoices;
- Invoices are prepared accurately and are credited to the appropriate income account;
- Any credits granted are valid and properly authorised;
- VAT is charged at the correct rate where appropriate and accounted for;
- Outstanding debts are monitored and chased in a systematic manner

Debt write off can only be made by the Financial Controller. Write offs in excess of £500 must be referred to the Executive Director of Finance for submission to the Audit Committee for approval.

5.11 Access fund income

Eligibility

These funds are used to provide financial help to students in the following three areas whose access to higher or further education might be inhibited by financial hardship:

- Postgraduate home students studying at levels above first degree;
- Undergraduate home students;
- Further education home students aged 19 or over.

Administration

Student Services, under the direction of an Access Funds Panel shall administer these funds. The membership of this panel should be drawn from Student Services, the Student Union and the Finance Department. A nominee of the Head of Student Services should chair the panel. The nominee is responsible for:

- Advising on the criteria for the allocation of funds, this will be approved by the Vice Chancellor
- Authorising payments to students on the basis of evidence of need.

Reporting

The Head of Student Services shall be responsible to the Vice Chancellor for:

- Preparing regular reports for the Vice Chancellor on the payment of funds;
- Providing annual monitoring information to HEFCE in the form required showing the number of students in receipt of payments

5.12 Halls of residence income

The Executive shall determine the level of term time fees for student halls of residence, taking account of the implications for:

- (a) Student welfare;
- (b) The financial position of the University and the surplus or deficit on halls of residence operations.

The Executive will determine the level of fees for vacation lettings at halls of residence. In doing so they must take account of the need to maximise the income to the University from these activities.

The Head of Residential and Catering Services shall be responsible for invoicing students and other users and ensuring payment, with the assistance of the Finance Department. Every effort shall be made to recover amounts owed, including the use of debt collection agencies and the withholding of academic qualifications.

All students in halls of residence shall be required to sign a formal accommodation agreement. The agreed period of tenancy covers the full academic year.

5.13 Catering income

The parts of the University authorised to provide food and drink for sale to staff students and visitors are:

- (a) The Department of Residential and Catering Services;
- (b) The National Bakery School
- (c) Rockwells Café (located in Technopark)

No other Faculty, Support Department or individual member of staff shall provide food and beverages for sale on the University's premises.

It is acknowledged that the Students' Union operate a catering outlet on University premises, dedicated to the Students' Union.

The Heads of Residential and Catering Services and of The National Bakery School shall determine the prices charged in the refectories and other catering outlets, taking account of:

- (a) the welfare of students and staff;
- (b) the financial position of the University and the surplus or deficit on catering operations.

Arrangements for dealing with catering cash receipts are set out in Section 10.10.

6 Research grants

6.1 General

Research can be defined as original investigation, undertaken to gain new knowledge and understanding, which may be directed towards a specific aim or objective. It can use existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes including design and construction. It excludes routine testing and analysis of materials, components and processes.

The term 'Research Grant' is restricted to research projects funded by the UK and EU Research Councils, Charities and HEFCE. All other externally funded research projects are classified as 'Commercial Research Contracts'. These are managed by University Enterprise and dealt with in section 7 of these regulations.

Where approaches are to be made to outside bodies for support for research projects or where contracts are to be undertaken, it is the responsibility of the Executive Dean to ensure that the financial implications have been appraised by the Central Research Support Office. This will include obtaining a set of grant terms and conditions from each organisation providing funding to enable appropriate monitoring of compliance.

The Central Research Support Office is responsible for examining every application for research funding. The Central Research Support Office should ensure that the full cost of research contracts is established.

The Finance Department shall maintain all financial records relating to research grants and contracts and shall initiate all claims for reimbursement from sponsoring bodies by the due date.

Where services or supplies need to be bought as part of a research agreement or grant, procurement support must be requested if this is required in the research grant terms and conditions.

Each grant or contract will have a named supervisor and will be assigned to a specific faculty.

6.2 Full Economic Costs

All UK universities are now obliged to identify the Full Economic Cost (FEC) of research activities and recover the best price possible for the work taking into account the funder's own regulations.

Therefore all projects must be costed using LSBU Full Economic Costing & Pricing Form available on the Central Research Support Office website.

Where possible, full economic costs should be recovered from the funder.

7 Other income-generating activity

7.1 Types of activity

Income generating activities are coordinated via University Enterprise. These include:

- Knowledge Transfer Partnerships;
- Commercial research contracts;
- Consultancy;
- Commercial exploitation of intellectual property;
- Sales of materials;
- Hire of facilities;

Full cost courses and events

7.2 Responsibilities

Executive Deans

- Encourage staff to undertake these activities where appropriate academically and financially;
- Manage the activities in accordance with these regulations and exercise proper control over the use of staff and facilities;
- Ensure that no work is undertaken before a contract has been signed by the University or, in the case of courses, payment or an employer's authorisation has been received;
- Attempt to ensure that no losses are incurred on these activities. If losses are incurred they shall be underwritten by a surplus from other income generating activities.

Academic staff members

- Inform their Executive Dean before entering into an obligation to undertake external work. The Executive Dean or nominated deputy shall consider whether that work will interfere with the performance of the individual's normal duties or compete or conflict with the interests of the University

University Enterprise

- Provide the procedural guidelines for income generating activities
- Ensure that all proposals for income generating activities to employers, funding bodies and offers of courses to individuals have been properly costed in line with Full Economic Costing (FEC);
- Deal with all contractual matters in consultation with the University Secretary & the Corporate Procurement Manager as appropriate;

Finance Department

- Provide a unique source of funds reference code to be used for each activity;
- Issue invoices based on invoice request forms;
- Authorise claims for grants and other payments which are due and are not covered by an invoice;
- Pursue customers where payment is not received by the due date.

- Provide the Faculty or Support Department and University Enterprise with the information needed for financial control and monitoring purposes

7.3 Approval of activities

Proposals must be discussed at an early stage with University Enterprise . University Enterprise will involve the Executive Director of Finance if such a proposal has a significant impact on resources.

The RBDO shall negotiate with the client the service to be provided and the price to be charged, on the advice of the faculty concerned. The price charged shall take account of staffing costs and risks involved, the University overhead and planned faculty surplus required.

Approval shall be sought for each project on the appropriate Full Economic Costing (FEC) form available on the University Enterprise website. All FEC forms should be signed by the proposer and the appropriate Executive Dean/Pro Dean.

7.4 South Bank University Enterprises Ltd

All activities commercial in nature and carried out with the intention of making a profit should be handled through the University's trading company SBUEL. VAT must be charged on all standard rated activities carried out by SBUEL.

8 Staff expenditure

8.1 Introduction

The Board of Governors approves the annual staffing budget on the recommendation of the Human Resources Committee.

8.2 Establishment

The Vice Chancellor shall determine the staff establishment of the University, having regard to the academic and financial objectives of the University. The staff establishment shall be fixed at a level that ensures that staff expenditure remains within budget for the financial year.

The Policy and Resources Committee shall consider proposed changes to the establishment in the early spring of each year as part of the budget preparation process, and in the autumn in the light of student recruitment. The proposals will concern increases in the number of posts, regrading of existing posts and recruitment to unfilled existing posts.

The proposals must identify the reason for the proposed change, the subsequent improvements in service and the total cost to the University of the new positions.

No permanent or temporary appointments shall be made outside the staffing establishment without approval of the Vice Chancellor.

The Head of Human Resources must maintain staffing statistics and report to the Vice Chancellor at regular intervals the number of staff in post compared to the establishment.

8.3 Appointments to established permanent posts

The Vice Chancellor is responsible for the appointment staff. The Board of Governors is responsible for the appointment of senior post holders.

Permanent appointments to established posts should be made within the University's recruitment and selection procedures. The Human Resources Department shall seek confirmation from the Finance Department that sufficient funds are available within the Faculty or Support Departmental budget in the current financial year to pay for the post before recommending the appointment.

The Head of Human Resources must notify promptly the Executive Director of Finance of all appointments and terminations of employment, and any changes during employment, in sufficient time to enable the appropriate changes to be made to the payroll.

8.4 Fixed term contracts

Fixed term appointments outside the establishment may be made provided non-HEFCE funding is available, for example research projects and other IGAs. Form HR/Appoints1 available at <http://www.lsbu.ac.uk/humanres/internal/smt-procs-docs.htm> must be completed.

In addition to the normal approval process detailed on the form, the form must be sent to the Finance Department for approval. Please send the form to the PA to the Executive Director of Finance. It is the duty of the Finance Department to ensure that sufficient funds are available before approval is given to the appointment.

8.5 Temporary Appointments

Temporary appointments to established vacant posts may be made by the Human Resources Department provided the Vice Chancellor is in agreement and the appointment is funded from the vacant element of the establishment budget.

Temporary appointments to non-established posts may only be made if external funds are available to cover the costs of the post, and must only be for the duration those funds are available. The agreement of the Vice Chancellor is required.

Temporary appointments shall be made within the appointments procedures approved by the Board of Governors.

Temporary staff shall be included in the reports made by the Head of Human Resources.

8.6 Conditions of employment

The regulations governing the conditions of employment of University staff shall be determined by the Board of Governors. The regulations shall take account of:

- the welfare of staff;
- the financial implications for the University;
- the recommendations from the national negotiating bodies.

The Vice Chancellor shall determine any variations on the conditions of employment of an individual from those laid down in the regulations.

8.7 Payroll

The Executive Director of Finance shall ensure that appropriate arrangements are in place to make proper payments. These shall include:

- (a) the information shall be transcribed into the form required to process payments;
- (b) the Financial Controller shall make validation checks of the proposed payment schedule before authority is given for payment to either the payments bureau or for manual payments.
- (c) pay slips shall be released to staff;
- (d) a check shall be made of the payroll transactions which shall be copied to the Human Resources Department to be checked against personnel records.

8.8 Deductions

The Executive Director of Finance shall arrange for deductions of income tax, national insurance, pension contributions and other deductions, and ensure that proper records are kept.

8.9 Sickness, Maternity and Other Benefits

The Director of Human Resources shall verify the entitlements and notify the Executive Director of Finance of payments to be made.

8.10 Pay Awards

The Board of Governors shall determine the annual pay level of senior post holders.

The pay of all other staff shall be determined by the Vice Chancellor within the budget agreed by the Board of Governors. Agreement at national level has the status of recommendations; the University has discretion to decide the pay award to be put to the University's trades unions as the basis for negotiation.

The Vice Chancellor shall after consultation with the Human Resources Committee approve the offer made to the trades unions. When agreement on the size of the pay award and the date of implementation has been reached, the Vice Chancellor shall approve the pay award having regard to the financial implications for the University.

The Director of Human Resources shall notify the Executive Director of Finance of:

- (a) the nature of the pay award and the groups of staff to whom it applies;
- (b) any other arrangements for other groups of staff.
- (c) Increases in pay due as a result of pay awards

8.11 Bonus payments

The Vice Chancellor shall determine:

- (a) the principles each year underlying the performance bonus payments to eligible staff;
- (b) the amount of the annual performance bonus to be paid to each of these staff.

8.12 Promotion

The permanent promotion of staff shall operate through:

- (a) the normal recruitment procedure for vacant posts;
- (b) upgrading for staffing in re-graded posts.

All proposals for temporary promotion shall be approved by the Vice Chancellor.

8.13 Staff Development and Training

- (a) the Staff Development and Training Unit will act as a central focus for the co-ordinated planning and provision of a range of staff training and development activities;
- (b) the annual training programme will comprise internal and external courses and seminars and sponsored study at the University or any other institution. It will be agreed by the Staff Development and Training Manager from plans submitted by, and discussions held with, Faculties and Support Departments.
- (c) the annual budget will be the responsibility of the Staff Development and Training Manager and commitment must not be made by Faculties and Support Departments without his/her prior allocation of the funding.
- (d) applications for attendance of staff on external courses and seminars and in respect of sponsored study at the University or at any other institution must be made to the Staff Development and Training Unit on the appropriate forms which are available from the Unit.
- (e) conference attendance and associated travel cost will be treated separately and the Staff Development and Training Manager will allocate an annual budget to each Faculty and Support Department.

9 Expenditure

9.1 Scope

These regulations apply to all expenditure, including spending of grant monies and leasing arrangements, but exclude salaried payroll.

Further guidance explaining the regulations and examples of how they apply are available on the Corporate Procurement website.

9.2 Purpose

The purpose of these regulations is to:

- Ensure that the University's expenditure represents Value For Money including 'economy' ('doing things at best price'), 'effectiveness' (doing the right things) and 'efficiency' (doing things the right way);
- Comply with European and UK legislation and statutory requirements;
- Manage and minimise risks, including commercial protection in all contractual arrangements and mitigation against fraud and corruption.

9.3 Business Cases and Strategic Preparation

Business cases should be prepared for new areas of expenditure, and expenditure requiring Executive or Board approval (see section 9.6). It is best practice to strategically review other expenditure areas on a regular basis, to ensure best value continues to be achieved.

Business case templates are available on the Corporate Procurement website, and reports are to include:

- Objectives
- Relationship with Corporate Strategy
- Benefits
- Resource requirements
- Total Whole Life Costs and Phasing
- Timing
- Dependency
- Risks
- Procurement Strategy including aggregation.

9.4 Use of existing and Mandatory Contract Arrangements

The University has a number of contracts that must be used for specified services, supplies or works. A list of mandatory contracts can be found on the Procurement website.

Where approved contracts are available, these must be used for all purchases. These contracts cover a wide range of goods and services and have been selected through a competitive process. These contracts should be used by either directly calling off from the existing contract, or where a framework agreement is in place with multiple suppliers, through requesting quotes from the specified list of suppliers in that category. Call-off methods are detailed for each mandatory contract and are listed on the Procurement website.

The University has a number of expenditure categories where specific support departments lead and manage any orders that need to be made. The relevant support departments must be used to advise and process expenditure in these areas. Mandatory usage of departments by category are listed on the Procurement website.

9.5 Competition requirements for new contracts

Obtaining Value for Money

Value for money is the over-riding principle on procurement, ordering and tendering. The University requires all budget holders to obtain supplies, services and works at the

most economically advantageous cost, consistent with quality, delivery requirements, whole life cost and always in accordance with sound business practice.

It is in contravention of the Financial Regulations to procure from suppliers for reasons other than value for money, as defined above. Procurement decisions need to be justified and 'audit trail' records must therefore be completed.

Table 1: Competition and Audit Trail Requirements:

Total Contract Value (Including VAT)	Level of Competition Required	Supporting 'Audit Trail' Documents Required
Over £50,000	Competitive Tender *	<ul style="list-style-type: none"> • Business Case Approval Form (where Board/Exec approval required) + <ul style="list-style-type: none"> • Full Evaluation Matrix Or <ul style="list-style-type: none"> • Single Quotation/Tender Form** + <ul style="list-style-type: none"> • Authority to Award Report
Over £10,000 and up to £50,000	3 Competitive Proposals	Competitive Quotes Form Or Single Quotation/Tender Form**
Up to and including £10,000	Department's Discretion ***	None

* *Procurements exceeding £50,000 over the total contract term must be discussed with the Corporate Procurement Unit at the beginning of the planning stage, to agree the procurement strategy and route and professional Procurement input required. Procurement will instruct on minimum tenderer numbers, EU compliance requirements and use of e-tendering.*

** *Where there are no sources of competition, quotations must still be obtained and a Single Quotation/Tender Form completed.*

*** *Heads of Dept/Faculty will have the discretion to decide whether or not to obtain quotations, however value for money must always be obtained. It is advised that at least one written quotation is obtained for items with a value of £10,000 or under.*

Table 1 above sets out minimum competition and audit trail requirements when obtaining supplies, services or works. Thresholds relate to the value over the total contract term including any potential extensions – not to per annum values. If items are bought on a rolling contract basis, the estimated per annum value should be multiplied by 4 to determine the level of competition required.

Where there is a need for a single requirement that can be divided into a number of stages, or a number of similar or identical requirements, the total value must be used when assessing the level of competition required. Contracts must not be disaggregated and split into separate contracts with smaller values to avoid having to comply with the competition requirements listed below.

Where the total committed volume cannot be determined, usage and values should be estimated to determine the level of competition required. Where more than one area of the University is likely to use the contract, competition should be based on estimated University-wide demand and total contract values.

The best value tender or quote shall be accepted (following appropriate evaluation of price and quality criteria). Approval by the Head of Procurement shall be required in all cases when award is not recommended to the most economically advantageous tender / quote.

Head of Departments and Faculties must ensure that competitive processes are undertaken by staff with appropriate skills and expertise. The Executive Dean or Head of Department shall be responsible for ensuring the goods or services are adequately specified.

'Supporting Audit Trail Documents' templates and guidance are available on the Corporate Procurement website.

The University's e-tender system must be used to run competitive tenders, unless otherwise agreed with Corporate Procurement. Tender opening ceremonies for competitive tenders must be witnessed by either Corporate Procurement Unit or University Secretary representatives.

External Funding with Specific Procurement Requirements

Where the University is receiving external funding (for example from HEFCE) towards the purchase of goods or services there may be specific procurement requirements which must be followed (for example the limit for carrying out competitive tenders may be lower). These may differ from the procedures set out within the Financial Regulations. If these requirements are not adhered to the University may not receive the funding. In order to ensure that these procurement requirements are fully understood and adhered to, the Corporate Procurement Unit must be consulted before purchasing any goods or services for which the University is receiving external funding with specific procurement requirements.

Capital grants allocated by external organizations, such as HEFCE, must be spent solely for the purposes specified. The Finance Department shall maintain records of expenditure of HEFCE grants in the form required by the funding body.

Terms and Conditions

Appropriate terms must be clearly established at the outset of all competitive procurements. Corporate Procurement must be consulted in all instances where the University's standard terms and conditions are not used, in advance of committing the University.

Conflict of Interest

Any potential conflict of interest which a member of staff making or influencing a procurement may have with a supplier, must be notified to Procurement as soon as the conflict is known.

All staff involved in a competitive tender are required to complete a Declaration of Interest form, at the start of their involvement.

9.6 Authorisation levels

Authorisation for all expenditure must be sought in accordance with the threshold requirements detailed in Table 2. Thresholds relate to the value over the total contract term including any potential extensions – not to per annum values.

Table 2: Approval Requirements by Value Threshold for requisitions/orders and authorisations to award contracts

Total Contract Value (Including VAT)	Capital	Revenue	
		In Budget	Outside Budget
Over £2 million	Board of Governors	Board of Governors	Board of Governors
Over £1 million and up to £2 million	Board of Governors	Delegated Levels of Authority and Regulations	Board of Governors
Over £500,000 and up to £1 million	Executive	Delegated Levels of Authority and Regulations	Board of Governors
Over £250,000 and up to £500,000	Executive	Delegated Levels of Authority and Regulations	Executive
Over £50,000 and up to £250,000	VC & FD	Delegated Levels of Authority and Regulations	VC & FD
Up to and including £50,000	VC & FD	Delegated Levels of Authority and Regulations	Executive member *

* Requirement still remains to deliver against agreed budget

Capital and Revenue budgets are as defined in the department and faculty budgeting process. Board of Governor approval is to be sought through submission of a Strategic Outline Business Case at initial project stages prior to tendering. Where Board of Governor requirement is needed, papers should be submitted in advance to Executive.

Executive approval is to be sought through submission of a Strategic Outline, or Options Appraisal Business Case prior to tendering.

Threshold Application for Framework Agreements

For some categories, the University puts in place overarching framework agreements, which are 'umbrella agreements' with either one or several suppliers. Framework agreements set out the terms, mainly relating to scope of service/supply, price, quality and potential quantity, under which individual contracts (call-offs) can be made. The University becomes committed to expenditure when a call off is made, and a discreet contract is entered into.

Framework agreements are to be authorised according to the approval levels in Table 2, based on expenditure levels estimated over the term of the framework.

Subsequent call offs are also subject to the approval requirements indicated in Table 2, with Executive approval replacing any Board of Governor approval requirement indicated.

Board of Governor/Executive Delegation

When approving, the Board of Governors and Executive shall specify any future delegations that may apply during the remaining stages of the competitive procurement process.

Delegated Budget Authority

Holders of letters of delegated authority are responsible for the approval of expenditure within the budget set out in their letter of delegated authority subject to the limits stated in table 2. Holders of letters of delegated authority are responsible for agreeing with the Financial Controller a scheme of delegation within their departments. Where authority has been formally delegated to Heads of Department (HoD'S) and other staff, these staff will be responsible for the approval of expenditure within their departmental budget up to the limit set out in the appendix to their letter of delegated authority. Changes to agreed authorization levels must be recorded on the Authorised Signatory list, maintained by the Financial Controller.

These arrangements are also to be applied to employees of subsidiary companies who are given delegated authority in respect of budgets.

Corporate Procurement Approvals

In addition to budgetary approval, each requisition may be subject to procurement approval to ensure that requisitions, and related procurement exercises, comply with procurement and tendering policy.

Corporate Procurement approve all Purchase Orders converted from requisitions approved by budget holders and other supporting authorisations as required in Table 2.

9.7 Purchase requisitions, Orders and Contracts

Purchase requisitions, and subsequent official University orders must be placed to commit all expenditure, using the web requisition process. Purchase requisitions and orders are not required when items are ordered and paid for via a University Procurement Card or for a specific exempt categories as listed in the University's Financial Regulations below.

University Procurement Cards are to be used for low value, high volume transactions and separate guidelines applicable to these cards must be followed [link to policy]. Requirements to use approved contracts and to follow competition requirements apply to Purchase Card orders. The misuse or non-compliance of the purchasing card procedures will result in the card being withdrawn and in certain cases may result in disciplinary action being taken. The following categories of spend require appropriate contracts to be put in place in accordance with competition requirements, however they do not require a purchase requisition/order to be raised:

- Accreditation Costs
- Bursary and Scholarship Costs
- Childcare Vouchers
- Contract Printing (M2 only)
- Legal Fees Associated with Compromise Agreements
- Leased Computer Hardware
- Courier Charges
- CRB Checks (via HR)
- Credit Card Charges
- Franchise Costs
- Student recruitment agent's fees
- Funding Distribution (LSBU as Agency)
- Mobile Phone Rental (via ICT)
- Pension Costs paid to the LPFA
- Postage (via EAF)
- Rates
- Registrations on Behalf of Students
- Rent and Service Agreements
- Student Placements
- Telephone Call Charges
- Utilities
- Taxation

New Suppliers

Where a supplier is new to the University, a New Supplier Form must be completed. Corporate Procurement and Finance may review the level of risk relating to suppliers at supplier set up stage and on an ongoing basis, and alternative procurement solutions may be required.

Terms and Conditions

Purchase Orders fulfil the role of acceptance of a supplier's offer and bind a contract on the University's terms and conditions. The University's standard terms and conditions are automatically applied to University orders. Where a contract already exists, contract terms must be specified by requisitioners on requisitions and orders, to ensure that they take precedence.

Segregation of Duties

There must be adequate segregation of duties in place, as specified in the Procurement procedures and guidance, in particular requisitions must be raised and authorised by different individuals where staff make a commitment on behalf of the University. The University operates an electronic requisition system and the authorization hierarchy within the system must be maintained in such a way that requisitions have to be raised and authorized by different individuals. Authorization of requisitions must be within a budget holder's delegated budget authority

9.8 Estate Specific Expenditure

In addition to the above regulations, there are specific requirements regarding expenditure on the University estate.

Estates Strategy

The Estates & Facilities Department should only carry out work approved as part of the Estates Strategy, and that approved by Executive in order to maintain existing estate through planned and reactive maintenance and project works.

The Board of Governors shall approve an Estates Strategy and consider amendments to it where updating is required at regular intervals. The strategy shall take account of:

- (a) The quantity, quality, configuration and legal interests in the current estate;
- (b) Planned student numbers and course provision and teaching methods;
- (c) Consequential anticipated growth in staff numbers, both academic and non-academic;
- (a) The efficiency of management of existing accommodation and space utilisation;
- (a) The financial implications, with investment appraisals where appropriate, in consultation with the Executive Director of Finance.

All recommendations to the Board of Governors for property acquisitions and disposals shall be supported by Surveyors and Financial reports as laid down in the Charities Act 1993. These reports may be compiled by University staff provided the eligibility of such staff is confirmed to the Board by the University Secretary and Clerk to the Board of Governors.

All proposed building projects shall be considered by the Executive and they should meet the overall objectives of the Estates strategy and approved financial limits.

9.9 EU Directives

Higher Education Institutions (HEI's) are required by law to comply with the EU Directives if they intend to let a contract (or series of contracts) above or equal to the thresholds for goods, services or works contracts prescribed by EU Directives.

Estates & Facilities is responsible for consulting with Corporate Procurement at the planning stage of any works or project to ensure that EU Directive and UK statutory procurement obligations will be met.

Progress and Completion Reports

The Director of Estates & Facilities shall make regular reports to the Vice Chancellor on the progress of building projects with an estimated cost of over £50,000, indicating:

- (a) Expenditure to date against budget;
- (b) Remaining expenditure;
- (c) Emerging problems;
- (d) Changes to risk profile

Reports shall be made to each meeting of the Property Sub Committee on the progress of all projects approved by the Board of Governors.

The Director of Estates & Facilities shall conduct a formal post completion review after all major capital projects to identify strengths and weaknesses and to feed these into the procedure for managing future projects.

Procedures for disposals of Exchequer Funded Assets

Where the University sells any land and buildings, including any interest in land and buildings, which was acquired or developed in whole or in part using Exchequer funds, the following conditions must be satisfied:

- a) The University must take independent professional advice on the terms and conditions of the sale.
- b) If, having considered that advice, the University is satisfied that the terms and conditions under which the sale is proposed are the best that can reasonably be obtained for the University at that time.
- c). The University must notify HEFCE in writing of the sale within 15 working days of the exchange of contracts for that sale.

Retention of proceeds from sale of exchequer funded assets

The University may retain the proceeds of sale provided that all the following conditions are satisfied:

- a) They are used for capital expenditure on assets, with a life of more than 12 months, that are used for activities eligible for funding as specified in sub-section 65(2)(a) and (b) of the Further and Higher Education Act 1992, but excluding capital expenditure on assets that are used primarily for activities listed in paragraph 60 of the Financial Memorandum with HEFCE.
- b) Where the expenditure is on an estates project, it conforms with the University's current estate strategy.
- c) Where the expenditure is on an estates project, the University has regard to HEFCE guidance, issued from time to time, on appraising property options.

- d) The sale proceeds are reinvested in full within 3 years.
- e) The University notifies HEFCE in writing within 15 working days of the date the sale proceeds are first reinvested; if the reinvestment is done in stages, the University must notify HEFCE in writing within 15 working days of each stage of the reinvestment.

Procedures when proceeds cannot be entirely retained

If the above conditions in paragraph **Error! Reference source not found.** are not satisfied, the University shall pay to HEFCE:

- a) Where the Exchequer funds were provided before 1 August 1975, an amount equal to the original value of the Exchequer funds.
- b) In cases where the interest in the land and buildings was acquired or developed, since 1 August 1975, wholly with the aid of Exchequer funds, all the sale proceeds (including any element in respect of intangible assets sold as part of the transaction) after deduction of the expenses of the transaction.
- c) In cases where neither sub-paragraphs a or b apply, that proportion of the sale proceeds, after deduction of the expenses of the transaction, which corresponds to the value of the Exchequer funds as a percentage of the costs of acquisition or development of the land and buildings at the date of acquisition or development.
- d) Where only part of the sale proceeds is reinvested in accordance with sub-paragraph **Error! Reference source not found.**(a), but all other conditions in paragraph **Error! Reference source not found.** are satisfied, the University shall repay that part of the sale proceeds that is not reinvested in accordance with sub-paragraph **Error! Reference source not found.**(a), subject to sub-paragraphs **Error! Reference source not found.**a-c above.
- e) Where the sale proceeds are only partly reinvested within three years, but all other conditions in paragraph **Error! Reference source not found.** are satisfied, the University shall repay that part of the sale proceeds that is not reinvested within three years, subject to sub-paragraph **Error! Reference source not found.**a-c above.

9.10 Supplier invoices

Receipt of invoices

All supplier invoices should be sent by the supplier to the Accounts Payable (AP) team within the Finance Department. On receipt, invoices should be registered on the finance system

Approval of invoices

Invoices that relate to goods or services for which a purchase requisition was raised are known as 'committed' invoices. Committed invoices will quote a purchase order number. Invoices that relate to goods and services for which no purchase requisition was raised are known as 'uncommitted' invoices. Uncommitted invoices will not contain a purchase order number.

Committed invoices should be receipted on the finance system by the person who raised the original requisition as evidence that the invoice has been checked, the goods or service has been received and the department wishes the supplier to be paid. Where an invoice exceeds the original purchase order, the invoice will be referred forward to the budget holder to approve payment of the invoice.

Uncommitted invoices should be approved only by the relevant budget holder or Executive Dean/Director if the invoice exceeds the budget holder's delegated authority. This is because the approval of an uncommitted invoice is giving authority for

a budget to be spent. In the case of committed invoices, this authority has already been given by the raising and approval of a purchase requisition.

For both committed and uncommitted invoices, receipting or invoice approval confirms that:

- (a) Goods or services have been received or undertaken in accordance with specification and are satisfactory;
- (b) The prices or charges are in accordance with the contract or order;
- (c) The invoice is arithmetically accurate and VAT has been applied at the correct rate;
- (d) Where inventories or stores records are required proper entries have been made.

Payment of invoices

Once approved, Finance Staff should arrange payment within the University's Standard terms of business or any bespoke terms of business agreed with particular suppliers.

Note that if there is a delay in approving invoices, Finance Staff will be unable to meet these terms of business. Departments should therefore ensure that their suppliers send invoices directly to the Finance Department quoting the purchase order number.

9.11 Purchasing cards

Purchasing cards are issued to named staff to make low value purchases. Before issuing a purchasing card, staff should read the purchasing card guide and sign the staff declaration.

All cards are preset with a single transaction limit and a monthly limit to prevent card holders spending more than an agreed amount per month. Limits may be increased subject to the authorisation of the Executive Dean/Head of Support Department and the Corporate Procurement Manager or Senior Procurement Officer/Contracts Officer.

The Corporate Procurement Manager and the Financial Controller will;

- control the issue of the cards,
- update procedures and check compliance therewith;
- ensure monthly logs are correct and completed in due time.

Cards should be used for items costing under £1,000. They can also be used for travel, accommodation and subsistence costs in accordance with the Travel, subsistence and expenses policy.

They cannot be used;

- for personal purchases
- by anyone other than the person to whom the card was issued
- to withdraw cash

The misuse or non-compliance of the procedures will result in the card being withdrawn and in certain cases may result in disciplinary action being taken.

9.12 Authorised signatory list and authorisation hierarchy

The Authorised signatory list is kept and maintained by the Financial Controller. It is the responsibility of the Faculty or Support Department to ensure that an up to date set of authorised signatory sheets are given to the Financial Controller. The University's electronic Procurement to Pay system is set up with hierarchies for the raising and approval of requisition and approval of non committed invoices. The Financial Controller is responsible for ensuring electronic authorisations are in line with the authorised signatory list.

9.13 Fixed Asset Register

The Executive Director of Finance shall:

- (a) Ensure there is a central register of all items of capital expenditure with a purchase value of £10,000 or over including VAT within the finance system Agresso
- ;

Executive Deans and Heads of Support Departments shall:

- a) Ensure the safekeeping of all equipment held in the Faculty or Support Department;
- b) Ensure that the equipment is marked as the property of London South Bank University.
- c) Report all losses of equipment through theft or damage on the prescribed forms to the Director of Estates & Facilities with copies to the Vice Chancellor and Executive Director of Finance.

9.14 Equipment Removal

Land and Buildings may only be disposed of with the authorization of the Board of Governors

Equipment, vehicles, fixtures and fittings shall not be removed from the University without the written approval of the Executive Dean or Head of Support Department. In all such cases, the Executive Director of Finance shall be informed at least two working days in advance so that, appropriate insurance arrangements can be made.

Faculties and Support Departments shall notify the appropriate Support Department of any item of standard equipment or other goods which are no longer required, who shall advise if the item can be redeployed elsewhere in the University. .

Where an item cannot be redeployed, Executive Deans or Heads of Support Departments shall make arrangements to dispose of obsolete items. The Executive Dean or Head of Support Department is responsible for disposing of the item in a way that maximizes the proceeds and value for money to the University. This includes obtaining valuations where appropriate and quotes for costs of disposal. In exceptional circumstances, the Director of Finance may authorize the item to be donated or offered at reduced cost to students, other educational establishments, charities or local community groups.

The Faculty or Support Department shall advise the Executive Director of Finance of any proposed disposal of equipment or other goods so that, if appropriate, she or he may arrange for an invoice to be raised for payment to be obtained by the University and for accounting entries to be made in the University Accounts.

10 Cash management

10.1 Bank accounts

The Board of Governors shall approve:

- (a) the appointment and terms of engagement of the University's bankers;
- (b) the bank mandate which determines the terms on which cheques may be drawn on the University's bankers;
- (c) the bank account signatories and levels of authority;
- (d) overdraft and loan facilities.

All bank accounts for the University's transactions shall be held in the name of the University, and may be opened only on the authority of the Board of Governors. No bank account other than one authorised by the Board of Governors shall be operated for University's purposes. No member of staff shall open an account bearing the name of the University, or any abbreviation of it.

10.2 Signatories

The University's bank accounts shall be operated in accordance with the mandates given to the bankers under the authority of the Board of Governors. The Board of Governors has determined that the holders of the following posts shall be signatories to the University's bank accounts;

Vice Chancellor
Executive Director of Finance
Pro Vice Chancellors
University Secretary and Clerk to the Board of Governors
Financial Controller
Financial Planning Manager

10.3 Signatory limits

Signatory limits apply for both cheque limits and electronic payments such as Bacs

- (a) For Payments of less than £10,000 - one signature and may be signed in holograph by cheque writing machine;
- (b) For payments of £10,000 and above - but less than £20,000 - one signature but may not be signed in holograph by cheque writing machine;
- (d) For payments of £20,000 and over - two signatures only one of which can be a member of the Finance Department.

10.4 Records and reconciliation

The Executive Director of Finance shall

- (a) maintain a record of all bank accounts, signatories and levels of authority;
- (b) ensure adequate procedures are in place to control the issue and use of cheque stationery and for the control of electronic payment authorization

- (c) maintain proper records of all bank payments;
- (d) ensure that all bank accounts are reconciled at monthly or more frequent intervals, independently of the staff involved in making payments and banking cash.

The following accounting controls shall apply:

- (e) there shall be a monthly bank reconciliation for each bank account;

The reconciliation shall be verified by the Financial Accountant;

- (f) Unresolved discrepancies shall be reported to the Financial Controller and if still unresolved to the Executive Director of Finance.

Cashbook records shall be maintained as part of the integrated accounting system.

10.5 Borrowing

All raising of capital finance must be approved, in advance, by the Policy and Resources Committee and the Board of Governors. The Board of Governors may, at its discretion, authorise an ad-hoc committee of its members to agree final documentation and execute documents within certain parameters set by the Board of Governors.

All borrowing raised on the security of any of the University's assets must be approved, in advance, by the Policy and Resources Committee and the Board of Governors. The Board of Governors may, at its discretion, authorise an ad-hoc committee of its members to agree final documentation and execute documents within certain parameters set by the Board of Governors.

Unsecured, overdraft borrowing must be within limits set by the Executive Director of Finance. Authorisation by the Executive Director of Finance must be given for unsecured, overdraft borrowings within such limits.

Lease finance arrangements for items with a capital value greater than £250,000 must be approved, in advance, by the Policy and Resources Committee.

The University has no pre-determined restrictions on sources of funding with any consideration of suitability of potential lenders being carried out at the time of approval.

The University has no pre-determined requirements on the mix between fixed and variable rates of interest. The suitability of the mix will be reviewed at the time of approval and should bear in mind market expectations and future cash requirements; the costs of doing so should be related to the need to spread the risk through a balanced portfolio.

10.6 HEFCE borrowing limits

The University shall obtain prior written HEFCE consent before it undertakes such a level of borrowing that the Annualised Servicing Cost (ASC) of all long-term borrowing exceeds a threshold of 4 per cent (or such higher level permitted by HEFCE) of total income as reported in the latest audited financial statements, or the estimated amount for the current year if that is lower. The ASC is the capital repayments and total interest costs spread evenly over the period of the borrowing. In assessing total long-term borrowing and total income, all inherited debt that is fully reimbursed by HEFCE, and all such reimbursements shall be ignored.

10.7 Short-term Borrowing

The University shall obtain prior written consent from HEFCE before its negative net cash or cash equivalents, as determined on a cash book basis and as defined in FRS 1: Cash Flow Statements, exceeds the lower of 5 per cent of total income or £2M.

10.8 Late repayment penalties

The Executive Director of Finance shall confirm in writing with the University's bankers that arrangements are in place to ensure the prompt repayment of loans to avoid any penalties that form part of the loan agreement.

10.9 Cash and Cheque Receipts

The current single cash transaction limit for the University is the sterling equivalent of €15,000, translated at the most recent rate published by the Financial Times. This is to comply with the Money Laundering Regulations 2003.

All cheques or cash received shall be paid to the cashier with the minimum of delay.

The Executive Director of Finance shall agree with an Executive Dean or Head of Support Department the arrangements under which the Faculty or Support Department may receive cash and cheques. These arrangements shall ensure that:

- (a) The cash and cheques shall be paid to the cashier at the earliest possible opportunity in their entirety.
- (b) They shall not be used to cash any cheques or pay any item of expenditure:
- (b) no monies other than petty cash floats shall be held in Faculties/Support Departments except as authorised by the Executive Director of Finance;
- (c) Faculties and Support Departments which are authorised to receive cash and cheques shall keep proper records in the form specified by the Executive Director of Finance.

The Executive Director of Finance shall make arrangements for receiving cash and cheques. They shall ensure that:

- (a) every sum of cash received shall be immediately acknowledged by the issue of an official receipt with the exception of cheques, where receipts should only be issued for cheques from students;

The Executive Director of Finance shall determine the form and serial numbering of all official orders, receipts, books and tickets of value etc., and shall:

- (a) control their issue to Faculties and Support Departments;
- (b) ensure that all receipts and issues are properly recorded.

10.10 Catering Cash Receipts

All catering and residence cash takings received by the Department of Residential and Catering Services and the National Bakery School shall be:

- (a) recorded through Faculty and Departmental tills and verified by appropriate till readings. In the case of University controlled vending machines, the readings shall be supported by sales control sheets;

- (b) paid directly to the Finance Department or an officially nominated collection agent. All takings shall be controlled and received in the manner prescribed by the Executive Director of Finance.

10.11 Cash Collection procedures

The Executive Director of Finance shall arrange for independent checks to be carried out at annual intervals of the cash collection procedures at each of the catering sites. The arrangements shall ensure that:

- (a) the checks are carried out by a designated member of the Finance Department;
- (b) a diary is kept with details of checks and the results;
- (c) a senior member of staff of the Finance Department reviews the checks and discusses any action to be taken with the Head of Residential and Catering Services and the Head of National Bakery School.

10.12 Cheque Payments

Cheque payment controls shall be maintained by the Purchase Ledger Supervisor.

- (a) The control shall be performed before each cheque run.
- (b) The cheque pre-list shall be authorised by the Executive Director of Finance or a nominated deputy.
- (c) The cheque stationery shall be kept in a secure place at all times, and proper controls maintained on the use of cheque stationery.
- (d) The number of cheques signed shall be checked against the meter reading on the cheque signing machine, and verified by a designated member of staff within the Finance Department. The cheque signing machine shall be kept locked when not in use and in a secure place at all times.

At the discretion of the Executive Director of Finance payments may be made in advance to members of staff and students of the University in case of need.

10.13 Non-University Monies

The Executive Director of Finance may make arrangements from time to time, with the agreement of the Vice Chancellor or Pro Vice Chancellor (Academic) and Director of the Student Services, to handle monies that do not belong to the University. Examples are extra-departmental funds, and prize or scholarship funds.

In such cases, the Executive Director of Finance shall:

- (a) set up proper accounting arrangements;
- (b) make appropriate charges.

11 Petty cash

11.1 Cash Floats

The Finance Department shall make advances for defraying petty cash expenses to Faculty Administrative Officers or an authorised person in a Faculty/Support Department.

They shall:

- (a) sign a receipt for cash advance from the Finance Department;
- (b) be responsible for keeping the cash in a secure place;
- (c) keep an account of payments in the form required by the Executive Director of Finance;
- (d) be required to account for payments made and cash remaining at regular intervals.

11.2 Cash Payments

The rules on payments are:

- (a) they are limited to minor items of expenditure up to a value of £50 per payee on one occasion;
- (b) requests for payments shall be supported by vouchers (with accompanying receipts) certified as correct by the Faculty Administrator Officer or authorised person in a Support Department/Faculty;
- (c) personal cheques shall not be cashed;
- (d) all vouchers shall be sent to the Finance Department with a claim for reimbursement at monthly intervals.

Because of the trading nature of catering and residences, reimbursement of petty cash may on occasions be required more often.

Petty cash accounts shall record:

- (a) advances and reimbursements from the Executive Director of Finance;
- (b) payments.

No cash received other than advances and reimbursements shall be paid into these accounts.

11.3 Year end certification of petty cash

All petty cash holders are required to certify the balance on their respective floats at the financial year end of 31 July. The cash office of the finance department may carry out spot checks to ensure the amounts certified are correct.

12 Investments

12.1 Policy

The Board of Governors shall be responsible for establishing an investment policy for the University.

The Executive Director of Finance shall be responsible for:

- (a) implementing the policy;
- (b) deciding how to allocate funds between short-term deposits and longer term investments, in the light of cash flow forecasts.

12.2 Short-Term Deposits

The Executive Director of Finance shall be authorised to place cash on deposit for periods not exceeding six months. He/she shall:

- (a) seek to maximise the return from deposits to the University, consistent with the avoidance of risk to the principal;
- (b) review the investment on a daily basis in the light of interest rate changes;
- (c) maintain a record of such deposit;
- (d) present a monthly report to the Vice Chancellor on the state of deposits and the income earned/accrued;
- (e) prepare longer term cash flow forecasts to assist the management of the University's cash assets.

12.3 Investment Of Surplus and Trust Funds

The long-term investments of the University shall be determined by the Vice Chancellor in accordance with the policies determined by the Board on the basis of professional advice. The following rules shall apply:

- (a) all investments shall be in the name of the University or its nominees;
- (b) trust funds shall be invested in a manner authorised by the Charitable Funds Sub-Committee
- (c) all investments shall be reviewed on a monthly basis;
- (d) the Executive Director of Finance shall maintain a register of all investments.

12.4 Types of investment permitted

The investments may be made in:

- (a) UK stocks listed on the London Stock Exchange and debentures;
- (b) Government securities;
- (b) unit trusts;
- (d) major UK Banks;
- (e) major UK Building Societies;

- (f) UK Local Authorities;
- (f) other institutions rated as triple A.

12.5 Charitable funds investment strategy

The current investment strategy was approved by the Board of Governors in 2007.

- That the target income should be expressed in monetary terms and should be set at £20,000. This target to be achieved to within a 10% margin.
- That the Fund Manager should be permitted to invest up to 7 – 8% of the portfolio in overseas equities. It is expected that this would be in multinational European or North American securities.
- The capital growth target to exceed the Wood MacKenzie index by 1%.

13 Insurance

13.1 Cover

The University Secretary and Clerk to the Board of Governors and the Executive Director of Finance shall ensure that:

- (a) Appropriate insurance cover is provided for all aspects of the University's activities;
- (b) The University's insurance portfolio is reviewed annually in consultation with the University's brokers; after the Board of Governors have approved the proposed terms; and shall negotiate all claims with the University's brokers.

13.2 Tendering for insurance contracts

The contract for brokerage services (or for direct insurance services, if a broker is not used) shall be put out to open tender every five years.

13.3 Cover required

The insurance cover shall include:

Buildings (all risks)
Contents of buildings (all risks)
Public liability
Employer's liability
Fidelity guarantee
Professional indemnity
Cheque signing indemnity
Personal accident (assault)
Travel / personal accident (UK and overseas)
Engineering equipment
Computers
Deterioration of stock
Motor fleet
All risks of radioisotopes
Governors' liability
Playgroup activity
Directors and Officers Liability
and any other that, in the opinion of the Board of Governors, is appropriate.

Heads of Faculties and Support Departments shall review the Faculty's or Support Department's activities and advise the Secretary and Executive Director of Finance if in their opinion a material risk not covered by insurance is being incurred.

13.4 Claims and Incident Reports

Heads of Faculties and Support Departments shall, as a matter of urgency, notify fires, accidents or other incidents which might give rise to an insurance claim to:

The Vice-Chancellor
The University Secretary and Executive Director of Finance

The report should give as much information as possible to include in particular:

- (a) a detailed description of the incident, its time and cause (if known);
- (b) practical consequences - particularly details of any interim measures required to cope with affect of the incident;

(c) financial consequences, if assessable in advance of insurance appraisal.

The University Secretary and Executive Director of Finance shall:

- (a) verify the insurance of any incidents which may give rise to a claim;
- (b) submit a full claim where appropriate.

In instances where members of staff may incur loss of or damage to personal possessions and where the University has no insurance cover or responsibility, claims may be considered in very exceptional circumstances provided that full details, in writing, to the University Secretary and Executive Director of Finance and support is given by the member of staff's Senior Line Manager.

14 Contracts

14.1 Signature under Seal

The Common Seal shall only be used on the authority of the Board of Governors. Every instrument to which the seal shall be affixed shall be signed by a Governor and shall be countersigned by either the University Secretary & Clerk to the Board, a second governor or by some other person appointed by the Board of Governors for that purpose - see below. A register shall be maintained and the use of the Common Seal reported to the Board of Governors.

Other persons who have been authorised by the Board of Governors to sign contracts under Seal are:

Pro Vice Chancellors
Executive Director of Finance
Vice Chancellor

14.2 Signature of Employment Contracts

The signatories authorised by the Board of Governors to sign contracts of employment are as in 16.1 plus the Director of Human Resources and Deputy Head of Human Resources.

14.3 Signature of Other Contracts

The following persons are authorised to sign other contracts on behalf of the University:

Vice Chancellor
Pro Vice Chancellors
University Secretary & Clerk to the Board of Governors
Executive Director of Finance.
Head of Procurement (£50,000 and under)

14.4 Disclosure of Beneficial Interest

A member of staff who has a beneficial financial or any other interest, whether direct or indirect, in any contract between the University and a third party shall disclose that interest to the Head of Faculty/Support Department and to the Executive Director of Finance. A record of the interest will be entered in the Register of Interests held by the Secretary.

14.5 Content of Contracts

Every contract issued by the University shall use the appropriate standard contract documentation. Copies of all standard contract documentation are available from the Corporate Procurement Manager. The advice of the Corporate Procurement Manager should be sought if any amendments are required to the standard documentation.

The Contracts (Rights of Third parties) Act 1999 came into force on 11 May 2000. It applies to all contracts made on or after this date in England, Wales and Northern Ireland. The Act gives third parties named in contracts, or expressed to benefit from them, the right to sue under those contracts. The majority of contracts entered into by the University will exclude this right as far as possible. This exclusion is incorporated into the University's standard contract documentation. Where, in a particular case, the parties to a contract are considering conferring a benefit on one or more third parties, advice must be sought from the University Secretary/Corporate Procurement Manager as to the implications of any such arrangement, before entering into negotiations with any of the other parties that may be involved in the proposed contractual arrangements.

All contract documentation must be approved by the Corporate Procurement Manager prior to signature.

14.6 Copies of Contracts

The University Secretary shall hold:

- (a) copies of all contracts with a value of over £50,000;
- (b) all titles, deeds and lease agreements.

14.7 Contract Performance

Holders of letters of delegated authority must ensure that all expenditure contracts within their budget area have a contract owner responsible for monitoring performance through regular meetings with the contractor. Reports of any discrepancy or failure must be completed. Corporate Procurement advice should be sought in order to assist in the management of poor contract performance and emerging risks.

Appendices

- Appendix A Fraud response plan
- Appendix B: Anti Bribery Policy
- Appendix C: The Seven Principles of Public Life
- Appendix D: Specific regulations relating to (SBUEL)
- Appendix E: List of Associated Documents

Appendix A

Fraud Response Plan

Reporting of a suspected fraud, theft, corruption or other financial irregularity

If a member of staff discovers or suspects a fraud, theft, corruption or other financial irregularity, they must immediately inform their Executive Dean or Head of Support Department and the Executive Director of Finance. Failure to do so will result in disciplinary action. The Executive Director of Finance will instigate the following response:

- Take action to mitigate the potential loss to the University
- Immediately inform the Vice Chancellor, the University Secretary, the Internal Audit manager and The University's Employee and Officers insurers. If the fraud is significant (see below for definition), the Chair of the Audit Committee, the Chair of the Board of Governors and The University's HEFCE accounting officer should also be informed.
- Initiate an investigation. The scope of this investigation should be agreed with the Vice Chancellor and the University Secretary. The Internal Auditors should undertake the investigation.
- Decide immediately whether or not to treat this incident as a criminal investigation and involve the police and/or accredited fraud investigators
- Take steps to prevent a recurrence of such an irregularity or breach of internal controls.

A significant fraud is one where:

- The sums of money involved are significant
- The particulars of the fraud or irregularity are novel, unusual or complex
- There is likely to be public interest because of the nature of the fraud or irregularity, or the people involved.

In the event of a suspected fraud involving the Finance Department, the Vice Chancellor will initiate action. The Executive Director of Finance will not be involved in the subsequent investigations.

In the event of a suspected fraud involving the Vice Chancellor, the Executive Director of Finance will inform the Chair of the Board of Governors directly.

Investigation of a suspected fraud, theft, corruption or other financial irregularity

The Executive Director of Finance, the University Secretary and the Internal Auditors must conduct an investigation on a timely basis, observing the principles of natural justice and preserving confidentiality.

All staff must cooperate in an investigation or action to mitigate loss and must observe reasonable expectations of confidentiality

The Vice Chancellor may take action during the investigation against any member of staff who is potentially implicated in the suspected fraud. This action may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks. **Result of the investigation**

In the event that an allegation is **substantiated**, the **action** taken by the Vice Chancellor as a consequence will be recorded in writing. Such action should be proportionate to the allegation but may include:

- temporary suspension from duty

- denying access to the University and its facilities
- summary dismissal or dismissal under notice
- notification to police
- notification to other parties likely to be affected
- restitution by the perpetrator
- other disciplinary procedures.

(It is *not* intended that this list shall be construed as exhaustive).

Under normal circumstances, all reports of fraud will be reported to the next scheduled meeting of the Audit Committee. In instances of sufficient import (involving senior officers of the University or sums of £10k or more), the Audit Committee will be informed and an extraordinary meeting of Audit Committee may be convened to consider action already taken, or proposed to be taken. The form of report to be made to Audit Committee will normally be written, but in the event that it is not it will be recorded in the written form in due course.

The Accountability and Audit: HEFCE Code of Practice, which flows from the HEFCE Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the HEFCE Accounting Officer.

Appendix B:

1. Anti-bribery policy

1.1 London South Bank University is committed to acting in accordance with the highest ethical and legal standards. The integrity of our staff, and those with whom we do business, is critical to our success. The Board of Governors must ensure that LSBU observes high standards of openness and transparency and exercise rigorous stewardship of public money.

1.2 LSBU has zero-tolerance to bribery and corruption. LSBU is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates.

1.3 LSBU's Anti-bribery code of conduct (see below) reflects our commitment to uphold all laws to counter bribery and corruption in all the countries in which we operate. In particular, we are committed to compliance with the Bribery Act 2010, in respect of our conduct both at home and abroad.

2. What is bribery?

2.1. A bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage.

3. Who the policy applies to

3.1 Under the Bribery Act, LSBU may be prosecuted for an offence if a person associated with it bribes another person, intending to obtain or retain business or a business advantage for LSBU. It is a defence for LSBU to show that it has "adequate procedures" in place to prevent persons associated with the university from bribing. A person is associated with LSBU if they perform services for or on behalf of LSBU and includes employees, subsidiaries, agents or sub-contractors.

3.2 This policy applies to all people or companies working for LSBU at all levels, including all employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, casual staff and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as "staff" in this policy).

Code of Conduct

4. Gifts and hospitality

4.1 The LSBU gifts and hospitality policy should be read in conjunction with this policy as in some circumstances unreasonable or disproportionate gifts or hospitality may be used as bribes.

5. Facilitation payments

5.1 Facilitation payments are typically small, unofficial payments made to secure or expedite a routine or necessary government action by a government official, when we have already paid for, or are entitled to, that action. Under Sections 1 and 6 of the Bribery Act 2010, bribes and facilitation payments are illegal and the offer of any of these forms of payments in any of the countries in which we operate is against LSBU policy.

5.2 If you are asked to make a payment on LSBU's behalf, you should immediately discuss this with your line manager or the University Solicitor or the Head of Procurement.

6. Donations

6.1 LSBU does not make contributions to political parties. LSBU will only make charitable donations if approved by the executive or the board of governors (depending on the amount) and if the donation is in line with LSBU's own charitable objects.

7. Fundraising

7.1 Bona fide fundraising is a legitimate and appropriate activity for LSBU. The gifts acceptance policy must be observed by any staff or volunteers involved in fundraising. {*N.B. the gifts acceptance policy is under review and due for approval by executive in spring 2012 then P&R and board*}.

8. Your responsibilities

8.1 You must ensure that you read, understand and comply with this Policy.

8.2 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for us or under our control. All staff are required to avoid any activity that might lead to, or suggest, a breach of this Policy.

8.3 You must notify your line manager, University Solicitor or LSBU Speak up contact as soon as possible if you believe or suspect that a conflict with this Policy has occurred, or may occur in the future.

8.4 Any employee who breaches this policy may face disciplinary action, which could result in dismissal for gross misconduct.

7. Record-keeping

7.1 In accordance with the Financial Regulations and the Gifts & Hospitality Policy, financial records must be kept and appropriate internal controls must be put in place which will evidence the business reason for making payments to third parties.

8. What to do if you have a specific concern about bribery

8.1 All staff are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If you are unsure whether a particular act constitutes bribery, or if you have any other queries, these should be raised with your line manager OR the University Solicitor. Concerns should be reported by following the procedure set out in LSBU speak up policy.

9. What to do if you discover that bribery has taken place

Under the Financial Regulations, you should report anything that you believe to be a bribe immediately to the Executive Director of Finance.

10. Training and communication

10.1 Anti-Bribery Training on this policy is available via the LSBU staff gateway.

10.2 LSBU's zero-tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and continuing.

Approved by the Executive on 8th November 2011

Approved by the Policy & Resources Committee on 10th November 2011

Approved by the Board of Governors on 24th November 2011

Potential risk scenarios: "red flags"

The following is a list of possible red flags that may arise during the course of your work and which may raise concerns under various anti-bribery and anti-corruption laws. The list is not intended to be exhaustive.

If you encounter any of these red flags while working for us, you must report them promptly to your line manager OR to the University Solicitor OR under the LSBU speak up policy:

- (a) you become aware that a third party engages in, or has been accused of engaging in, improper business practices;
- (b) you learn that a third party has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a "special relationship" with foreign government officials;
- (c) a third party insists on receiving a commission or fee payment before committing to sign up to a contract with us, or carrying out a government function or process for us;
- (d) a third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
- (e) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (f) a third party requests an unexpected additional fee or commission to "facilitate" a service;
- (g) a third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;
- (h) a third party requests that a payment is made to "overlook" potential legal violations;
- (i) a third party requests that you provide employment or some other advantage to a friend or relative;
- (j) you receive an invoice from a third party that appears to be non-standard or customised;
- (k) a third party insists on the use of side letters or refuses to put terms agreed in writing;
- (l) you notice that we have been invoiced for a commission or fee payment that appears large given the service stated to have been provided;
- (m) a third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us;
- (n) you are offered an unusually generous gift or offered lavish hospitality by a third party.

Appendix C

The seven principles of public life from the report of the committee for standards in public life (The Nolan report).

Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Appendix D – Specific procedures relating to SBUEL

Separate financial procedures for SBUEL cover:

1. Statement of Governance for SBUEL
2. Expenditure – set out in the SBUEL expenditure procedure
3. Delegated authorities – set out in the SBUEL letter of delegated authority
4. HR policies

Unless specific provision is made in these procedures, LSBU financial regulations, policies and procedures apply to SBUEL activities. General points regarding SBUEL Financial procedures:

Changes to these financial procedures relating to SBUEL will be approved by the SBUEL board.

The board of SBUEL will consider an annual budget for the Company, which will be approved by the LSBU board as part of the overall University budget approval process. Performance against budget will be reviewed by Policy and Resources Committee and the main board as part of the monthly management accounts

The Director of Enterprise is responsible for maintaining a risk register and the SBUEL board should consider this at its board meetings. Any Significant risks should be escalated to the LSBU Executive for future consideration and inclusion in the LSBU corporate risk register.

Statement of governance for SBUEL

South Bank University Enterprises Ltd (SBUEL) is a wholly owned subsidiary of London South Bank University and is the vehicle through which the University chooses to account for its commercial activity. It is a company limited by shares and is a separate legal entity and therefore subject to its own governance arrangements.

As a matter reserved to the board, the LSBU board of governors is responsible for setting the governance processes relating to SBUEL. The proposed governance model is that SBUEL operates at arm's length from the university as a small or medium enterprise (SME).

The new model of governance will be effective from 1st August 2012.

Powers reserved to the LSBU Board of Governors

The LSBU board of governors delegates considerable autonomy to the SBUEL board of directors, such that SBUEL and its board can operate substantially as an autonomous company. This delegation is subject to such powers reserved to the board of governors as are necessary to retain overall control.

In relation to SBUEL, powers reserved to the LSBU board of governors include:

- the power to appoint the chairman of the SBUEL board and to appoint / remove other directors;
- the power to amend SBUEL's articles of association;
- the power to change the company's name;
- the power to restrict the issue of additional shares;
- the power to wind up SBUEL;
- an overriding power to restrict activities of SBUEL if it sees fit.

These powers are set out in the SBUEL articles or in legislation and are exercised by LSBU as the sole member of SBUEL.

SBUEL Board

SBUEL will be controlled by its board of directors. The board of directors will be led by a chairman who must also be an independent governor of LSBU. The board is then composed, *ex officio*, of the University's Executive Director of Finance and Pro-Vice Chancellor (External). Additionally, the Director of Enterprise (an SBUEL employee) and two further external non-executive directors will be appointed in via the university's nominations committee.

Delegated Powers

Following formal delegation by LSBU, the SBUEL board will set its own financial regulations and HR policies and make decisions within the delegations granted by the LSBU board of governors. Only matters of significant expenditure or risk must be referred upwards.

Where necessary and appropriate, the University regulations will include explicit exceptions where SBUEL will be given delegated powers to establish its own regulations.

The overarching principle informing the delegation to SBUEL is that, subject to the reserved powers, the Board of Governors delegates as fully as possible the operation of SBUEL to its Board of Directors..

There is an additional operational line of control underpinning delegated powers. The Director of Enterprise is managed operationally on a day to day basis by the PVC (External), thus ensuring that there is direct oversight and control of SBUEL activity by the University Executive.

Audit Arrangements

As an SME, SBUEL board will not have sub-committees. As a wholly-owned subsidiary of LSBU, it will be subject to LSBU's internal audit arrangements. During 2012/13, SBUEL's governance and internal controls will be reviewed by internal audit and formally reported to the LSBU Audit Committee. In addition, SBUEL's external auditors will continue to be Grant Thornton (LSBU's auditors). Grant Thornton will report to SBUEL board in relation to the annual external audit and to LSBU as part of the consolidation into LSBU's group accounts.

Reporting to the University

There will be a quarterly report of enterprise activity, including activity carried out through SBUEL, presented to the Executive, to ensure that the Executive remains fully informed of progress. Enterprise activity is covered in the Management Accounts which are considered by the Policy and Resources Committee (P&R) at each meeting. P&R will receive an annual report of Enterprise Activity.

Appendix E

Associated documents:

The following documents and procedures support these Financial Regulations and are available on the Staff Intranet or from the Finance Department:

Letter of delegated authority
Travel and Expense policy
VAT Guidance
VAT exemption form for medical research expenditure
VAT exemption form for Advertising expenditure
Purchasing card guide
Code of ethics relating to procurement
Capitalization guidance notes
Faculty/Department managers guide to contract management
Tuition fee regulations
Manual payment procedures
Gifts and Hospitality Policy
Anti Fraud Policy

UE.11(12)

**DRAFT - SBUEL FINANCIAL REGULATIONS
(PROCUREMENT SECTIONS ONLY)**

(LAST AMENDMENT: N/A)

UE.11(12)

Expenditure

1.1 Scope

These regulations apply to all expenditure, including spending of grant monies and leasing arrangements, but exclude salaried payroll.

Contact Corporate Procurement for further guidance on this section of the regulations.

1.2 Purpose

The purpose of these regulations is to:

- Ensure that SBUEL's expenditure represents Value For Money including 'economy' ('doing things at best price'), 'effectiveness' (doing the right things) and 'efficiency' (doing things the right way);
- Comply with European and UK legislation and statutory requirements;
- Manage and minimise risks, including commercial protection in all contractual arrangements and mitigation against fraud and corruption.

1.3 Business Cases and Strategic Preparation

Business cases should be prepared for new areas of expenditure, and expenditure requiring Board approval. It is best practice to strategically review other expenditure areas on a regular basis, to ensure best value continues to be achieved.

LSBU business case templates may be used as a guide and are available on the LSBU Corporate Procurement website. Business Cases are to include:

- Objectives
- Relationship with Corporate Strategy
- Benefits
- Resource requirements
- Total Whole Life Costs and Phasing
- Timing
- Dependency
- Risks
- Procurement Strategy including aggregation.

1.4 Use of existing and Mandatory Contract Arrangements

LSBU has a number of contracts or specific LSBU support departments that must be used for specified services, supplies or works. A list of mandatory contracts and department usage can be found on the Procurement website. Unless otherwise agreed by the CEO and the LSBU Head of Procurement, these arrangements must be used by SBUEL. In exceptional circumstances and where a demonstrable and unavoidable business need can be demonstrated, the Director of Enterprise may procure outside LSBU's mandatory arrangements but must in this case report to the Board the reasons for so doing at the next Board meeting,

Where contracts are mandated, these must be used for all purchases, through either a direct call off from the specified supplier or by running a mini completion if there are multiple suppliers listed.

1.5 Competition requirements for new contracts

Obtaining Value for Money

Value for money is the over-riding principle on procurement, ordering and tendering. SBUEL requires all budget holders to obtain supplies, services and works at the most economically advantageous cost, consistent with quality, delivery requirements, whole life cost and always in accordance with sound business practice.

It is in contravention of the Financial Regulations to procure from suppliers for reasons other than value for money, as defined above. Procurement decisions need to be justified and 'audit trail' records must therefore be completed.

UE.11(12)

Competition, audit trail, Procurement support and authorisation requirements are outlined in appendix 1. These are detailed for requirements relating to expenditure inside overall revenue budget, outside overall revenue budgets and for capital procurements.

These requirements are set according to expenditure thresholds based on total contract values (not per annum values). Total contract value estimates are to be made on the following basis:

- Total contract term, including any potential extension period.
- If items are bought on a rolling contract basis, the estimated per annum value should be multiplied by 4 to identify the estimated total contract value
- New framework agreements are to be authorised according to expenditure levels estimated over the term of the framework
- Call offs from framework agreements are to be authorised according to the estimate value of the discrete commitment.
- Where there is a need for a single requirement that can be divided into a number of stages, or a number of similar or identical requirements, the total value must be used when assessing the level of competition required. Contracts must not be disaggregated and split into separate contracts with smaller values to avoid having to comply with the competition requirements.
- Where the total committed volume cannot be determined, usage and values should be estimated to determine the level of competition required. Where more than one area of SBUEL is likely to use the contract, competition should be based on estimated SBUEL-wide demand and expenditure.

In addition to budgetary approval, expenditure commitments may be subject to Corporate Procurement approval to ensure that requisitions, and related procurement exercises, comply with these regulations, procurement procedures and legislative requirements.

1.6 Terms and Conditions

Appropriate terms must be put in place for all types of commitments. These must be clearly established at the outset of all competitive procurements.

Where expenditure exceeds £50,000 or expenditure relates to a business critical activity, Corporate Procurement must be consulted on the terms to be put in place.

Procurement support must be sought even for low value commitments if the staff member involved in agreeing the terms does not have an adequate understanding of the terms and their implications.

1.7 External Funding with Specific Procurement Requirements

Where SBUEL is receiving external funding (for example from HEFCE) towards the purchase of goods or services, there may be specific procurement requirements which must be followed, which differ to these regulations. For example the limit for carrying out competitive tenders may be lower. If these requirements are not adhered to, funding may not be received.

Where this occurs, the stricter requirement (whether it be these regulations or the specific funding terms) will apply for that discrete element and must be followed.

Capital grants allocated by external organizations, such as HEFCE, must be spent solely for the purposes specified. SBUEL shall maintain records of expenditure of HEFCE grants in the form required by the funding body, with the support of LSBU Finance Department.

1.8 Conflict of Interest

Processes stipulated by Corporate Procurement must be followed to ensure any conflicts of interest are declared and managed for all committed expenditure. Any potential conflict of interest which a member of staff making or influencing a procurement may have with a supplier, must be notified to Corporate Procurement as soon as the conflict is known.

UE.11(12)

All staff (or external representatives) involved in a competitive tender are required to complete a Declaration of Interest form, at the start of their involvement.

1.9 Delegated Budget Authority

The LSBU Financial controller will issue an annual letter of delegated authority to the Director of Enterprise, confirming his/her levels of financial authority. This letter will be subject to formal approval by the SBUEL Board.

Holders of letters of delegated authority are responsible for the approval of expenditure within the budget set out in their letter of delegated authority subject to the limits stated in Appendix 1. The Director of Enterprise is responsible for agreeing with the LSBU Financial Controller a scheme of delegation within SBUEL. Changes to agreed authorization levels must follow the procedures specified by the LSBU Financial Controller.

Authorization of requisitions must be within a budget holder's delegated budget authority

The Director of Enterprise must ensure that competitive processes are undertaken by staff with appropriate skills and expertise and ensuring the goods or services are adequately specified.

1.10 Purchase requisitions, orders, new suppliers and invoice payments

Where a supplier is new to SBUEL or the University, a New Supplier Form must be completed so that it can be set up on the Finance system. Corporate Procurement and Finance may review the level of risk relating to suppliers at supplier set up stage and on an ongoing basis, and alternative procurement solutions may be required.

Purchase requisitions, and subsequent official SBUEL orders must be placed to commit all expenditure, using the web requisition process. There must be adequate segregation of duties in place, as specified by LSBU Finance and Corporate Procurement. In particular, requisitions must be raised and authorised by different individuals where staff make a commitment on behalf of SBUEL

Purchase requisitions and orders are not required when an exemption applies to the category (see Appendix 3) or when items are ordered and paid for using a University Procurement Card.

All payments made by University Procurement Cards must follow the guidelines set by Corporate Procurement. The misuse of the purchasing card or non-compliance with procedures will result in the card being withdrawn and in certain cases may result in disciplinary action being taken.

1.11 Supplier invoices

Invoicing requirements specified by LSBU Finance Department and Corporate Procurement must be followed by suppliers, to ensure payments are not delayed.

Invoices must only be receipted or approved if:

- (a) Goods or services have been received or undertaken in accordance with specification and are satisfactory;
- (b) The prices or charges are in accordance with the contract or order;
- (c) The invoice is arithmetically accurate and VAT has been applied at the correct rate;
- (d) Where inventories or stores records are required proper entries have been made
- (e) The department wishes for the supplier to be paid

UE.11(12)

2 Insurance

Contact Corporate Procurement for further guidance on this section of the regulations.

2.1 Cover

The LSBU University Secretary and Clerk to the Board of Governors and the LSBU Executive Director of Finance shall ensure that:

- (a) Appropriate insurance cover is provided for all aspects of SBUEL's activities;
- (b) SBUEL's insurance portfolio is reviewed annually in consultation with the University's brokers; after the Board of Governors have approved the proposed terms; and shall negotiate all claims with the University's brokers.

2.2 Tendering for insurance contracts

The contract for brokerage services (or for direct insurance services, if a broker is not used) shall be put out to open tender every five years as part of the overall LSBU insurance provision.

2.3 Cover required

The insurance covers LSBU and SBUEL for the following:

Buildings (all risks)	Engineering equipment
Contents of buildings (all risks)	Computers
Public liability	Deterioration of stock
Employer's liability	Motor fleet
Fidelity guarantee	All risks of radioisotopes
Professional indemnity	Governors' liability
Cheque signing indemnity	Playgroup activity
Personal accident (assault)	Directors and Officers Liability
Travel / personal accident (UK and overseas)	

and any other that, in the opinion of the Board of Governors, is appropriate.

SBUEL Board shall review SBUEL's activities and advise the Secretary and Executive Director of Finance if in their opinion a material risk not covered by insurance is being incurred.

2.4 Claims and Incident Reports

The Director of Enterprise shall, as a matter of urgency, notify fires, accidents or other incidents which might give rise to an insurance claim to:

- The LSBU University Secretary and
- The LSBU Executive Director of Finance

The report should give as much information as possible to include in particular:

- (a) a detailed description of the incident, its time and cause (if known);
- (b) practical consequences - particularly details of any interim measures required to cope with affect of the incident;
- (c) financial consequences, if assessable in advance of insurance appraisal.

The University Secretary and Executive Director of Finance shall:

- (a) verify the insurance of any incidents which may give rise to a claim;
- (b) submit a full claim where appropriate.

In instances where members of staff may incur loss of or damage to personal possessions and where SBUEL has no insurance cover or responsibility, claims may be considered in very exceptional circumstances provided that full details, in writing, to the University Secretary and Executive Director of Finance and support is given by the member of staff's Senior Line Manager.

UE.11(12)

3 Contracts

3.1 Signature of Employment Contracts

Employment contracts must be signed in accordance with the list of signatories authorised by the SBUEL Board.

3.2 Signature of Other Contracts

The following persons are authorised to sign other contracts on behalf of SBUEL:

Chairman SBUEL Board
SBUEL Director (also LSBU Employee)
Director of Enterprise (£50,000 and under)
Head of Procurement (£50,000 and under in the absence of the CEO)

All contract documentation in excess of £50,000 must be reviewed approved by Corporate Procurement prior to signature.

3.3 Disclosure of Beneficial Interest

A member of staff who has a beneficial financial or any other interest, whether direct or indirect, in any contract between SBUEL and a third party shall disclose that interest to the Director of Enterprise and to the Executive Director of Finance (and Corporate Procurement if is related to external expenditure). A record of the interest will be entered in the Register of Interests held by the Secretary.

3.4 Copies of Contracts

The University Secretary shall hold:

- (a) copies of all contracts
- (b) all titles, deeds and lease agreements.

3.5 Contract Performance

Holders of letters of delegated authority must ensure that all expenditure contracts within their budget area have a contract owner responsible for monitoring performance through regular meetings with the contractor. Reports of any discrepancy or failure must be completed. Corporate Procurement advice should be sought in order to assist in the management of poor contract performance and emerging risks.

UE.11(12)

Appendix 1:



Tendering

Requirements SBUJEL



Tendering

Requirements SBUJEL



Tendering

Requirements SBUJEL

Appendix 3 (Requisition exempt categories)

The following categories of spend require appropriate contracts to be put in place in accordance with competition requirements, however they do not require a purchase requisition/order to be raised:

- Accreditation Costs
- Bursary and Scholarship Costs
- Childcare Vouchers
- Contract Printing (M2 only)
- Legal Fees Associated with Compromise Agreements
- Computer Hardware (RM only)
- Courier Charges
- CRB Checks (via HR)
- Credit Card Charges
- Franchise Costs
- Funding Distribution (LSBU as Agency)
- Mobile Phone Rental (via ICT)
- Pension Costs paid to the LPFA
- Postage (via EAF)
- Rates
- Registrations on Behalf of Students
- Rent and Service Agreements
- TDA Student Placements
- Telephone Call Charges
- Utilities

Memo**To: [xxx], Director of Enterprise**

Date: [xx]

From: Board of SBUEL

DELEGATION FROM SBUEL BOARD TO THE DIRECTOR OF ENTERPRISE

This letter confirms the approval of your SBUEL budget as set out below and formally delegates authority for this budget to you.

Budget:	£M
Total Income	2,815
Total Expenditure	2,596
Operating Profit	218

If you anticipate at any time that your expenditure will be greater than budget or your income or surplus lower, you should inform The Board of SBUEL as soon as possible.

This letter also sets out the terms on which I am delegating to you the authority for the conduct of all aspects of your business. This letter replaces all previous letters of delegation and takes effect from the date above.

The terms on which I am delegating to you are as follows:

- You will at all times ensure that you and your staff are aware of University Financial Regulations and specific regulations relating to SBUEL. Unless specific provision is made in this document, LSBU policies and procedures apply to Enterprise activities carried out by SBUEL
- You are to draw to my attention any aspect of your business that might be at variance with SBUEL policies, procedures, strategies or guidelines or which might be construed as novel or contentious. You will at all times be vigilant in ensuring that there are no opportunities for, or instances of, fraud or bribery. You will also ensure that the highest standards of corporate governance and financial propriety are observed and that the requirements relating to financial management are properly complied with including compliance with financial regulations.
- You will set out the strategic direction for SBUEL in an annual Business Plan, in line with the Corporate Plan of SBUEL, and set appropriate key performance indicators.
- You will agree with The Board at the beginning of each financial year an annual budget for SBUEL, which covers at full economic cost all its expenditure and provides for an agreed contribution or surplus (both in terms of percentage and financial amount). The agreed budget for the current year is as set out above.
- You will be required to deliver financial outcomes in accordance with the agreed annual budget.

- You will in all cases and at all times ensure that funds are used for the specific purpose for which they were intended.
- You are responsible for ensuring that the Company achieves value for money from all of its activities, however they may be funded. This includes the efficient, effective and economic use of all resources.
- You will also be required to deliver non financial outcomes as set out in your Business Plan and agreed this with the SBUEL Board during the planning process prior to the start of each academic year.

Signing limits and sub-Delegation

- You personally have authority to agree to deliver contracts or commit to expenditure up to a limit of £100,000 per contract or transaction, within the annual budget and subject to compliance with Regulations regarding investment appraisal, procurement and recruitment of staff. Income or expenditure above this amount should be authorised by the Board of SBUEL.
- You may appropriately and formally delegate authority to heads of department in accordance with the recommended levels of authority below. Financial limits, per transaction, for authorization of purchase requisitions and supplier invoices will be:

▪ Head or Director of department	£50,000
▪ Cost centre manager	£20,000
▪ Other authorized staff up to	£5,000
- Within these limits, holders of letters of delegated authority are able to define the scheme of sub-delegation within their department.
- It is recognized that the department structures and job titles vary across the Company and you should seek advice from the University Financial Controller if the appropriate level of authority for a particular member of staff is unclear. Where for operational reasons these levels wish to be varied proposals must be submitted to the University Financial Controller and approved by the Board of SBUEL.

- In all cases:
 - Authorised signatory lists must be updated and forwarded to Finance
 - Any delegation is on the basis that any commitments which are entered into by your staff are fully in accord with all the requirements as stated elsewhere in this letter including full compliance with all policies, procedures, strategies and guidelines.
 - You have satisfied yourself that the individuals receiving the delegation have the necessary experience and support available to them.

Risk, governance and control

Internal control

- You are responsible for ensuring that appropriate systems of internal control are developed, maintained and complied with in your area of operation.
- You are required to engage with all forms of audit including external and internal audit and to ensure that all recommendations for improvement are implemented in accordance with agreed timescales.

Risk management

- As a member of the Board you will be Risk Champion for your area of operation and will ensure that all members of staff within your area of responsibility comply with the University's risk management strategy. Specifically you will ensure that there is an ongoing process to identify risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically. You will report immediately to me any area of significant risk which you identify.

Asset stewardship

- You should ensure that any assets physically within your care are looked after securely and marked as the property of London South Bank University. No disposals should be made without prior authorisation and any losses should be reported in accordance with the financial regulations.

Safeguarding of information

- All confidential or personal information whether relating to the University, staff or students for which you are responsible should be held securely under relevant policies and procedures and in accordance with the Data Protection and other relevant Acts.

Conflicts of interest

- When contracts are being awarded or other financially related activity undertaken you must comply with agreed procedures immediately you become aware of actual or potential conflicts of interest.

Business continuity

- You will make appropriate plans for business continuity in the event of a major incident.

Contract management

- You will comply with agreed procedures for contract authorisation/signing and management.

Insurance arrangements

- You will take responsibility (through liaison with Corporate Procurement who manage insurance arrangements on behalf of the University) for risk ownership in your area of activity and for ensuring that appropriate insurance arrangements are in place.

Health and Safety

- You are responsible for ensuring that all staff are aware of and comply with the University's agreed health and safety procedures.

Fraud and Serious weaknesses

- You are responsible for ensuring that all staff are aware of the University's fraud reporting protocols and that all incidents of suspected theft, fraud, misuse of University assets or serious weakness are reported in accordance with agreed process.

Gifts and hospitality

- You will ensure compliance with the University's gift and Hospitality policy, ensuring that all amounts in excess of £50 are reported to the secretariat.

HR matters

- You are required at all times to ensure that all personnel matters are carried out strictly in accordance with the SBUEL Human Resources Procedures.

In particular, you will ensure that:

- Recruitment deadlines are adhered to so that all pre-employment checks can be completed prior to new employees joining the university.
- Probationary assessments are completed as planned and the performance of new staff assessed.
- Performance management procedures are followed.
- Staff appraisals are conducted in line with University established deadlines.
- Payroll deadlines are met so that all staff are paid accurately and on time.

Income-Generating activities

- Income from commercial or grant funded activities should be in line with SBUEL budget and financial plan .
- You are responsible for ensuring that externally funded or commercial projects comply with agreed contractual and financial arrangements and for alerting the Finance Department of any potential and significant variations to such arrangements.

Procurement

- You will arrange for all procurement activity to be conducted in compliance with agreed SBUEL procedures, ensuring that major areas of activity are subject to appropriate competitive tender and market testing and that the company achieves real value for money in all of its spend.

- You will comply with all central procurement agreements and not make alternative arrangements without first consulting with the Head of Procurement.
- Purchase requisitions must be raised and approved to record commitment to all expenditure (unless specifically exempted in the financial regulations) using the Web requisitioning process.
- You will ensure the purchasing cards are used for the purpose for which they are intended and that all spend is in accordance with University Purchasing Card Guide and does not breach central procurement agreements.
- Expenses should only be claimed by staff in line with LSBU's Expenses policy and authorised in line with current authorised signatory forms.

Unusual or Contentious Issues

- If any cases fall outside the parameters described in the paragraphs above you must submit the case to me requesting different terms.

You are requested to:

1. Sign the attached form, confirming you have received and understand this letter of delegation and return to me within two weeks
2. Review the attached authorised signatory sheet and, if necessary complete a new sheet confirming the scheme of delegation within your area. This should be in line with the P2P authority map attached and be returned to Natalie Ferer within 2 weeks. (blank forms available on the finance section of the staff gateway)

Chair of the Board of SBUEL

Attached:

Appendix 1 Summary of levels of authority
Appendix 2 Staff declaration

South Bank University Enterprises Ltd (SBUEL)

Human Resources Procedures

1. Creation authorisation and deletion of posts on SBUEL establishment

The Director of Enterprise has the authority within the terms of their letter of delegation to create, authorise, or delete positions on the SBUEL establishment.

2. Review of Staff salaries and pension costs

The Director of Enterprise will report on staff costs and pensions costs for all staff employed by SBUEL to the Board of Directors on a quarterly basis.

3. Recruitment of Staff to SBUEL

All staff recruited into SBUEL will be selected and appointed to clearly defined and transparent job descriptions. The arrangements for recruitment will be made broadly (but not exclusively) in accordance with the recruitment arrangements operated by SBUEL's parent Company (London South Bank University).

4. Pre-Employment Checks

All employees recruited into SBUEL will have all pre-employment checks completed prior to taking up their appointment e.g. health checks, qualification checks, references and right to work in the UK.

5. Remuneration

The remuneration package for each position in SBUEL will be established prior to the commencement of recruitment. Each package will be based on commercial rates of pay and will also, in most cases (but not all) carry with it an element of incentive e.g. a bonus which would be payable on achievement of objectives.

6. Probation

The Director of Enterprise will be responsible for putting in place probationary periods of employment for each new employee and carrying out assessments during this period to

ensure that the employee meets all of the requirements for the post into which they have been appointed.

7. Maternity and Paternity leave and Pay

These will be as provided by Statute.

8. Sickness absence and pay

This will be as provided by Statute

9. Grievance and Disciplinary Procedures

These are as the Procedures for SBUEL as put in place in December 2011

10. Health and Safety

The obligations that apply to all SBUEL employees are as those as laid out in the SBUEL policy statement put in place in December 2011. The exception to this is the Director of Enterprise who is a key health and safety manager and whose specific obligations in this role are as laid out in the letter of delegation.

Executive summary

- South Bank University Enterprises Limited (SBUEL) is a wholly owned subsidiary of the University and now forms the main commercial vehicle for the generation of enterprise income.
- To enable SBUEL to enhance its capacity to increase enterprise income it has now began to recruit its own staff and will mark itself out as an employer which is commercially orientated and innovative in relation to income generation, salaries and terms and conditions of employment reflect this commercial orientation.
- There are currently 11 staff employed by LSBU in activity which is being managed by SBUEL. In order to ensure that line management matters are not “blurred” and to emphasise that all such work is commercially managed the University proposes that these staff are transferred to SBUEL. This would constitute a transfer of employment under the Transfer of Undertakings (protection of employment regulations 2006) (TUPE).
- The Board is asked to approve this proposal.

- **Proposed transfer of LSBU staff to South Bank University Enterprises Limited (SBUEL) under the statutory terms of the Transfer of Undertakings (protection of employment) Regulations 2006 (TUPE)**

1. Introduction

The HR Committee and the Board have previously noted that SBUEL is a wholly owned subsidiary company of the University. SBUEL is the first subsidiary of the University and now forms the main commercial vehicle for the generation of enterprise income for LSBU.

To this end an Enterprise Director was appointed in January 2012 in order to plan the future shape and structure of enterprise activity within the University and to lead a focussed, smart, and nimble team that will translate and develop LSBU's capabilities in order to meet the needs of external partners, and act as a catalyst for wider cultural change across the institution.

In order to enable the SBUEL team to be more enterprise focussed and competitive it was decided that SBUEL should become an employer in its own right and offer terms and conditions of employment that are more commercial in nature than those which apply in the University e.g. market rates of pay, with aspects of pay linked to achievement of business/financial targets, and different pension arrangements. This will consist of a defined contribution scheme thereby freeing SBUEL's pay bill from the LPFA defined benefits final salary scheme and the contribution the University has to pay for its own staff in relation to the deficit carried by the LPFA.

2. SBUEL as Employer

The Director of Enterprise was the first employee of SBUEL and has since been joined by a Business Development Manager and an administrator. The appointment of a Senior Business Development Manager is currently underway to lead this team.

Salaries are competitive and currently staff are offered a cash sum equivalent of 5% of their salary which is paid directly into a pension scheme of their choice. This arrangement is pending the establishment of a defined contribution pension scheme due to be put in place on 1 October 2012

Transfer of existing staff to SBUEL

In order to bolster the teams of staff engaged in enterprise support and management and in order to ensure that the team are clearly line managed within SBUEL the University proposes to initially transfer up to 11 staff from LSBU into SBUEL.

This will constitute a transfer of an undertaking under the TUPE regulations. In essence this means that staff would move to SBUEL on their existing terms and conditions of employment and salaries as at the date of transfer.

3. Risks associated with the transfer of staff

- i. The University as transferor has legal obligations to consult with trades unions and the staff affected. It is highly likely that both groups will object to the loss of LPFA pension provision, particularly in the climate of dispute which currently prevails in relation to public sector pension scheme changes.
- ii. Although SBUEL is not legally required to provide an equivalent pension scheme, if any LSBU member of staff takes the view that their total remuneration package is so materially reduced they could leave the University prior to transfer and claim constructive dismissal.

4. Mitigation of Risks

- i. Clarify with transferring staff that there is the possibility for them to earn more in terms of salary than they currently do if they sign up to a bonus scheme.
- ii. Reduce the risk of an equal pay claim by SBUEL introducing an economic, technical, or organisational reason for the need to change the terms of transferred employees to those originally employed by SBUEL or, alternatively, negotiate a one-off payment which buys out existing terms and conditions and results in agreement to move to SBUEL employment contracts.

5. Approval

To enable SBUEL to enhance its capacity to increase enterprise income and to establish it as its own employer commercially orientated and committed to

innovation and income generation, the Board is asked to approve this proposal for the transfer of LSBU staff to SBUEL at the earliest opportunity.

	PAPER NO: UE.15(12)	
Board:	Board of Directors	
Date:	26 June 2012	
Paper title:	Update on Pension Scheme	
Author:	Natalie Ferer, Financial Controller	
Recommendation:	That the Board notes the update on the pension scheme	
Matter previously considered by:	SBUEL Board	On: 28 March 2012
	LSBU HR Committee	15 May 2012
	LSBU Board of Governors	24 May 2012
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	N/A – Confidential	

Executive summary

At its last meeting the Board approved provisions of a new defined contribution scheme for SBUEL employees subject to approval from the University's Board of Governors. The proposed scheme was approved by the University's Board of Governors at its meeting of 24 May 2012.

The scheme is now in the process of going out to tender.

The Board are requested to note this update.

Heading 1

1. Paragraph 1
2. Paragraph 2

Heading 2

Sub heading

3. Paragraph 3

Sub heading

4. etc

South Bank University Enterprises Ltd

Draft Written Resolutions

Constitution

1. **THAT** the directors of the Company may authorise, to the fullest extent permitted by law, any matter proposed to them which would otherwise result in a director infringing his duty under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may be reasonably regarded as likely to give rise to a conflict of interest. **(OR)**¹
2. **THAT** with immediate effect the articles of association of the Company be amended by deleting all provisions of the Company's memorandum of association which, by virtue of section 28 of the Act, are provisions of the Company's articles of association. **(SR)**²
3. **THAT** the articles of association attached to this resolution be adopted as the articles of association of the Company to the exclusion of all existing articles. **(SR)**
4. **THAT** the Board of Directors of the Company is composed as set out below and that any amendments to this document are submitted to the University as sole member for approval. **(OR)**

Composition of the Board of Directors of South Bank University Enterprises Ltd

This document is intended to complement the Articles of Association. If the two conflict, then the Articles shall prevail.

Composition

1. The Board of Directors, when fully complemented, shall consist of the following:
 - (a) one director who is an Independent Governor of London South Bank University (the University)
 - (b) two directors who are independent non-executive directors
 - (c) The Executive Director of Finance (or equivalent) of the University (*ex officio*)
 - (d) The Pro Vice Chancellor (External) (or equivalent) of the University (*ex officio*)
 - (e) The Director of Enterprise (or equivalent) of South Bank University Enterprises Ltd (the Company) (*ex officio*)
2. The Board of Governors of the University shall have the right to amend the composition of the Board of Directors as they see fit.

Appointment

3. The Board of Governors of the University shall appoint the director under 1(a).
4. The Board of Directors of the Company shall appoint the directors under 1(b). The Nominations Committee of the University shall be asked to ratify such appointments.

¹ Ordinary Resolution

² Special Resolution

Term of Office

5. The term of office of the director appointed under section 1(a) shall be for the period of three years or until their period of office as an Independent Governor of the University shall end, whichever is sooner.
6. The term of office of the directors appointed under section 1(b) shall be for the period of three years.
7. Directors appointed under sections 1(a) and 1(b) may be reappointed for a second term.
8. The terms of office of the *ex officio* directors shall be until they cease to hold the position as specified in sections 1(c), 1(d) and 1(e) respectively.

Chairman of the Board

9. The director appointed under section 1(a) shall be the Chairman of the Board.
5. **THAT** the Schedule of Matters Reserved to the Board is approved as set out in the appendix and that any amendments to this document are submitted to the University as sole member for approval. **(OR)**

Recapitalisation

6. **THAT** with effect from the time of the passing of this resolution the directors be unconditionally authorised, pursuant to sections 549 and 551, Companies Act 2006, to allot relevant securities up to the maximum amount of £5, in accordance of Article 3(a) of the Articles of Association of the Company at any time during the period of one year from this date. **(OR)**
7. **THAT** the capital of the Company be reduced from £700,010 divided into ten shares of £1 each and with a total share premium of £700,000 to £10 divided into ten shares of £1 each and that such reduction be effected by a reduction from the Share Premium Account of £700,000. **(SR)**

Schedule of Matters Reserved to the Sole Member, Board of Directors and to Management

The following schedule sets out the matters reserved respectively to the member, board and chief executive of South Bank University Enterprises Ltd (SBUEL).

Sole Member (London South Bank University)

	Matter	Reference
1.	Power to restrict activities of SBUEL if it sees fit	Art 6.3.3
2.	Appointment of chairman of the SBUEL board	Art. 15.1
3.	Termination of directors' appointment	Art 30.2
4.	Amendments to the composition of the SBUEL Board	
5.	Amendment of SBUEL's articles of association	s.21 CA ³ 2006
6.	Change of company name	Art. 4
7.	Shares: <ul style="list-style-type: none"> • Approval of the issue of unissued shares • Authority to grant the Board power to allot shares 	Art. 6.3.2 Art. 37
8.	Winding up SBUEL	s.84(1)(b) IA ⁴ 1986
9.	Approval of contracts: <ul style="list-style-type: none"> • Budgeted expenditure above £2m • Not in the ordinary course of business or unbudgeted expenditure above £0.5m 	University Matters Reserved 5.2 & 5.3 and University Financial Regulations 9.6

Board of Directors

	Matter	Reference
10.	Approval of company strategy	

³ Companies Act 2006

⁴ Insolvency Act 1986

11.	Approval of company budgets, business plans and annual reports	
12.	Levels of delegated financial authority within the University framework	
13.	Procurement regulation	
14.	Contracting for service or product delivery	
15.	Working capital Policy	
16.	External Audit processes	
17.	Recruitment, employment and HR regulations	
18.	Surplus distribution policy / Gift Aid Policy	
19.	Establishing a system of internal control and risk management	
20.	Approval of contracts: <ul style="list-style-type: none"> • Budgeted expenditure above £100,000 and below £2m • Not in the ordinary course of business or unbudgeted expenditure up to £0.5m 	

Chief Executive

	Matter	Reference
21.	Proposing strategic proposals and budgets	
22.	Executing the strategy agreed by the Board of Directors	
23.	Signing of contracts (within authority)	
24.	Staff recruitment and remuneration	

**STOCK
TRANSFER
FORM**

(Above this line for Registrars only)

Certificate lodged with the Registrar

Consideration Money £ 0.00

(For completion by the Registrar/Stock Exchange)

Name of Undertaking.	South Bank University Enterprises Ltd.	
Description of Security.	Ordinary Shares	
Number or amount of Shares, Stock or other security and, in figures column only, number and denomination of units, if any.	Words Five	Figures (5 units of 1.00)
Name(s) of registered holder(s) should be given in full: the address should be given where there is only one holder. If the transfer is not made by the registered holder(s) insert also the name(s) and capacity (e.g. Executor(s)), of the person(s) making the transfer.	In the name(s) of Richard Flatman 103 Borough Road London SE1 0AA	

I/We hereby transfer the above security out of the name(s) aforesaid to the person(s) named below.

Signature(s) of transferor(s)

1.
2.
3.
4.

A Body corporate should execute this transfer under its common seal or otherwise in accordance with applicable statutory requirements.

Stamp of Selling Broker(s) or, for transactions which are not stock exchange transactions, of Agent(s), if any, acting for the Transferor(s).

Date

Full name(s), full postal address(es) (including County or, if applicable, Postal District number) of the person(s) to whom the security is transferred.	London South Bank University 103 Borough Road London SE1 0AA
Please state title, if any, or whether Mr., Mrs. or Miss.	
Please complete in type or in Block Capitals.	

I/We request that such entries be made in the register as are necessary to give effect to this transfer.

Stamp of Buying Broker(s) (if any).	Stamp or name and address of person lodging this form (if other than the Buying Broker(s)).
	Pinsent Masons LLP 1 Park Row, Leeds, LS1 5AB, 26440 Leeds 28 0113 244 5000

FORM OF CERTIFICATE REQUIRED - TRANSFERS NOT CHARGEABLE WITH *AD VALOREM* STAMP DUTY

Complete Certificate 1 if:

- the consideration you give for the shares is £1,000 or less and the transfer is not part of a larger transaction or series of transactions (as referred to in Certificate 1).

Complete Certificate 2 if:

- the transfer is otherwise exempt from Stamp Duty and you are not claiming a relief, or
- the consideration given is not chargeable consideration.

Certificate 1

* Please delete as appropriate I/~~XXX~~* certify that the transaction effected by this instrument does not form part of a larger transaction or series of transactions in respect of which the amount or value, or aggregate amount or value, of the consideration exceeds £1,000.

** Delete second sentence if certificate is given by transferor I/~~XXX~~* confirm that I/~~XX~~* have been authorised by the transferor to sign this certificate and that I/~~XXX~~* am/~~XX~~* aware of all the facts of the transaction. **

<i>Signature(s)</i>	<i>Description ("Transferor", "Solicitor", etc)</i>
.....	Transferor.....
.....
.....

Date
.....

Certificate 2

* Please delete as appropriate I/We* certify that this instrument is otherwise exempt from *ad valorem* Stamp Duty without a claim for relief being made or that no chargeable consideration is given for the transfer for the purposes of Stamp Duty.

** Delete second sentence if certificate is given by transferor I/We* confirm that I/we* have been authorised by the transferor to sign this certificate and that I/we* am/are* aware of all the facts of the transaction.**

<i>Signature(s)</i>	<i>Description ("Transferor", "Solicitor", etc)</i>
.....
.....
.....

Date
.....

Notes

- (1) You don't need to send this form to HM Revenue & Customs (HMRC) if you have completed either Certificate 1 or 2, or the consideration for the transfer is nil (in which case you must write 'nil' in the consideration box on the front of the form). In these situations send the form to the company or its registrar.
- (2) In all other cases - including where relief from Stamp Duty is claimed - send the transfer form to HMRC to be stamped.
- (3) Information on Stamp Duty reliefs and exemptions and how to claim them can be found on the HMRC website at hmrc.gov.uk/sd.

	PAPER NO: UE.17(12)	
Board:	Board of Directors	
Date:	26 June 2012	
Paper title:	Transfer of Shares to LSBU	
Author:	James Stevenson, Company Secretary	
Recommendation:	That the Board approves the transfer of five shares held on trust by Richard Flatman on behalf of the University, to the University	
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	N/A	

Executive summary

The five shares which the company has issued to London South Bank University are currently held on trust for the University by Richard Flatman, the University's Executive Director of Finance. The Board are asked to approve the transfer of these shares to the University.

Under Article 6 the Board has discretion to decline to register the transfer of a share.