

Meeting of the Board of Governors

9.00 am on Wednesday, 25 November 2020
in MS Teams

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
4.	External audit findings	139 - 170	FN
7.	Annual report and accounts	171 - 288	RF

Date of next meeting
4.00 pm on Thursday, 25 March 2021

Members: Jerry Cope (Chair), Michael Cutbill (Vice-Chair), Duncan Brown, John Cole, Peter Fidler, Mark Lemmon, Nicki Martin, Hilary McCallion, Mee Ling Ng, Jeremy Parr, David Phoenix, Rashda Rana, Tony Roberts, Deepa Shah, Maxwell Smith, Harriet Tollerson and Vinay Tanna

In attendance: Michael Broadway, Richard Flatman, James Stevenson and Fleur Nieboer

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Year end report 2019/20

London South Bank University

RAFT:24 November 2020

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Introduction

To the Audit and Risk Committee of London South Bank University

We are pleased to present this updated report, following our interim report on the 5 November, outlining the results of our audit of the consolidated financial statements of London South Bank University (the 'University') and its subsidiaries (the 'Group'), as at and for the year ended 31 July 2020.

This report should be read in conjunction with our audit plan and strategy report, presented on June 2020. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy. Subject to your approval of the financial statements, we expect to be in a position to sign our audit opinion following the meeting of the Board on the 25 November, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor's Report on the financial statements.

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

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

Yours faithfully,

Fleur Nieboer

25 November 2020

How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Some of the ways in which we drive audit quality are demonstrated throughout our report and include:



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Important notice

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

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

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

Purpose of this report

This report has been prepared in connection with our audit of the consolidated financial statements of London South Bank University (the University) and its subsidiaries, prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP), as at and for the year ended 31 July 2020.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

Limitations on work performed

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

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

Status of our audit

Our audit is not yet complete and matters communicated in this report may change pending signature of our audit report.

- Completion of final KPMG internal review procedures
- ~~Final confirmation from our Technical Team on the Going Concern assessment and wording of the basis of preparation note. We do not anticipate that any modifications to our opinion will arise from this and have completed our fieldwork relating to going concern.~~
- ~~Final confirmation from the KPMG pension team on the LGPS pension liability following receipt of requested documentation in relation to demographic assumptions and pension contributions from the Barnett Waddingham following discussions held with them on the 19 November~~
- ~~Receipt of bank confirmations in relation to two Lloyds accounts.~~
- ~~Agreement of accounting treatment in relation to items of bursary funding included within the South Bank College Accounts. This relates to Learning Support Funding. Our understanding is that these do not need to be disclosed as "agency" funds in the memorandum notes at the back of the financial statements and should be accounted for as income. The amount is not considered material at group level but may result in a further adjustment to the South Bank College Accounts.~~
- Receipt of signed management representation letter

Restrictions on distribution

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

Summary: Impact of Covid-19



Scepticism Challenge

Below we have summarised the impact of Covid-19 on our audit approach for 2019/20:

Area of the audit	Status	Page	Impact on Audit Approach
Financial Statements: Valuations		9	Covid-19 has the potential to have significant impacts on the valuations of investments and properties held at fair value. As the College adopted a valuation accounting policy of deemed cost as part of the FRS 102 transition there have not been any material impacts on valuations. Tangible fixed assets stated at cost less accumulated depreciation and accumulated impairment losses. There are risks relating to the correct categorisation of capital spend, useful economic lives (UELs) applied and recognition of any impairments recognised. The pandemic has not had any material impacts on these judgements.
Financial Statements: Pensions		10	For LGPS schemes, Covid-19 has increased volatility in asset markets. The net pension liability includes an estimate of the institution's share of the overall pension scheme's assets. Initial valuations are prepared based on an estimated rate of return on assets. We reviewed the appropriateness of the key assumptions made by, and validated the methodology used by, the scheme actuaries with the use of a KPMG Actuary. This includes review and challenge of the changes management made to the initial assumptions relating to discount rate and salary increases. <i>We have obtained assurance over the net pensions liability included in the Accounts.</i>
Financial Statements: Going Concern		11	Covid-19 required the University to cease some of its services in the wake of the lockdown with the UK. For 2020-21 it is expected to still have a significant impact, with tuition delivery continuing to be provided online and the potential for reduced student enrolment as well as reductions in the ability to deliver research and events as a result of social distancing. We have reviewed and challenged management's assumptions underpinning the going concern assessment. <i>The assessment has also now been reviewed by our technical team who suggested some additional disclosures in the basis for preparation note. These are now reflected in the updated Accounts.</i>
Financial Statements: Events after the reporting period		N/A	We have considered whether it is necessary to disclose any post date events from the effects of the Covid-19 pandemic on the University's operations. We have not identified any subsequent events that require adjustment or disclosure.
Financial Statements: Disclosures		N/A	With increased uncertainty impacting the University's financial statements as set out above it is important that sufficient information is provided to users of the accounts to understand how key estimates and judgments have been made and the uncertainty associated with them. We have worked with management to develop the disclosure provided within the accounting policies and notes to the accounts, especially relating to going concern.
Regularity: impact of Covid-19 on risk assessment		18	As universities were required to rapidly amend their operations in response to Covid-19 there is a risk that financial control arrangements are not maintained. Similarly, as a result of anticipated reductions in income some providers have been required to implement efficiency programmes. We have not identified any significant risks relating to regularity.

Summary of findings



Scepticism Challenge

Assessment of the control environment

Significant control deficiencies	[1]
Other control deficiencies	[2]
Prior year control deficiencies remediated	[1]

Significant control deficiencies identified during the audit related to:

- Bank Reconciliations - *there were a high number of reconciling items included across the two main Bank Accounts as at 31 July with total reconciling items exceeding 1000 lines and the 2019-20 cash balance understated by £2.9m as a result. We have recommended that the University works to clear this backlog and posts the necessary adjustments to reduce any exposure to fraud risk.*

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

Representations

You are required to provide us with representations on specific matters such as your going concern assertion. We have provided a draft of this representation letter to the CFO. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We expect to ask management to provide specific representations on the Group's need for any provision for liabilities in respect of claims against the University or its subsidiaries.

Audit adjustments

We identified nine unadjusted audit differences as a result of our audit. If corrected these would decrease net assets and surplus by £1.2m.

We identified 0 audit differences that have been adjusted.

Further details are set out in Appendix Two.

Risks

Risk change

Significant Risks

1. Revenue Recognition	No change
2. Management override of controls	No change
3. Carrying Value of Land and Buildings	No Change
4. Valuation of LGPS Pension Liabilities	No Change

5. Going Concern	Increased
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Other areas of audit focus

5. Access and participation expenditure	New
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Key accounting estimates

Net pension liability	Cautious
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Our findings

Page 6-11

- The results of testing to date are satisfactory. We consider the amount of revenue recognised to be acceptable.
- We have no issues to report in respect of this work.
- We concluded that the carrying value of land and buildings is materially correct.
- The core assumptions are within KPMG's reasonable range and we are content that the revised assumptions in relation to discount rate and salary increases. We will obtain final sign off from our Pension.

- We have reviewed and challenged assumptions underpinning the going concern assessment. We have not identified a material uncertainty relating to going concern. The technical team suggested some additional disclosures within the basis of preparation note, which are now reflected in the final Accounts.

Page 12

We have no issues to report in respect of this work.

Page 13

- We assessed the assumptions made in determining the final value of the pension liability against KPMG's benchmarks. Assumptions were found to be cautious though more balanced than the initial assumptions.

Financial statements audit – significant risks



Revenue recognition

Related risk register risks

625. Impact of Govt. Education Review on HE funding (among others, including risks related to recruitment targets and progression rates)

Significant audit risk

The risk

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

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Planned response

As presented to you in our audit plan dated June 2020 we agreed to perform the following audit procedures:

Tuition fee income (University only)

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

Funding council income

- Although we have rebutted the presumed risk of fraud from revenue recognition in respect of grant income at Group level we have remained alert to indications of fraud during the course of the audit. We have agreed the income received by the University and South Bank Colleges to the notification from the Office for Students and the ESFA and verify the amount received to cash receipts.

Outcome from audit work

– Tuition fee income

We were able to test the majority of tuition fee income using data and analytics routine with the residual population covered through a sample testing. We did not identify any errors. The results of our testing are outlined in more detail on slide 16.

- Funding council income

We were able to agree a sample of funding council income to underlying documentation to confirm the existence and completeness of income reviewed. No misstatements were identified.

The South Bank College Accounts had disclosed bursary funding which related to Learning Support Funding. Our understanding is that these do not need to be disclosed as “agency” funds in the memorandum notes and should be accounted for as income. This has been adjusted for in the College Accounts but not at Group level. Therefore, as a result both income and expenditure were overstated £557k. This has been included as an unadjusted error on page 25.

Financial statements audit – significant risks



Scepticism Challenge

Revenue recognition

Related risk register risks

625. Impact of Govt. Education Review on HE funding (among others, including risks related to recruitment targets and progression rates)

Significant audit risk

The risk

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

Page 145

Planned response

As presented to you in our audit plan dated June 2020 we agreed to perform the following audit procedures:

Research grants and contracts

Although we have rebutted the presumed risk of fraud from revenue recognition in respect of the three income streams we will remain alert to indications of fraud during the course of the audit.

For material research income we will assess whether research income has been recognised in line with the grant agreement and accounting standards, and classified in the correct reporting period.

Other operating income

We will carry out substantive procedures over other operating income based upon the nature of the income to confirm the completeness and accuracy of the income.

Outcome from audit work

Other income

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

Research grants and contracts

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

Financial statements audit – significant risks



Scepticism Challenge

Management override of controls

Related risk register risks | N/A

Significant audit risk

The risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Planned response

As presented to you in our audit plan dated June 2020 we agreed to perform the following audit procedures:

- We assessed the controls in place for the approval of manual journals posted to the general ledger.
- We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk.
- We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- We reviewed the appropriateness of the accounting for significant transactions that are outside the University's normal course of business, or are otherwise unusual.

Outcome from audit work

- As a result of our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud or management override were identified.
- No issues were noted in respect of accounting policies. There have been no significant changes to the methods used to prepare assumptions. No significant transactions that were outside the Group's normal course of business, or that were otherwise unusual, were identified.
- Management reviewed and updated the discount rate and salary increase assumptions that underpinned the initial pensions liability. This resulted in a reduction to the overall liability. We reviewed these changes and have concluded that they are appropriate. The changes are supported by review of other institutions and salary assumptions are consistent with the University's previous pay increases and long term assumptions. We also note that the initial assumptions applied were assessed by KPMG as cautious and the updated assumptions result in a more balanced estimate. Therefore, we do not consider the changes to indicate management override of controls.

Financial statements audit – significant risks



Scepticism Challenge

Carrying value of fixed assets

Related risk register risks | 37. Affordability of Capital Expenditure Investment plans

Significant audit risk

The risk

- At 31 July 2019 the Group had £295.7m of fixed assets. The University adopted a valuation accounting policy of deemed cost as part of the FRS 102 transition there are risks around the valuation, depreciation and impairment of the University's assets. The University has a significant capital programme, which comprises significant work on the London Road building, project LEAP which will include the procurement of a new student record system and CRM, and there are plans to refurbish the chapel and conduct capital work at the Skills Centre at South Bank Colleges.
- Further, South Bank Colleges has a strategy in place to review the make up of its estate which will support the College's long term financial future. It is important that the University ensures costs are capitalised appropriately and classified correctly in the Group financial statements.

Planned response

As presented to you in our audit plan dated June 2020 we agreed to perform the following audit procedures:

- Vouched the accuracy of any capital additions;
- Reviewed the appropriateness of the useful economic lives for a sample of assets and any impairments identified by the Group, the University and South Bank Colleges, and recalculated the University and South Bank Colleges depreciation figure as stated in the accounts;
- Reviewed the reconciliation that takes place between the University's fixed asset register and general ledger;
- Considered the process and controls in place for capitalising expenditure and reviewed a sample of capitalised assets to assess whether they have been appropriately capitalised at the University and South Bank Colleges;
- Assessed whether assets are presented correctly between asset categorisations (such as land, building, and equipment) and assets under construction; and
- Agreed the consolidated fixed assets note to the fixed asset notes of the University and South Bank Colleges.

Outcome from audit work

Our testing of capital additions identified a number of transactions included as negative additions to assets under construction (AUC) that related to assets that had previously been brought into use (and should now be fully depreciated).

The total amount written off in year of £692k has been included as an error on slide 24 as the amount should have been written off in previous periods.

No other misstatements were identified through our work testing of fixed assets, therefore we have concluded that balances are materially correct. We did note a number of areas where controls could be enhanced, however, and have included a recommendation on page 22.

Financial statements audit – significant risks



Scepticism Challenge

Valuation of LGPS pension scheme

Related risk register risks

3. Sustainability of current pension schemes

Significant audit risk

The risk

- Page 148
- The University and South Bank Colleges are members of the LGPS defined benefit pension scheme. The valuation of defined benefit schemes relies on a number of assumptions, most notably around the actuarial assumptions. At 31 July 2019 the net pension liability for the Group was valued at £133.5m.
 - It is critical that the assumptions reflect the profile of the University's employees and are based on most recent actuarial valuations. It is also important that assumptions are derived on a consistent basis year to year, or updated to reflect the University's current position. The value of assets within the scheme may be significantly affected by the impact of Covid-19 on investment values.

Planned response

As presented to you in our audit plan dated June 2020 we agreed to perform the following audit procedures:

- Evaluated the competency and objectivity of the Scheme actuaries
- Reviewed the input from the University into the calculation of the LGPS valuation;
- Utilised KPMG actuarial specialists to evaluate the key assumptions used in valuing the net liability;
- Agreed the total assets held in the LGPS at the year end to confirmation from the Fund's auditors;
- Reviewed the records of membership of the scheme as at 31 March 2019 and reconciled this to the membership figures used by the actuaries in the preparation of the net liability;

Outcome from audit work

- We have included our high level assessment of key judgements underlying the final liability on page 27.
- The key assumptions used in the final pension liability are within KPMG's benchmark range. We considered the assumptions used to be towards the cautious end of our range. Management subsequently updated the discount rate and salary increase assumptions. Our view is that this has resulted in a more balanced estimate, though is still considered cautious.
- We are content that the revised assumptions are appropriate. The changes are supported by review of other institutions and salary assumptions are consistent with the University's previous pay increases and long term assumptions.
- As the impact of the change in discount rate is material (a £10m decrease in the defined benefit obligation) and a change in methodology compared to previous years we have requested the University disclose the impact of this change.

Financial statements audit – significant risks



Scepticism Challenge

Going concern

Related risk register risks

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

Significant audit risk

The risk

- The Group budgeted income for 2019/20 to be approx. £176.5m across the University and the College. The Group maintains a high level of cash reserves (£47.1m at 31 July 2019). At the time of preparing this plan the University is anticipating a small impact to budgeted income due to having to refund accommodation fees for term three due to Covid-19, but still anticipates it will deliver a surplus position. The College is also expecting a small impact on the year-end outturn.
- The impact of Covid-19 remains uncertain at the time of preparing our plan, however it could lead to significant reductions in student enrolment for the 2020-21 academic year and a corresponding impact on the University's income as well as the ability to deliver teaching, research and other services.

Planned response

As presented to you in our audit plan dated June 2020 we agreed to perform the following audit procedures:

- Critically assessed the key assumptions made in determining the financial forecast for 2020/21;
- Assessed the need for borrowings during 2020/21 and the [University/College]'s forecast performance against loan covenants;
- Critically assessed the recurrent level of operating cash flows expected to be generated during 2020/21;
- Critically assessed the scenarios identified by the University resulting from the covid-19 pandemic and the University's ability to continue operations; and
- Reviewed the disclosures made by the University to explain the assumptions made in determining whether it is a going concern.

Outcome from audit work

- We have reviewed the overall financial position at the period end, and found that the forecast outturn was in line with the budgeted position once one off items were adjusted for.
- We reviewed management's assessment of going concern which supported the going concern basis of accounting.
- We critically evaluated assumptions underpinning the going concern assessment and consider that they are appropriate and downside scenario is manageable.
- **The assessment has also now been reviewed by our technical team who suggested some additional disclosures in the basis for preparation note. These are reflected in the final Accounts.**

Financial statements audit – areas of focus



Scepticism Challenge

Access and participation expenditure

Related risk register risks

None identified

Other area of audit focus

The risk

- Office for Students (OfS) registered providers were required to prepare an access and participation plan as part of their registration conditions with the OfS. These include a plan of how much will be invested by the provider in widening participation activities.
- From 2019/20 onwards providers are required to include a note to the accounts to set out the level of investment that has been made in widening participation activities.
- Access and participation expenditure is required to be analysed in four categories: access investment; financial support provided to students; support for disabled students; and research and evaluation.

Planned response

As presented to you in our audit plan dated June 2020 we agreed to perform the following audit procedures (note any that changed as a result of findings at interim etc):

- Determined how the provider has identified the expenditure that has been incurred in delivering the access and participation plan during the year;
- Critically assessed the methodology in place for analysing expenditure between the categories of access and participation expenditure;
- Tested a sample of expenditure items in order to assess whether they correctly relate to expenditure on access and participation; and
- Verified that required disclosures as set out within the Accounts Direction have been accurately made.

Outcome from audit work

- We have reviewed how the provider has identified the expenditure that has been incurred in delivering the access and participation plan during the year and critically assessed methodology in place for analysing expenditure between the categories of access and participation expenditure, including allocation of staff costs. We consider the methodology used to be appropriate.
- We have tested a sample of expenditure items in order to assess whether they were correctly related to expenditure on access and participation.
- Testing has not identified any misstatement.

Financial statements audit - judgements



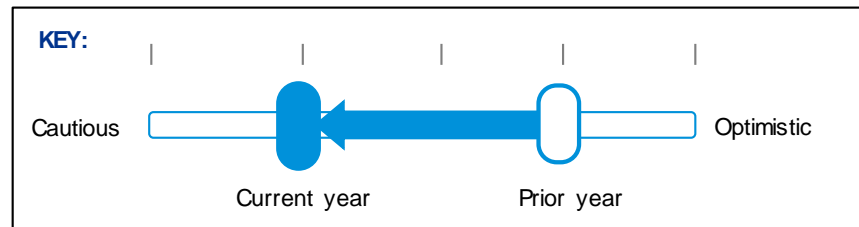
Scepticism Challenge

This slide has been updated following adjustments to the net pension liability in the final accounts, to incorporate updates to the discount rate and salary increase assumptions.

Our view of management judgement

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

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



Asset/liability class	Our view of management judgement			Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates			Further comments
	Cautious	Neutral	Optimistic			Needs improvement	Neutral	Best practice	
Valuation of net pension liability				181	52				Our review of the actuarial assumptions in the prior year to July 2019 concluded that the assumptions were slightly cautious at both a Group and University. For the current year to July 2020 our initial assessment of the assumptions was that these were, overall more cautious than in the prior year and when compared to the central assumptions considered by our actuarial specialists. Management subsequently reviewed and changed the actuarial assumptions relating to the discount rate and salary inflation assumption. Our final assessment is that the assumptions remain cautious but have moved towards a more balanced position.

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Financial statements audit – audit misstatements



Scepticism Challenge

A summary of the uncorrected audit misstatements is detailed on page 23. There are no adjusted audit misstatements.

The misstatements identified, and their estimated financial impact on the surplus, are summarised in the table on the right.

The most significant disclosure misstatements relate to

- Various corrections to the pensions note disclosures
- Additional disclosures in relation to Covid 19 risks and impact on the going concern assessment

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

Key comments

If the uncorrected factual audit misstatements were posted, they would increase the surplus by £1.2m

- For our views on management estimates – see Page 13. We identified that pension liability was cautious.
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in Appendix Two.

Audit misstatements – Surplus

	Type	£'000	Comment
Reported in FS		(1,357)	Surplus
<i>Uncorrected misstatements (see page 23)</i>			
Cash Balance	Factual	(2)	Net impact of a high number of reconciling items included on the year end bank reconciliations that should have been posted in 2019-20
Review of AUC	Factual	(692)	AUC balances written off in year that should have been expensed in prior period
LGPS pension contributions	Factual	(575)	The pension calculations used an estimated contributions rather than actual contributions.
USS pensions liability		383	Error in initial model used.
LGPS Pension Scheme Liability (SBC)		(359)	Over provision relating to this year less reversed in prior year
Our assessment		(2602)	Surplus

Financial statements audit - other matters



Scepticism Challenge

Annual report

We have read the contents of the Annual Report and checked compliance with the requirements of the Annual Report and financial statements with the Accounts Direction published by the Office for Students. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Annual Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements. As Governors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the University's performance, business model and strategy.
- The Statement of Corporate Governance and Statement of Internal Control were consistent with the financial statements and comply with the guidance set out within the Accounts Direction, including the addition of new required disclosures introduced in the Accounts Direction for 2019/20.

In the course of our audit work we assessed the quality of your disclosures in the Statement of Corporate Governance in relation to covid-19 in addition to assessing the quality of disclosures generally. We have requested additional disclosures in the Corporate Governance Statement provide a clear description of the nature of the impact on the business model and strategy, the impact on financial performance and forecasts, the principal risks arising from Covid-19 and how these are monitored.

Independence and Objectivity

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

Other matters

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

Reconfirming materiality

We can confirm that we have completed all our audit work to the materiality that we proposed at the planning stage of the audit, which was a total performance materiality of £3.3m with an audit differences posting threshold of £140k.

Audit Fees

Our fee for the audit was £121,564 plus VAT (£99,866 in 2018/19). Our audit work is ongoing and additional procedures have been required in some areas, including those related to the pension assumptions. We will provide confirmation of our final fee once we have concluded our audit for the Group. We have also completed non audit work during the year on tax compliance services and have included in Appendix 5 confirmation of safeguards that have been put in place to preserve our independence.

Financial statements audit - data and analytics



Using our KPMG Clara data and analytics solution we have analysed all tuition fee transactions, developing an expectation of the fees to be charged to each student based on their profile in the registry system and comparing it to the actual amounts charged for the year. 77% of revenue transactions during the period were recorded in line with our expectations. Exceptions were largely due to records that could not be recalculated due to complexities in the inputs or records where the expected fee income was different to that recorded. These have been followed up as described below and no misstatements identified.

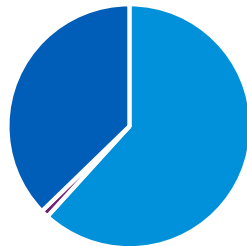
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Analysis performed

KPMG obtained a download of all 2019-20 students enrolled on the registry system. The expected fee was calculated based on business rules from the registry system. This was compared to the actual amount charged for each student.

Results

Analysis of Exceptions



- Records with Complexities
- No corresponding student record
- Differences from expected fee income

We obtained a download of all student records from the registry system. Our data and analytics incorporated 23,152 students enrolled during the year, covering total student tuition fees of £114m. We developed an expectation of the fees to be charged based on the student details recorded within the registry system. Our analysis estimated that the value of fees expected to be charged was £107m. There was a variance between our expectation and the actual fees charged of £7m.

We investigated the differences between our expectation and the actual fees charged as set out below:

- Records with Complexities – we identified 9,233 students representing £9.1m of tuition fee income where there was a recorded fee but it could not be recalculated due to complexities within the inputs. These exceptions are mainly caused by partially attending students whose fees are recorded in a different manner to other students. We have tested a sample of these students to confirm that fee income had been correctly recorded.
- Differences from Expected Fee income – we identified 2,120 students representing £17.0m of tuition fee income where there were differences between the expected fee and recorded fee. These exceptions are largely caused by apprentice students who were not included with the fee matrix and students who are in receipt of a discount on their fees. We tested a sample of these students to confirm that fee income had been correctly recorded.
- No corresponding student record – we also identified 46 students representing £0.1m of recorded fee income where there was a recorded fee but there was no corresponding fee recorded. These exceptions are largely caused by students who had been excluded and therefore no longer on the record.

Insights

- We have been able to provide audit assurance over 77% of the tuition fees recorded in the accounts through our data and analytics, increasing the assurance available to the Audit and Risk Committee over the accuracy of the recorded figures.
- We have also assessed the controls in place for the accurate calculation and recording of tuition fee income. We found these to be well designed.



South Bank Colleges

For the year ended 31 July 2020 we have undertaken the statutory audit of South Bank Colleges. South Bank Colleges is an exempt charitable company limited by guarantee. We have carried out our audit on the College pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group Accounts. A separate report will be presented to the company's Audit Committee providing detailed results of our audit.

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Planned response*Significant risks*

As set out in our audit plan presented on June 2020 we recognised significant risks relating to:

- Revenue Recognition
- Going Concern
- Management Override of controls
- Valuation of Pension Liability
- Valuation of Fixed Assets

Outcome from audit work*Findings in response to significant risks*

- Revenue Recognition – we agreed all grant income to funding agreement which resulted in a conclusion that funding income was completely and accurately stated. Our sample testing of tuition fee income and year end testing found that transactions were recorded in the correct period.
- Going Concern – we did not identify any issues through this review .
- Valuation of Pension Liability – we concluded that the key assumptions were within KPMG's benchmark range. **We consider changes to the initial assumptions to be reasonable.**
- Management override of controls – we did not identify any instances of management override.
- Valuation of Fixed Assets – we identified one item of capital expenditure £23k within our sample test that had been expensed in year. No other misstatement were identified.

We raised two unadjusted misstatements, relating to correction of capital expenditure £23k that had been expensed in year and a classification error between prepayments and creditors.



SW4

For the year ended 31 July 2020 we have undertaken the statutory audit of SW4.

We have carried out our audit on SW4 pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

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

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Planned response*Significant risks*

As set out in our audit plan presented on we recognised significant risks relating to management override of controls and fraud from revenue recognition.

Outcome from audit work*Findings in response to significant risks:*

- *Management override – as a result of our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud or management override were identified.*
- *Fraudulent Revenue Recognition - We did not identify any instances of fraudulent revenue recognition through testing of SW4 income.*

We raised one audit adjustment relating to a posting error where SW4 staff costs were posted to SBC. As a result payroll liabilities were understated by £12k. The intercompany debtor was also understated by the same amount. This is to be corrected in the final accounts.

SBUEL

For the year ended 31 July 2020 we have undertaken the statutory audit of SBUEL.

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

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

Planned response*Significant risks*

As set out in our audit plan presented on we recognised significant risks relating to management override of controls and fraud from revenue recognition.

Outcome from audit work

- Management Override of control – we have not identified any instances of management override.
- Fraudulent Revenue Recognition – we identified two misstatements. There were several invoices raised on 31/7/2020 amounting to a total value of £33k which related to August 2020. This has not yet been adjusted. We also identified that adjustment to provide for 90% of all sales ledger debts still outstanding had not been processed. These were subsequently corrected and we do not consider these to indicate fraudulent revenue recognition.

Use of funds



Scepticism Challenge

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

Risk assessment	Controls	Substantive procedures
<p>We compared the financial performance for the year to budget and the cause of variances. No issues raised.</p> <p>We reviewed the University's correspondence with the Office for Students during the year. We have not identified a use of funds risk through this.</p> <p>We reviewed the reports produced by internal audit during the year to consider whether there were any matters raised that may demonstrate funds were not used appropriately. We noted that there were a number of critical recommendations raised during the year relating to core financial systems including payroll, accounts payable, journals approval. However, these did not result in funds not being spent in line with funding conditions and do not impact on our use of funds opinion. Within our audit we did not place reliance on any of these such controls and have instead performed substantive testing over the income, expenditure, debtors and creditors balances as a result.</p> <p>We confirmed that there are appropriate policies and procedures in place, including provision of whistleblowing and anti-fraud and bribery requirements.</p>	<p>We assessed whether there were appropriate controls in place for the management of expenditure, including findings from our payroll and non-pay expenditure work. We did not identify any controls deficiencies that impacted the use of funds opinion.</p> <p>We confirmed that an up to date register of interests was in place and whether there had been any transactions with related parties during the year. No risks were identified relating to transactions with related parties.</p>	<p>As part of our substantive audit procedures we undertook sample testing of research income and expenditure. We confirmed that expenditure incurred against funding received was utilised for appropriate purposes/comment on any exceptions identified and impact.</p> <p>We reviewed a sample of manual journals posted during the year to verify that they were appropriate and that controls had operated as expected.</p> <p>From our journal substantive testing at South Bank Colleges, we identified a payment of £2,500 that was made to an employee legal cost. We found that the College had not completed assessment as to whether this was in line with funding agreement prior to payment. KPMG is of the opinion that the College is not allowed to make such payments out of the funding received from ESFA, and that this falls outside the remit of the College. As no other issues were identified in respect of use of funds we consider this to not be material misuse of funds, therefore there is no impact on the audit opinion.</p>

We have not identified any matters that would require us to modify our opinion in respect of use of funds.



Appendices

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Recommendations raised and followed up

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

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

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Page 159	1	<p>Bank Reconciliations</p> <p>There were a high number of reconciling items included on the two main bank accounts as at 31 July 2020 with total reconciling items across the two statements exceeding 1000 lines and the 2019-20 cash balance understated £2.9m as a result. We understand that the high level of reconciling items resulted from a backlog of transactions following an issue whereby card payments had initially been processed to the old bank accounts, compounded by staff absence.</p> <p>We recommend that the University works to clear this backlog and posts the necessary adjustments to reduce any exposure to fraud risk. The University should ensure that there are appropriate processes in place to complete reconciliations on a timely basis going forward.</p>	<p>ICT, supported by an external supplier is working to deliver a solution to the problems the team have had with posting and reconciling bank transactions. Work is underway and was originally due to be completed by the end of July but has proved to be more complex than thought. The project team now have a detailed understanding of the data and expect to be able to start testing. A revised date is shown as 30 November to allow time to full test the solution and ensure that it facilitates the accurate posting and reconciliation of bank transactions.</p> <p>Responsible: Natalie Ferer/Julian Rigby Due Date : 30th November 2020.</p>

Recommendations raised and followed up



#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
2	2	<p>Management of Fixed Assets</p> <p>We identified a number of areas in which controls around management of fixed assets could be enhanced:</p> <ul style="list-style-type: none"> - We recommend that the process for undertaking an annual impairment review is formalised, and considers the full University estate. This was not in place in advance of the year end audit, though we note that the review was subsequently completed. We recommend that management ensures formal process are in place to complete and document the impairment review. This review should consider each of the indicators of impairment listed in FRS 102 section 27.0. - Given the extent of capital works currently being undertaken both at University and Group level, we further recommend that this review also includes balances held within AUC. This should include consideration of impairment and whether any assets are now brought into use. Our testing of capital transactions identified a number of negative additions relating to assets that had previously been brought into use (and should now be fully depreciated), thus highlighting failure to review AUC balances on a timely basis. The £692k written off in year has been included as an error on slide 26. - At the time of our interim audit in June South Bank College had not processed capital additions due to workload, and while an exercise was subsequently performed at year end we did identify one addition below our reporting threshold that was not included. We recommend that processes are put in place to ensure assets are capitalised on a timely basis. 	<p>Agreed, the recommendation will be implemented in full</p> <p>Responsible: Natalie Ferer</p> <p>Due date: June 2021 for 2020/21 year end</p>
3	2	<p>Journal Approval</p> <p>An automated approval workflow is in place for all G6 journals. However, as the user is required to select the type of journal, if the journal type G6 is not selected the automated approval workflow is not triggered. Management have introduced a review of non-G6 journals on a monthly basis, however due to workload we did not see evidence that this had operated throughout the period. We recommend that the review of non-G6 journals on a monthly basis is reintroduced. This should be reviewed by the Financial Controller or Head of Financial Accounting to provide assurance that the control has operated effectively.</p>	<p>In line with the GL journal procedure, the team will continue to monitor use of the unapproved G5 journals which will be reviewed retrospectively and cases on non compliance addressed. will be reviewed to ensure someone in the Financial Accounting team carries out this task each month.</p> <p>Responsible person : Sally Black/Rebecca Warren</p> <p>Due date: December 2020</p>

Recommendations raised and followed up



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

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
2	0	2

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (November 2020)
1	2	<p>Impairment review</p> <p>Management's review of buildings to assess whether they show signs of impairment has historically focused on the Clarence Centre as the only building held for commercial purposes. Given the extent of capital works being undertaken both at University and Group level the University will maintain an increased number of assets for varying purposes.</p> <p>We recommend that the process for undertaking the annual impairment review is formalised, and considers the full University estate. Management should consider each of the indicators of impairment listed in FRS 102 section 27.9 to consider whether any indicators apply as part of this process.</p>	<p>Agreed</p> <p>The entire estate will be reviewed at least annually for impairment and this process will be documented as a financial procedure.</p> <p>Responsible officer: Natalie Ferer</p> <p>Due date: 31 January 2020</p>	<p>Superseded</p> <p>We did not see evidence of formal process for undertaking the annual impairment review prior to the year end audit. See recommendation #2 on slide 23.</p>
	2	<p>Review of pension assumptions</p> <p>The pensions assumptions used by Barnett Waddingham are derived by qualified actuaries based on a number of factors. The judgement involved in forming these assumptions and the size of the University's pension liability mean that a small variance could result in a material impact on the financial statements.</p> <p>Management currently present the assumptions used in the calculation of the pension provision to the Audit Committee for approval, however this does not contain detail on the extent to which management has challenged the assumptions to ensure they are appropriate for LSBU. We recommend that management document in more detail the precision with which they review the pensions assumptions and challenge the actuaries on the assumptions they have set. Specifically, they should perform an assessment of membership numbers to ensure that the rolled forward number and assumptions applied are in line with current year figures. Additionally, management should challenge the actuary on their estimate of the return on investment to determine if there would be a material impact if actual data as received subsequent to year end was used.</p>	<p>Agreed</p> <p>We will continue to review the indicative assumptions final assumptions used by the actuaries to ensure that they are appropriate to the University and subsidiaries, including use of estimates as they impact on returns on investments.</p> <p>Responsible officer: Natalie Ferer</p> <p>Due date: 30 June 2020</p>	<p>Ongoing</p> <p>We note that management have reviewed and challenged assumptions included in this year's pension Accounts where there is a material impact on the Accounts.</p> <p>Management in particular have challenged the discount rate and pay increases after reviewing against other relevant assumptions.</p> <p>However, management also needs to put in place a framework for reviewing assumptions on a consistent basis.</p>

Audit differences



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Risk Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit and Risk Committee, details of all adjustments greater than £140k are shown below:

Unadjusted audit differences (£'000)					
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments	
Page 162	1	Dr Cash		2,968	There were a high number of reconciling items included on the year end bank reconciliation that should have been posted in 2019-20 but were not, as a result cash was understated.
		Cr Creditors		(562)	
		CR Debtors		(699)	
		CR Deferred Income		(1,705)	
		CR Grant Income	(31)		
		DR Exchange Losses	16		
		DR Other Expenditure	13		
	DR Retained Earnings		692	Our testing of capital additions identified a number of transactions included as negative AUC additions that related to assets that had previously been brought into use (and should now be fully depreciated). The total amount written off in year of £692k has been included as an error as the amount should have been written off in previous periods, therefore expenditure in year is overstated and prior year expenditure (brought forward retained earnings) understated.	
	CR Expenditure	(692)			
3	DR Creditors (deferred income) > 1 year		310	South Bank Colleges - £310k should have been released against Deferred Capital Grant > 1 year rather than TU Advances < 1 year. As a result there was a disclosure error with Capital Grants overstated £310k in version 1.	
	CR Creditors (deferred income) < 1 year		(310)		
4	DR Payable		462	South Bank Colleges - Classification error resulting from the incorrect invoice being issued by LSBU to SBC. A credit note was not issued by year end so expenditure was moved to 7005 which maps to prepayment.	
	CR Accrued Income		(462)		

Audit differences (continued)



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Risk Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit and Risk Committee, details of all adjustments greater than £140k are shown below:

Unadjusted audit differences (£'000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
5	DR Pension Assets CR Pension Costs	(575)	575	The pension calculations used an estimated contributions figure based on August to April contributions rather than actual contributions for the year. This has resulted in a cumulative understatement of £576k to the Pensions Assets.
6	DR Expenditure CR USS pension liability	383	(383)	A prior year model was used to calculate the USS Provision. When updating their calculations using the newer model an adjustment is needed to increase liability £383k.
Page 163	Dr Liability CR Expenditure	(359)	358	South Bank Colleges: Made up of £564k over provision relating to this year less £205k adjustment in the previous year that reversed in this year.
	DR Expenditure CR income	557 (557)		South Bank Colleges: Free School meals and Student Learner Support bursaries had been held on the Balance Sheet but should be recognised as income as there is deemed control. This has been corrected in the College Accounts but not at Group level.
9	DR Other Creditors CR Income DR Income CR Deferred Income	(91) 91	91 (91)	South Bank Colleges: 5% admin fee in relation to bursaries that should be released to income but retained on the Balance Sheet, plus reduction in release of ESFA income to reduce deficit.
10	DR Operating Expenditure CR Staff Costs	2435 (2435)		South Bank Colleges: Sub-contractor costs relating to partnership arrangements had been included in staff costs but consistent with previous years should be added.
Total		1245	1245	

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Risk Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. There are no corrected misstatements.

Required communications with the Audit and Risk Committee



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

Type	Status	Response
Our draft management representation letter		Our draft representation letter is included for the Committee's review. We have requested additional representations relating to: to the best of the Group's knowledge, no provision expense is required in the group accounts in respect of the claim brought against South Bank Colleges.
Adjusted and unadjusted audit differences		We have provided a summary of audit differences in Appendix Two.
Control deficiencies		We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit. Details of our recommendations are provided in Appendix One.
Related parties		There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit and Risk Committee		There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Actual or suspected fraud, non-compliance with laws or regulations or illegal acts		No actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Significant difficulties		No significant difficulties were encountered during the audit.
Modifications to auditor's report		None anticipated however our work on going concern has not yet concluded.
Disagreements with management or scope limitations		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information		No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. We have provided a summary of our findings on page [9].
Breaches of independence		No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices		Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed		There were no significant matters arising from the audit.



The table below has been updated to reflect adjustments to the pensions liability following changes to the discount rate and salary increase assumptions.

With the triennial valuation impacting the financial statements for the year ending 31 July 2020 and volatility in asset values associated with the impact of covid-19 it is important that the University has appropriately assessed the assumptions used to value the net defined benefit pension obligation.

The table below shows the movement in the net pension liability from 31 July 2019:

Liability	31 July 2020 (£'000)	31 July 2019 (£'000)
Present value of funded liabilities	(376,181)	(324,227)
Fair value of plan assets	205,817	205,757
Net pension liability	170,364	118,470

Source: draft financial statements

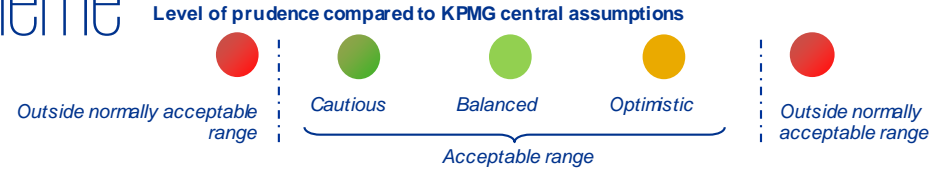
* Excluding unfunded obligations totalling £10,684k in 2019-20 (£10,885 in 2018-19)

Assumptions

We have set out our updated findings from our review of the final assumptions used by the actuary on the following page. The scope of this report is restricted to a review of the assumptions adopted for determining the value of the pensions obligations under FRS102 only. In our view the overall set of assumptions initially proposed by the employer could be considered to be cautious relative to our central rates for a typical UK scheme with a duration of 20 years but within our normally acceptable range. Management subsequently updated the discount rate and salary increase assumptions. Our view is that these have resulted in a more balanced estimate, though is still considered cautious.

Pensions – Local Government Pension Scheme

We have presented below our updated assessment of the actuarial valuation assumptions. This has been updated since our initially report to take into account any changes that are made by management as noted earlier in our report.



Employer: London South Bank University		OVERALL ASSESSMENT OF ASSUMPTIONS FOR FRS 102			
Fund: London South Bank University – LGPS participation		The overall set of assumptions proposed by the Employer can be considered to be cautious relative to our central rates for a typical UK scheme with a duration of 20 years but within our normally acceptable range.			●
Fund Actuary: Barnett Waddingham					<i>cautious</i>
Assumption	College	KPMG central	Commentary	Assessment vs. KPMG central	
Discount rate	1.50%	1.42%	The Employer's updated assumption is considered to be within our normally acceptable range.	●	
Pension Increases	2.25%	2.00%	The Employer's proposed assumption is considered to be balanced and within our normally acceptable range.	●	
Salary increases	3.00%	In line with long-term remuneration policy	The Employer's updated assumption is considered to be inline with their best estimate of salary increases and is within our normally acceptable range.	●	
Mortality – Base tables	Club vita curves	In line with best estimate fund experience	The life expectancies are consistent with those used in the most recent LGPS valuation and can be considered acceptable.	●	
Mortality – Future Improvements	CMI2018 projections model, 1.25% long-term trend rate, smoothing parameter of 7 and initial addition of 0.5%	CMI 2019 projections model, 1.25% long-term trend rate and default smoothing and initial addition parameters	The Employer has updated the mortality base table assumptions as at 31 July 2020 following analysis undertaken by the Fund Actuary for the Fund valuation as at 31 March 2019. The proposed assumptions are considered to be cautious but within our normally acceptable range.	●	
Other Demographics	In line with most recent Fund valuation	In line with Fund experience	The Employer has updated the demographic assumptions other than mortality in line with the most recent Fund valuation as at 31 March 2019. The assumptions are considered balanced and within acceptable range.	●	

Audit independence



Component of audit (all fees exclude VAT)	2019/20	2018/19
Audit services – statutory audit		
Financial Statements Audit	£55,935	£55,000
Going Concern/Covid 19 Impact (Group)	£15,000	£-
Access and Participation Expenditure	£5,000	£-
Auditing of accounts of South Bank Colleges	£40,680	£40,000
Auditing of accounts of SW4 Catering Ltd	£2,034	£2,000
South Bank University Enterprises (SBUEL)	£2,915	£2,866
<i>Sub-total</i>	<i>£121,564</i>	<i>£99,866</i>
Non-audit fees		
Covenant compliance	£6,000	£6,000
Subsidiary tax computations	£4,950	£6,475
All other assurance services	£29,850	£33,850
All other non-audit services	£40,800	£34,500
Total fee for Group	£162,364	£180,691

The ratio of non-audit fees to audit fees for the year was 0.3: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

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

We will confirm our final financial statements audit fee upon conclusion of our audit work.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

KPMG person present) and can make meeting room bookings subject to certain

Other relationships

Number 20

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

■ Steve Balmont

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

Confirmation of audit independence

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

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

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

Yours faithfully

KPMG LLP

Audit independence



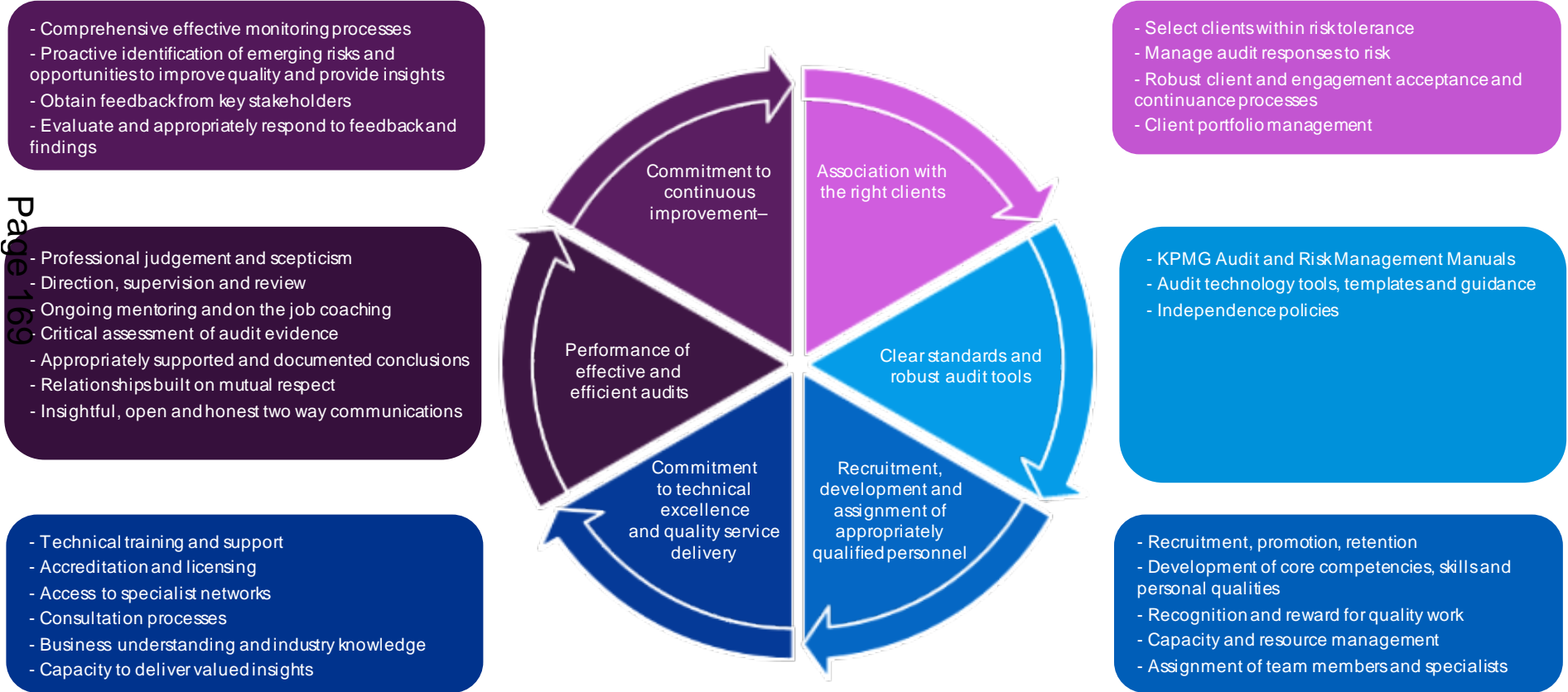
Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table (costs inclusive of VAT). *we are confirming final non-audit fees and will provide an update in our Final Audit Completion Report.

Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the YE 31.07.2020
Covenant Compliance	<ol style="list-style-type: none"> Self Interest Self Review Management 	<ol style="list-style-type: none"> The fee for the work is not dependent on the compliance with the covenants, and is not material to KPMG or LSBU. The work will not involve the preparation of any financial information which will be subject to review. LSBU will be responsible for preparing the covenant compliance statement. 	Fixed fee	£6,000
Advice in relation to the AT group	<ol style="list-style-type: none"> Management Advocacy 	<ol style="list-style-type: none"> KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice. The service will be provided by KPMG professionals who are not members of the audit team. 	Fixed fee	£10,000
Subsidiary tax computations	<ol style="list-style-type: none"> Self-review Management 	<ol style="list-style-type: none"> The service will be provided by KPMG professionals who are not members of the audit team. KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice 	Fixed fee	£4,920
International tax services	<ol style="list-style-type: none"> Self-review Management 	<ol style="list-style-type: none"> The service will be provided by KPMG professionals who are not members of the audit team. KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice. 	Time and Materials	£19,850

KPMG's audit quality framework



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



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kpmg.com/socialmedia



kpmg.com/app



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	INTERNAL
Paper title:	Annual Report and Accounts for year ending 31st July 2020
Board/Committee:	LSBU Board
Date:	25 November 2020
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group Chief Financial Officer
Purpose:	For Approval
Recommendation:	That the Board approve the Annual Report and Accounts.

Executive Summary

The Report & Accounts for the year ending 31st July 2020 is presented here for approval.

These accounts have been reviewed by Group Audit and Risk Committee and a number of changes have been made as a result of this review and following completion of the audit of these accounts by KPMG. These changes are shown as track changes to the front end of the accounts. Changes to the Excel section of the accounts are listed in appendix A

KPMG Audit and Management Letter

The audit of the accounts by KPMG is now complete and their final Audit Report is presented to the Board as a separate paper.

Recommendation

The Board is asked to approve the attached draft Report and Accounts.

Appendix A – Changes to Excel section of accounts

statement of changes in reserves	changed presentation to agree to total comprehensive income in statement of comprehensive income and expenditure
Cashflow statement	Addition of analysis of net debt
Note 1 – income	Correction of pension grant income
Note 8 – staff numbers	Update staff numbers analysis
Note 8 – Governors	Correct remuneration of staff governors note
Note 8a – audit fees	Correct analysis of audit fees
Note 9	Addition of taxation figure
Note 15 – creditors	Correct allocation of creditors due within and after one year
Note 20 – provisions	Correction of figures in note
Note 28 B – USS scheme	Update assumptions used for calculation of provision
Note 28 C – LPFA scheme	Update disclosure of assumptions used for calculation of pension deficit. Update of costs forecast for 2020/21 Correct casting of movement in pension liability Addition of sensitivity analysis
Throughout	Correction of minor typos and formatting



EST 1892



EST 1892

Report and Financial Statements

31 July 2020

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Strategic report

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- ~~— Access and Participation plan statement~~
- ~~— Public Benefit Statement~~
- ~~— Principal risks and uncertainties~~
- ~~— Financial Review~~
- ~~— Subsidiaries~~
- ~~— Going Concern~~
- ~~— Environmental Reporting~~
- ~~— disclosure of information to auditors~~
- ~~— Auditors~~
- ~~— directors report~~
- ~~— approval~~

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Strategic Report

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages ~~21-29~~ and the members of the Board of Governors during the year ended 31 July 2020 are listed on pages ~~2~~ and ~~3~~. The Governors are also directors under the Companies Act 2006.

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

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

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

- Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

BDO LLP
Arcadia House
Maritime Walk – Ocean Village
Southampton
SO14 3TL

Bankers

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

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

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2020 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Duncan Brown	
Mr John Cole	
Mr Michael Cutbill	

Mr Douglas Denham St Pinnock (Vice Chair)	Resigned 22 February 2020
Professor Peter Fidler CBE	
Professor Hilary McCallion CBE	
Ms Nelly Kibirige	Resigned 30 June 2020
Mr Mark Lemmon	
Dr Mee Ling Ng OBE	
Ms Nicola Martin	Appointed 1 April 2020
Mr Jeremy Parr	
Ms Rashda Rana	
Mr Tony Roberts	
Ms Harriett Tollerson	Appointed 1 July 2020
Ms Deepa Shah	
Mr Max Smith	Appointed 1 July 2020
Mr Nazene Smout	Resigned 30 June 2020
Mr Vinay Tanna	

Principal Officers:

Members of Group Executive:

Name	Position
Professor David Phoenix	Vice Chancellor and Chief Executive
Professor Patrick Bailey	Provost
Richard Flatman	Group Chief Financial Officer
Professor Paul Ivey	Deputy Vice Chancellor and Chief Business Officer
Deborah Johnson	Pro Vice Chancellor – Education (appointed 20 April 2020)
Nicole Louis	Chief Customer Officer
Marcelle Moncrieffe-Johnson	Chief People Officer
Fiona Morey	Executive Principal Lambeth College / Pro Vice Chancellor Compulsory and Further Education
James Stevenson	Group Secretary
Warren Turner	PVC Health and Social Care (appointed 1 st April 2020)
Professor Shân Wareing	Chief Operating Officer and Deputy Vice Chancellor (Education) (resigned 31 October 2019)

A separate Corporate Governance Statement is shown on pages [19-2622-29](#).

Objectives and Activities

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

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

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

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

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

LSBU Group

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

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

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

The acquisition arose out of a strategic decision to create an educational group which could more broadly serve the local community and which reflects the University's long-standing commitment to transforming lives, businesses, communities and society. We continue to explore opportunities for development of the Group, including through additional further education colleges and schools, and are actively developing a new Technical College based in Vauxhall-, and opening a new university campus in the London Borough of Croydon in September 2021

Responding to the Covid-19 Pandemic

In line with Government guidance, the LSBU campus was closed from late March until early July when the university commenced a phased re-opening. During that time staff worked to ensure that all students were able to complete their courses by moving teaching online and developing assessment methods, including exams, which could be completed and submitted electronically.

For the start of 2020/21 academic year, the University has moved to a hybrid model of teaching delivery. While some core curriculum material, traditionally delivered by lecture, will be provided online in Semester 1, the institution has

also committed to providing on-campus activity to all of our students – creating the opportunity for them to meet their tutors and peers regularly and to access specialist facilities such as labs and health suites for hands-on activities as required. The University has made a significant investment in new software for facilitating online teaching as well as moving to collate remote delivery resources for each course onto our Virtual Learning Environment, Moodle. This has included digitising resources, purchasing digital versions of resources where not previously held by a department or finding alternative resources where digital versions were not available. All academic staff have received basic upskill training in digital delivery and the University has subsequently conducted a thorough training needs analysis to see where further support is required by our teaching staff.

Each year, LSBU trains thousands of healthcare professionals to work in NHS Trusts across London and further afield. During the spring peak of the 2020 Covid-19 pandemic, over 500 LSBU student nurses contributed to ensuring the continuity of health and care services. Many members of staff also made significant contributions including assisting with the establishment of the NHS Nightingale Hospital London, involving the creation of the clinical skills and simulation training facility, and providing ‘up-skill’ training to nurses and doctors to enable them to work in intensive care environments.

Mission

The mission of LSBU is to be recognised as an enterprising civic university that addresses real world challenges. In 2020, the University launched its new Corporate Strategy 2020-2025.

The strategy has four key outcomes:

- **Student success:** Ensuring we are externally recognised for providing a personalised and high calibre education which equips graduates for employment and prepares them to make a positive contribution to society.
- **Real world impact:** Ensuring we provide dynamic evidence-based education which is underpinned by highly applied research and enterprise activity.
- **Access to opportunity:** Building opportunity through partnership: ensuring we are actively widening participation, engaging with our communities and are a partner of choice.
- **Fit for future:** Ensuring we operate as one customer-centred organisation, which is accountable, efficient and effective.

2019-20 has seen a number of important strategic developments and some positive outcomes for LSBU Group. Highlighted below are key updates and examples of our work underpinning our core corporate objectives:

Student Success

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

- LSBU has been named University of the Year for Graduate Employment for an unprecedented two years in succession (The Times and Sunday Times Good University Guide 2018 & 2019).
- LSBU’s graduate prospects score is the third highest in London and fourth highest in the UK (Complete University Guide 2021).
- LSBU is in the Top 12 UK universities for graduate starting salaries at one year after graduation [Longitudinal Education Outcomes Data 2017-18] (Published 2020)
- LSBU was named in the QS list of top 150 universities under 50 years old (QS Top Universities 2019)
- LSBU is ranked 68th in the Guardian League Table of UK universities (The Guardian University League Tables 2020)
- LSBU has again featured in the Times Higher Education (THE) World University Rankings.
- LSBU was ranked 26th among UK apprenticeship training providers on Rate My Apprenticeship 2019-20.
- Based on National Achievement rates for the further education sector, Lambeth College is now ranked 43rd out of 172 colleges in England.
- Lambeth College Nursery came third at the Nursery World Awards 2019.

South Bank Academies providing support under lockdown

South Bank UTC used its 3D printers as part of a collective effort by UTCs around the country to provide the NHS with frames for protective visors as part of the response to the Covid-19 pandemic.

Students at UAE Southbank collected over 50 sets of goggles from the school's science labs and delivered them to NHS staff at Lewisham and Greenwich NHS Trust, who needed vital personal protective equipment.

UAE Southbank distributed more than 100 Chromebook laptop computers, as well as providing dongles and data to those with poor or no internet access, in order to ensure all pupils had the necessary equipment to access learning from home, during lockdown.

The Academy also linked up with School Food Matters to provide healthy breakfast boxes throughout the summer for struggling families in the school community so that all students were able to start their day with a healthy meal.

Academic Recognition

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

- Professor Basu Saha was honoured with a highly prestigious Hind Rattan Award 2020, by the NRI Welfare Society of India at the 39th International Congress of NRIs. The "Hind Rattan" is one of the highest Indian diasporic awards granted to non-resident persons of Indian origin (NRIs) by the NRI Welfare Society of India.
- Gill Foster, Head of Performance Arts, won the 'Drama Inspiration Award' at the Music & Drama Education Awards 2020. The judges described Gill as "a force of nature" due to her passion and dedication to the Arts.
- Professor Shushma Patel, Director of Education and Student Experience, in the School of Engineering, was made a National Teaching Fellow by AdvanceHE in recognition of her work to improve student outcomes.
- Professor Graeme Maidment was awarded £400k funding from InnovateUK to support the development of the second Green Smart Community Integrated Energy Systems (Green SCIES 2)
- Dr Seven Harput was awarded a grant by the Royal Society to develop new ultrasound transducer technologies and selected to showcase his work in the Engineering Sciences Session of STEM for BRITAIN 2020 at the Houses of Parliament.
- Professor Simon Philbin, was appointed to serve as the 2019/20 President of the American Society for Engineering Management (ASEM).
- Research into Nursing Discharge Assessment for people with learning disabilities, conducted by Professor Eddie Chaplin, was awarded £100k by the Burdett Trust for Nursing ~~for his research into Nursing Discharge Assessment for people with learning disabilities.~~
- —Lambeth College's Performing Arts team was shortlisted in the 'Best Teaching & Learning Initiative 2018/19' of the Times Education Supplement (TES) FE Awards for the design and delivery of their Level 2 and 3 courses, which engaged students with internal and external partners through Twitter and cross-departmental collaborative projects.

Real World Impact

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

- LSBU was given a 5* rating in the QS World Rankings 2021
- LSBU has ~~agreed the launch of~~ launched a new joint research and innovation centre with the world-renowned Building Services Research and Innovation Association (BSRIA). The BSRIA-LSBU Innovation Centre (BLIC) ~~will support~~ supports building services in the construction sector by promoting collaborative research between LSBU's School of Architecture and the Built Environment (BEA) and BSRIA.
- The University's Clarence Centre for Enterprise and Innovation has been ranked in the top 15 worldwide of university-run business incubators. (UBI Global World Rankings 2017/18).
- The Clarence Centre for Enterprise and Innovation is the University's hub for enterprise and innovation providing workspaces for more than 60 businesses that engage ~~with~~ in curriculum development, guest lecturing, student engagement and research projects. Over the last year our tenant community produced £100m combined income, created and safeguarded 50 jobs and raised £6.5m in finance.
- 73% of LSBU research is rated 3* and 4* for Impact in the most recent Research Excellence Framework (REF 2014). LSBU has commercial research partnerships with over 150 British SMEs and major companies including Sellafeld, London Underground and FitFlop.

- In 2016 LSBU was named Entrepreneurial University of the Year at the Times Higher Education Awards.
- The University continues to host three research centres at TWI: the Polymeric Materials Engineering, Research and Innovation Centre (PolyMERIC); the Advanced Resin and Coating Technologies Innovation Centre (ARCTIC) and the London South Bank Innovation Centre (LSBIC).

Applied research with local and international impact:

Our internationally renowned researchers this year contributed to the understanding of a number of economic and social issues.

- Dr Charles Graham has produced footfall assessments to advise the relocation decisions of 73 independent traders affected by the Elephant and Castle Shopping Centre redevelopment. In addition, The Landmark Group, who operate 30 million square feet of retail space and employ 55 ~~thousand,000~~ people in 22 countries, have adopted this same model to support a number of store location decisions across the world.
- In response to the Covid-19 erisispandemic, Professor Nicki Martin has developed guidance on supporting autistic pupils and students to learn at home while under “lockdown”. The guidance is being implemented by three local authorities and a Multi Academy Trust as well as being utilised as a thinking task for MA students at: Birmingham, Strathclyde, Sheffield, Sheffield Hallam and London South Bank Universities.
- Dr Perry Xiao has pioneered the use of Opto-thermal transient emission radiometry technology which he has successfully translated into two commercial products, AquaFlux and Epsilon, now marketed by LSBU spin-out company, Biox Systems Ltd. The number of Biox customers has increased from about 70 organizations in 2013 to more than 200 organizations in 2019, generating total sales of about £2.4m in the same period. AquaFlux and Epsilon are now being used in 21 hospitals in the UK, Europe, China, South Korea, Australia and USA.

Passmore Centre

In November 2018 the University opened the Passmore Centre for Professional and Technical Education. The Centre, made possible by a £5m grant from Southwark Council, is a hub for professional and technical education and provides access for local people and businesses to high quality apprenticeships and other forms of employer-supported study. The opening of the Centre was linked to further investment of £7m, including £3m from HEFCE, in LSBU’s laboratory facilities to enhance its professional and technical offer. Since its opening, the University now has over 1500 higher and degree apprentices enrolled on over 40 apprenticeship standards, making us one of the leading providers in the country.

LSBU’s Clarence Centre for Research and Enterprise

LSBU is home to over 70 small businesses, start-ups and entrepreneurs, based across three sites: Technopark, Blackwells and the Clarence Centre for Enterprise and Innovation. In 2017/18 the Clarence was ranked 2nd in the UK, 4th in Europe and 15th globally for innovative business development in the UBI’s Global 2018 world rankings. Over the last year our tenant community produced £100m combined income, created and safeguarded 50 jobs and raised £6.5m in finance.

Mayor’s Construction Academy Hub

In 2019 LSBU was awarded the London Mayor’s Construction Academy Quality Mark. The University was then selected as the only higher education institution in the capital to lead and host a skills training and employment hub under the programme. LSBU’s new construction skills hub is one of seven within London and is the product of a collaboration between LSBU and Southwark, Lambeth and Lewisham Councils. Since its opening, the MCA-LSBU hub has engaged with 764 employers and provided more than 2529 independent advice and guidance sessions.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed. LSBU is ranked in the top 200 universities in the world for Social Impact and 23rd in the world for reducing inequality (Times Higher Education Impact Rankings 2020)

Supporting adults to achieve basic skills

Lambeth College receives funding from the Adult Education Budget each year largely in order to provide these learners with a second chance – teaching Entry Level 1 functional skills through to GCSEs in Maths and English. The courses are provided as flexibly as possible – including part-time, short-courses and teaching at evening and weekends – to ensure as many local residents as possible are able to benefit. In 2019/20 the College supported 1,326 adults to achieve a Maths and/or English qualification. For many of them, this will have been one of their first experiences of achievement – attributable in part to the consistent and focused support the College provides.

In addition to this, the College teaches ESOL (English for Speakers of Other Languages) courses at its Brixton Centre – providing an opportunity for those who have recently moved to the UK (including refugees) to achieve a sufficient level of English, as well as knowledge about life in the UK and British values, to enable them to integrate into society. Upon completing the course, many learners go on to follow careers in areas such as health and social care, utilising skills and qualifications they acquired in their home countries. 1,630 people completed ESOL courses at the Brixton Centre in 2019/20.

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

LSBU is the leading HE provider of ERDF funded business and innovation support programmes in London. LSBU is currently delivering 7 programmes covering a range of sectors from health tech to food tech. Through these programmes over the next 3 years we aim to support over 1500 SMEs, create 140 jobs, bring over 250 new products/services to firms/markets and create over 170 long term collaborations with innovative SMEs.

Local Stakeholders

LSBU plays a key role in the community, working closely with borough councils, schools, businesses and other organisations to provide local residents and employers with the education, skills and knowledge they need. LSBU also supports its local communities across many other areas including health and wellbeing, legal advice, business growth and secondary education.

In 2019 LSBU signed an agreement with London Borough of Lewisham for the first time, signifying continued collaboration over the coming years. In 2020 the University renewed its Memorandums of Understanding with the London Boroughs of Lambeth and Southwark, reflecting the long-term collaborative relationship enjoyed with these institutions. This approach to civic engagement is being further embedded within the institution with one of the four strands in the University's 2020-2025 Strategy being dedicated to Civic Impact.

International

LSBU's collaboration with the British University in Egypt (BUE) offers an exemplar for transnational education partnerships in practice. As the largest collaboration in the MENA region, the University validates 24 undergraduate and postgraduate courses for over 4,500 students. LSBU also has joint supervisions for PhD students, engages in shared research activities, and has developed a range of Study Abroad and Summer School opportunities enabling student mobility in both directions.

LSBU's world-leading Confucius Institute delivers Chinese language teaching to over 60 schools, conducting education, research and business engagement with Chinese universities and institutions and acting as a hub of cultural and academic activities. It is the largest Confucius Institute in the world, and one of the largest Chinese language testing centres in Europe. In 2019/20, 13,251 students directly benefitted from Mandarin language and Chinese culture lessons. Between 2017/18 and 2019/20, the CI has also provided 161 Chinese Cultural performances; 52 workshops, attended by over 25,000 people; and four art exhibitions attended by over 300 people.

Fit for Future

The University is making targeted investments into our staff and both virtual and physical infrastructure and processes, helping to ensure we operate as one customer-centred organisation, which is accountable, efficient and effective.

- In April 2020 the University was awarded an Athena SWAN Bronze Charter, by professional membership body ~~Advance HE~~ ~~AdvanceHE~~, for achieving a strong foundation in addressing gender bias and developing an inclusive culture that values all staff within the University.
- The University was accredited as a Mayor of London's Good Work Standard Employer, the first UK University to receive this accreditation.
- We've seen our gender pay gap steadily reduce from 13.25% in 2009 to 5.2% in 2018/19 – significantly out-performing the higher education sector as a whole.

LEAP

As a key enabler for LSBU's 2020-25 Strategic Plan, LEAP impacts all of the University's operational strategies to a greater or lesser degree. It is into its second year of a 5-year transformation programme. A revised business case for the programme was signed off by the Board of Governors in May 2020. At its heart is the desire to create a distinctive student experience underpinned by transformation in technology, processes and ways of working as an organisation. The University has agreed to lead on the deployment of an enterprise Customer Relationship Management System, and to supplement this with an upgrade to the University's Student Record System. Work to date has been about discovery and design, and ~~it is anticipated the~~ technical build ~~will begin~~ ~~began~~ in late summer 2020.

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

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

Campus Development

The University is undertaking an ambitious redevelopment plan to positively transform the campus for everyone who uses it. Upon completion in summer 2021, the renovated London Road building will become a new Learning Hub including a Library and Learning Resources space, space for group work, quiet space, open access computer rooms, bookable study rooms with AV, small group work rooms and a reconfigured Academy of Sport and catering facilities. The building will also provide a new cycle park with changing, locker and shower facilities.

Vauxhall Technical College

As part of the University's ambitions to create new pathways into higher technical qualifications for local residents, we have developed plans to create a new Technical College in Vauxhall. Financial support for the project has been secured from the GLA's Skills for Londoners Capital Fund.

LSBU Croydon

In September 2021, the University will open a new campus in the London Borough of Croydon. With a healthcare focus, LSBU Croydon will help the NHS tackle a severe shortage of nurses across south London and the Gatwick triangle. The campus will also provide business courses, giving students easy access to the thriving Croydon business community as well as global links via Gatwick airport just 15 minutes away.

External Environment

Over the last 5 years, the period of our 2015-20 corporate strategy, the educational and political environment has changed rapidly and much of the effect is still to be felt fully. The Higher Education Act 2018 made substantial changes, including opening the door to a wider range of education providers. The longstanding higher education funding council (HEFCE) was replaced by a new regulator (the Office for Students), whilst research funding has been transferred to a separate body (UKRI), threatening links between teaching, research and enterprise. Now, following the Review of Post-18 Education (known as the "Augar Review") further and higher education funding and structures may well be reviewed again.

As we prepare to embark on our 2020-25 corporate strategy, these changes are potentially dwarfed by the impact of Brexit and the ~~COVID~~Covid-19 pandemic. These and their economic, social and political ramifications are likely to destabilise the higher education sector very significantly. At this time however, there is also greater recognition of the value and vulnerabilities of those sectors of society and employment to which LSBU Group contributes very substantially, particularly around health and social care. There has also been a growing acknowledgment of the importance of professional and technical education, as evidenced by developments such as the Apprenticeship Levy, T-Levels, the review of Levels 4 and 5 education and recognition of the need to invest in further education. This provides a great opportunity to promote our work and our strengths, which are increasingly recognised. However, the pandemic also requires that we improve our online provision both for education services and for student support activities. Leap has already met some of the requirements for better online support for our non-academic interactions.

Through this next period of change there will be many challenges; but there will doubtless also be opportunities. We will need to evolve to ensure that what we do is aligned with the rapidly changing environment, whilst continuing to differentiate ourselves through providing a high quality and truly applied academic environment linked to employers. We will continue to strive to be globally recognised whilst continuing to be locally embedded – to be and to be seen to be an enterprising civic university that addresses real world challenges – a university that truly transforms lives, communities and business.

As LSBU's current 5 year strategy comes to an end, we have prepared a new strategy for 2020-2025. This builds on the strong foundations of the previous strategy, whilst evolving to make the most of the opportunities our new group offers to set even more ambitious objectives and create even greater benefits for all our stakeholders.

This strategy comprises the same three shared educational outcomes as our 2015-2020 strategy: Access to Opportunity, Student Success, and Real World Impact. These are supported by a new outcome, Fit for the Future, which highlights the need for us to adapt to the digital world, our new organisational structure and changing stakeholder expectations.

LSBU: Access and Participation Plan statement 2019-20

As part of LSBU's registration with the Office for Students in September 2018, an Access and Participation Plan for the 2019-20 academic year was approved by the OfS and made publicly available by LSBU on our website: ~~<https://www.lsbu.ac.uk/about-us/policies-regulations-procedures>~~ (file held here) ~~https://www.lsbu.ac.uk/data/assets/pdf_file/0017/132254/access-participation-plan.pdf~~.

In the plan, we assessed our performance across access, student success, and progression, set out our ambition and strategy, and outlined our intended activity and measures supported by an investment summary which demonstrated our commitment to our overarching mission of social mobility.

~~As set out later in the financial accounts, we~~ We spent a total of £4,396,183 across the 2019-20 academic year across four categories: access investment, financial support provided to students, support for disabled students, and research and evaluation. This figure both meets and exceeds the commitment we set out in our investment summary: we had projected a total spend of £3,581,200. Our actual investment in access activity exceeds our Access and Participation Plan commitment by over £0.8 million.

During 2020, LSBU joined the world in responding to the Covid-19 pandemic. We were keenly aware of the disproportionate direct and indirect impact coronavirus was having on many of the student groups already identified as facing disadvantage. We rapidly responded with an increased package of targeted emotional, safety, practical, study, and financial support, considering the needs of students most vulnerable to the effects of the pandemic. For example, the direct financial support distributed to students within the 2019-20 academic year was £446,320, an increase of ~~123% more than our intended~~ 23% above the investment we had originally planned to make.

The total investment has supported the delivery of our plan this year across both general and targeted access, success and progression activity, including active research to eliminate the race awarding gap through our What Works programme, widening participation and outreach, specialist support services, an expanded mental health team, enhanced transition and study skills, financial student support, care experienced and estranged student support and commitment to the StandAlone pledge.

LSBU: Access and Participation Plan investment summary 2019-20

Access and participation plan investment summary (£)	Actual spend: Academic year 2019-20
Access investment (access, success, progression)	£3,671,237
Financial support provided to students	£446,320
Support for disabled students	£250,990
Research and evaluation	£27,636
Total investment	£4,396,183

(Investment plan from 2019-20 Access and Participation Plan)

<i>Access and participation plan investment summary (£)</i>	<i>Investment plan: Academic year 2019-20</i>
<i>Access investment</i>	<i>£1,288,000</i>
<i>Success investment</i>	<i>£1,431,900</i>
<i>Progression investment</i>	<i>£661,300</i>
<i>Investment in financial support</i>	<i>£200,000</i>
<i>Total planned investment</i>	<i>£3,581,200</i>

London South Bank University (charity) Public Benefit statement

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

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

Charity Commission Guidance on Public Benefit

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

Charitable Objects

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

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

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

LSBU advances education for the public benefit by:

- providing teaching to its students in the form of lectures, seminars, personal tuition and online resources;
- delivering many courses accredited by recognised professional bodies, full and part time;
- setting and marking assessments, giving feedback to students and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

LSBU promotes research and the dissemination of knowledge by:

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

LSBU provides support and services for students through:

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

Beneficiaries

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

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at LSBU are open to anyone whom it believes has the potential to succeed. Throughout its history, LSBU has enabled wider access to education. Its 2020-2025 Strategy, sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; access to opportunity. The fourth key area; fit for the future, recognises the need for LSBU to adapt to the digital world, its new organisational structure and changing stakeholder expectations.

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

The University has one “linked” exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £862,387 on 31 July 2020 (31 July 2019: £854,880). The funds are managed with the aim of securing capital growth and an annual income. In 2019/20 the income received was £16,192 (2018/19: £30,910). The income is allocated for distribution by the University’s Hardship Panel to students in financial difficulty.

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

The University also contributes to the wider public benefit through the publication of research. The University performed well in the current Research Excellence Framework (REF 2014), with the majority of its research graded as “Internationally Excellent” and “Recognised Internationally”. LSBU is committed to Open Access, sharing scholarly works with industry, the professions and wider public through LSBU Research Open and providing an Open Access Fund to pay Open Access publication costs.

LSBU is London’s largest university contributor to community-based enterprise, evidenced by involvement in some £15m of ERDF and ESF projects. In addition, the University is in the top two of all London universities for the number of Knowledge Transfer Partnerships run with local businesses and enterprises. The commitment to local enterprise education and SME development is recognised internationally, from working with refugee groups across south London to operating commercially in Borough Market.

Principal risks and uncertainties

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

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

Risk Category	MitigationsRisk	Controls and Mitigation
Financial	<u>Sustainability of current pension schemes</u> OfS Thresholds not met in relation to Condition of Registration B3	<ul style="list-style-type: none"> <u>Regular review and consideration of potential options for future provision, including the modelling/ scenario analysis of future costs and projected movements in assets & liabilities</u> <u>Group defined contribution scheme established</u> <u>Strict controls over early access to pensions</u>
	Impact of Govt. Education Review on HE funding <u>Sustainability of current pension schemes</u>	<ul style="list-style-type: none"> <u>Strategic direction in relation to professional and technical curriculum</u> Development of Group and increasing apprenticeship provision <u>Regular review and consideration of potential options for future provision, including the modelling/ scenario analysis of future costs and projected movements in assets & liabilities</u> Group defined contribution scheme established Strict controls over early access to pensions
	Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets	<ul style="list-style-type: none"> <u>Weekly review of numbers by Marketing, Admissions & Communications leadership team</u> <u>Monthly review of Admissions & Enrolments report</u>

		<ul style="list-style-type: none"> • Monthly review of financial forecasts and prudent assumptions included in forecasts of assumed efficiency savings Strategic direction in relation to professional and technical curriculum • Development of Group and increasing apprenticeship provision
	Anticipated international & EU student revenue unrealised	<ul style="list-style-type: none"> • Weekly review of numbers by Marketing, Admissions & Communications leadership team • Monthly review of Admissions & Enrolments report • Monthly review of financial forecasts and prudent assumptions included in forecasts of assumed efficiency savings
	Financial Impact of Covid-19 (student refunds/accommodation)	<ul style="list-style-type: none"> • Regular Monthly review of Admissions & Enrolments report • Monthly review of financial forecasts and prudent assumptions included in forecasts of assumed efficiency savings impact of covid-19 • Cost control measures, if required
Affordability of Capital Expenditure investment plans Legal Compliance	<ul style="list-style-type: none"> • Data security and data protection Capex reporting embedded into management accounts provided to Finance, Planning and Resources Committee • Estates project methodology controls & governance <p>Financial Regulations require Board approval for spend greater than £2m</p>	<ul style="list-style-type: none"> • Data Protection working Group • Dedicated resource in the shape of Data Security and Data Protection Officers
Academic Activity	<ul style="list-style-type: none"> • OfS Thresholds not met in relation to Condition of Registration B3 Data analysis to academic staff including progression • Study support provided by Library & Learning Resource Centre <p>Transform student experience through LEAP</p>	<ul style="list-style-type: none"> • Monitoring of performance against OfS thresholds in relation to condition B3
	Affordability delaying capital investment	<ul style="list-style-type: none"> • Capex reporting embedded into management accounts provided to Finance, Planning and Resources Committee • Estates project methodology controls & governance • Financial Regulations require Board approval for spend greater than £2m Regular monitoring of covid-19 recovery plan and progress against it • Cost control measures
	Progression rates don't increase	<ul style="list-style-type: none"> • Increase data analysis to academic staff including progression • Study support provided by Library & Learning Resource Centre

		<ul style="list-style-type: none"> • <u>Transform LEAP programme, review of student experience from prospect to Alumni</u> • <u>NSS project, evaluating approach to the improvement of the student experience through LEAP</u>
	Unable to deliver recovery plan from Covid-19	<ul style="list-style-type: none"> • <u>Regular monitoring of Covid-19 recovery plan and progress against it</u> • <u>Cost control measures</u>
Reputation	Impact of assurance activity & new initiatives fails to address issues around student experience <u>Capability to respond to change in policy or competitive landscape</u>	<ul style="list-style-type: none"> • <u>LEAP programme, review of student experience from prospect to Alumni</u> • <u>NSS project, evaluating approach to the improvement of the student experience</u>
	<ul style="list-style-type: none"> • <u>Alignment of estate with sector requirements across the Group</u> • <u>Regular review of financial impact of covid-19</u> • <u>Cost control measures, if required</u> 	<ul style="list-style-type: none"> • Group wide estates strategy, aligned with professional and technical curriculum needs • Creation of Employer Advisory Board, to ensure facilities in line with sector/industry standards
	<ul style="list-style-type: none"> • <u>Capability to respond to change in policy or competitive landscape</u> • <u>Review process of external returns, contributing to league table performance</u> • <u>Projects relating to core league table measures of national student survey and graduate outcomes</u> 	<ul style="list-style-type: none"> • Development of the 2025 strategy, with input sought from multiple stakeholders • Regular performance assessment in sector context

	<u>League table rank deterioration / reputational impact</u>	<ul style="list-style-type: none"> • <u>Review process of external returns, contributing to league table performance</u> • <u>Projects relating to core league table measures of national student survey and graduate outcomes</u>
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Financial Review

Ralph to provide Balance sheet and liquidity

The Group's net assets decreased by 33.8% during the year moving from £126.4m to £83.7m, a decrease of £42.7m.

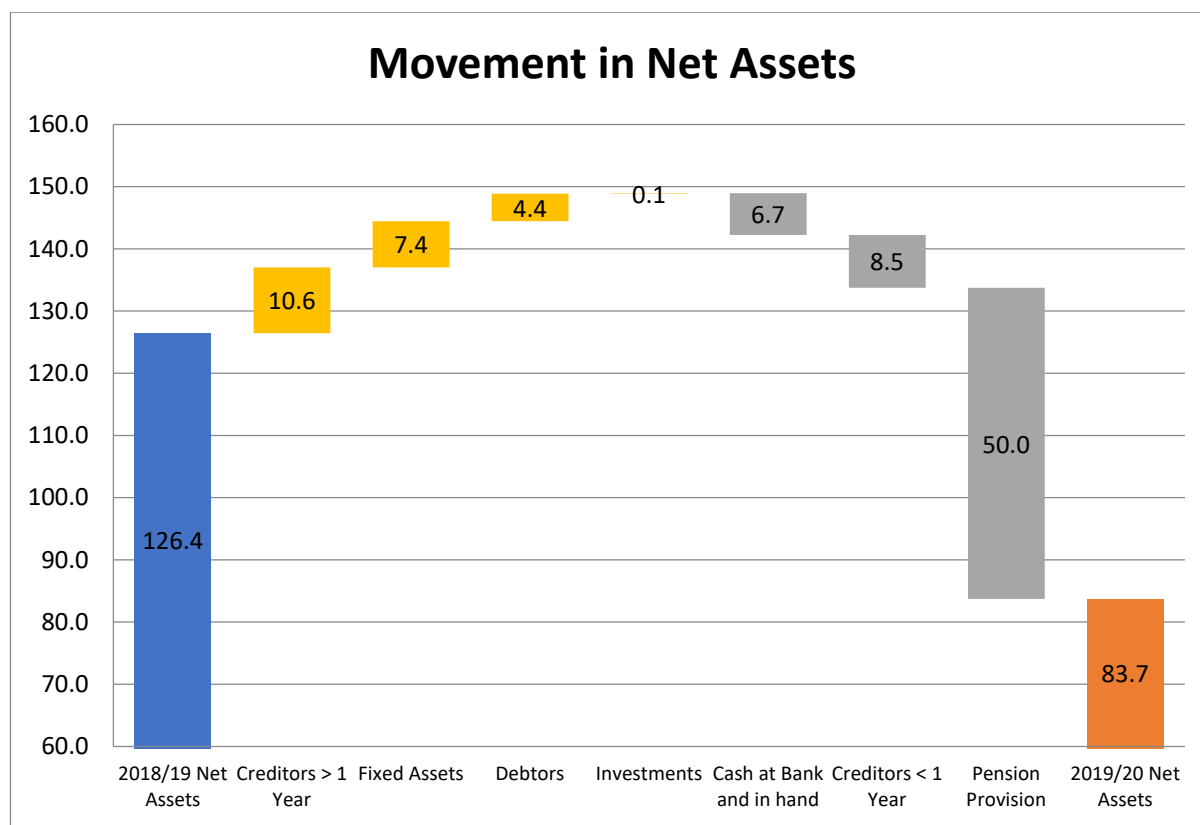
The key movement was the change in the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme. Without this, the Group would have increased its net assets.

With regard to other changes in net assets, the amount owed to creditors falling due after more than one year reduced by £10.6m to £69.1m. £2m of this reduction is due to a decrease in outstanding bank loans, £2.5m of the reduction relates to other long term creditors at Lambeth College with the remainder being a reduction in deferred income.

There was a small increase in our fixed assets totalling £7.4m as we begin to capitalise some of the estate development at LSBU's Southwark campus. There was also an increase in debtors to the group totalling £4.5m. £3.4m of the increase is due to an increase in trade debtors with the remainder being an increase in prepayments and accruals. There was also a slight increase in the investment portfolio.

In terms of negative movements in net assets, cash and cash equivalents decreased by £6.7m to fund the developments in the estate. There was an increase in creditors falling due within 1 year of £8.5m due to an increase in deferred income

and investments in both the LEAP programme and London Road that are due to be paid in 2020/21. Finally as mentioned above, the largest movement of £50m relates to increases in our pension provisions.



The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits, including investments, decreased from £58.8m at 31 July 2019 to £52.2m at 31 July 2020 whilst Bank and other loans decreased from £36.4m at 31 July 2019 to £34.5m at 31 July 2020 reflecting the loan repayments made during the year.

The level of borrowing facilities is reviewed on a regular basis and is considered adequate to meet current operational plans. The University has also agreed a revolving credit facility of £30m, which will provide a degree of added flexibility with regard to liquid assets as we continue to invest in the LSBU Group estate.

Result for the Year

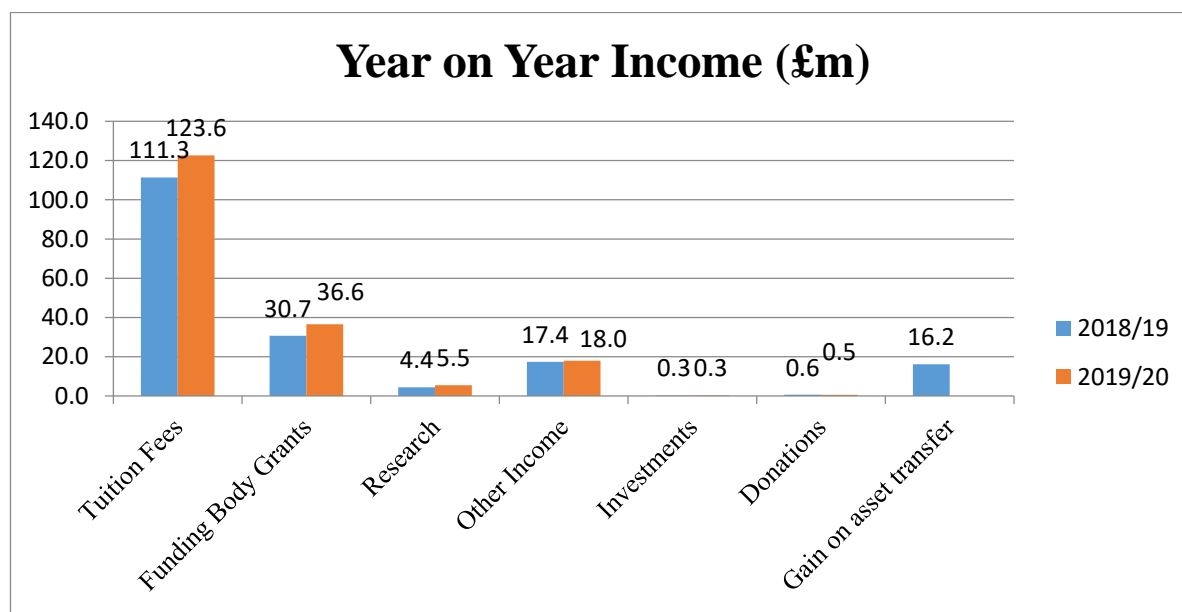
<u>Financial Summary in £m</u>		<u>Variance from 2018/19 £m</u>	
	<u>2019/20</u>	<u>2018/19</u>	
-			-
<u>Income including asset gain</u>	<u>184.5</u>	<u>181.0</u>	<u>3.5</u>
<u>Expenditure</u>	<u>183.1</u>	<u>161.8</u>	<u>21.2</u>
<u>Surplus for the year</u>	<u>1.4</u>	<u>19.3*</u>	<u>-17.9</u>
<u>Surplus %</u>	<u>0.8%</u>	<u>10.7%</u>	-

*Includes profit arising as a result of asset revaluation on the transfer of Lambeth College to the LSBU Group. The normal operating group surplus in 2018/19 was £3.1m.

The operating surplus of £1.4m for LSBU and SBUEL is broadly comparable with the agreed LSBU budget surplus of £1.5m and the forecast surplus of £1.5m submitted to the Office for Students (OfS) as part of their monitoring processes and to the ESFA as part of the ongoing monitoring of the Lambeth College transaction.

This is a reduction from the £3.1m operating surplus achieved in 18/19 (before the one off gain on asset transfer of £16.2m) but is considered a strong result in the context of Covid-19, the continuing investment being made by the University and the recruitment challenges across the sector, particularly with regard to changes in the full time undergraduate demographic and the continuing decline of the part time student market.

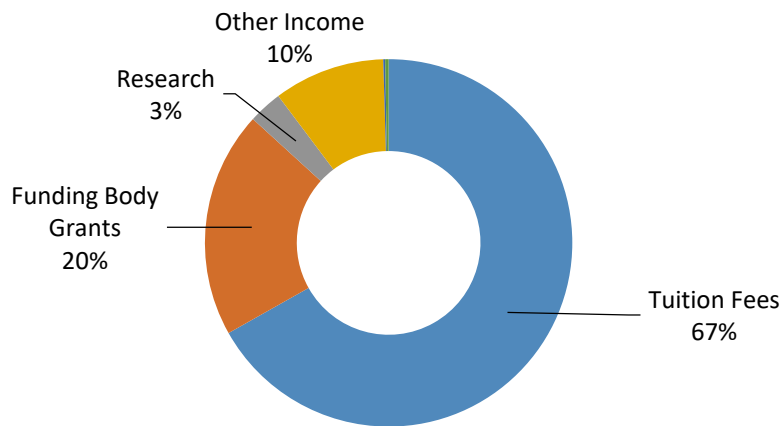
The increase in costs across the group is due to this year being the first year of full consolidation of SBC with the Group. In 2018/19, there was only 6 months of activity at SBC that was consolidated as the date of transaction was Feb 1 2019.



Total income for the group increased by 1.9% (£3.5m) to £184.5m (2018/19: £181.0m). This represents the first full year of SBC results, which explains the increase in Funding Grants. The increase in Tuition Fees was driven by additional student numbers at the University. Last year there was a gain on the transfer of assets to SBC of £16.2m.

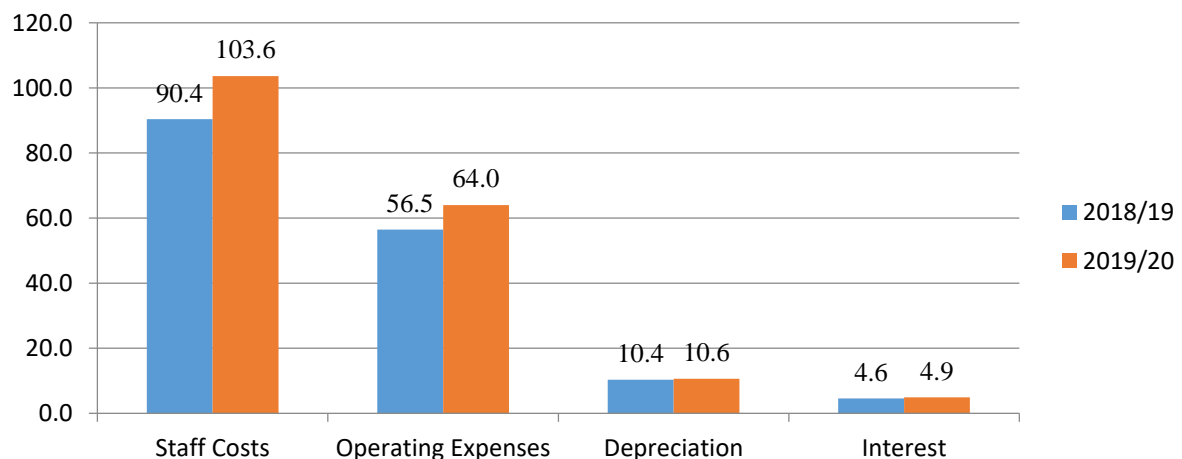
Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for LSBU Group representing 2019/20 67% and 20% respectively (2018/19 68% and 19% excluding the gain on assets). There was an increase in Funding Grants due to the funding profile of SBC. Tuition fees have increased year on year due to strong recruitment at the University. The other factors affecting income were an increase in research income following a number of successful research bids and an increase in Other Income as the University expands its enterprise activities.

2019/20 Income as a % of total Income



In terms of Expenditure, the increase in staff costs and operating expenses is primarily due to having a full year of SBC expenditure within the consolidated accounts, rather than the 6 months that were consolidated last year.

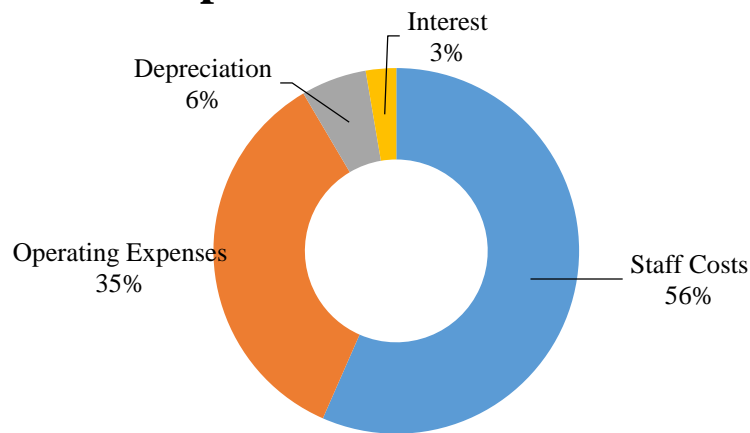
Year on Year Expenditure change



In terms of expenditure, staff costs increased by 14.6% from £90.4m in 2018/19 to £103.6m in 2019/20 representing 56.1% of income (2018/19: 54.9%). The key reason for the increase was due to a full year of Lambeth College staff. Staffing costs at Lambeth are slightly higher as a percentage of income than the University and staff costs remain an area of continued focus for the Group in 2020/21.

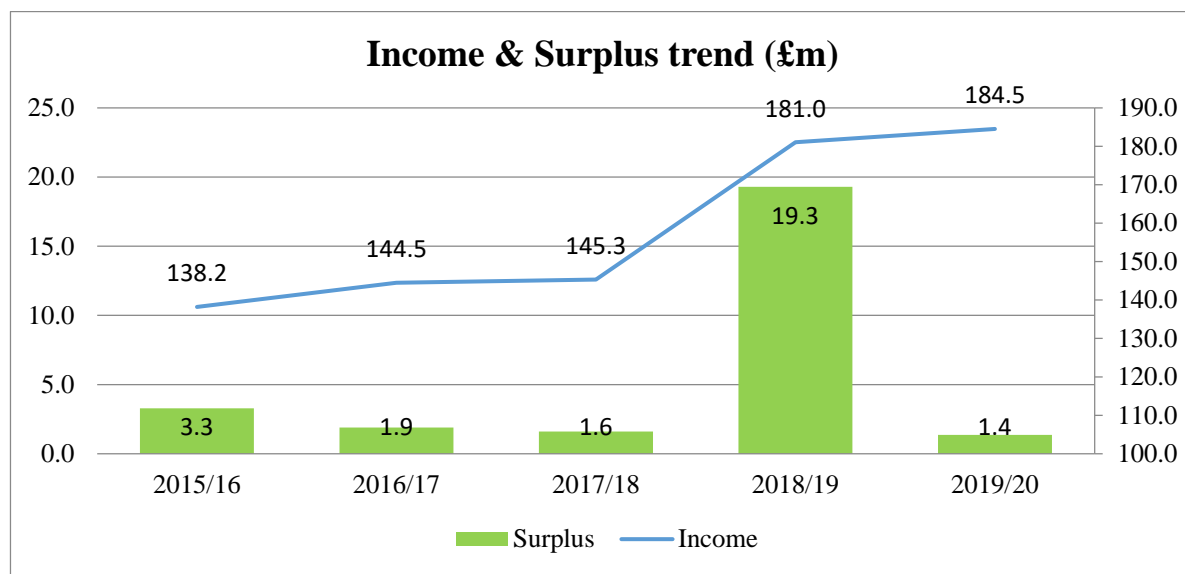
Other operating expenses increased by 13.3% from £56.5m in 2018/19 to £64.0m. The University Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the ongoing implementation of the London Living Wage, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities. The remainder of the increase was due to the full year of expenses associated with SBC.

2019/20 Expenditure as a % of total costs



There were no significant changes to the University's fixed assets. The increase in the value of the Group's fixed assets is due to the continued investment within the LSBU Group estate.

Financial Trend Analysis



Income has grown by almost 34% since 2015/16. There have been large decreases in funding body grants but this has been offset by higher levels of tuition fees, although the funding per student has declined as tuition fees have not been increased with inflation. The University Group has also seen growth in Post Graduate and International tuition fees over this time and a growth in Transnational Education Income. There has been significant growth in Research income as the University prepares for the Research Excellence Framework (REF) in 2021 and significant growth in income from Enterprise activities, which led to the University being recognised as the Entrepreneurial University of the Year at the Times Higher Education Awards in 2016. The key driver for income growth in 18/19 was the absorption of SBC into the LSBU Group.

The extraordinary surplus of 18/19 reflects the revaluation of Assets within SBC. LSBU Group always aims to make a small surplus and has consistently done so. The future forecasts submitted to our regulator, the OFS, reflect our aspiration to generate a positive financial position in each of the next 5 years.

Subsidiaries

South Bank University Enterprises Limited (SBUEL) provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated ~~£xm0.2m~~ in gift aid to the University (2019: £0.1m).

South Bank Colleges acquired the assets of Lambeth College on ~~31 January~~ 1 February 2019. The College delivers a wide range of courses and apprenticeships that open doors to career opportunities and further study.

SW4 Catering is a wholly owned subsidiary of South Bank Colleges.

Going Concern

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

Cash flow forecasts have been prepared for a period of 4 years from the date of approval of these financial statements. The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due and monitors and reports cashflow balances and covenant compliance on a regular basis. Cash balances ~~and~~, bank deposits and investments at 31/7/20 were £52.1m and are forecast to decrease to ~~£28.5m~~ £35m by 31/7/21 as the Group continues to deliver its current capital programme. A £30m revolving credit facility has been established to provide sufficient cashflow to meet the Group's ongoing capital investment programme and working capital requirements. Drawdown against this facility is forecast to begin in 2021/22. Current borrowing facilities are considered adequate to meet current operational plans.

A ~~£2m~~ small budget surplus has been approved for 2020/21, and cashflow from operations of £14.7m is forecast, reflecting the need for continued financial control whilst maintaining appropriate levels of investment to drive the necessary corporate strategic outcomes. At this early stage of the year, whilst accepting that there may be variations on individual budget lines, we are not moving away from agreed budget outcomes although Covid-19 continues to present challenges and risks to delivery. Recruitment and re-enrolment are both looking positive although we will continue to monitor the position carefully over the next few months. Semester 2 recruitment is also looking strong.

As is always the case, a comprehensive mid-year budget review is planned during the first semester of 2020/21. This will look closely at recruitment, re-enrolment and associated income forecasts. The Group is also undertaking an assessment of organisational shape, showing where investment and efficiency savings are required.

We will continue to monitor the position carefully over the next few months. The principal risks to successful financial delivery in 2020/21 remain Covid-19 related including recruitment, withdrawals, and halls fee income levels. We remain committed to providing a blended learning environment and a rich student experience notwithstanding the Covid-19 challenges.

The
~~After reviewing these forecasts, the~~ Board of Governors is of the opinion that it will be able to manage and respond effectively to the severe but plausible downside related to the impact of ~~COVID~~ Covid-19.

After ~~Consequently taking all of these matters into consideration,~~ the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

Energy and Carbon Report

LSBU is dedicated to protecting our planet and society. We promise to become a university of the future – one that is conscious, one that is responsible and one that is sustainable. ~~LSBU is committed to embedding sustainability cost effectively into all its activities, including management of carbon emissions. As part of our 2025 Corporate Strategy we aim to:~~

- Use our estate effectively and efficiently with a utilisation rate of 50%

- Reduce our carbon foot print by 25% between 2020 and 2025, with the goal of achieving zero carbon emissions by 2050.

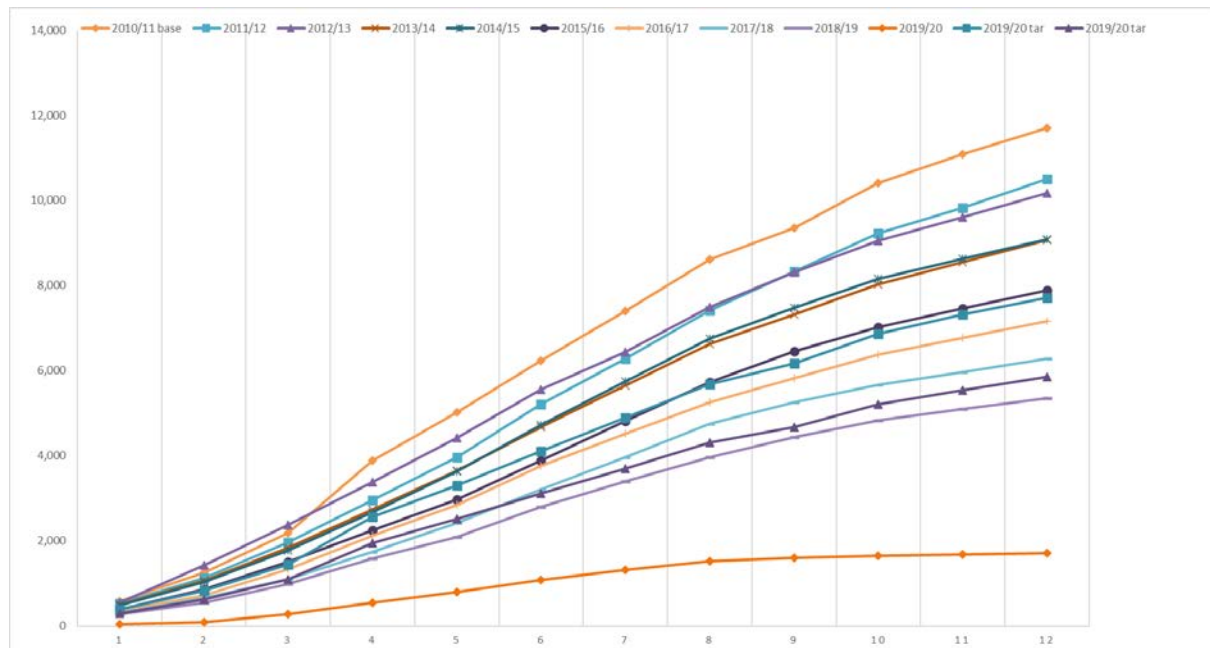
We will do this through environmental sustainability and literacy, with this being embedded through the reduction of carbon emissions, landfill use and increased recycling.

The data below relates to periods from ~~1st~~ August – ~~31st~~ July

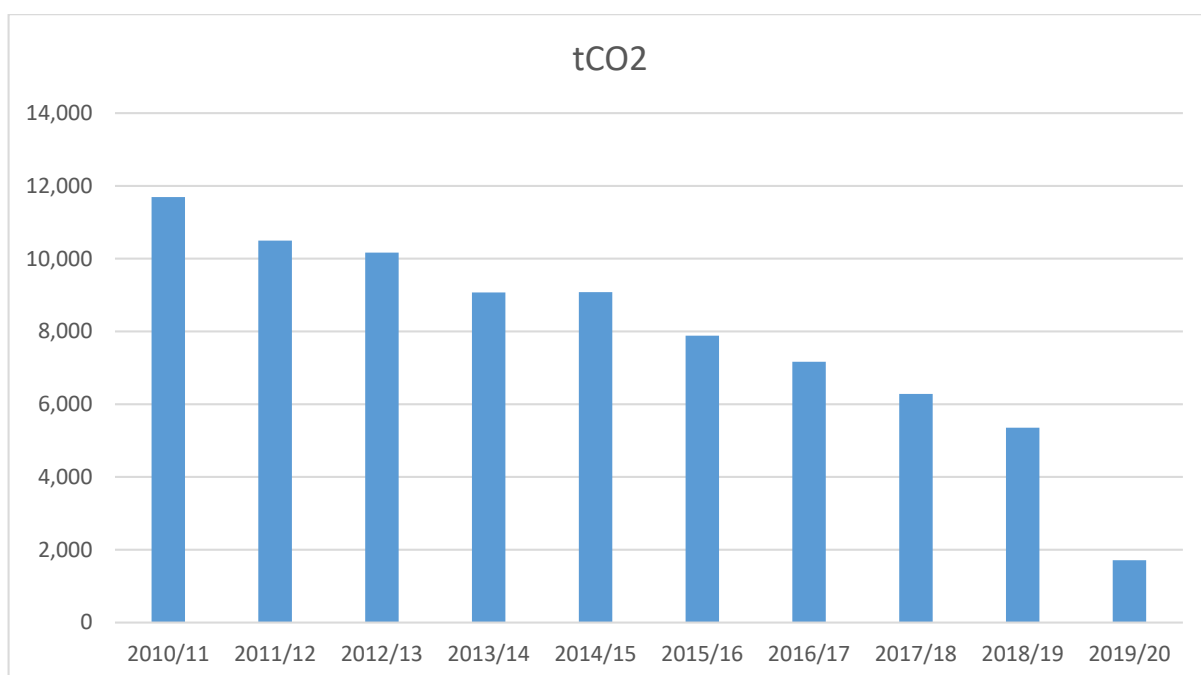
	2010 Baseline	2019/20	2018/19
Electricity Consumption		12,438,493 KWhr <u>(Kilowatt hour)</u>	10,044,742 KWhr
Gas Consumption		9,025,689 KWhr	10,039,318 KWhr
Carbon Emissions (without REGO)*)		5,352 4,227 tCO ² <u>(total carbon dioxide)</u>	4,227,352 tCO ²
Carbon Emissions (with REGO)	11,694 tCO ²	1,711 tCO ²	5,352 tCO ² n/a **
Intensities	0.079 tCO ² /m ²	0.011 tCO ² /m ²	0.036 tCO ² /m ²

*Renewable Energy Guarantees of Origin

** 2019/20 was the first year that LSBU bought REGO, therefore there are no comparative with REGO figures for 2018/19.



CRC ~~48~~2018/19 final (based on April reporting timeframe) 5,752 tCO²



During, 2019/20, LSBU entered into a Renewable Electricity contract (REGO) which allows The University to report zero carbon emissions for electricity consumption. Total calculated carbon emissions (scope 1 & 2) relating to above energy showing REGO are also shown.

Reference to baseline relates to that agreed with HEFCE and is based upon 2010 data and calculated carbon emissions. The agreed HEFCE target at that time was for LSBU to reduce its scope 1 & 2 emissions by 34% by 2020. This was revised in 2017 to 50% reduction. Current position with REGO is a reduction of 85%.

~~Purchased goods and services – We have worked with our suppliers of plastic packaging to reduce the mass of plastic required and this has resulted in the reported reduction in emissions.~~

Business travel – Tighter departmental budgets ~~and~~, improvements in remote meeting technology and the impact of Covid-19 have led to a reduction in business travel expenditure. The carbon emissions total for 2019-20 was considerably less than the previous financial year but then this would mainly be as a consequence of less travel being booked for that period; 6,721,788 km (2018/19) vs 2,582,513 km (2019/20).

Employee commuting – Car parking is no longer provided to staff and there has been an increase in cycling and walking to work.

The University has a commitment to construct any new build to Building Research Establishment Environmental Assessment Method (BREEAM) rating Excellent and any major refurbishment to BREEAM rating Good. Our ZONES learning environment transformation programme aims for BREEAM rating Very Good. It will include improved insulation, utilising natural light and space for bicycle storage. Our contractors are committed to purchasing products from responsible sources with limited environmental impact, to reducing construction related impacts such as noise, dust and odours, procuring 100% FSC/PEFC sustainable materials, reducing dependency on natural resources such as energy and water, reducing construction waste and preserving and enhancing the local biodiversity.

Disclosure of information to auditors

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

- So far as each Governor is aware, there is no relevant information needed by the University’s auditors in connection with preparing their report of which the University’s auditors are unaware; and

- Each Governor has taken all the steps that he or she ought to take as a Governor in order to make him or herself aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

Auditor

The Board of Governors ~~will be asked to reappoint~~has confirmed that KPMG UK LLP shall continue as auditor of the University ~~by written resolution for the financial year, 2020/21.~~

Directors' report

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

Approval

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

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

~~19~~25 November 2020

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

The Board of Governors is responsible for preparing the Strategic Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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

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

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

Chair of the Board of Governors

1925 November 2020

Corporate governance Statement

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

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

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

Governance and Legal Structure

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

Compliance with the Public Interest Governance Principles

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

Compliance with the CUC Higher Education Code of Governance

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

~~A revised Code of Governance was published by the CUC on 16 September 2020. The University will review Board has reviewed the revised code in detail, but and is confident that it remains compliant. The revised code will be reported on fully for 2020/21.~~

Decision making

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

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and, where appropriate, its committees make decisions by consensus at meetings or

electronically (2.4). The schedule is reviewed on an annual basis. The schedule has been updated to reflect the new group structure of LSBU.

During the year, the Board met five times (five times in 2018/19). In addition, the Board held two strategy days (two in 2018/19) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review, there was a 92% (2018/19: 82%) attendance rate at Board meetings.

Due to the national coronavirus pandemic, Board and committee meetings have been taking place online via ~~MS~~Microsoft Teams since March 2020. Attendance at these virtual meetings has remained high and governors have continued to engage well with discussion.

During August and September 2020 two additional meetings of the Group Audit and Risk Committee were held ~~in order to examine~~ at which the Committee examined the measures taken to enable the LSBU campus to safely re-open and the processes relating to quality assurance and academic delivery for semester one 2020/21.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page ~~10~~ 10) (1.2). The Board receives an annual reminder on Charity Commission guidance (most recently, 15 October 2020). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS through the Audit Committee (1.3).

Compliance

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

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (3.6). Four reportable events were reported (including the South Bank Colleges estates strategy and the Croydon Campus project), and no material adverse changes were reported to the OfS during the year.

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

Sustainability

The Board is responsible for the financial sustainability of the institution and approves the annual budget, which is aligned to the five year corporate strategy (3.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing Key Performance Indicators, management accounts and five year forecasts (3.3). Overall financial control is delegated to the Group Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required (3.9).

Academic governance

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

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

External activities

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

Equality and Diversity

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010 (6.3). In addition, the Board held an EDI workshop with an external facilitator during the year.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (6.3, 6.4, 6.5). During 2018/19, a recruitment firm that specialises in equality and diversity was used to recruit five new governors, which has helped improve the diversity of the Board. A similar exercise will be undertaken during Winter 2020/21 to recruit a minimum of two new governors, and the recruitment firm used in 2018/19 has been re-appointed.

Structures and processes

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

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (7.2). On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.2, 2.1). All members of the Board have access to the services of the Clerk. The appointment or removal of the Clerk is a matter for the Board as a whole under the Articles (7.9).

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

Committees

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

The following principal committees met throughout the year:

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

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

balance of skills, experience and diversity of independent governors is kept continually under review by the Nomination Committee.

The Group Audit and Risk Committee oversees LSBU’s audit activities including the audit the financial statements, appointing the internal and external auditors and advising the Board on the effectiveness of the internal control system.

At its meeting of 17 October 2019 the Board of Governors approved a revised terms of reference to reflect the role of the Committee in relation to the LSBU Group. It was agreed that the Committee would have a Group-wide remit, and that South Bank Academies and South Bank Colleges would continue to hold their own respective audit committees to oversee local audit matters. The name of the Committee was changed from “Audit Committee” to “Group Audit and Risk Committee” to reflect this change. Membership of the Group Audit and Risk Committee is between three and four independent governors (3.12), and a co-opted external member. Following OfS requirements, the committee produces an annual report for the Board, which gives an annual opinion on risk management, control and governance; economy, efficiency and effectiveness; and management and quality assurance of data submitted to external bodies, (3.4, 3.5). The committee reviews the effectiveness of the systems of control in place across the institution. The committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10). The committee receives assurance annually from the external auditor that public funds have been spent appropriately.

The Finance, Planning and Resources Committee provides for the Board in-depth review of the University’s in-year financial performance, financial position including cashflow, the performance against the corporate strategy, treasury management and the proposed annual budget. The committee also reviews student recruitment and retention figures, the implications of the Group strategy for human and physical resources, and receives oversight of the value added by Group entities. Membership of the Finance, Planning and Resources Committee is up to five independent governors including the Chair of the Board, plus the Vice Chancellor, one student governor and one staff governor. The committee terms of reference were updated in 2020 to clarify that it will receive high-level reports on the overall performance and value to the LSBU Group of its subsidiaries

The Major Projects and Investment Committee is authorised by the Board to approve investment decisions within authorisation levels as set out in the Financial Regulations. The committee also reviews investment decisions above its level of authority and recommends approval to the Board. In addition, the Major Projects and Investment Committee reviews ‘master plans’ for estate and infrastructure and monitors the delivery of major projects. Membership consists of up to five independent governors including the Chair of the Board, plus the Vice Chancellor, one student governor and one staff governor.

There is a Remuneration Committee which decides the remuneration of senior executives, including the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.). Further details on the work of the committee are included in the annual remuneration report below (at pages ~~29~~ to ~~34~~).

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

Governance effectiveness review

During 2018/19, the Board completed a full effectiveness review which was reported to the July 2019 Board meeting (the previous review was conducted in 2015 in line with 7.12 of the CUC Code). Following this review no major changes to the Board’s structure were proposed. The review was undertaken internally but was quality assured by PwC (7.11), who concluded that they “did not identify any issues with the way in which the process was run by the governance team. We are comfortable that the process was free of bias and was conducted appropriately”.

The main recommendations arising out of the review are:

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

An action plan was developed following the review, and the Board continues to monitor progress against the plan. Work has been undertaken to address the main recommendations:

1. The new Pro Vice Chancellor (Education) is now in post. The Governance Team is working closely with the PVC (Education) and the Provost to improve processes for assurance and reporting from the Academic Board, particularly with regard to OfS conditions B1-B6.
2. The structure of Board and committee agendas has been reviewed to provide greater focus on strategic discussions. Workshops on writing effective papers have been provided for Executive members and senior managers to enable them to provide papers with a greater focus on strategic matters.
3. The committee terms of reference have been revised to address the new Group structure. The Standing Orders and Statement of Primary Responsibilities were updated during 2020 to clarify Group governance arrangements.

LSBU Group

With the creation of the LSBU Group in 2018/19, group governance structures ~~are being~~continue to be developed. Both South Bank Academies and South Bank Colleges have their own Boards of Trustees who are responsible for the success of their companies. The LSBU Board continues to oversee LSBU but also has oversight of the value that both SBA and SBC bring to the LSBU Group.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Michael Cutbill (from 1 March 2020) Douglas Denham St Pinnock (until 22 February 2020)
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Group Audit and Risk Committee	Duncan Brown
Chair of Finance, Planning and Resources Committee	Michael Cutbill
Chair of Major Projects and Investment Committee	Rashda Rana (from 27 February 2020) Douglas Denham St Pinnock (until 22 February 2020)
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope

Chair of Remuneration Committee

Jeremy Parr

University Secretary and Clerk to the Board of
Governors

James Stevenson

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

Statement of Primary Responsibilities of the Board of Governors

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

1. To set and agree the mission, strategic vision and values of the university with the Executive.
2. To review the overall performance and alignment to LSBU's mission and charitable objectives of each of South Bank Colleges, South Bank Academies and South Bank University Enterprises Ltd.
3. To agree long-term academic and business plans and key performance indicators and ensure that these meet the interests of stakeholders, especially staff, students and alumni.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the university against the strategy, plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To delegate authority to the Vice Chancellor for the academic, corporate, financial, estate and human resource management of the university, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice Chancellor.
6. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment, value for money arrangements and procedures for handling internal grievances and managing conflicts of interest.
7. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
8. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
9. To safeguard the good name and values of the university.
10. To appoint the Vice Chancellor as Chief Executive and to put in place suitable arrangements for monitoring their performance.
11. To appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the university, there is an appropriate separation in the lines of accountability.
12. To be the employing authority for all staff in the university and to be accountable for ensuring that an appropriate human resources strategy is established.
13. To be the principal financial and business authority of the university, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall accountability for the university's assets, property and estate.

14. To be the university's legal authority and, as such, to ensure systems are in place for meeting all the university's legal obligations, including those arising from contracts and other legal commitments made in the university's name. This includes accountability for health, safety and security and for equality, diversity and inclusion.
15. To receive assurance that adequate provision has been made for the general welfare of students.
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the university.
17. To ensure that the university's constitution is always followed, and that appropriate advice is available to enable this to happen.
18. To promote a culture which supports inclusivity and diversity across the university.
19. To maintain and protect the principles of academic freedom and freedom of speech legislation.
20. To ensure that all students and staff have opportunities to engage with the governance and management of the university.

Statement on Internal Control

As the governing body of London South Bank University, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body by the OfS, according to Registration Condition E2.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2020 and up to the date of approval of the financial statements, and accords with OfS conditions.

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

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Group Audit and Risk Committee provide oversight of the risk management process and comments on its effectiveness;

- We receive periodic reports from the chair of the Group Audit and Risk Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Group Audit and Risk Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Group Audit and Risk Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;
- An organisation-wide register of key corporate risks is maintained, together with individual operational risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- A network of risk champions exists to support risk management activity in all schools and professional service groups;
- Formal risk management and internal control procedures have been embedded within ongoing operations.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the OfS Regulatory Framework and as per the Internal Audit Charter, also adheres to the definition of internal auditing, code of ethics and the standards for professional practice that are published by the Institute of Internal Auditors. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Annual Remuneration Report

Introduction

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

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page 2-3.

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

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

Terms of Reference

The Remuneration Committee's Terms of Reference are available [online](#).

Committee Membership 2019/20

The members of the committee for the year 2019/20 were Jeremy Parr (Committee Chair), Jerry Cope (Chair of the Board), Michael Cutbill and Mee Ling Ng. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2019/20

The committee met twice in the 2019/20 academic year.

- 21 November 2019
- 30 June 2020

The committee also met on 3 November 2020 to consider Senior Executive performance and remuneration for 2019/20.

Approach to remuneration of all staff in 2019/20 and for 1 August 2020 onward

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

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

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

Senior Remuneration

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

LSBU's Senior Remuneration Policy (agreed by the Board in October 2018) sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves above the median expected for the role;

- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the VC's base salary and total remuneration to the median earnings of the Institution as a whole, both absolute and the change from the previous years.
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 8% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

Benchmarking

The committee has agreed that based on the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators would normally be taken into consideration when setting and reviewing the Vice Chancellor's salary:

- Institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%);
- London modern universities; and
- Other universities with a group structure or similar complexity of structure or regulatory framework ~~[being reviewed ahead of RemCo of 3 November 2020].~~

However, in the light of the general approach to freezing pay across the sector, and followed by LSBU, a full benchmarking exercise was not relevant in setting pay from 1 August 2020.

Other senior executive pay will also normally be independently benchmarked every three years. The last review of relevant benchmarking was undertaken by Korn Ferry in November 2018.

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

Institutional performance, 2019/20

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

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

Vice Chancellor performance, 2019/20

This assessment of Vice Chancellor performance is for academic year 2019/2020. The bonus awarded based on performance for academic year 2019/20 will be paid in financial year 2020/21 and appear in next year's accounts.

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

- *The financial stability of the organisation has been ensured and the diversity of income streams has been increased;
- Strong and robust plans have been made and implemented to maintain student learning whilst maintaining high standards of safety across all parts of the LSBU Group;
- Recruitment in 2020, has held up or increased, thanks to the growing reputation of the University, except in the areas of overseas and part-time students, sectors badly affected in LSBU and elsewhere by the pandemic (in these latter areas steps are being taken to increase activity in year);
- Progression rates at the University were significantly above target;
- *Institutional reputation across the Group has improved but disappointingly specific League table rankings for the University have decreased primarily following a change in the measurement in the Sector of student outcomes, but also impacted by a relative drop in National Student Survey scores ;
- Good progress both financially and in terms of student outcomes continues to be made at Lambeth College, a key element of the family of educational institutions' strategy, has been completed;
- Costs have been controlled carefully, but with investment in key strategic areas;
- *The staff engagement score again improved, this year by a considerable 7%, at a time of significant change and disruption;
- *Progress has been made on a number of major improvement projects;
- An exciting new Group strategy building on the growing family of educational institutions vision has been approved by the Board; and
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders.

So in summary LSBU has generally made good progress this year, both in terms of handling the considerable short-term pressures but also in moving forward strategically, all at a particularly complex and challenging time. The Group is well placed to thrive in a potentially tough environment going forward, The Board continues to recognise the importance of maintaining a strong and determined leadership team across all areas of activity.

During the year under review, the Vice Chancellor was awarded a bonus of £xx ~~{to be determined at the remuneration committee meeting of 3 November 2020}~~17.9k for individual performance (a bonus of £20k19k was awarded for performance in 2018/19) and a bonus of £ xx ~~{to be determined at the remuneration committee meeting of 3 November 2020}~~15.5k for team performance.

Performance related pay, 2019/20 and 2020/21

Under the Senior Remuneration Policy, for 2019/20, the Vice Chancellor and Senior Executives were eligible for a bonus of up to 10% of salary and for a team bonus of up to 8% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University ~~{met its overall financial target tbc}~~ and ~~{xx tbc}~~8 members of the executive were eligible to receive an individual bonus and a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved ~~{xx tbc}~~8 individual (including the Vice Chancellor) bonuses and a team bonus (of ~~{xx%}~~6.5% together totalling £~~{xxx}~~100k (for 2018/19 performance, eight individual bonuses and a team bonus were awarded totalling £136k).

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay

receive annual inflation uplifts to their base pay. Bonuses for performance during 2019/20 will be determined in November 2020 ~~(xx bonuses were awarded totalling £xxxk in 2019/20 for performance during 2018/19 – HR to provide).~~

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2019/20 with a comparison to ~~2019/20~~2018/19. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2019–20	2018–19
	£'000	£'000
Salary	238	234
Performance related pay	30	19
Taxable benefits	1	10
Accommodation allowance	10	0
Subtotal	279	263
Pension scheme contributions or payments in lieu of pension contributions	35	34
Total	314	297

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

For the ~~current year~~2020/21, the Vice Chancellor has been awarded a pay increase of ~~1xx% – the at remuneration committee meeting of 3 November 2020~~,0%, in line with the average annual pay rise for all employees.

Pay Multiple

The Vice Chancellor's basic salary is 6.23 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.94 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

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

Year	Ratio – basic salary	Ratio – total remuneration
2019/20	6.23	6.94
2018/19	6.15	6.78
2017/18	6.18	6.86

2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU ratios compare to the average sector ratio of 7.8 for basic pay and 8.2 for total remuneration (based on OfS data for 2017/18).

External appointments, expenses and severance

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

In 2019/20, the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

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

In 2019/20, the Vice Chancellor's expenses totalled ~~£xxk~~ £1.3k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £2980.3k were booked through the University's central travel buying team for the Vice Chancellor.

The Remuneration Committee has approved a policy on severance arrangements.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF London South Bank University

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the principal accounting policies in note one.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other information

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

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

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Review Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page [X1.21](#), the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 8b has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 1 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

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

Fleur Nieboer (**Senior Statutory Auditor**)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

[Date]

25 November 2020

Principal Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education ~~2015 and in accordance with Financial Reporting Standard FRS 102. 2019 and in accordance with Financial Reporting Standard FRS 102.~~ They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of ~~FRS 102.~~ The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets. ~~the applicable UK laws and accounting standards.~~

The financial statements are prepared on the going concern basis ~~unless it is inappropriate to presume that the Group will continue in operation.~~ The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Group, its cashflows, liquidity position and borrowing facilities. ~~The which the Board is satisfied that the University has adequate resources to continue in operation~~ considers appropriate for the foreseeable future, as described in more detail on page 15 following reasons:

The Board of Governors have prepared cash flow forecasts for a period of 4 years from the date of approval of these financial statements. For this reason, After reviewing these forecasts, the Board of Governors are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19, including a 5% reduction in Home & EU Recruitment and a 40% reduction in Overseas recruitment, an increase in in-year withdrawals of 50% (from £4.5m to £7m), and a reduction in student related income of 10%, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the going concern basis continues to be adopted in period of 12 months from the preparation date of approval of the financial statements. (the going concern assessment period).

The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due and monitors and reports cashflow balances and covenant compliance on a regular basis. Cash balances, bank deposits and investments at 31/7/20 were £52.1m and external borrowings £34.4m with £1.9m due less than one year from the balance sheet date.

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

Consolidation of accounts

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

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

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

Income recognition

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

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

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

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

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

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

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

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

Intangible assets

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

Fixed assets

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

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

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

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

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

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

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

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

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

Investments

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

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

Stocks

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

Pension costs

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

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

For other defined benefit schemes, including the LPFAPF, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected)

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

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

Employment benefits

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

Taxation status

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

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

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

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

Deferred tax is provided in full on timing differences which result in an obligation at the Balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Agency arrangements

Funds the institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The Finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Maintenance

Maintenance expenditure is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

Refurbishment expenditure on a property is deemed to be of a capital nature if it either enhances the property's operational capabilities, or if it significantly upgrades the mechanical or electrical infrastructure of that property. To the extent that the expenditure is of a capital nature, it is capitalised and written off over its useful economic life. Refurbishment expenditure that does not meet either of these criteria is treated as maintenance expenditure.

Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Where fixed assets were revalued prior to the implementation of FRS 102, the gain or loss on revaluation was credited or debited to the revaluation reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve.

The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 26).

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty.

Liquid resources comprise assets which in normal practice are generally convertible to cash and cash equivalents. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Financial instruments

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and it is intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Judgements and estimates

Material Judgements and estimates

Accounting policies are supplemented by estimation techniques where judgement is required to establish the monetary amounts of assets, liabilities, gains and losses included in the financial statements and the estimates and

associated assumptions are believed to be reasonable and prudent. In all cases these judgements and estimates are either based on past experience or are prepared by qualified advisors. In preparing these financial statements management have made the following judgements and estimates:

The present value of the London Pension Fund Authority Pension Fund (LPFAPF) and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price increase and any changes in these assumptions, which are disclosed in note ~~26~~28, will impact the carrying amount of the pension liability.

Land ~~has been~~was revalued at 31~~7/14~~July 2014 resulting in a one off adjustment to increase the deemed cost of land by £41,946,000. The valuation was prepared by qualified valuers in accordance with the Red Book. The fair value depends on the classification of assets and a number of material assumptions including the condition of properties, ground and services, estimated market value and estimated rental income at the date of valuation.

A determination is undertaken to identify whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

As of ~~1st~~1 February 2019 South Bank Colleges acquired the assets and liabilities of Lambeth College. In line with FRS102 land and buildings were revalued to fair value using indices as used by professional valuers. These assets will be held at deemed costs and depreciated over their useful economic life in line with ~~our~~the accounting policy for fixed assets.

Non Material Judgements and Estimates

The Provision for bad debt is calculated based on the University's past experience of collecting student and other debt. It is estimated that, at the date of signing the financial statements and after making deductions where a repayment arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

A determination has been made as to whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets arise where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the University. These are disclosed by way of a note, where there is a probable, rather than a present asset arising from a past event.

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Report and Financial Statements

31 July 2020

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Strategic Report

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 21-29 and the members of the Board of Governors during the year ended 31 July 2020 are listed on pages 2 and 3. The Governors are also directors under the Companies Act 2006.

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

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
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Veale Wasbrough Vizards LLP
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Bristol BS1 4QA

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Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
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E14 5GL

Internal Auditor

BDO LLP
Arcadia House
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Southampton
SO14 3TL

Bankers

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

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

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2020 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Duncan Brown	
Mr John Cole	
Mr Michael Cutbill	

Mr Douglas Denham St Pinnock (Vice Chair)	Resigned 22 February 2020
Professor Peter Fidler CBE	
Professor Hilary McCallion CBE	
Ms Nelly Kibirige	Resigned 30 June 2020
Mr Mark Lemmon	
Dr Mee Ling Ng OBE	
Ms Nicola Martin	Appointed 1 April 2020
Mr Jeremy Parr	
Ms Rashda Rana	
Mr Tony Roberts	
Ms Harriett Tollerson	Appointed 1 July 2020
Ms Deepa Shah	
Mr Max Smith	Appointed 1 July 2020
Mr Nazene Smout	Resigned 30 June 2020
Mr Vinay Tanna	

Members of Group Executive:

Name	Position
Professor David Phoenix	Vice Chancellor and Chief Executive
Professor Patrick Bailey	Provost
Richard Flatman	Group Chief Financial Officer
Professor Paul Ivey	Deputy Vice Chancellor and Chief Business Officer
Deborah Johnson	Pro Vice Chancellor – Education (appointed 20 April 2020)
Nicole Louis	Chief Customer Officer
Marcelle Moncrieffe-Johnson	Chief People Officer
Fiona Morey	Executive Principal Lambeth College / Pro Vice Chancellor Compulsory and Further Education
James Stevenson	Group Secretary
Warren Turner	PVC Health and Social Care (appointed 1 st April 2020)
Professor Shân Wareing	Chief Operating Officer and Deputy Vice Chancellor (Education) (resigned 31 October 2019)

A separate Corporate Governance Statement is shown on pages 22-29.

Objectives and Activities

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

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

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

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

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

LSBU Group

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

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

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

The acquisition arose out of a strategic decision to create an educational group which could more broadly serve the local community and which reflects the University's long-standing commitment to transforming lives, businesses, communities and society. We continue to explore opportunities for development of the Group, including through additional further education colleges and schools, and are actively developing a new Technical College based in Vauxhall, and opening a new university campus in the London Borough of Croydon in September 2021

Responding to the Covid-19 Pandemic

In line with Government guidance, the LSBU campus was closed from late March until early July when the university commenced a phased re-opening. During that time staff worked to ensure that all students were able to complete their courses by moving teaching online and developing assessment methods, including exams, which could be completed and submitted electronically.

For the start of 2020/21 academic year, the University has moved to a hybrid model of teaching delivery. While some core curriculum material, traditionally delivered by lecture, will be provided online in Semester 1, the institution has also committed to providing on-campus activity to all of our students – creating the opportunity for them to meet their tutors and peers regularly and to access specialist facilities such as labs and health suites for hands-on activities as

required. The University has made a significant investment in new software for facilitating online teaching as well as moving to collate remote delivery resources for each course onto our Virtual Learning Environment, Moodle. This has included digitising resources, purchasing digital versions of resources where not previously held by a department or finding alternative resources where digital versions were not available. All academic staff have received basic upskill training in digital delivery and the University has subsequently conducted a thorough training needs analysis to see where further support is required by our teaching staff.

Each year, LSBU trains thousands of healthcare professionals to work in NHS Trusts across London and further afield. During the spring peak of the 2020 Covid-19 pandemic, over 500 LSBU student nurses contributed to ensuring the continuity of health and care services. Many members of staff also made significant contributions including assisting with the establishment of the NHS Nightingale Hospital London, involving the creation of the clinical skills and simulation training facility, and providing ‘up-skill’ training to nurses and doctors to enable them to work in intensive care environments.

Mission

The mission of LSBU is to be recognised as an enterprising civic university that addresses real world challenges. In 2020, the University launched its new Corporate Strategy 2020-2025.

The strategy has four key outcomes:

- **Student success:** Ensuring we are externally recognised for providing a personalised and high calibre education which equips graduates for employment and prepares them to make a positive contribution to society.
- **Real world impact:** Ensuring we provide dynamic evidence-based education which is underpinned by highly applied research and enterprise activity.
- **Access to opportunity:** Building opportunity through partnership: ensuring we are actively widening participation, engaging with our communities and are a partner of choice.
- **Fit for future:** Ensuring we operate as one customer-centred organisation, which is accountable, efficient and effective.

2019-20 has seen a number of important strategic developments and some positive outcomes for LSBU Group. Highlighted below are key updates and examples of our work underpinning our core corporate objectives:

Student Success

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

- LSBU has been named University of the Year for Graduate Employment for an unprecedented two years in succession (The Times and Sunday Times Good University Guide 2018 & 2019).
- LSBU’s graduate prospects score is the third highest in London and fourth highest in the UK (Complete University Guide 2021).
- LSBU is in the Top 12 UK universities for graduate starting salaries at one year after graduation [Longitudinal Education Outcomes Data 2017-18] (Published 2020)
- LSBU was named in the QS list of top 150 universities under 50 years old (QS Top Universities 2019)
- LSBU is ranked 68th in the Guardian League Table of UK universities (The Guardian University League Tables 2020)
- LSBU has again featured in the Times Higher Education (THE) World University Rankings.
- LSBU was ranked 26th among UK apprenticeship training providers on Rate My Apprenticeship 2019-20.
- Based on National Achievement rates for the further education sector, Lambeth College is now ranked 43rd out of 172 colleges in England.
- Lambeth College Nursery came third at the Nursery World Awards 2019.

South Bank Academies providing support under lockdown

South Bank UTC used its 3D printers as part of a collective effort by UTCs around the country to provide the NHS with frames for protective visors as part of the response to the Covid-19 pandemic.

Students at UAE Southbank collected over 50 sets of goggles from the school's science labs and delivered them to NHS staff at Lewisham and Greenwich NHS Trust, who needed vital personal protective equipment.

UAE Southbank distributed more than 100 Chromebook laptop computers, as well as providing dongles and data to those with poor or no internet access, in order to ensure all pupils had the necessary equipment to access learning from home, during lockdown.

The Academy also linked up with School Food Matters to provide healthy breakfast boxes throughout the summer for struggling families in the school community so that all students were able to start their day with a healthy meal.

Academic Recognition

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

- Professor Basu Saha was honoured with a highly prestigious Hind Rattan Award 2020, by the NRI Welfare Society of India at the 39th International Congress of NRIs. The "Hind Rattan" is one of the highest Indian diasporic awards granted to non-resident persons of Indian origin (NRIs) by the NRI Welfare Society of India.
- Gill Foster, Head of Performance Arts, won the 'Drama Inspiration Award' at the Music & Drama Education Awards 2020. The judges described Gill as "a force of nature" due to her passion and dedication to the Arts.
- Professor Shushma Patel, Director of Education and Student Experience, in the School of Engineering, was made a National Teaching Fellow by AdvanceHE in recognition of her work to improve student outcomes.
- Professor Graeme Maidment was awarded £400k funding from InnovateUK to support the development of the second Green Smart Community Integrated Energy Systems (Green SCIES 2)
- Dr Seven Harput was awarded a grant by the Royal Society to develop new ultrasound transducer technologies and selected to showcase his work in the Engineering Sciences Session of STEM for BRITAIN 2020 at the Houses of Parliament.
- Professor Simon Philbin, was appointed to serve as the 2019/20 President of the American Society for Engineering Management (ASEM).
- Research into Nursing Discharge Assessment for people with learning disabilities, conducted by Professor Eddie Chaplin, was awarded £100k by the Burdett Trust for Nursing.
- Lambeth College's Performing Arts team was shortlisted in the 'Best Teaching & Learning Initiative 2018/19' of the Times Education Supplement (TES) FE Awards for the design and delivery of their Level 2 and 3 courses, which engaged students with internal and external partners through Twitter and cross-departmental collaborative projects.

Real World Impact

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

- LSBU was given a 5* rating in the QS World Rankings 2021
- LSBU has launched a new joint research and innovation centre with the world-renowned Building Services Research and Innovation Association (BSRIA). The BSRIA-LSBU Innovation Centre (BLIC) supports building services in the construction sector by promoting collaborative research between LSBU's School of Architecture and the Built Environment (BEA) and BSRIA.
- The University's Clarence Centre for Enterprise and Innovation has been ranked in the top 15 worldwide of university-run business incubators. (UBI Global World Rankings 2017/18).
- The Clarence Centre for Enterprise and Innovation is the University's hub for enterprise and innovation providing workspaces for more than 60 businesses that engage in curriculum development, guest lecturing, student engagement and research projects. Over the last year our tenant community produced £100m combined income, created and safeguarded 50 jobs and raised £6.5m in finance.
- 73% of LSBU research is rated 3* and 4* for Impact in the most recent Research Excellence Framework (REF 2014). LSBU has commercial research partnerships with over 150 British SMEs and major companies including Sellafield, London Underground and FitFlop.
- In 2016 LSBU was named Entrepreneurial University of the Year at the Times Higher Education Awards.
- The University continues to host three research centres at TWI: the Polymeric Materials Engineering, Research and Innovation Centre (PolyMERIC); the Advanced Resin and Coating Technologies Innovation Centre (ARCTIC) and the London South Bank Innovation Centre (LSBIC).

Applied research with local and international impact:

Our internationally renowned researchers this year contributed to the understanding of a number of economic and social issues.

- Dr Charles Graham has produced footfall assessments to advise the relocation decisions of 73 independent traders affected by the Elephant and Castle Shopping Centre redevelopment. In addition, The Landmark Group, who operate 30 million square feet of retail space and employ 55,000 people in 22 countries, have adopted this same model to support a number of store location decisions across the world.
- In response to the Covid-19 pandemic, Professor Nicki Martin has developed guidance on supporting autistic pupils and students to learn at home while under “lockdown”. The guidance is being implemented by three local authorities and a Multi Academy Trust as well as being utilised as a thinking task for MA students at: Birmingham, Strathclyde, Sheffield, Sheffield Hallam and London South Bank Universities.
- Dr Perry Xiao has pioneered the use of Opto-thermal transient emission radiometry technology which he has successfully translated into two commercial products, AquaFlux and Epsilon, now marketed by LSBU spin-out company, Biox Systems Ltd. The number of Biox customers has increased from about 70 organizations in 2013 to more than 200 organizations in 2019, generating total sales of about £2.4m in the same period. AquaFlux and Epsilon are now being used in 21 hospitals in the UK, Europe, China, South Korea, Australia and USA.

Passmore Centre

In November 2018 the University opened the Passmore Centre for Professional and Technical Education. The Centre, made possible by a £5m grant from Southwark Council, is a hub for professional and technical education and provides access for local people and businesses to high quality apprenticeships and other forms of employer-supported study. The opening of the Centre was linked to further investment of £7m, including £3m from HEFCE, in LSBU’s laboratory facilities to enhance its professional and technical offer. Since its opening, the University now has over 1500 higher and degree apprentices enrolled on over 40 apprenticeship standards, making us one of the leading providers in the country.

LSBU’s Clarence Centre for Research and Enterprise

LSBU is home to over 70 small businesses, start-ups and entrepreneurs, based across three sites: Technopark, Blackwells and the Clarence Centre for Enterprise and Innovation. In 2017/18 the Clarence was ranked 2nd in the UK, 4th in Europe and 15th globally for innovative business development in the UBI’s Global 2018 world rankings. Over the last year our tenant community produced £100m combined income, created and safeguarded 50 jobs and raised £6.5m in finance.

Mayor’s Construction Academy Hub

In 2019 LSBU was awarded the London Mayor’s Construction Academy Quality Mark. The University was then selected as the only higher education institution in the capital to lead and host a skills training and employment hub under the programme. LSBU’s new construction skills hub is one of seven within London and is the product of a collaboration between LSBU and Southwark, Lambeth and Lewisham Councils. Since its opening, the MCA-LSBU hub has engaged with 764 employers and provided more than 2529 independent advice and guidance sessions.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed. LSBU is ranked in the top 200 universities in the world for Social Impact and 23rd in the world for reducing inequality (Times Higher Education Impact Rankings 2020)

Supporting adults to achieve basic skills

Lambeth College receives funding from the Adult Education Budget each year largely in order to provide these learners with a second chance – teaching Entry Level 1 functional skills through to GCSEs in Maths and English. The courses are provided as flexibly as possible – including part-time, short-courses and teaching at evening and weekends – to ensure as many local residents as possible are able to benefit. In 2019/20 the College supported 1,326 adults to achieve a Maths and/or English qualification. For many of them, this will have been one of their first experiences of achievement – attributable in part to the consistent and focused support the College provides.

In addition to this, the College teaches ESOL (English for Speakers of Other Languages) courses at its Brixton Centre – providing an opportunity for those who have recently moved to the UK (including refugees) to achieve a sufficient level of English, as well as knowledge about life in the UK and British values, to enable them to integrate into society. Upon completing the course, many learners go on to follow careers in areas such as health and social care, utilising skills and qualifications they acquired in their home countries. 1,630 people completed ESOL courses at the Brixton Centre in 2019/20.

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

LSBU is the leading HE provider of ERDF funded business and innovation support programmes in London. LSBU is currently delivering 7 programmes covering a range of sectors from health tech to food tech. Through these programmes over the next 3 years we aim to support over 1500 SMEs, create 140 jobs, bring over 250 new products/services to firms/markets and create over 170 long term collaborations with innovative SMEs.

Local Stakeholders

LSBU plays a key role in the community, working closely with borough councils, schools, businesses and other organisations to provide local residents and employers with the education, skills and knowledge they need. LSBU also supports its local communities across many other areas including health and wellbeing, legal advice, business growth and secondary education.

In 2019 LSBU signed an agreement with London Borough of Lewisham for the first time, signifying continued collaboration over the coming years. In 2020 the University renewed its Memorandums of Understanding with the London Boroughs of Lambeth and Southwark, reflecting the long-term collaborative relationship enjoyed with these institutions. This approach to civic engagement is being further embedded within the institution with one of the four strands in the University's 2020-2025 Strategy being dedicated to Civic Impact.

International

LSBU's collaboration with the British University in Egypt (BUE) offers an exemplar for transnational education partnerships in practice. As the largest collaboration in the MENA region, the University validates 24 undergraduate and postgraduate courses for over 4,500 students. LSBU also has joint supervisions for PhD students, engages in shared research activities, and has developed a range of Study Abroad and Summer School opportunities enabling student mobility in both directions.

LSBU's world-leading Confucius Institute delivers Chinese language teaching to over 60 schools, conducting education, research and business engagement with Chinese universities and institutions and acting as a hub of cultural and academic activities. It is the largest Confucius Institute in the world, and one of the largest Chinese language testing centres in Europe. In 2019/20, 13,251 students directly benefitted from Mandarin language and Chinese culture lessons. Between 2017/18 and 2019/20, the CI has also provided 161 Chinese Cultural performances; 52 workshops, attended by over 25,000 people; and four art exhibitions attended by over 300 people.

Fit for Future

The University is making targeted investments into our staff and both virtual and physical infrastructure and processes, helping to ensure we operate as one customer-centred organisation, which is accountable, efficient and effective.

- In April 2020 the University was awarded an Athena SWAN Bronze Charter, by professional membership body AdvanceHE, for achieving a strong foundation in addressing gender bias and developing an inclusive culture that values all staff within the University.
- The University was accredited as a Mayor of London's Good Work Standard Employer, the first UK University to receive this accreditation.
- We've seen our gender pay gap steadily reduce from 13.25% in 2009 to 5.2% in 2018/19 – significantly out-performing the higher education sector as a whole.

LEAP

As a key enabler for LSBU's 2020-25 Strategic Plan, LEAP impacts all of the University's operational strategies to a greater or lesser degree. It is into its second year of a 5-year transformation programme. A revised business case for the programme was signed off by the Board of Governors in May 2020. At its heart is the desire to create a distinctive student experience underpinned by transformation in technology, processes and ways of working as an organisation. The University has agreed to lead on the deployment of an enterprise Customer Relationship Management System, and to supplement this with an upgrade to the University's Student Record System. Work to date has been about discovery and design, and the technical build began in late summer 2020.

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

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

Campus Development

The University is undertaking an ambitious redevelopment plan to positively transform the campus for everyone who uses it. Upon completion in summer 2021, the renovated London Road building will become a new Learning Hub including a Library and Learning Resources space, space for group work, quiet space, open access computer rooms, bookable study rooms with AV, small group work rooms and a reconfigured Academy of Sport and catering facilities. The building will also provide a new cycle park with changing, locker and shower facilities.

Vauxhall Technical College

As part of the University's ambitions to create new pathways into higher technical qualifications for local residents, we have developed plans to create a new Technical College in Vauxhall. Financial support for the project has been secured from the GLA's Skills for Londoners Capital Fund.

LSBU Croydon

In September 2021, the University will open a new campus in the London Borough of Croydon. With a healthcare focus, LSBU Croydon will help the NHS tackle a severe shortage of nurses across south London and the Gatwick triangle. The campus will also provide business courses, giving students easy access to the thriving Croydon business community as well as global links via Gatwick airport just 15 minutes away.

External Environment

Over the last 5 years, the period of our 2015-20 corporate strategy, the educational and political environment has changed rapidly and much of the effect is still to be felt fully. The Higher Education Act 2018 made substantial changes, including opening the door to a wider range of education providers. The longstanding higher education funding council (HEFCE) was replaced by a new regulator (the Office for Students), whilst research funding has been transferred to a separate body (UKRI), threatening links between teaching, research and enterprise. Now, following the Review of Post-18 Education (known as the "Augar Review") further and higher education funding and structures may well be reviewed again.

As we prepare to embark on our 2020-25 corporate strategy, these changes are potentially dwarfed by the impact of Brexit and the Covid-19 pandemic. These and their economic, social and political ramifications are likely to destabilise the higher education sector very significantly. At this time however, there is also greater recognition of the value and vulnerabilities of those sectors of society and employment to which LSBU Group contributes very substantially, particularly around health and social care. There has also been a growing acknowledgment of the importance of professional and technical education, as evidenced by developments such as the Apprenticeship Levy, T-Levels, the review of Levels 4 and 5 education and recognition of the need to invest in further education. This provides a great opportunity to promote our work and our strengths, which are increasingly recognised. However, the pandemic also requires that we improve our online provision both for education services and for student support activities. Leap has already met some of the requirements for better online support for our non-academic interactions.

Through this next period of change there will be many challenges; but there will doubtless also be opportunities. We will need to evolve to ensure that what we do is aligned with the rapidly changing environment, whilst continuing to differentiate ourselves through providing a high quality and truly applied academic environment linked to employers. We will continue to strive to be globally recognised whilst continuing to be locally embedded – to be and to be seen to be an enterprising civic university that addresses real world challenges – a university that truly transforms lives, communities and business.

As LSBU's current 5 year strategy comes to an end, we have prepared a new strategy for 2020-2025. This builds on the strong foundations of the previous strategy, whilst evolving to make the most of the opportunities our new group offers to set even more ambitious objectives and create even greater benefits for all our stakeholders.

This strategy comprises the same three shared educational outcomes as our 2015-2020 strategy: Access to Opportunity, Student Success, and Real World Impact. These are supported by a new outcome, Fit for the Future, which highlights the need for us to adapt to the digital world, our new organisational structure and changing stakeholder expectations.

LSBU: Access and Participation Plan statement 2019-20

As part of LSBU's registration with the Office for Students in September 2018, an Access and Participation Plan for the 2019-20 academic year was approved by the OfS and made publicly available by LSBU on our website: https://www.lsbu.ac.uk/data/assets/pdf_file/0017/132254/access-participation-plan.pdf.

In the plan, we assessed our performance across access, student success, and progression, set out our ambition and strategy, and outlined our intended activity and measures supported by an investment summary which demonstrated our commitment to our overarching mission of social mobility.

We spent a total of £4,396,183 across the 2019-20 academic year across four categories: access investment, financial support provided to students, support for disabled students, and research and evaluation. This figure both meets and exceeds the commitment we set out in our investment summary: we had projected a total spend of £3,581,200. Our actual investment in access activity exceeds our Access and Participation Plan commitment by over £0.8 million.

During 2020, LSBU joined the world in responding to the Covid-19 pandemic. We were keenly aware of the disproportionate direct and indirect impact coronavirus was having on many of the student groups already identified as facing disadvantage. We rapidly responded with an increased package of targeted emotional, safety, practical, study, and financial support, considering the needs of students most vulnerable to the effects of the pandemic. For example, the direct financial support distributed to students within the 2019-20 academic year was £446,320, an increase of 23% above the investment we had originally planned to make.

The total investment has supported the delivery of our plan this year across both general and targeted access, success and progression activity, including active research to eliminate the race awarding gap through our What Works programme, widening participation and outreach, specialist support services, an expanded mental health team, enhanced transition and study skills, financial student support, care experienced and estranged student support and commitment to the StandAlone pledge.

LSBU: Access and Participation Plan investment summary 2019-20

Access and participation plan investment summary (£)	Actual spend: Academic year 2019-20
Access investment (access, success, progression)	£3,671,237
Financial support provided to students	£446,320
Support for disabled students	£250,990
Research and evaluation	£27,636
Total investment	£4,396,183

London South Bank University (charity) Public Benefit statement

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

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

Charity Commission Guidance on Public Benefit

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

Charitable Objects

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

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

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

LSBU advances education for the public benefit by:

- providing teaching to its students in the form of lectures, seminars, personal tuition and online resources;
- delivering many courses accredited by recognised professional bodies, full and part time;
- setting and marking assessments, giving feedback to students and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

LSBU promotes research and the dissemination of knowledge by:

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

LSBU provides support and services for students through:

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

Beneficiaries

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

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at LSBU are open to anyone whom it believes has the potential to succeed. Throughout its history, LSBU has enabled wider access to education. Its 2020-2025 Strategy, sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; access to opportunity. The fourth key area; fit for the future, recognises the need for LSBU to adapt to the digital world, its new organisational structure and changing stakeholder expectations.

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

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £862,387 on 31 July 2020 (31 July 2019: £854,880). The funds are managed with the aim of securing capital growth and an annual income. In 2019/20 the income received was £16,192 (2018/19: £30,910). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

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

The University also contributes to the wider public benefit through the publication of research. The University performed well in the current Research Excellence Framework (REF 2014), with the majority of its research graded as "Internationally Excellent" and "Recognised Internationally". LSBU is committed to Open Access, sharing scholarly works with industry, the professions and wider public through LSBU Research Open and providing an Open Access Fund to pay Open Access publication costs.

LSBU is London's largest university contributor to community-based enterprise, evidenced by involvement in some £15m of ERDF and ESF projects. In addition, the University is in the top two of all London universities for the number

of Knowledge Transfer Partnerships run with local businesses and enterprises. The commitment to local enterprise education and SME development is recognised internationally, from working with refugee groups across south London to operating commercially in Borough Market.

Principal risks and uncertainties

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

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

Risk Category	Risk	Controls and Mitigation
Financial	Sustainability of current pension schemes	<ul style="list-style-type: none"> Regular review and consideration of potential options for future provision, including the modelling/ scenario analysis of future costs and projected movements in assets & liabilities Group defined contribution scheme established Strict controls over early access to pensions
	Impact of Govt. Education Review on HE funding	<ul style="list-style-type: none"> Strategic direction in relation to professional and technical curriculum Development of Group and increasing apprenticeship provision
	Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets	<ul style="list-style-type: none"> Weekly review of numbers by Marketing, Admissions & Communications leadership team Monthly review of Admissions & Enrolments report Monthly review of financial forecasts and prudent assumptions included in forecasts of assumed efficiency savings
	Anticipated international & EU student revenue unrealised	<ul style="list-style-type: none"> Monthly review of Admissions & Enrolments report Monthly review of financial forecasts and prudent assumptions included in forecasts of assumed efficiency savings
	Financial Impact of Covid-19 (student refunds/accommodation)	<ul style="list-style-type: none"> Regular review of financial impact of covid-19 Cost control measures, if required
Legal Compliance	Data security and data protection	<ul style="list-style-type: none"> Data Protection working Group Dedicated resource in the shape of Data Security and Data Protection Officers
Academic Activity	OfS Thresholds not met in relation to Condition of Registration B3	<ul style="list-style-type: none"> Monitoring of performance against OfS thresholds in relation to condition B3
	Affordability delaying capital investment	<ul style="list-style-type: none"> Capex reporting embedded into management accounts provided to Finance, Planning and Resources Committee Estates project methodology controls & governance Financial Regulations require Board approval for spend greater than £2m
	Progression rates don't increase	<ul style="list-style-type: none"> Increase data analysis to academic staff including progression Study support provided by Library & Learning Resource Centre Transform student experience through LEAP
	Unable to deliver recovery plan from Covid-19	<ul style="list-style-type: none"> Regular monitoring of Covid-19 recovery plan and progress against it Cost control measures

Reputation	Impact of assurance activity & new initiatives fails to address issues around student experience	<ul style="list-style-type: none"> • LEAP programme, review of student experience from prospect to Alumni • NSS project, evaluating approach to the improvement of the student experience
	Alignment of estate with sector requirements across the Group	<ul style="list-style-type: none"> • Group wide estates strategy, aligned with professional and technical curriculum needs • Creation of Employer Advisory Board, to ensure facilities in line with sector/industry standards
	Capability to respond to change in policy or competitive landscape	<ul style="list-style-type: none"> • Development of the 2025 strategy, with input sought from multiple stakeholders • Regular performance assessment in sector context
	League table rank deterioration / reputational impact	<ul style="list-style-type: none"> • Review process of external returns, contributing to league table performance • Projects relating to core league table measures of national student survey and graduate outcomes

Financial Review

Balance sheet and liquidity

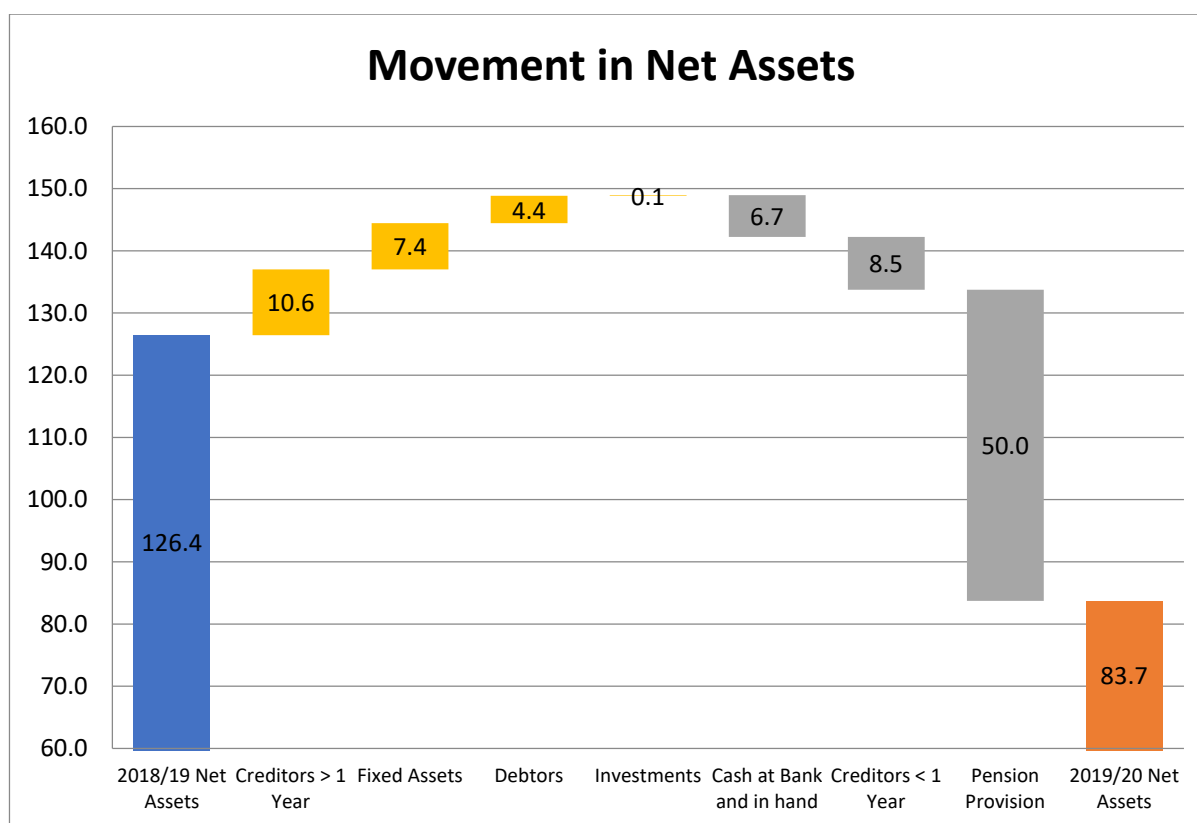
The Group's net assets decreased by 33.8% during the year moving from £126.4m to £83.7m, a decrease of £42.7m.

The key movement was the change in the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme. Without this, the Group would have increased its net assets.

With regard to other changes in net assets, the amount owed to creditors falling due after more than one year reduced by £10.6m to £69.1m. £2m of this reduction is due to a decrease in outstanding bank loans, £2.5m of the reduction relates to other long term creditors at Lambeth College with the remainder being a reduction in deferred income.

There was a small increase in our fixed assets totalling £7.4m as we begin to capitalise some of the estate development at LSBU's Southwark campus. There was also an increase in debtors to the group totalling £4.5m. £3.4m of the increase is due to an increase in trade debtors with the remainder being an increase in prepayments and accruals. There was also a slight increase in the investment portfolio.

In terms of negative movements in net assets, cash and cash equivalents decreased by £6.7m to fund the developments in the estate, There was an increase in creditors falling due within 1 year of £8.5m due to an increase in deferred income and investments in both the LEAP programme and London Road that are due to be paid in 2020/21. Finally as mentioned above, the largest movement of £50m relates to increases in our pension provisions.



The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits, including investments, decreased from £58.8m at 31 July 2019 to £52.2m at 31 July 2020 whilst Bank and other loans decreased from £36.4m at 31 July 2019 to £34.5m at 31 July 2020 reflecting the loan repayments made during the year.

The level of borrowing facilities is reviewed on a regular basis and is considered adequate to meet current operational plans. The University has also agreed a revolving credit facility of £30m, which will provide a degree of added flexibility with regard to liquid assets as we continue to invest in the LSBU Group estate.

Result for the Year

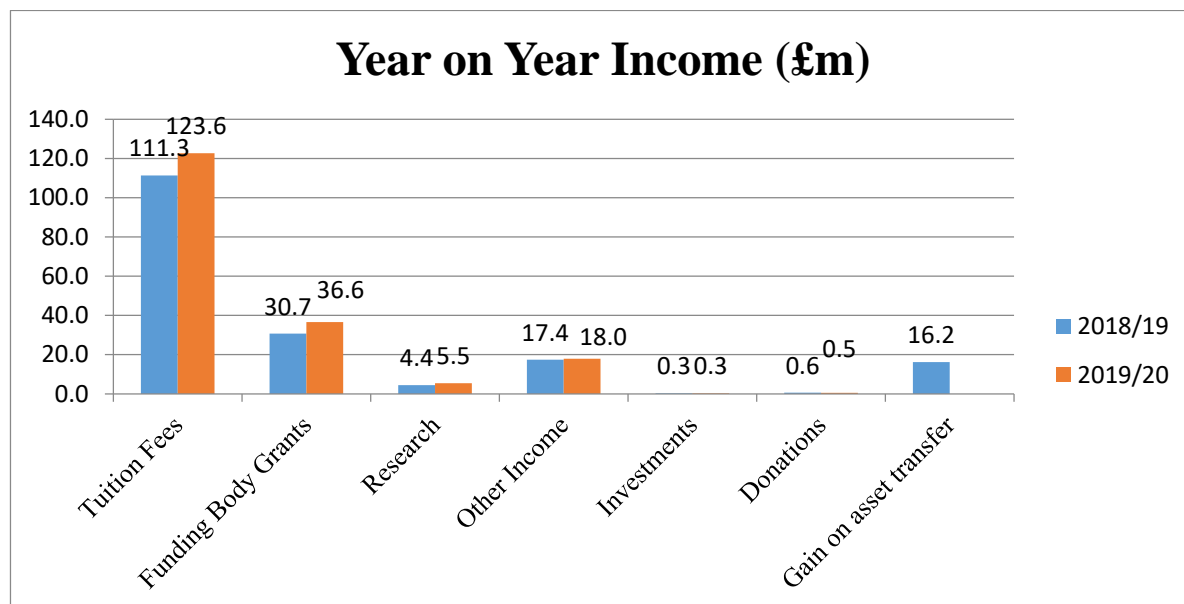
Financial Summary in £m			Variance from 2018/19 £m	
	2019/20	2018/19		
Income including asset gain	184.5	181.0	3.5	1.9%
Expenditure	183.1	161.8	21.2	13.1%
Surplus for the year	1.4	19.3*	-17.9	-93%
Surplus %	0.8%	10.7%		

*Includes profit arising as a result of asset revaluation on the transfer of Lambeth College to the LSBU Group. The normal operating group surplus in 2018/19 was £3.1m.

The operating surplus of £1.4m for LSBU and SBUEL is broadly comparable with the agreed LSBU budget surplus of £1.5m and the forecast surplus of £1.5m submitted to the Office for Students (OfS) as part of their monitoring processes and to the ESFA as part of the ongoing monitoring of the Lambeth College transaction.

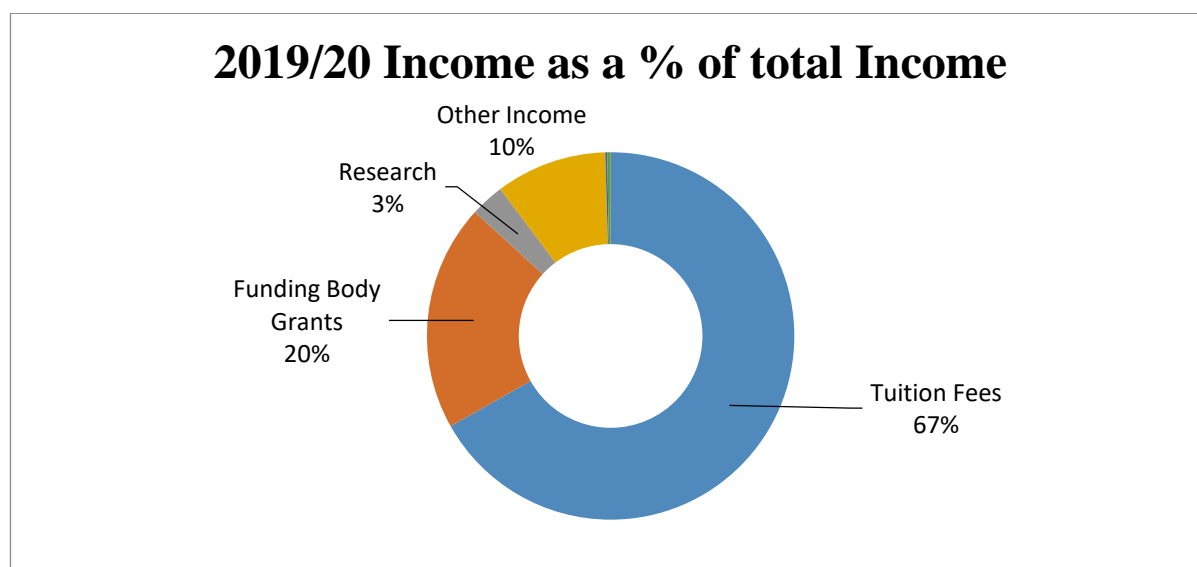
This is a reduction from the £3.1m operating surplus achieved in 18/19 (before the one off gain on asset transfer of £16.2m) but is considered a strong result in the context of Covid-19, the continuing investment being made by the University and the recruitment challenges across the sector, particularly with regard to changes in the full time undergraduate demographic and the continuing decline of the part time student market.

The increase in costs across the group is due to this year being the first year of full consolidation of SBC with the Group. In 2018/19, there was only 6 months of activity at SBC that was consolidated as the date of transaction was Feb 1 2019.

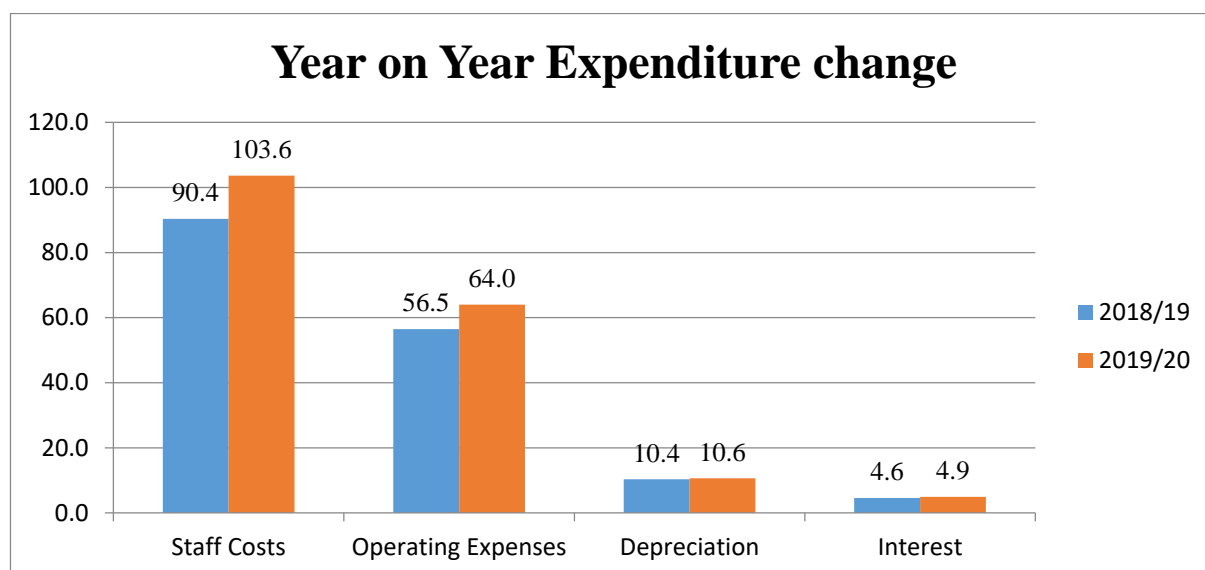


Total income for the group increased by 1.9% (£3.5m) to £184.5m (2018/19: £181.0m). This represents the first full year of SBC results, which explains the increase in Funding Grants. The increase in Tuition Fees was driven by additional student numbers at the University. Last year there was a gain on the transfer of assets to SBC of £16.2m.

Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for LSBU Group representing 2019/20 67% and 20% respectively (2018/19 68% and 19% excluding the gain on assets). There was an increase in Funding Grants due to the funding profile of SBC. Tuition fees have increased year on year due to strong recruitment at the University. The other factors affecting income were an increase in research income following a number of successful research bids and an increase in Other Income as the University expands its enterprise activities.

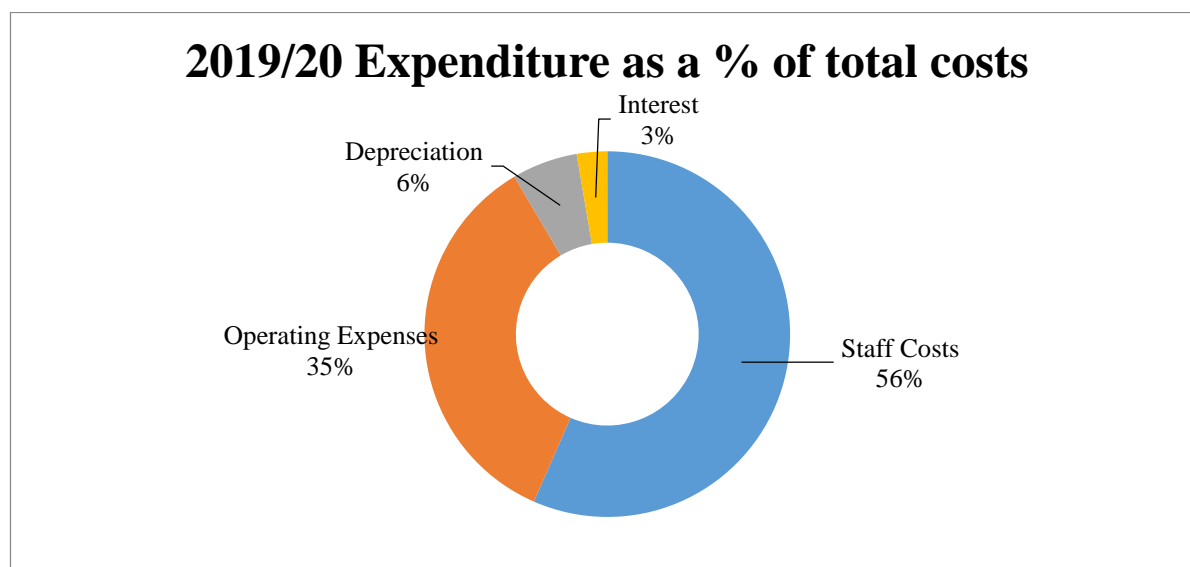


In terms of Expenditure, the increase in staff costs and operating expenses is primarily due to having a full year of SBC expenditure within the consolidated accounts, rather than the 6 months that were consolidated last year.



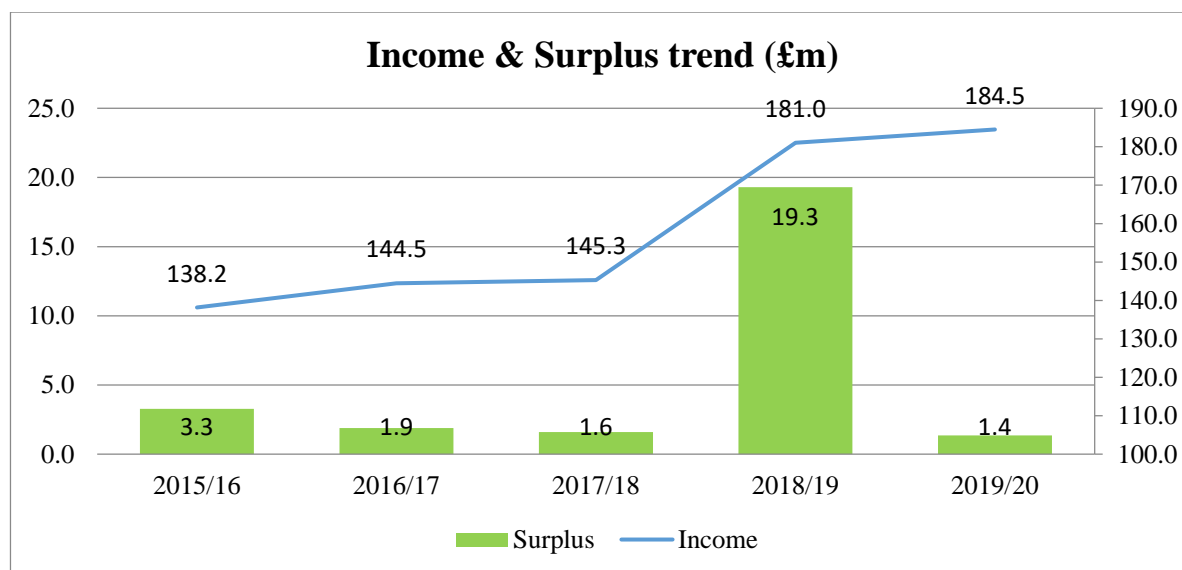
In terms of expenditure, staff costs increased by 14.6% from £90.4m in 2018/19 to £103.6m in 2019/20 representing 56.1% of income (2018/19: 54.9%). The key reason for the increase was due to a full year of Lambeth College staff. Staffing costs at Lambeth are slightly higher as a percentage of income than the University and staff costs remain an area of continued focus for the Group in 2020/21.

Other operating expenses increased by 13.3% from £56.5m in 2018/19 to £64.0m. The University Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the ongoing implementation of the London Living Wage, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities. The remainder of the increase was due to the full year of expenses associated with SBC.



There were no significant changes to the University’s fixed assets. The increase in the value of the Group’s fixed assets is due to the continued investment within the LSBU Group estate.

Financial Trend Analysis



Income has grown by almost 34% since 2015/16. There have been large decreases in funding body grants but this has been offset by higher levels of tuition fees, although the funding per student has declined as tuition fees have not been increased with inflation. The University Group has also seen growth in Post Graduate and International tuition fees over this time and a growth in Transnational Education Income. There has been significant growth in Research income as the University prepares for the Research Excellence Framework (REF) in 2021 and significant growth in income from Enterprise activities, which led to the University being recognised as the Entrepreneurial University of the Year at the Times Higher Education Awards in 2016. The key driver for income growth in 18/19 was the absorption of SBC into the LSBU Group.

The extraordinary surplus of 18/19 reflects the revaluation of Assets within SBC. LSBU Group always aims to make a small surplus and has consistently done so. The future forecasts submitted to our regulator, the OFS, reflect our aspiration to generate a positive financial position in each of the next 5 years.

Subsidiaries

South Bank University Enterprises Limited (SBUEL) provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated £0.2m in gift aid to the University (2019: £0.1m).

South Bank Colleges acquired the assets of Lambeth College on 1 February 2019. The College delivers a wide range of courses and apprenticeships that open doors to career opportunities and further study.

SW4 Catering is a wholly owned subsidiary of South Bank Colleges.

Going Concern

Cash flow forecasts have been prepared for a period of 4 years from the date of approval of these financial statements. The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due and monitors and reports cashflow balances and covenant compliance on a regular basis. Cash balances, bank deposits and investments at 31/7/20 were £52.1m and are forecast to decrease to £35m by 31/7/21 as the Group continues to deliver its current capital programme. A £30m revolving credit facility has been established to provide sufficient cashflow to meet the Group's ongoing capital investment programme and working capital requirements. Drawdown against this facility is forecast to begin in 2021/22. Current borrowing facilities are considered adequate to meet current operational plans.

A small budget surplus has been approved for 2020/21, and cashflow from operations of £14.7m is forecast, reflecting the need for continued financial control whilst maintaining appropriate levels of investment to drive the necessary corporate strategic outcomes. At this early stage of the year, whilst accepting that there may be variations on individual budget lines, we are not moving away from agreed budget outcomes although Covid-19 continues to present challenges and risks to delivery. Recruitment and re-enrolment are both looking positive although we will continue to monitor the position carefully over the next few months. Semester 2 recruitment is also looking strong.

As is always the case, a comprehensive mid-year budget review is planned during the first semester of 2020/21. This will look closely at recruitment, re-enrolment and associated income forecasts. The Group is also undertaking an assessment of organisational shape, showing where investment and efficiency savings are required.

We will continue to monitor the position carefully over the next few months. The principal risks to successful financial delivery in 2020/21 remain Covid-19 related including recruitment, withdrawals, and halls fee income levels. We remain committed to providing a blended learning environment and a rich student experience notwithstanding the Covid-19 challenges. The Board of Governors is of the opinion that it will be able to manage and respond effectively to the severe but plausible downside related to the impact of Covid-19.

After taking all of these matters into consideration, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

Energy and Carbon Report

LSBU is dedicated to protecting our planet and society. We promise to become a university of the future – one that is conscious, one that is responsible and one that is sustainable. As part of our 2025 Corporate Strategy we aim to:

- Use our estate effectively and efficiently with a utilisation rate of 50%
- Reduce our carbon foot print by 25% between 2020 and 2025, with the goal of achieving zero carbon emissions by 2050.

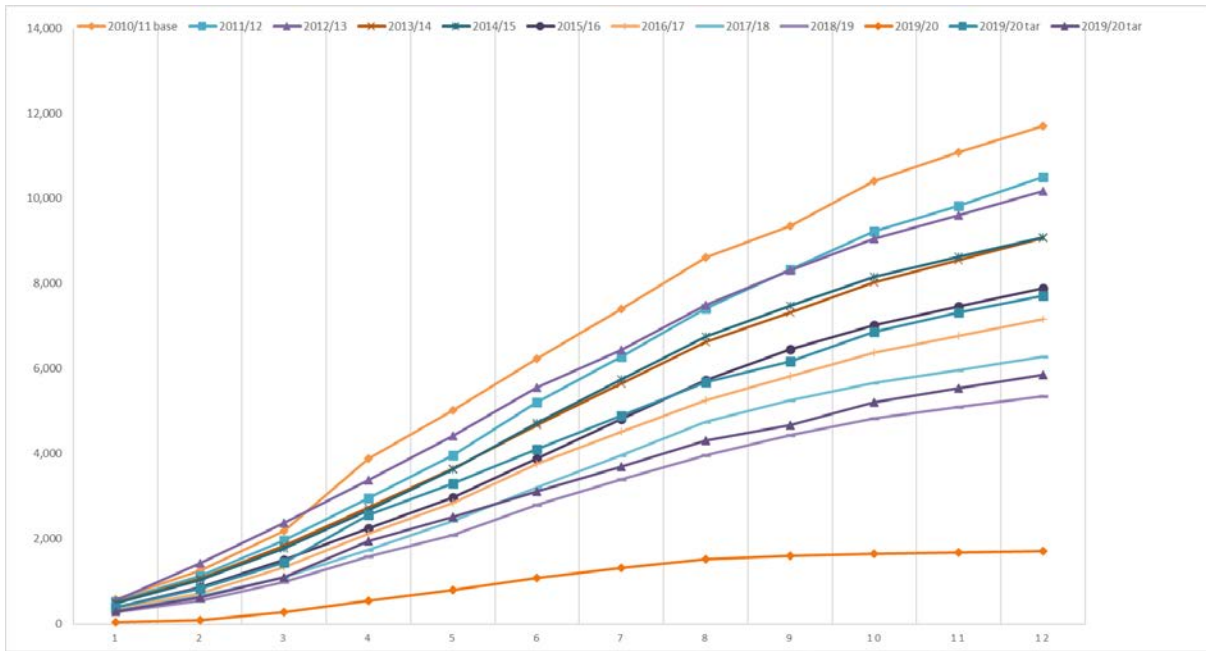
We will do this through environmental sustainability and literacy, with this being embedded through the reduction of carbon emissions, landfill use and increased recycling.

The data below relates to periods from 1 August – 31 July

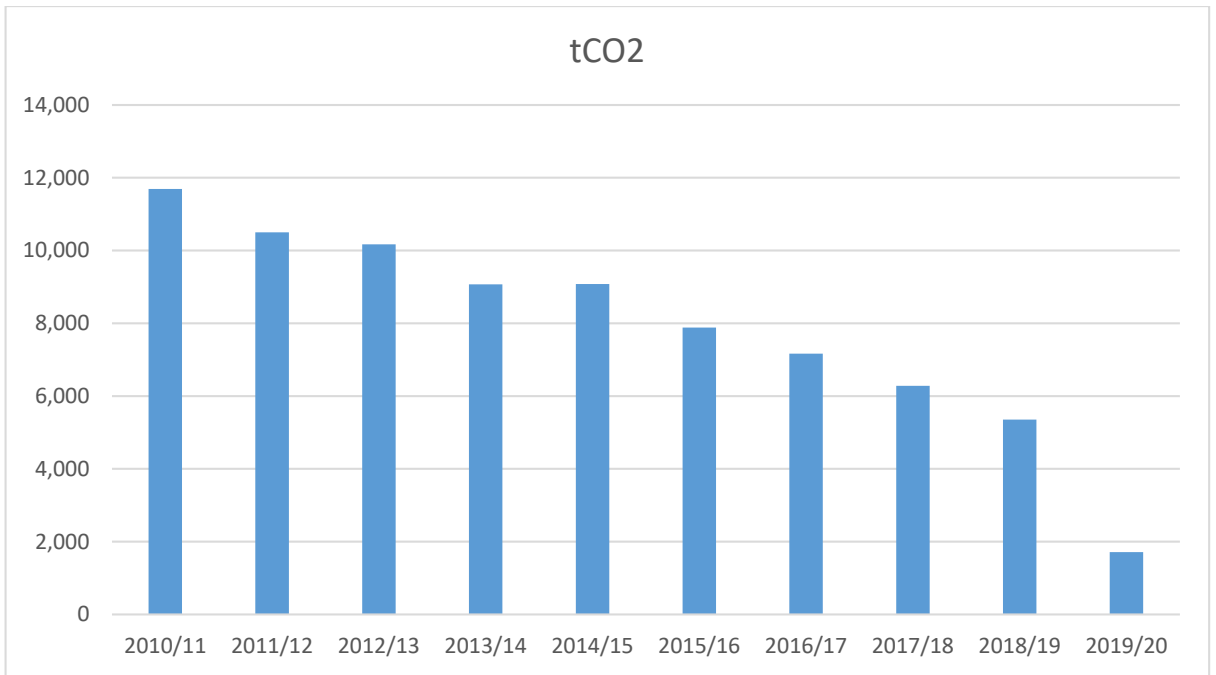
	2010 Baseline	2019/20	2018/19
Electricity Consumption		12,438,493 KWhr (Kilowatt hour)	10,044,742 KWhr
Gas Consumption		9,025,689 KWhr	10,039,318 KWhr
Carbon Emissions (without REGO*)		4,227 tCO ² (total carbon dioxide)	5,352 tCO ²
Carbon Emissions (with REGO)	11,694 tCO ²	1,711 tCO ²	n/a **
Intensities	0.079 tCO ² /m ²	0.011 tCO ² /m ²	0.036 tCO ² /m ²

*Renewable Energy Guarantees of Origin

** 2019/20 was the first year that LSBU bought REGO, therefore there are no comparative with REGO figures for 2018/19.



CRC 2018/19 final (based on April reporting timeframe) **5,752 tCO²**



During, 2019/20, LSBU entered into a Renewable Electricity contract (REGO) which allows The University to report zero carbon emissions for electricity consumption. Total calculated carbon emissions (scope 1 & 2) relating to above energy showing REGO are also shown.

Reference to baseline relates to that agreed with HEFCE and is based upon 2010 data and calculated carbon emissions. The agreed HEFCE target at that time was for LSBU to reduce its scope 1 & 2 emissions by 34% by 2020. This was revised in 2017 to 50% reduction. Current position with REGO is a reduction of 85%.

Business travel – Tighter departmental budgets, improvements in remote meeting technology and the impact of Covid-19 have led to a reduction in business travel expenditure. The carbon emissions total for 2019-20 was considerably less than the previous financial year but then this would mainly be as a consequence of less travel being booked for that period; 6,721,788 km (2018/19) vs 2,582,513 km (2019/20).

Employee commuting – Car parking is no longer provided to staff and there has been an increase in cycling and walking to work.

The University has a commitment to construct any new build to Building Research Establishment Environmental Assessment Method (BREEAM) rating Excellent and any major refurbishment to BREEAM rating Good. Our ZONES learning environment transformation programme aims for BREEAM rating Very Good. It will include improved insulation, utilising natural light and space for bicycle storage. Our contractors are committed to purchasing products from responsible sources with limited environmental impact, to reducing construction related impacts such as noise, dust and odours, procuring 100% FSC/PEFC sustainable materials, reducing dependency on natural resources such as energy and water, reducing construction waste and preserving and enhancing the local biodiversity.

Disclosure of information to auditors

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

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

Auditor

The Board of Governors has confirmed that KPMG UK LLP shall continue as auditor of the University for the financial year, 2020/21.

Directors' report

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

Approval

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

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

25 November 2020

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

The Board of Governors is responsible for preparing the Strategic Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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

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

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

Chair of the Board of Governors

25 November 2020

Corporate governance Statement

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

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

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

Governance and Legal Structure

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

Compliance with the Public Interest Governance Principles

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

Compliance with the CUC Higher Education Code of Governance

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

A revised Code of Governance was published by the CUC on 16 September 2020. The Board has reviewed the revised code and is confident that it remains compliant. The revised code will be reported on fully for 2020/21.

Decision making

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

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

During the year, the Board met five times (five times in 2018/19). In addition, the Board held two strategy days (two in 2018/19) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review, there was a 92% (2018/19: 82%) attendance rate at Board meetings.

Due to the national coronavirus pandemic, Board and committee meetings have been taking place online via Microsoft Teams since March 2020. Attendance at these virtual meetings has remained high and governors have continued to engage well with discussion.

During August and September 2020 two additional meetings of the Group Audit and Risk Committee were held at which the Committee examined the measures taken to enable the LSBU campus to safely re-open and the processes relating to quality assurance and academic delivery for semester one 2020/21.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page 10) (1.2). The Board receives an annual reminder on Charity Commission guidance (most recently, 15 October 2020). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS through the Audit Committee (1.3).

Compliance

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

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (3.6). Four reportable events were reported (including the South Bank Colleges estates strategy and the Croydon Campus project), and no material adverse changes were reported to the OfS during the year.

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

Sustainability

The Board is responsible for the financial sustainability of the institution and approves the annual budget, which is aligned to the five year corporate strategy (3.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing Key Performance Indicators, management accounts and five year forecasts (3.3). Overall financial control is delegated to the Group Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required (3.9).

Academic governance

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

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

External activities

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

Equality and Diversity

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010 (6.3). In addition, the Board held an EDI workshop with an external facilitator during the year.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (6.3, 6.4, 6.5). During 2018/19, a recruitment firm that specialises in equality and diversity was used to recruit five new governors, which has helped improve the diversity of the Board. A similar exercise will be undertaken during Winter 2020/21 to recruit a minimum of two new governors, and the recruitment firm used in 2018/19 has been re-appointed.

Structures and processes

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

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (7.2). On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.2, 2.1). All members of the Board have access to the services of the Clerk. The appointment or removal of the Clerk is a matter for the Board as a whole under the Articles (7.9).

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

Committees

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

The following principal committees met throughout the year:

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

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

The Group Audit and Risk Committee oversees LSBU's audit activities including the audit the financial statements, appointing the internal and external auditors and advising the Board on the effectiveness of the internal control system.

At its meeting of 17 October 2019 the Board of Governors approved a revised terms of reference to reflect the role of the Committee in relation to the LSBU Group. It was agreed that the Committee would have a Group-wide remit, and that South Bank Academies and South Bank Colleges would continue to hold their own respective audit committees to oversee local audit matters. The name of the Committee was changed from "Audit Committee" to "Group Audit and Risk Committee" to reflect this change. Membership of the Group Audit and Risk Committee is between three and four independent governors (3.12), and a co-opted external member. Following OfS requirements, the committee produces an annual report for the Board, which gives an annual opinion on risk management, control and governance; economy, efficiency and effectiveness; and management and quality assurance of data submitted to external bodies, (3.4, 3.5). The committee reviews the effectiveness of the systems of control in place across the institution. The committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10). The committee receives assurance annually from the external auditor that public funds have been spent appropriately.

The Finance, Planning and Resources Committee provides for the Board in-depth review of the University's in-year financial performance, financial position including cashflow, the performance against the corporate strategy, treasury management and the proposed annual budget. The committee also reviews student recruitment and retention figures, the implications of the Group strategy for human and physical resources, and receives oversight of the value added by Group entities. Membership of the Finance, Planning and Resources Committee is up to five independent governors including the Chair of the Board, plus the Vice Chancellor, one student governor and one staff governor. The committee terms of reference were updated in 2020 to clarify that it will receive high-level reports on the overall performance and value to the LSBU Group of its subsidiaries

The Major Projects and Investment Committee is authorised by the Board to approve investment decisions within authorisation levels as set out in the Financial Regulations. The committee also reviews investment decisions above its level of authority and recommends approval to the Board. In addition, the Major Projects and Investment Committee reviews 'master plans' for estate and infrastructure and monitors the delivery of major projects. Membership consists of up to five independent governors including the Chair of the Board, plus the Vice Chancellor, one student governor and one staff governor.

There is a Remuneration Committee which decides the remuneration of senior executives, including the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.). Further details on the work of the committee are included in the annual remuneration report below (at pages 29 to 34).

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

Governance effectiveness review

During 2018/19, the Board completed a full effectiveness review which was reported to the July 2019 Board meeting (the previous review was conducted in 2015 in line with 7.12 of the CUC Code). Following this review no major changes to the Board's structure were proposed. The review was undertaken internally but was quality assured by PwC (7.11), who concluded that they "did not identify any issues with the way in which the process was run by the governance team. We are comfortable that the process was free of bias and was conducted appropriately".

The main recommendations arising out of the review are:

1. to review both assurance and reporting from the Academic Board to the Board to enable greater visibility of the work done by the Academic Board;

2. that agendas for Board meetings and Strategy Days provide greater focus on strategic discussions and a reduction of operational papers; and
3. continued focus on finalising 'Group' governance arrangements and structure and for the Board of Governors to be assured of its responsibilities and potential liabilities in relation to it.

An action plan was developed following the review, and the Board continues to monitor progress against the plan. Work has been undertaken to address the main recommendations:

1. The new Pro Vice Chancellor (Education) is now in post. The Governance Team is working closely with the PVC (Education) and the Provost to improve processes for assurance and reporting from the Academic Board, particularly with regard to OfS conditions B1-B6.
2. The structure of Board and committee agendas has been reviewed to provide greater focus on strategic discussions. Workshops on writing effective papers have been provided for Executive members and senior managers to enable them to provide papers with a greater focus on strategic matters.
3. The committee terms of reference have been revised to address the new Group structure. The Standing Orders and Statement of Primary Responsibilities were updated during 2020 to clarify Group governance arrangements.

LSBU Group

With the creation of the LSBU Group in 2018/19, group governance structures continue to be developed. Both South Bank Academies and South Bank Colleges have their own Boards of Trustees who are responsible for the success of their companies. The LSBU Board continues to oversee LSBU but also has oversight of the value that both SBA and SBC bring to the LSBU Group.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Michael Cutbill (from 1 March 2020) Douglas Denham St Pinnock (until 22 February 2020)
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Group Audit and Risk Committee	Duncan Brown
Chair of Finance, Planning and Resources Committee	Michael Cutbill
Chair of Major Projects and Investment Committee	Rashda Rana (from 27 February 2020) Douglas Denham St Pinnock (until 22 February 2020)
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Jeremy Parr
University Secretary and Clerk to the Board of Governors	James Stevenson

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

Statement of Primary Responsibilities of the Board of Governors

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

1. To set and agree the mission, strategic vision and values of the university with the Executive.
2. To review the overall performance and alignment to LSBU's mission and charitable objectives of each of South Bank Colleges, South Bank Academies and South Bank University Enterprises Ltd.
3. To agree long-term academic and business plans and key performance indicators and ensure that these meet the interests of stakeholders, especially staff, students and alumni.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the university against the strategy, plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To delegate authority to the Vice Chancellor for the academic, corporate, financial, estate and human resource management of the university, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice Chancellor.
6. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment, value for money arrangements and procedures for handling internal grievances and managing conflicts of interest.
7. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
8. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
9. To safeguard the good name and values of the university.
10. To appoint the Vice Chancellor as Chief Executive and to put in place suitable arrangements for monitoring their performance.
11. To appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the university, there is an appropriate separation in the lines of accountability.
12. To be the employing authority for all staff in the university and to be accountable for ensuring that an appropriate human resources strategy is established.
13. To be the principal financial and business authority of the university, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall accountability for the university's assets, property and estate.
14. To be the university's legal authority and, as such, to ensure systems are in place for meeting all the university's legal obligations, including those arising from contracts and other legal commitments made in the university's name. This includes accountability for health, safety and security and for equality, diversity and inclusion.

15. To receive assurance that adequate provision has been made for the general welfare of students.
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the university.
17. To ensure that the university's constitution is always followed, and that appropriate advice is available to enable this to happen.
18. To promote a culture which supports inclusivity and diversity across the university.
19. To maintain and protect the principles of academic freedom and freedom of speech legislation.
20. To ensure that all students and staff have opportunities to engage with the governance and management of the university.

Statement on Internal Control

As the governing body of London South Bank University, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body by the OfS, according to Registration Condition E2.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2020 and up to the date of approval of the financial statements, and accords with OfS conditions.

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

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Group Audit and Risk Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Group Audit and Risk Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Group Audit and Risk Committee receives regular quarterly reports from management;

- Internal audit is outsourced to an external provider. The Group Audit and Risk Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;
- An organisation-wide register of key corporate risks is maintained, together with individual operational risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- A network of risk champions exists to support risk management activity in all schools and professional service groups;
- Formal risk management and internal control procedures have been embedded within ongoing operations.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the OfS Regulatory Framework and as per the Internal Audit Charter, also adheres to the definition of internal auditing, code of ethics and the standards for professional practice that are published by the Institute of Internal Auditors. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Annual Remuneration Report

Introduction

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

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page 2-3.

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

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

Terms of Reference

The Remuneration Committee's Terms of Reference are available [online](#).

Committee Membership 2019/20

The members of the committee for the year 2019/20 were Jeremy Parr (Committee Chair), Jerry Cope (Chair of the Board), Michael Cutbill and Mee Ling Ng. All members of the committee are independent governors. No

members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2019/20

The committee met twice in the 2019/20 academic year.

- 21 November 2019
- 30 June 2020

The committee also met on 3 November 2020 to consider Senior Executive performance and remuneration for 2019/20.

Approach to remuneration of all staff in 2019/20 and for 1 August 2020 onward

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

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

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

Senior Remuneration

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

LSBU's Senior Remuneration Policy (agreed by the Board in October 2018) sets out the following principles for senior remuneration:

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

- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 8% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

Benchmarking

The committee has agreed that based on the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators would normally be taken into consideration when setting and reviewing the Vice Chancellor's salary:

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

However, in the light of the general approach to freezing pay across the sector, and followed by LSBU, a full benchmarking exercise was not relevant in setting pay from 1 August 2020.

Other senior executive pay will also normally be independently benchmarked every three years. The last review of relevant benchmarking was undertaken by Korn Ferry in November 2018.

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

Institutional performance, 2019/20

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

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

Vice Chancellor performance, 2019/20

This assessment of Vice Chancellor performance is for academic year 2019/2020. The bonus awarded based on performance for academic year 2019/20 will be paid in financial year 2020/21 and appear in next year's accounts.

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

- *The financial stability of the organisation has been ensured and the diversity of income streams has been increased;
- Strong and robust plans have been made and implemented to maintain student learning whilst maintaining high standards of safety across all parts of the LSBU Group;
- Recruitment in 2020, has held up or increased, thanks to the growing reputation of the University, except in the areas of overseas and part-time students, sectors badly affected in LSBU and elsewhere by the pandemic (in these latter areas steps are being taken to increase activity in year);
- Progression rates at the University were significantly above target:
- *Institutional reputation across the Group has improved but disappointingly specific League table rankings for the University have decreased primarily following a change in the measurement in the Sector of student outcomes, but also impacted by a relative drop in National Student Survey scores ;
- Good progress both financially and in terms of student outcomes continues to be made at Lambeth College, a key element of the family of educational institutions' strategy, has been completed;
- Costs have been controlled carefully, but with investment in key strategic areas;
- *The staff engagement score again improved, this year by a considerable 7%, at a time of significant change and disruption;
- *Progress has been made on a number of major improvement projects;
- An exciting new Group strategy building on the growing family of educational institutions vision has been approved by the Board; and
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders.

So in summary LSBU has generally made good progress this year, both in terms of handling the considerable short-term pressures but also in moving forward strategically, all at a particularly complex and challenging time. The Group is well placed to thrive in a potentially tough environment going forward, The Board continues to recognise the importance of maintaining a strong and determined leadership team across all areas of activity.

During the year under review, the Vice Chancellor was awarded a bonus of £17.9k for individual performance (a bonus of £19k was awarded for performance in 2018/19) and a bonus of £ 15.5k for team performance.

Performance related pay, 2019/20 and 2020/21

Under the Senior Remuneration Policy, for 2019/20, the Vice Chancellor and Senior Executives were eligible for a bonus of up to 10% of salary and for a team bonus of up to 8% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University met its overall financial target and 8 members of the executive were eligible to receive an individual bonus and a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved 8 individual (including the Vice Chancellor) bonuses and a team bonus of 6.5% together totalling £100k (for 2018/19 performance, eight individual bonuses and a team bonus were awarded totalling £136k).

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Bonuses for performance during 2019/20 will be determined in November 2020.

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2019/20 with a comparison to 2018/19. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2019–20	2018–19
	£'000	£'000
Salary	238	234
Performance related pay	30	19
Taxable benefits	1	10
Accommodation allowance	10	0
Subtotal	279	263
Pension scheme contributions or payments in lieu of pension contributions	35	34
Total	314	297

In August 2019, the Vice Chancellor paid back a loan of £350k in full to the University. From August 2019, the Remuneration Committee agreed a central London accommodation allowance of £10,000.

For the 2020/21, the Vice Chancellor has been awarded a pay increase of 0%, in line with the average annual pay rise for all employees.

Pay Multiple

The Vice Chancellor's basic salary is 6.23 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.94 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

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

Year	Ratio – basic salary	Ratio – total remuneration
2019/20	6.23	6.94
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU ratios compare to the average sector ratio of 7.8 for basic pay and 8.2 for total remuneration (based on OfS data for 2017/18).

External appointments, expenses and severance

LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion

permission to retain income may be given by the Vice Chancellor (and in the case of the Vice Chancellor by the Chair of the Board). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2019/20, the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

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

In 2019/20, the Vice Chancellor's expenses totalled £1.3k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £0.3k were booked through the University's central travel buying team for the Vice Chancellor.

The Remuneration Committee has approved a policy on severance arrangements.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF London South Bank University

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the principal accounting policies in note one.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other information

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

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

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Review Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 21, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 8b has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 1 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

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

Fleur Nieboer (**Senior Statutory Auditor**)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

25 November 2020

Principal Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standard FRS 102. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

The financial statements are prepared on the going concern basis which the Board considers appropriate for the following reasons:

The Board of Governors have prepared cash flow forecasts for a period of 4 years from the date of approval of these financial statements. After reviewing these forecasts, the Board of Governors are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19, including a 5% reduction in Home & EU Recruitment and a 40% reduction in Overseas recruitment, an increase in in-year withdrawals of 50% (from £4.5m to £7m), and a reduction in student related income of 10%, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due and monitors and reports cashflow balances and covenant compliance on a regular basis. Cash balances, bank deposits and investments at 31/7/20 were £52.1m and external borrowings £34.4m with £1.9m due less than one year from the balance sheet date.

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

Consolidation of accounts

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

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

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

Income recognition

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

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

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

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

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

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

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

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

Intangible assets

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

Fixed assets

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

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

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

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

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

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

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

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

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

Investments

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

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

Stocks

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

Pension costs

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

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

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

extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

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

Employment benefits

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

Taxation status

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

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

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

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

Deferred tax is provided in full on timing differences which result in an obligation at the Balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Agency arrangements

Funds the institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The Finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Maintenance

Maintenance expenditure is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

Refurbishment expenditure on a property is deemed to be of a capital nature if it either enhances the property's operational capabilities, or if it significantly upgrades the mechanical or electrical infrastructure of that property. To the extent that the expenditure is of a capital nature, it is capitalised and written off over its useful economic life. Refurbishment expenditure that does not meet either of these criteria is treated as maintenance expenditure.

Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Where fixed assets were revalued prior to the implementation of FRS 102, the gain or loss on revaluation was credited or debited to the revaluation reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve.

The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 26).

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty.

Liquid resources comprise assets which in normal practice are generally convertible to cash and cash equivalents. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Financial instruments

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and it is intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Judgements and estimates

Material Judgements and estimates

Accounting policies are supplemented by estimation techniques where judgement is required to establish the monetary amounts of assets, liabilities, gains and losses included in the financial statements and the estimates and associated assumptions are believed to be reasonable and prudent. In all cases these judgements and estimates are either based on past experience or are prepared by qualified advisors. In preparing these financial statements management have made the following judgements and estimates:

The present value of the London Pension Fund Authority Pension Fund (LPFAPF) and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price

increase and any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability.

Land was revalued at 31 July 2014 resulting in a one off adjustment to increase the deemed cost of land by £41,946,000. The valuation was prepared by qualified valuers in accordance with the Red Book. The fair value depends on the classification of assets and a number of material assumptions including the condition of properties, ground and services, estimated market value and estimated rental income at the date of valuation.

A determination is undertaken to identify whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

As of 1 February 2019 South Bank Colleges acquired the assets and liabilities of Lambeth College. In line with FRS102 land and buildings were revalued to fair value using indices as used by professional valuers. These assets will be held at deemed costs and depreciated over their useful economic life in line with the accounting policy for fixed assets.

Non Material Judgements and Estimates

The Provision for bad debt is calculated based on the University's past experience of collecting student and other debt. It is estimated that, at the date of signing the financial statements and after making deductions where a repayment arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

A determination has been made as to whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets arise where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the University. These are disclosed by way of a note, where there is a probable, rather than a present asset arising from a past event.

**Consolidated and University Statement of Comprehensive
Income and Expenditure
Year ended 31 July 2020**

	Note	CONSOLIDATED		UNIVERSITY	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Income					
Tuition fees and education contracts	1	123,642	111,344	120,796	109,571
Funding body grants	2	36,581	30,699	16,781	16,338
Research grants and contracts	3	5,464	4,429	4,362	4,073
Other income	4	17,951	17,413	11,422	14,590
Investment income	5	308	303	300	299
Transfer of net assets from Lambeth College		-	16,210	-	-
Total income before other grants and donations		183,946	180,398	153,661	144,871
Donations and Endowments	6	552	646	11	376
Total income		184,498	181,044	153,672	145,247
Expenditure					
Staff costs	8	103,621	90,385	81,213	80,534
Other operating expenses	10	63,980	56,455	57,462	48,099
Depreciation	13-14	10,627	10,353	9,354	9,352
Interest and other finance costs	12	4,920	4,586	4,417	4,360
Total expenditure		183,148	161,779	152,446	142,345
Surplus before other gains and losses		1,350	19,265	1,226	2,902
Gains on investments	21	7	31	7	31
Surplus for the year		1,357	19,296	1,233	2,933
Actuarial loss in respect of pension schemes	28	(44,078)	(3,147)	(38,002)	(3,142)
Total comprehensive income/(expenditure) for the year		(42,721)	16,149	(36,769)	(209)
Represented by:					
Endowment comprehensive income for the year		7	31	7	31
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income/(loss) for the year		(42,728)	16,118	(36,776)	(240)
		(42,721)	16,149	(36,769)	(209)

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

Consolidated and University Statement of Changes in Reserves
Year ended 31 July 2020

Consolidated	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
	<i>Endowment</i> £'000	<i>Unrestricted</i> £'000	£'000	£'000
Balance at 1 August 2018	824	82,743	26,722	110,289
Surplus from the income and expenditure statement	-	19,265	-	19,265
Other comprehensive income/(expenditure)	31	(3,147)	-	(3,116)
Transfers between revaluation and income and expenditure reserve	-	771	(771)	-
Total comprehensive income/(expenditure) for the year	31	16,889	(771)	16,149
Balance at 1 August 2019	855	99,632	25,951	126,438
Surplus from the income and expenditure statement	-	1,350	-	1,350
Other comprehensive income/(expenditure)	7	(44,078)	-	(44,071)
Transfers between revaluation and income and expenditure reserve	-	694	(694)	-
Total comprehensive income/(expenditure) for the year	7	(42,034)	(694)	(42,721)
Balance at 31 July 2020	862	57,598	25,257	83,717
University				
Balance at 1 August 2018	824	82,171	26,722	109,717
Surplus from the income and expenditure statement	-	2,902	-	2,902
Other comprehensive income/(expenditure)	31	(3,142)	-	(3,111)
Transfers between revaluation and income and expenditure reserve	-	771	(771)	-
Total comprehensive income/(expenditure) for the year	31	531	(771)	(209)
Gift aid received	-	517	-	517
Balance at 1 August 2019	855	83,219	25,951	110,025
Surplus from the income and expenditure statement	-	1,226	-	1,226
Other comprehensive income/(expenditure)	7	(38,002)	-	(37,995)
Transfers between revaluation and income and expenditure reserve	-	694	(694)	-
Total comprehensive income/(expenditure) for the year	7	(36,082)	(694)	(36,769)
Gift aid received	-	116	-	116
Balance at 31 July 2020	862	47,253	25,257	73,372

Consolidated and University Balance sheets
As at 31 July 2020

	Notes	Consolidated		University	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Non-current assets					
Intangible assets	13	137	165	137	165
Tangible fixed assets	14	303,202	295,738	231,124	224,452
Investments	15	38	38	38	38
		<u>303,377</u>	<u>295,941</u>	<u>231,299</u>	<u>224,655</u>
Current assets					
Stock		6	6	6	6
Debtors	16	23,408	18,999	34,351	26,253
Investments	23	11,811	11,713	11,811	11,713
Cash and cash equivalents	23	40,373	47,088	37,856	45,602
		<u>75,598</u>	<u>77,806</u>	<u>84,024</u>	<u>83,574</u>
Creditors: amounts falling due within one year	17	<u>(42,564)</u>	<u>(34,063)</u>	<u>(34,202)</u>	<u>(30,296)</u>
Net current assets		<u>33,034</u>	<u>43,743</u>	<u>49,822</u>	<u>53,278</u>
Total assets less current liabilities		<u>336,411</u>	<u>339,684</u>	<u>281,121</u>	<u>277,933</u>
Creditors: amounts falling due after more than one year	18	(69,108)	(79,686)	(52,952)	(56,032)
Provisions					
Pension provisions	20	(183,586)	(133,560)	(154,797)	(111,876)
Total net assets		<u>83,717</u>	<u>126,438</u>	<u>73,372</u>	<u>110,025</u>
Restricted reserves - endowment reserves	21	862	855	862	855
Unrestricted Reserves					
Income and expenditure reserve		57,598	99,632	47,253	83,219
Revaluation reserve		25,257	25,951	25,257	25,951
Total Reserves		<u>83,717</u>	<u>126,438</u>	<u>73,372</u>	<u>110,025</u>

The financial statements were approved by the Board of Governors on 25 November 2020 and were signed and authorised on their behalf by:

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Consolidated Statement of Cash Flows
Year ended 31 July 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Surplus for the year		1,357	19,296
Adjustment for non cash items			
Amortisation/depreciation	13-14	10,627	10,353
Investment income	5	(308)	(303)
Interest payable	12	4,920	4,586
Decrease in stock		-	4
Decrease/(increase) in debtors	16	(4,409)	1,387
Increase / (Decrease) in creditors	17-18	(2,077)	3,072
Pension costs less contributions payable		4,773	7,298
Loss on disposal of tangible fixed assets	14	954	-
Gain on transfer of assets and liabilities acquired from Lambeth College		-	(16,120)
Adjustment for investment or financing activities			
Investment income	5	11	23
Interest receivable	5	297	280
Net cash inflow from operating activities		16,145	29,876
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets	14	(19,017)	(17,496)
Cash (added to)/removed from fixed term deposits	23	-	(140)
Acquisition of Lambeth College		-	197
		(19,017)	(17,439)
Cashflows from financing activities			
Capital element of bank loan repayments	19	(1,910)	(1,624)
Interest element of bank loan repayments	12	(1,933)	(1,566)
		(3,843)	(3,190)
(Decrease)/increase in cash and cash equivalents during the year		(6,715)	9,247
Cash at bank and on deposit at the start of the year	23	47,088	37,841
Cash at bank and on deposit at the end of the year		40,373	47,088

Analysis of Changes in Net Debt

	at 1 August 2019 £'000	Cashflows £'000	Other non- cash changes £'000	at 31 July 2020 £'000
Cash and cash equivalents				
Investments	11,713	98	-	11,811
Cash at bank and on deposit	47,088	(6,715)	-	40,373
	58,801	(6,617)	-	52,184
Borrowings				
Debt due within one year	(1,909)	1,910	(1,945)	(1,944)
Debt due after one year	(34,452)	-	1,945	(32,507)
	(36,361)	1,910	-	(34,451)
	22,440	(4,707)	-	17,733

Notes to the accounts
Year ended 31 July 2020

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Full-time home and EU students	86,594	72,287	83,748	70,514
Full-time international students	14,670	9,900	14,670	9,900
Part-time students	15,630	14,034	15,630	14,034
Other courses	1,992	1,920	1,992	1,920
Strategic Health Authority education contracts	4,756	13,203	4,756	13,203
	123,642	111,344	120,796	109,571
2. Funding body grants				
Recurrent grant	34,367	26,699	15,757	15,245
Non recurrent grants				
Specific grants	1,190	2,907	-	-
Pension Liabilities	136	141	136	141
Other grants	888	952	888	952
	36,581	30,699	16,781	16,338
3. Research grants and contracts				
Research councils	832	2,358	832	2,018
UK based charities	411	398	411	398
European Commission	1,330	1,089	1,330	1,073
Other grants and contracts	2,719	334	1,617	334
Knowledge Transfer Partnerships	172	250	172	250
	5,464	4,429	4,362	4,073
4. Other income				
Residence and catering income	8,061	11,024	8,027	11,000
Other income	9,890	6,389	3,395	3,590
	17,951	17,413	11,422	14,590
5. Investment income				
Interest on short term investments	11	23	11	23
Endowment income and interest receivable	297	280	289	276
	308	303	300	299
6. Donations and endowments				
Unrestricted donations	552	646	11	376

Donations include the estimated market value of SBC's rent free occupations of its Lambeth College premises in Brixton.

Notes to the accounts
Year ended 31 July 2020

7. **Grant and Fee income**

The source of grant and fee income, included in notes 1 to 3 is as follows:

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Grant income from the OfS	146,127	109,164	126,328	94,803
Grant income from other bodies	6,679	5,009	5,577	4,654
Fee income for research awards (exclusive of Vat)	215	366	215	366
Fee income from non-qualifying courses (exclusive of Vat)	3,164	2,345	317	571
Fee income for taught awards (exclusive of Vat)	9,502	29,588	9,502	29,588
	165,687	146,472	141,939	129,982

8. **Staff**

Average numbers by major category:

	Consolidated	
	2020	2019
	No.	No.
Academic staff	915	877
Student support staff	125	142
Other support staff	681	648
	1,721	1,667

	Consolidated		University	
	2020	2019	2020	2019
Costs	£'000	£'000	£'000	£'000
Wages and salaries	77,625	66,221	58,485	58,356
Social security costs	7,796	6,968	6,417	6,229
Employers' pension contributions	18,200	17,196	16,311	15,949
	103,621	90,385	81,213	80,534

Staff costs for the year include costs arising from redundancies of £0.4m (2019 £1m) of which £0.3m was paid during the year and £0.1m was accrued

Access and Participation

	University
	2020
	£'000
Access Investment	44
Financial Support	-
Disability Support (excluding expenditure included in the two categories above)	-
Research and Evaluation	-
	44

Notes to the accounts
Year ended 31 July 2020

9. Remuneration of Board of Governors and higher paid employees

A. Governors

The University's governors do not receive remuneration from the University in their capacity as governors. The salaries and pension contributions below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University

	2020	2019
	£'000	£'000
Salaries	457	404
Pension contributions or payments in lieu if pension contributions	77	59
	534	463

Governors are paid expenses for attending meetings and other matters directly related to their duties as trustees. In 2020 four governors were paid total expenses of £1,974 (2019: five governors were paid total expenses of £1,217) for travel and subsistence.

B. Determining pay of senior staff

Pay of senior executives, including the Vice Chancellor, is determined by a Remuneration Committee composed of Independent governors, and chaired by an experienced Independent governor. The Vice Chancellor is not a member of the Remuneration Committee.

The Committee, in making its determination, considers remuneration levels in a number of comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on the performance of senior executives against individual measurable objectives and may award individual bonuses of up to 10% and a group bonus of up to 8%.

Further information is provided in the Annual Remuneration Report on page 29 onwards

C. Emoluments of the Vice Chancellor

	2020	2019
	£'000	£'000
Salary	238	234
Accommodation allowance	10	-
Performance related pay	30	19
Taxable benefits	1	10
Pension scheme contributions or payments in lieu of pension contributions	35	34
	314	297

The Vice Chancellor is the highest paid Governor.

Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan that was repaid in full on 7th August 2019. The Vice Chancellor's taxable benefit includes £83 of interest benefit for the loan and £1,194 for medical care cover.

The Vice Chancellor's basic salary is 6.23 (2019: 6.15) times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

Notes to the accounts
Year ended 31 July 2020

The Vice Chancellor's total remuneration is 6.94 (2019: 6.78) times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The calculation of these ratios comply with the draft 2019/20 OfS guidance.

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding bonus, benefits and pension contributions) in excess of £100,000 during the year. Seven of these employees accrued benefits under defined benefit pension schemes during the year (2019:6). These employees are grouped as follows:

	Consolidated and University	
	2020	2019
	No.	No.
£100,000 to £104,999	-	1
£105,000 to £109,999	2	-
£115,000 to £119,999	1	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	1
£135,000 to £139,999	-	2
£140,000 to £144,999	1	1
£145,000 to £149,999	1	1
£150,000 to £154,999	1	-
£155,000 to £159,999	-	1
£160,000 to £164,999	1	-
£230,000 to £234,999	-	1
£235,000 to £239,999	1	-
	9	8

E. Key management personnel

Key Management personnel include members of the Group Executive, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excludes employers pension contributions). Members of the University Executive are listed on page 3 of these Financial Statements.

	2020	2019
	£'000	£'000
Key management personnel	1,066	1,213

Notes to the accounts
Year ended 31 July 2020

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
10a. Other operating expenses				
Academic	15,407	12,033	14,672	11,691
Academic support	7,368	12,175	7,368	9,088
Other support	5,719	5,530	5,717	5,530
Premises	14,723	13,529	14,723	12,584
Residence and catering	3,975	4,032	3,975	4,032
Other expense	16,788	9,156	11,007	5,174
	63,980	56,455	57,462	48,099

Other operating expenses are stated after charging:

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Auditors' remuneration				
<i>External audit</i> KPMG LLP	122	100	76	100
<i>Other services</i> KPMG LLP	59	79	46	-
Rentals under operating leases: Plant and machinery	279	208	225	156

Auditors' remuneration is disclosed net of VAT

10b. Access and Participation

	University
	2020
	£'000
Access Investment (i)	3,671
Financial Support	446
Disability Support	251
Research and Evaluation	28
	4,396

(i) £44k of these costs are already included in the overall staff costs figures included in the financial statements, see note 8.

11. Taxation

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered.

The amount of the asset not recognised is £17.6k (2019: £6.7k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
12. Interest and other finance costs				
Loans interest	1,933	1,566	1,933	1,569
Net charge on pension scheme	2,987	3,020	2,484	2,791
	4,920	4,586	4,417	4,360

Notes to the accounts
Year ended 31 July 2020

13. Intangible assets

Software

Cost or valuation

At August 2019

Additions

Transfer

At 31 July 2020

Amortisation charge

At August 2019

Charge for the year

At 31 July 2020

Net book value

At 31 July 2020

At 31 July 2019

	Consolidated and University		
	Assets in		
	Software	course of	Total
	£'000	construction	£'000
		£'000	£'000
At August 2019	4,140	123	4,263
Additions	-	-	-
Transfer	-	-	-
At 31 July 2020	<u>4,140</u>	<u>123</u>	<u>4,263</u>
At August 2019	(4,098)	-	(4,098)
Charge for the year	(28)	-	(28)
At 31 July 2020	<u>(4,126)</u>	<u>-</u>	<u>(4,126)</u>
At 31 July 2020	<u>14</u>	<u>123</u>	<u>137</u>
At 31 July 2019	<u>42</u>	<u>123</u>	<u>165</u>

Notes to the accounts
Year ended 31 July 2020

14. Tangible fixed assets (Consolidated)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost or valuation					£'000	£'000	£'000
At August 2019	88,965	212,981	49,668	44	54,092	26,270	432,020
Additions	-	-	-	-	100	18,917	19,017
Disposal	-	(270)	-	-	(1,771)	-	(2,041)
Transfer	-	467	-	-	15,614	(16,081)	-
At 31 July 2020	88,965	213,178	49,668	44	68,035	29,106	448,996
Depreciation							
At August 2019	-	(64,467)	(31,876)	(37)	(39,902)	-	(136,282)
Charge for the year	-	(5,633)	(1,257)	-	(3,709)	-	(10,599)
Disposals	-	169	-	-	918	-	1,087
At 31 July 2020	-	(69,931)	(33,133)	(37)	(42,693)	-	(145,794)
Net book value							
At 31 July 2020	88,965	143,247	16,535	7	25,342	29,106	303,202
At 31 July 2019	88,965	148,514	17,792	7	14,190	26,270	295,738

Tangible fixed assets (University)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost or valuation					£'000	£'000	£'000
At August 2019	64,368	171,853	47,210	44	52,934	23,324	359,733
Additions	-	-	-	-	59	16,893	16,952
Disposals	-	(270)	-	-	(1,771)	-	(2,041)
Transfer	-	467	-	-	15,614	(16,081)	-
At 31 July 2020	64,368	172,050	47,210	44	66,836	24,136	374,644
Depreciation							
At August 2019	-	(63,776)	(31,851)	(37)	(39,617)	-	(135,281)
Charge for the year	-	(4,802)	(1,207)	-	(3,317)	-	(9,326)
Disposals	-	169	-	-	918	-	1,087
At 31 July 2020	-	(68,409)	(33,058)	(37)	(42,016)	-	(143,520)
Net book value							
At 31 July 2020	64,368	103,641	14,152	7	24,820	24,136	231,124
At 31 July 2019	64,368	108,077	15,359	7	13,317	23,324	224,452

Notes to the accounts
Year ended 31 July 2020

15. Investments

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
CVCP Properties plc	38	38	38	38

The University holds 9% of the £1 ordinary shares of CVCP Properties plc. The principal activity of the company is leasing of buildings, with the majority of tenants being Higher Education organisations.

Details of the companies, all incorporated in England and Wales, in which London South Bank University holds directly or indirectly more than 20% of the nominal value of any class of share capital are as follows:

South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL). Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012.

South Bank Colleges

The University is the sole member of South Bank Colleges, a private company limited by guarantee and incorporated on 1st August 2018 and its results are fully consolidated in these accounts. South Bank Colleges took over the operations of Lambeth College from 1st February 2019 and has one subsidiary, SW4 Catering Ltd.

Other investments

All other investments represent less than 20% of the issued share capital in each case and are therefore not individually disclosed.

16. Debtors: amounts falling due within one year

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	19,122	15,787	18,192	14,167
Amounts owed by group undertakings	-	-	13,392	8,952
Other debtors	799	996	749	977
Prepayments and accrued income	3,487	2,216	2,018	2,157
	23,408	18,999	34,351	26,253

17. Creditors: amounts falling due within one year

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank and other loans	1,944	1,909	1,944	1,909
Trade creditors	1,648	810	714	809
Other creditors	2,714	1,913	2,563	1,620
Social security and other taxation payable	2,282	1,984	1,625	1,487
Accruals and deferred income	33,976	27,447	27,356	24,471
	42,564	34,063	34,202	30,296

Notes to the accounts
Year ended 31 July 2020

18. Creditors: amounts falling due after more than one year

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank and other loans	32,507	34,452	32,507	34,452
Other creditors	-	2,576	-	-
Deferred income	36,601	42,658	20,445	21,580
	69,108	79,686	52,952	56,032

Included within deferred income are items of income which have been deferred until specific performance related conditions have been met.

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Government	10,872	12,026	10,626	11,863
Non-government	2,908	2,167	2,940	2,016
Capital grants	30,164	30,738	21,318	22,206
	43,944	44,931	34,884	36,085

19. Borrowings

	Consolidated and University	
	2020	2019
	£'000	£'000
Bank loans are repayable as follows:		
Due in less than one year (note 17)	1,944	1,909
Due between one and two years	1,979	1,945
Due between two and five years	6,143	6,035
Due after five years	24,385	26,472
Total due after one year (note 18)	32,507	34,452
Total	34,451	36,361

Details of bank loans

Lender	Term	Interest rate	Security	2020	2019
				£'000	£'000
Barclays bank	25 years to 2032	5.67% fixed	McLaren House	3,576	3,886
Barclays bank	To April 2029	5.25% fixed		5,000	5,000
Barclays bank	23.25 years to 2032	5.44% fixed		6,512	6,909
Barclays bank	23 years to 2032	0.225% over Libor		3,489	3,786
Barclays bank	16 years to 2035	5.16-5.2% fixed plus 1.65% margin		12,939	13,467
Allied Irish Bank	26.5 years to 2027	6.67% fixed	Dante Road Halls	2,735	3,113
Salix	Variable	Interest free	Unsecured	200	200
				34,451	36,361

Notes to the accounts
Year ended 31 July 2020

20 Provisions for liabilities: Consolidated

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Enhanced pension £'000	Total £'000
Balance at 1 August 2019	2,140	129,355	2,065	133,560
Utilised during the year	-	(6,338)		(6,338)
Charged to comprehensive income and expenditure	(1,432)	58,031	(235)	56,364
Balance at 31 July 2020	708	181,048	1,830	183,586

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are in note 28B.

The enhanced pension provision relates to the cost of staff who retired from Lambeth College Corporation with enhanced pension provisions between 1995/96 and 2006/7. The value of the provision is calculated in accordance with guidelines issued by the Association for Colleges.

University

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Total £'000
Balance at 1 August 2019	2,142	109,734	111,876
Utilised during the year	-	(5,593)	(5,593)
Charged to comprehensive income and expenditure	(1,434)	49,948	48,514
Balance at 31 July 2020	708	154,089	154,797

21 Endowment reserves

	Consolidated and University			
	Restricted Permanent £'000	Restricted Expendable £'000	2020 Total £'000	2019 Total £'000
Balance at 1 August	718	137	855	824
Increase in market value of investments	6	1	7	31
Balance at 31 July	724	138	862	855

22 Unrestricted reserves

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Revaluation reserve				
Balance at 1 August	25,951	26,722	25,951	26,722
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(694)	(771)	(694)	(771)
Balance at 31 July	25,257	25,951	25,257	25,951

Notes to the accounts
Year ended 31 July 2020

23 Cash and cash equivalents - analysis of changes in net debt

	at 1 August 2019	Cashflows	Other non- cash changes	at 31 July 2020
Consolidated	£'000	£'000	£'000	£'000
Investments	11,713	98	-	11,811
Cash at bank and on deposit	47,088	(6,715)	-	40,373
	58,801	(6,617)	-	52,184
Borrowings				
Debt due within one year	(1,909)	1,910	(1,945)	(1,944)
Debt due after one year	(34,452)	-	1,945	(32,507)
	(36,361)	1,910	-	(34,451)
	22,440	(4,707)	-	17,733

Investments comprise funds held in fixed term deposits for periods exceeding three months at 31 July 2019. Cash at bank and on deposit comprise funds held in bank and on deposit not exceeding 3 months.

24 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2020

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Commitments contracted at 31 July	56,002	15,442	35,142	6,187

£33m of commitments relate to the LSBU refurbishment of London Road into a new Learning Hub. £21m relates to the Vauxhall development by SBC.

25 Contingent liabilities

Funds amounting to £4.4m received from the Education and Skills Funding Agency (ESFA) are subject to conditions linked to future estates development for SBC to deliver a viable, sustainable, high quality, relevant and diverse offer from Level 1 to Level 6 learners and employers across the local area with a college presence in Brixton and Clapham and/or Vauxhall without a requirement for government funding to support operating losses.

The University's subsidiary, South Bank Colleges, has received a pre-action claim for reimbursement of costs by a developer in respect of the Vauxhall development project undertaken by South Bank College's predecessor Lambeth College Corporation. The governing body believes that any claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of its knowledge and belief it is satisfied that no provision is necessary in respect of this claim.

Notes to the accounts
Year ended 31 July 2020

26 Lease obligations

At 31 July 2020 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Expiring within one year	16	77	-	-
Expiring within two and five years	-	41	-	-
Expiring in over five years	449	459	449	459
	<u>465</u>	<u>577</u>	<u>449</u>	<u>459</u>

27 Amounts disbursed as agents

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Teacher training bursaries				
Balance at 1 August	-	(10)	-	(10)
Funding council grant	19	26	19	26
Disbursed to students	(24)	(16)	(24)	(16)
Balance at 31 July	<u>(5)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Apprenticeship employer incentive payments				
Balance at 1 August	-	-	-	-
Funds received	32	19	32	19
Disbursed to employers	(32)	(19)	(32)	(19)
Balance at 31 July	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the accounts

Year ended 31 July 2020

28 Pension arrangements

Different categories of staff were eligible to join one of five different schemes:

- Teachers' Pension Scheme (TPS)
- Universities Superannuation Scheme Limited (USS)
- London Pension Fund Authority (LPFA) Pension Fund
- London South Bank University Defined Contribution Scheme, administered by Aviva.
- National Employment Savings Trust (NEST)
- NOW Pensions

A. The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales including teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

Retirement and other pension benefits are provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Teachers' contributions are credited to the Exchequer under arrangements governed by the above act. The Teachers' Pension Regulations require that an annual account, the Teachers' Budgeting and Valuation Account, be kept of receipts and expenditure, including the cost of pension increases.

From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

- The last valuation of the TPS was as of 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 5 March 2019. The Key results of the valuation are:
 - Uncorrected employer contribution rate effective over the implementation period: 19.5% of pensionable pay. This is an increase of 3.1% on the current contribution rate. This increase is primarily due to the reduction in the discount rate (known as the SCAPE rate) to 2.4% pa above CPI with effect from 1 April 2019.
 - Corrected employer contribution rate payable over the implementation period: 22.8% of pensionable pay. This is an increase of 6.4% on the current contribution rate. This rate is calculated in the same way as the uncorrected employer contribution rate except that the accrual rate of the 2015 Scheme is assumed to be improved from 1 April 2019 to the extent necessary such that the employer contribution correction cost equals the target cost of the scheme.

At 31 July 2020 the University Group had 1197 active members participating in the scheme. During the year contributions were paid by the Group and charged to the Income and Expenditure account at a current rate of 16.48% in August 2019 and then 23.6% from September 2019 (2019: 16.48%) of salaries and the Group's contribution to the TPS for the year was £7,104,562 (2019: £4,635,824). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

Notes to the accounts

Year ended 31 July 2020

Under the definitions set out in FRS 102 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

B. The Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contributing rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS102 'Employee Benefits', the University accounts for the scheme as if it were a wholly defined contribution scheme. Since the University has entered into an agreement that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that relate to the deficit and movement in this provision is treated as an expense.

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as of 31 March 2020 is underway but not yet complete.

The 2018 Valuation was the fifth valuation of the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the Valuation date, the value of the assets in the scheme were £63.7 billion and the value of the scheme's technical provisions was £67.3 billion, indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21
Pension increases	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Post-retirement:	97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females.
Future improvements	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa

Notes to the accounts

Year ended 31 July 2020

The current life expectancies on retirement at age 65 are:

	Males		Females	
	Years	Years	Years	Years
	2018	2017	2018	2017
	Valuation	Valuation	Valuation	Valuation
Current pensioners (currently 65 years)	24.4	24.6	25.9	2.1
Future pensioners (currently 45 years)	26.3	26.6	27.7	27.9

A new deficit recovery plan was put in place at the start of the 2018 valuation, which requires payment of 2% of salaries over the period from October 2019 to September 2021 at which point the rate will increase to 6%. The 2020 deficit liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount Rate	1.50%	2.10%
Pensionable Salary Growth	3.00%	3.90%

At 31 July 2020 the Group had 40 active members participating in the scheme. The total credited to the Statement of Comprehensive Income and Expenditure is £(923,964) (2019: £1,643,839). The employer contribution rate was 19.5% from 1st April 2019 and 21.1% from 1 October 2019. (2019: 18% then 19.5% from 1 April 2019).

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this range is purely an illustration and is before any other measures are considered to reduce the deficit and is still being widely debated across the sector and by the Trustee of the Pension Scheme. For the 2019-20 financial year however, this is considered a non-adjusting event.

C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 2013. To finance these benefits, assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2019 with the valuation results taking into account changes to the scheme from 1 April 2020. Employer contribution rates effective from 1 April 2019 were 12.7% and from 1 April 2020 were 15.4% for London South Bank University and 13.5%, raising to 16.3% from 1st April 2020 for South Bank Colleges. In addition a plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period was paid in April 2020 this payment amounted to £1.3m.

Notes to the accounts

Year ended 31 July 2020

Pension cost under FRS 102

For accounting purposes, the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15-year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	Consolidated and University	
	31 July 2020	31 July 2019
	% per annum	% per annum
Salary increase	3.00%	3.90%
Pension and price increases	2.25%	2.40%
Discount rate	1.50%	2.10%

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Following a pension assumption review process we have updated the discount rate assumption to 1.5% compared with 1.35% that would be consistent with the approach taken in the previous years. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a £10m decrease in the defined benefit obligation as the assumption is now 0.15% lower than it would have been under the previous methodology.

For UK DB pension schemes it is common to set long term RPI inflation based on long term gilt market-implied expectations (known as "break even RPI"), often less an inflation risk premium to allow for supply/demand factors, and for long term CPI inflation to be set with reference to RPI inflation less a "wedge" reflecting established differences in index construction, as there is no deep-market in CPI-linked instruments. On 4 September 2019, the UK Chancellor and the UK Statistics Authority jointly published correspondence confirming that: a public consultation to amend the flawed RPI index would start in January 2020 (subsequently postponed to March 2020 and ended on 21 August 2020), there would be no change to RPI until 2025 at the earliest, and The UK Statistics Authority could change RPI from 2030 without government consent, and their intention is to align RPI to CPIH (CPIH is CPI with allowance for housing costs; the two are assumed to be similar over the long term). Following these announcements the derivation of the CPI assumption has changed at 31 July 2020. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a c. £13m-£14m increase in the DBO as the CPI assumption is now 0.2% higher than it would have been under the previous methodology.

Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2018 model, allowing for a long term rate of improvement of 1.5% per annum, smoothing parameter of 7.0 and no addition to improvement rate. Based on these assumptions, average future life expectancies at age 65 are summarised below:

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Year ended 31 July 2020

	Males		Females	
	Years		Years	
	LSBU	SBC	LSBU	SBC
Current pensioners	21.3	21.2	22.7	22.6
Future pensioners	24.0	23.7	25.5	25.2
Fund assets				

The return on the fund, on a bid value to bid value basis, for the year to 31 July 2020 is estimated at 2%. The actual return on fund assets over the year may be different. The estimated asset allocation at 31 July 2020 is as follows:

	Consolidated		University	
	Fair value	Fair value	Fair value	Fair value
	as at 31 July 2020 £'000	as at 31 July 2019 £'000	as at 31 July 2020 £'000	as at 31 July 2019 £'000
Equities	110,264	112,111	86,715	88,078
Target return portfolio	48,629	52,256	38,244	41,054
Cash	13,869	10,854	10,907	8,527
Infrastructure	14,132	11,792	11,114	9,264
Property	18,923	18,744	14,882	14,726
Total fair value of assets	205,817	205,757	161,862	161,649

Net pension liability

The following amounts at 31 July 2020 related to the Group are measured in accordance with the requirements of FRS 102:

Consolidated	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	205,817	205,757	143,869	133,771	112,066
Present value of funded obligations	(376,181)	(324,227)	(232,750)	(234,955)	(221,698)
Net underfunding in funded plans	(170,364)	(118,470)	(88,881)	(101,184)	(109,632)
Present value of unfunded obligations	(10,684)	(10,885)	(10,884)	(11,565)	(11,868)
Net Pension Liability	(181,048)	(129,355)	(99,765)	(112,749)	(121,500)
University	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	161,862	161,649	143,869	133,771	112,066
Present value of funded obligations	(305,728)	(260,964)	(232,750)	(234,955)	(221,698)
Net underfunding in funded plans	(143,866)	(99,315)	(88,881)	(101,184)	(109,632)
Present value of unfunded obligations	(10,223)	(10,420)	(10,884)	(11,565)	(11,868)
Net Pension Liability	(154,089)	(109,735)	(99,765)	(112,749)	(121,500)

The movement for the year in the net pension liability is shown in note 20.

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Year ended 31 July 2020

Analysis of the amount included in staff costs for the year	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Service cost	10,884	10,652	9,490	9,904
Enhancements to former employees		-		-
Total operating charge	<u>10,884</u>	<u>10,652</u>	<u>9,490</u>	<u>9,904</u>

Analysis of the amount included in interest payable for the year	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest on the defined liability (asset)	2,648	2,815	2,245	2,578
Administration expenses	267	213	210	187
Total interest charge	<u>2,915</u>	<u>3,028</u>	<u>2,455</u>	<u>2,765</u>

Analysis of the amount recognised in Other Comprehensive Income	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Return on fund assets in excess of interest	(565)	16,549	(444)	12,968
Other actuarial losses on assets	(4,527)	-	(4,077)	-
Change in financial assumptions	(31,490)	(36,403)	(25,886)	(29,620)
Change in demographic assumptions	(1,007)	16,593	(618)	13,510
Experience gains and losses on defined benefit obligation	(6,643)	114	(6,977)	-
Remeasurement of the net assets/ (defined liability)	<u>(44,232)</u>	<u>(3,147)</u>	<u>(38,002)</u>	<u>(3,142)</u>

Analysis of movement in the present value of scheme liabilities	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 August	335,112	243,634	271,384	243,634
Movement in the year:				
Acquisition by SBC of Lambeth College	-	59,081	-	-
Current service cost	10,884	8,526	9,490	7,822
Interest cost	6,981	7,174	5,656	6,406
Changes in financial assumptions	31,490	36,403	25,886	29,620
Change in demographic assumptions	1,007	(16,593)	618	(13,510)
Experience loss / (gain) in defined benefit obligation	6,643	(114)	6,977	-
Past service costs, including curtailments	-	2,327	-	2,082
Estimated benefits paid net of transfers in	(6,576)	(6,432)	(5,161)	(5,649)
Contributions by scheme participants	2,083	1,846	1,829	1,707
Unfunded pension payments	(759)	(740)	(728)	(728)
At 31 July	<u>386,865</u>	<u>335,112</u>	<u>315,951</u>	<u>271,384</u>

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Year ended 31 July 2020

Analysis of movement in the fair value of scheme assets	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 August	205,757	143,869	161,649	143,869
Acquisition by SBC of Lambeth College	-	40,242	-	-
Interest on assets	4,333	4,359	3,411	3,828
Return on assets less interest	(565)	16,548	(444)	12,967
Other actuarial losses	(4,527)	-	(4,077)	-
Administration expenses	(267)	(213)	(210)	(187)
Contributions paid	8,421	8,124	7,422	7,549
Estimated benefits paid plus unfunded net of transfers in	(7,335)	(7,172)	(5,889)	(6,377)
At 31 July	<u>205,817</u>	<u>205,757</u>	<u>161,862</u>	<u>161,649</u>

The projected pension expense for the year to 31 July 2021 is £17,376k (consolidated) £15,092k (University).

Sensitivity analysis

The sensitivity analysis below shows the impact of changes in financial assumptions

Adjustment to:	Group			University		
	£000s	£000s	£000s	£000s	£000s	£000s
Discount rate	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	378,839	386,865	395,070	309,309	315,951	322,743
Projected service cost	13,969	14,442	14,932	12,200	12,615	13,045
Long term salary increase	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	387,406	386,865	386,329	316,415	315,951	315,491
Projected service cost	14,449	14,442	14,435	12,621	12,615	12,609
Pension increases and deferred revaluation	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	394,461	386,865	379,426	322,222	315,951	309,811
Projected service cost	14,921	14,442	13,979	13,035	12,615	12,209
Life expectancy assumptions	+1 Year	None	- 1 Year	+1 Year	None	- 1 Year
Present value of total obligation	399,825	386,865	374,326	326,536	315,951	305,710
Projected service cost	14,927	14,442	13,973	13,039	12,615	12,205

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2020 the University had 47 members participating in the scheme. The University's contribution to the Aviva scheme for the year ending 31 July 2020 was £137,861 (2019: £104,754) and employer's contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2020 were £16,401 (2019: £10,060).

E. National Employment Savings Trust (NEST)

The University provides a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31 July 2020 there were 13 staff in the scheme. Employer contribution to the NEST scheme for the year ending 31 July 2020 was £7,448 and employer contributions were 3%. Pension contributions payable at 31 July 2020 were £1,211 (2019:£1,502).

Notes to the accounts
Year ended 31 July 2020

F. NOW Pensions

The University provides a defined contribution scheme through NOW for employees of SBUEL staff engaged through LSBU Employment. At 31 July 2020 there were 88 staff in the scheme. Employer contribution to the NOW scheme for the year ending 31 July 2020 was £9,868 and employer contributions were 3%. Pension contributions payable at 31 July 2020 were £2,090 (2019:£592).

29. Related party transactions

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these financial statements. During the year the university paid for staffing, expenses and equipment for SBUEL totalling £(312)k (2019: £240k), and collected rental income of £40k (2019: £59k). At the year-end SBUEL owed the University £186k (2019: 538k).

The University is the sole Member of South Bank Colleges (SBC), a Private Limited Company by guarantee, which was incorporated on 1st August 2018. SBC and its wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1st February 2019 SBC received £13.7m from the Education and Skills Funding Agency (ESFA) which was transferred to the University on 2nd February 2019 to hold on its behalf and to transfer back to SBC as it is needed to fund operational and capital expenditure requirements. During the year the University transferred £2.86m (6 months to 31 July 2019 £7.45m) to SBC. Services totalling £1,082k (2019 £965k) were recharged to SBC during the year and the balance between SBC and the University at the year-end was £13,206k

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The University maintains a register of Interests of Governors, the details of which are listed below:

Organisation	Governor	Position	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
British University in Egypt	David Phoenix	Trustee	1,687	-	664	-
Kings College London	Hilary McCallion	Visiting professor	259	19	1	-
LSBU Student Union	Maxwell Smith	Union council Chair				
	Harriet Tollerson	President	-	1,006	-	-
National Association of Disability Practitioners Ltd	Nicola Martin	Co-opted Board member	-	1	-	-
Pricewaterhouse Coopers LLP	Duncan Brown	Retired partner	-	6,474	-	-
South Bank Academies	Hilary McCallion	Trustee	16	-	-	-
Transport for London	Mee Ling Ng	Non-executive director	36	-	36	-
UCEA	Jeremy Cope	Vice-chair	-	13	-	-