

**Updated accounts sent to Group Audit and Risk Committee on 20
November 2019**

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Broadway, Michael

From: Broadway, Michael
Sent: 20 November 2019 16:45
To: 'Duncan Brown'; 'jgranvillecole@btinternet.com'; 'marklemmon@blueyonder.co.uk'; 'Rob Orr'
Cc: Phoenix, David; Flatman, Richard; Stevenson, James 7; Ferer, Natalie; Nieboer, Fleur; 'Stapleton, Jack'
Subject: LSBU - final accounts
Attachments: LSBU Financial Statements 2018-19 for Board updated.pdf

To the Audit Committee

Dear committee member,

Attached is a further track changes version of the LSBU accounts. A version was circulated on Monday which had additional disclosures relating to the acquisition of Lambeth College.

This version has been further updated as follows:

- Minor typos and amendments following comments from committee members and from KPMG
- Correction to figures disclosed relating to actuarial loss and creditors in SBC, feeding through to cashflow and notes to the accounts
- Correction to figures in note 26c relating to pension disclosures

Tomorrow a final version of the accounts will be produced including page numbering, details of the remuneration report and confirmation of final pension disclosures.

This version will also be circulated to the Board for approval.

Best wishes,
Michael

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Company Registration No. 986761



Report and Financial Statements

31 July 2019

Report and financial statements 2019

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Report and financial statements 2019

Strategic Report

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

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

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

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

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

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

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

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

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

Bankers

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

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

Structure, Governance and Management

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

Board of Governors

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

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Mr Duncan Brown

Ms Julie Chappell

Resigned 31 January 2019

Mr John Cole

Appointed 1 May 2019

Mr Michael Cutbill

Mr Douglas Denham St Pinnock (Vice Chair)

Professor Peter Fidler CBE

Professor Hilary McCallion CBE

Ms Nelly Kibirige

Mr Mark Lemmon

Appointed 1 May 2019

Mr Kevin McGrath

Resigned 31 March 2019

Dr Mee Ling Ng OBE

Ms Jenny Owen

Resigned 31 July 2019

Mr Jeremy Parr

Appointed 1 August 2018

Ms Rashda Rana

Appointed 1 May 2019

Mr Tony Roberts

Ms Deepa Shah

Appointed 1 May 2019

Mr Nazene Smout

Mr Vinay Tanna

Appointed 1 May 2019

Principal Officers:

Name

Position

Professor David Phoenix

Vice Chancellor and Chief Executive

Professor Patrick Bailey

Provost

Richard Flatman

Group Chief Financial Officer

Professor Paul Ivey

Deputy Vice Chancellor and Chief Business Officer

Nicole Louis

Chief Customer Officer

Ian Mehrrens

Chief Operating Officer (Resigned 31 December 2018)

Fiona Morey

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

James Stevenson

Group Secretary

Professor Shân Wareing

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

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

Objectives and Activities

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

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

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

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

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

LSBU Group

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

LSBU sponsors ~~of~~ South Bank Academies 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 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, Business and Accounting, Sport and Travel, Creative Arts and Media.

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

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Mission

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

Student success

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

Real world impact

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

Access to opportunity

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

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

Student Success

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

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

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

Academic Recognition

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

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

Real World Impact

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

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

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

Applied research with local and international impact

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

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

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TWI

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

Passmore Centre

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

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

LSBU's Clarence Centre for Research and Enterprise

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

Mayor's Construction Academy Hub

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

Access to Opportunity

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

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

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

Local Stakeholders

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

International

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

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Strategic Enablers

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

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

LSBU Chancellor

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

LEAP

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

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

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

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

Campus Development

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

External Environment

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

Principal risks and uncertainties

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

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

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

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

Financial Review

Acquisition of Lambeth College

The University Group acquired Lambeth College midway through the year. On 31 January 2019, the assets of Lambeth College transferred to South Bank Colleges, a wholly owned subsidiary of LSBU.

No consideration was paid by the University Group on acquisition and this is required to be treated as a business combination where the net assets acquired are in substance a gift. In those circumstances, accounting standards require assets to be revalued at fair value on acquisition and this has resulted in a gain of £16.2m. This is included as income in the consolidated Statement of Comprehensive Income and Expenditure and has distorted the normal group operating result for the year.

The analysis of assets and liabilities acquired by SBC is as follows:

| | | |
|-----------------------------------|--------------|---------------|
| | <u>£'000</u> | <u>£'000</u> |
| <u>Fixed Assets at fair value</u> | | <u>69,982</u> |
| <u>Current assets:</u> | | |

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| | | |
|-----------------------------------------------------------------------|----------|---------------|
| <u>Trade and other receivables</u> | 1,441 | |
| <u>Cash and cash equivalents</u> | 197 | |
| | 1,638 | |
| <u>Less Creditors: Amount falling due within one year</u> | (25,730) | |
| <u>Net current liabilities</u> | | (24,092) |
| <u>Total assets less current liabilities</u> | | 45,890 |
| | | |
| <u>Less: creditors - amounts falling due after more than one year</u> | | (8,706) |
| | | |
| <u>Provisions:</u> | | |
| <u>Defined benefit obligation</u> | | (19,040) |
| <u>Other provisions</u> | | (1,934) |
| | | 16,210 |
| | | |
| <u>Unrestricted reserves</u> | | 16,210 |
| | | |

The freehold properties comprising Lambeth College Clapham and Lambeth College Vauxhall were valued as at 1 February 2019 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuations were prepared in accordance with the requirements of the RICS Valuation – Global Standard (July 2017 edition) and guidance set out in UK national supplement 2018 (collectively “the standards”) published by the Royal Institution of Chartered Surveyors (RICS) and Financial Reporting Standard 102 and the Statement of Recommended Practice Accounting for further and Higher Education. The valuations were undertaken on a Fair Value basis, and valued by reference to the comparative and residual methods. The valuation is reported under the special assumption to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced, except where stated separately within the valuation report.

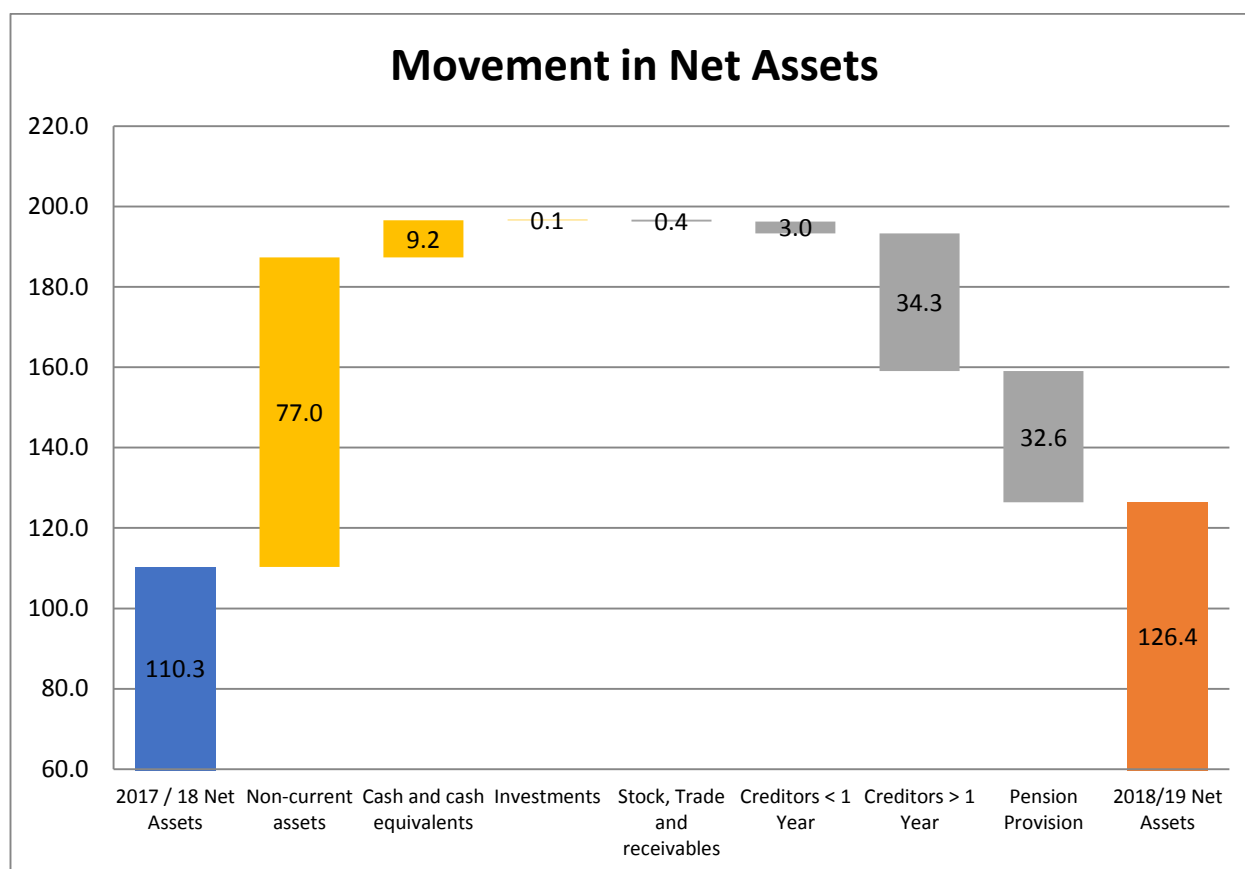
Whilst the asset values have been increased to fair value, this does not represent a cashflow gain for the Group. The University Group is committed to turning around the financial performance of the College and to developing the college estate to ensure adequate future provision. In cashflow terms this requires the University to provide additional financial support for the development of the new Nine Elms Skills Centre.

Balance sheet and liquidity

The Group’s net assets increased by 18% during the year moving from £110.3m to £126.4m. There was a ~~decrease~~ increase of £02.32m in the University’s net assets, the group increase however was due to SBC moving from an initial negative net asset position of £4.6m. to a positive position following a £16.2m asset revaluation

Of the other changes to Net Assets, the largest increase of £56.977.0m was partly due to bringing the Fixed Assets of SBC into the Group before the £16.2m revaluation. The other principal category for the change was Pension Provisions. £13.7m of the increase was due to change in the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme £22.4m was due to the SBC Pensions deficit. The increase in creditors due after 1 year is an increase in LSBU loans due to the novation of a Lambeth College loan and the inclusion of SBC deferred income as a Group liability.

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

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

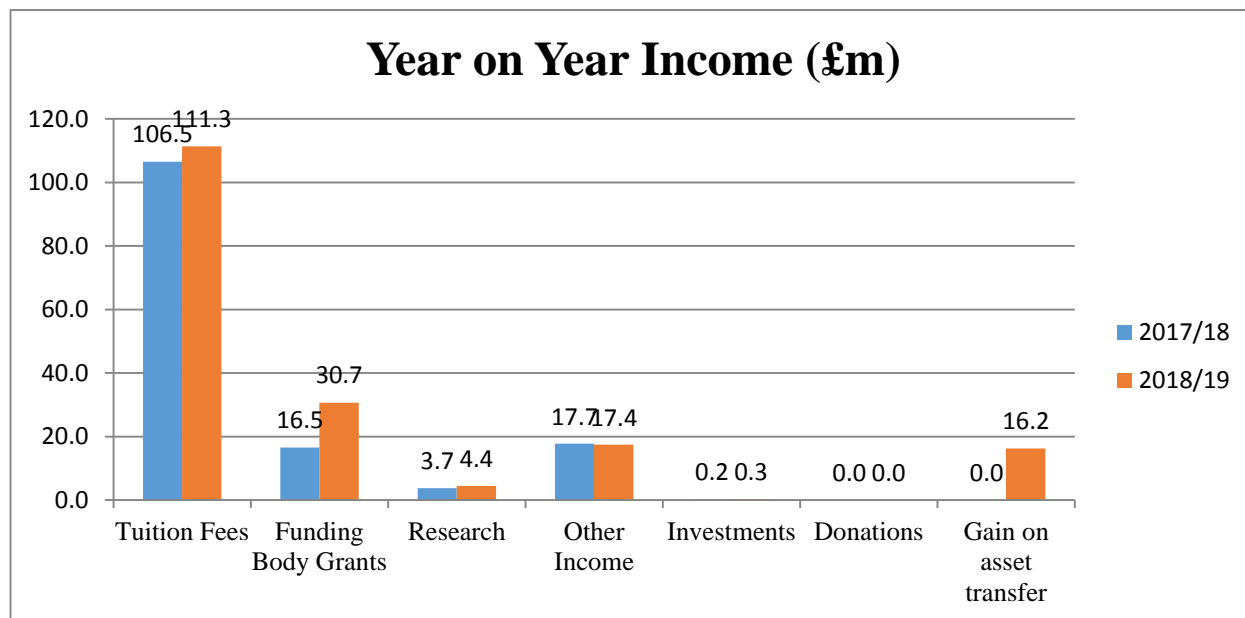
Result for the Year

| Financial Summary in £m | Variance from 2017/18 £m | |
|-----------------------------|--------------------------|---------|
| | 2018/19 | 2017/18 |
| Income including asset gain | 181.04 | 145.3 |
| Expenditure | 161.8 | 143.7 |
| Surplus for the year | 19.3 | 21.6 |
| Surplus % | 10.7% | 1.1% |

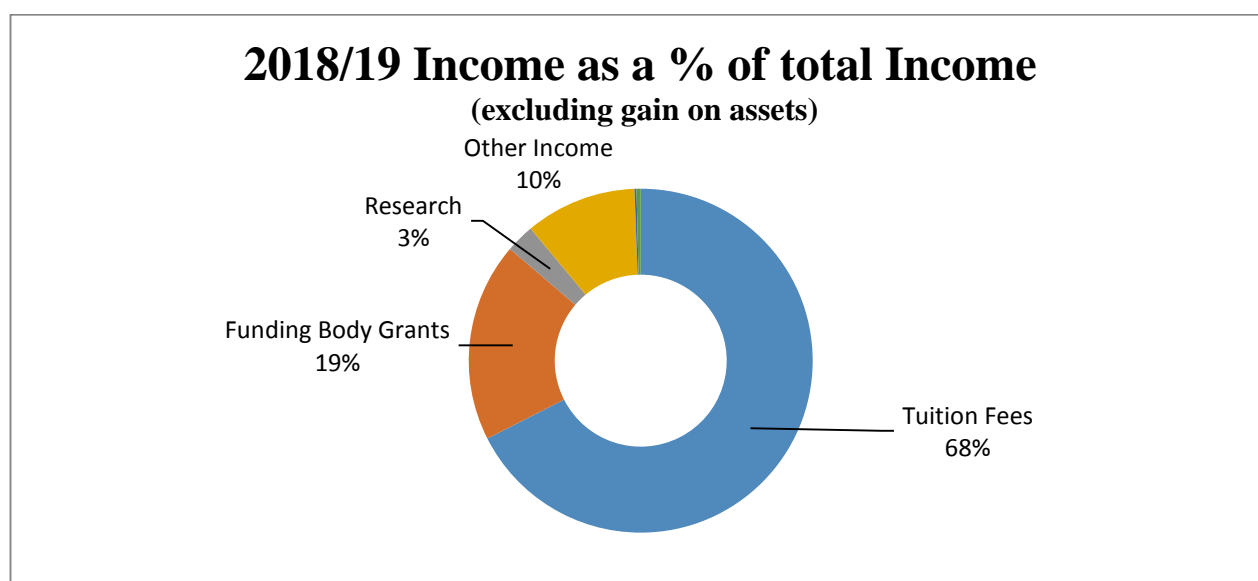
The operating surplus of £2.9m for LSBU and SBUEL is ahead of the agreed LSBU budget surplus of £1.5m and the forecast surplus of £1.5m submitted to the Office for Students (OfS) as part of their monitoring processes and to the ESFA as part of the negotiations surrounding the Lambeth College transaction. In the context of the continuing investment being made by the University and the recruitment challenges across the sector in 2017/18, particularly with

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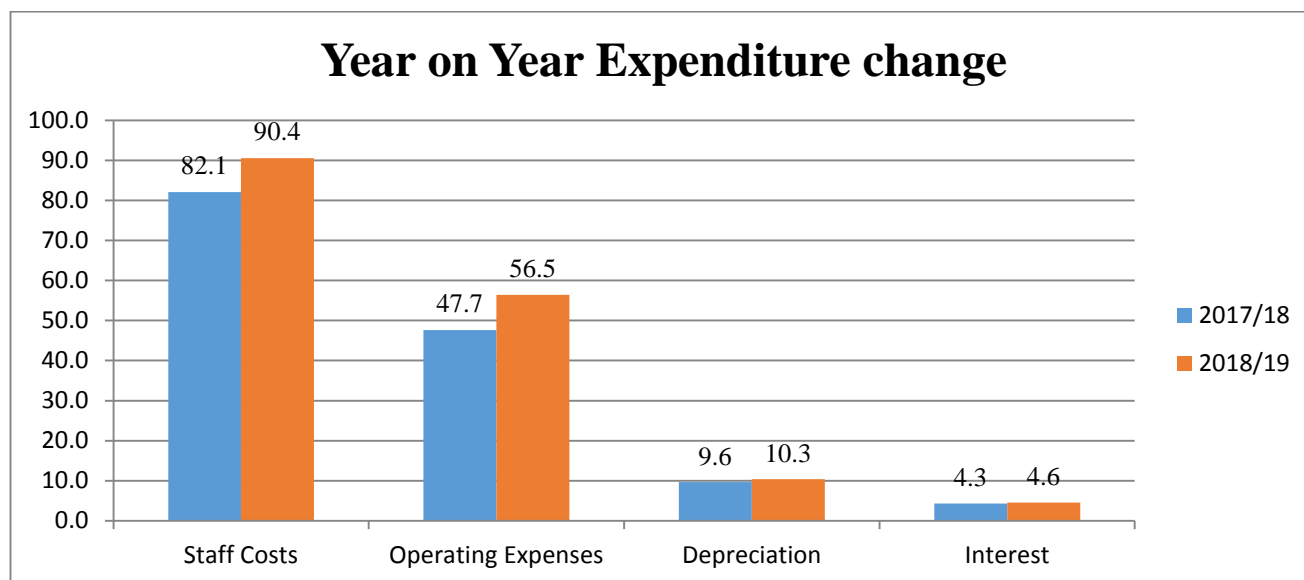
regard to changes in the full time undergraduate demographic and the decline of the part time student market, this is a considered a good result. The revaluation of SBC assets has added an additional £16.2M to the surplus for the group. The asset revaluation helps balance some of the risks associated with bringing SBC into the LSBU Group.



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



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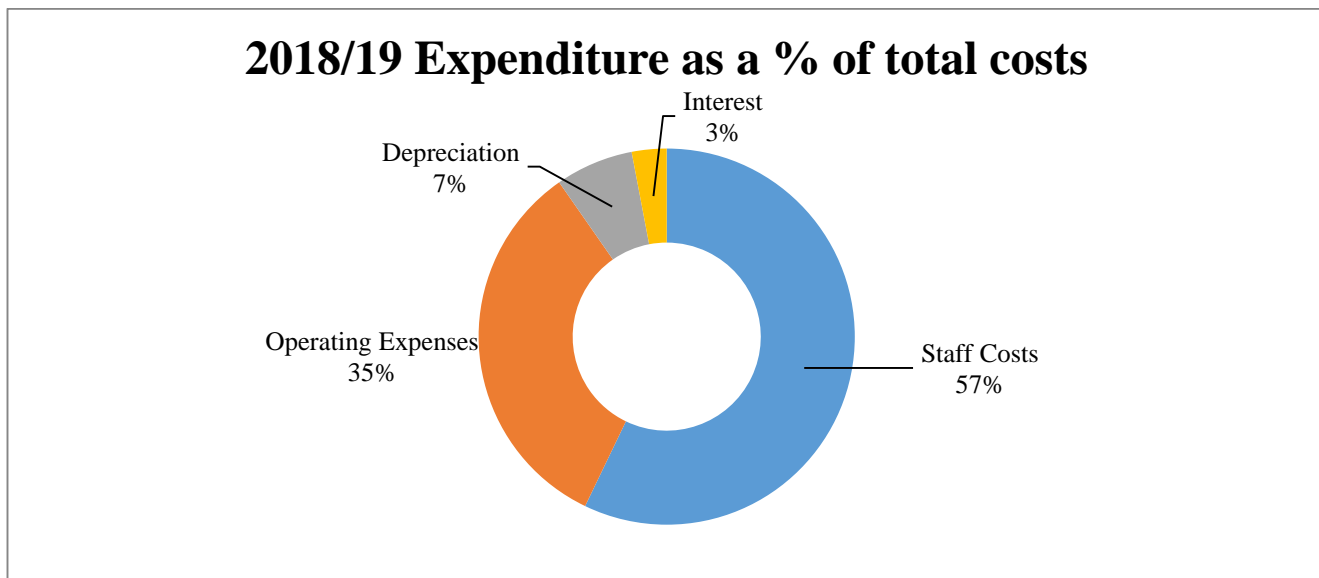


In terms of expenditure, staff costs increased by ~~10.09~~4% from £82.1m in 2017/18 to £90.46m in 2018/19 representing 54.9% of income (2017/18: 56.5%). Although there was the normal level of increase linked to pay uplift and increments the University delivered an overall reduction in staff cost as compared to 17/18. The reason for the increase was the additional staff within SBC TUPEd from Lambeth College. After including seconded staff, sub contracted teaching costs and agency staff costs, which are included in the financial statements as operating expenditure but before any restructuring provision, total staff costs represent 55.9% of income. This is slightly higher than our target of 55% and staff costs remain an area of continued focus for the Group in 2019/20.

Other operating expenses increased by 15.6% from £47.7m in 2017/18 to £56.5m. The University Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the full implementation of the London Living Wage, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities. The remainder of the increase was due to the expenses associated with SBC.

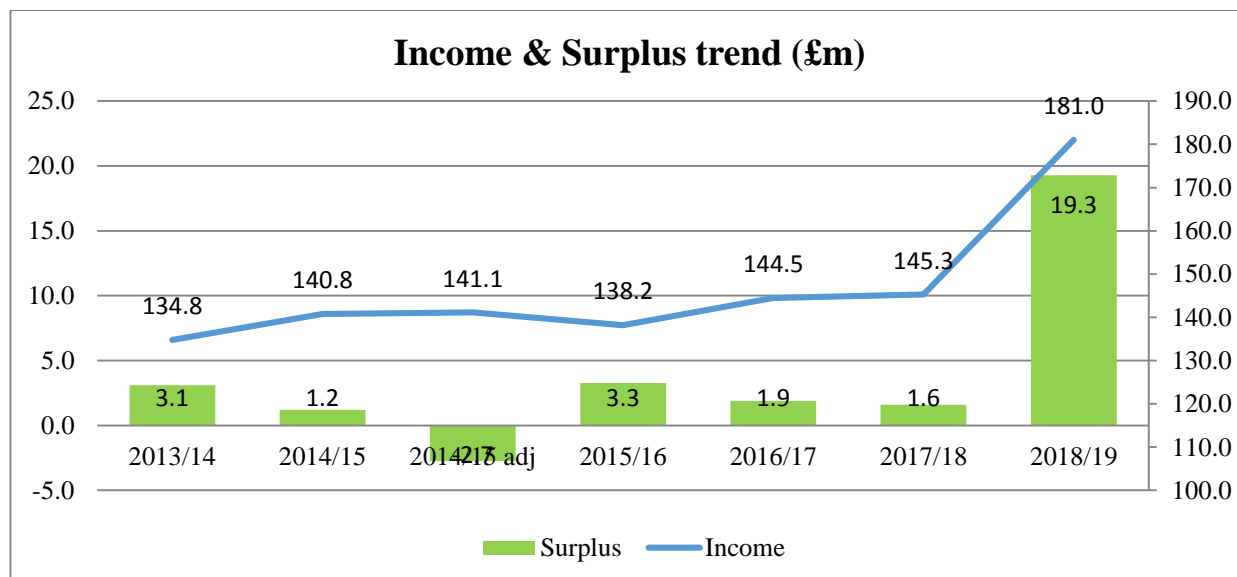
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There were no significant changes to the University’s Fixed assets. There were no asset disposals and the increase in the value of the Groups fixed assets is due to the assets associated with SBC.

Financial trend analysis



2014/15 adjusted for FRS 102 adjustments

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

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

Subsidiaries

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

South Bank University Enterprises Limited (SBUEL) provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated £0.1m in gift aid to the University (2018: £0.5m).

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

Going Concern

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

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

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

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

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

London South Bank University (charity) Public Benefit statement

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

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

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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

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to education. Its Strategy, 2015-2020 sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; and access to opportunity.

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

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

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

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

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

Access and Participation

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

Group structure

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

Disclosure of information to auditors

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

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

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Auditor

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

Directors' report

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

Approval

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

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

21 November 2019

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

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

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

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

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

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

The Board of Governors are also responsible for ensuring that:

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

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

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

Chair of the Board of Governors
21 November 2019

Corporate Governance Statement

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

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

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

Governance and Legal Structure

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

Compliance with the Public Interest Governance Principles

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

Compliance with the CUC Higher Education Code of Governance

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

Decision making

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

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

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

Corporate Governance Statement

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

Compliance

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

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

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

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

Sustainability

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

Academic governance

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

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

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

External activities

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

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

Equality and Diversity

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010 (6.3).

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

Structures and processes

Corporate Governance Statement

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

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

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

Committees

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

The following principal committees met throughout the year:

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

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

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

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

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

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

Governance effectiveness review

Corporate Governance Statement

~~During the year, 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 have been 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. During the year, the Board completed a full effectiveness review which was reported to the July 2019 Board meeting. Following this review no major changes to the Board's structure have been proposed. The review was undertaken internally but was quality assured by PwC, who concluded that they "did not identify any issues with the way in which the process was run by the governance team. We are comfortable that the process was free of bias and was conducted appropriately".~~

The main recommendations arising out of the review are:

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

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

LSBU Group

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

Key Individuals

| Position | Name |
|-----------------------------------------------------------|--------------------------------------------------------------------------------|
| Chair of the Board of Governors | Jeremy Cope |
| Vice Chair of the Board of Governors | Douglas Denham St Pinnock |
| Head of Institution (Vice Chancellor and Chief Executive) | David Phoenix |
| Chair of Audit Committee | Steve Balmont (until 31 December 2018) Duncan Brown (from 1 January 2019) |
| Chair of Finance, Planning and Resources Committee | Hillary McCallion (until 31 July 2019) Michael Cutbill (from 1 August 2019) |
| Chair of Major Projects and Investment Committee | Douglas Denham St Pinnock |
| Chair of Nominations Committee | Jeremy Cope |
| Chair of Appointments Committee | Jeremy Cope |

Corporate Governance Statement

Chair of Remuneration Committee

Mee Ling Ng (until 1 July 2019)

Jeremy Parr (from 2 July 2019)

University Secretary and Clerk to the Board of
Governors

James Stevenson

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

Corporate Governance Statement

Statement of Primary Responsibilities of the Board of Governors

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

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

Corporate Governance Statement

Statement on Internal Control

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

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

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

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

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

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

Mr Jeremy Cope

Corporate Governance Statement

Chair of the Board of Governors

21 November 2019

Annual Remuneration Report, 2018/19

Introduction

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

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

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

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

Terms of Reference

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

Committee Membership 2018/19

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

Committee meetings 2018/19

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

- 6 November 2018
- 2 July 2019

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

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

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

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

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

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

Annual Remuneration Report, 2018/19

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

Senior Remuneration

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

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

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

Benchmarking

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

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

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

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

Annual Remuneration Report, 2018/19

Institutional performance, 2018/19

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

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

Vice Chancellor performance, 2018/19

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

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

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

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

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

Performance related pay, 2018/19 and 2019/20

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

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

Annual Remuneration Report, 2018/19

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

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

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

Total Remuneration: Vice Chancellor

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

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

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

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

Pay Multiple

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

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

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

Annual Remuneration Report, 2018/19

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

The ratios do not include agency workers.

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

External appointments, expenses and severance

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

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

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

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

The Remuneration Committee has approved a policy on severance arrangements.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction for periods beginning on or after 1 August 2019 as published on 25 October 2019; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

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

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

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

Going concern

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

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

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

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

Other information

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board of Governors responsibilities

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

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

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

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

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

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

Fleur Nieboer (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

21 November 2019.

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

| | Note | Consolidated | | University | |
|---------------------------------------------------------------|-------|----------------------------|----------------|----------------|----------------|
| | | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Income | | | | | |
| Tuition fees and education contracts | 1 | 111,344 | 106,537 | 109,571 | 106,537 |
| Funding body grants | 2 | 30,699 | 16,544 | 16,338 | 16,054 |
| Research grants and contracts | 3 | 4,429 | 3,738 | 4,073 | 3,310 |
| Other income | 4 | 17,413 | 17,708 | 14,590 | 15,195 |
| Investment income | 5 | 303 | 179 | 299 | 177 |
| Transfer of net assets from Lambeth College | | 16,210 | | | |
| Total income before other grants and donations | | 180,398 | 144,706 | 144,871 | 141,273 |
| Donations and endowments | 6 | 646 | 596 | 376 | 596 |
| Total income | | 181,044 | 145,302 | 145,247 | 141,869 |
| Expenditure | | | | | |
| Staff costs | 7 | 90,385 | 82,106 | 80,534 | 80,346 |
| Other operating expenses | 9 | 56,455 | 47,658 | 48,099 | 46,466 |
| Depreciation and amortisation | 12,13 | 10,353 | 9,626 | 9,352 | 9,626 |
| Interest and other finance costs | 11 | 4,586 | 4,298 | 4,360 | 4,298 |
| Total expenditure | | 161,779 | 143,688 | 142,345 | 140,736 |
| Surplus before other gains and losses | | 19,265 | 1,614 | 2,902 | 1,133 |
| Gains on investments | 20 | 31 | 17 | 31 | 17 |
| Surplus for the year | | 19,296 | 1,631 | 2,933 | 1,150 |
| Actuarial (loss)/gain in respect of pension schemes | 26 | (3,147 5) | 19,083 | (3,142) | 19,083 |
| Total comprehensive income /(expenditure) for the year | | 16,14954 | 20,714 | (209) | 20,233 |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 31 | 17 | 31 | 17 |
| Restricted comprehensive income for the year | | - | - | - | - |
| Unrestricted comprehensive income /(loss) for the year | | 16,118 20 | 20,697 | (240) | 20,216 |
| | | 16,14954 | 20,714 | (209) | 20,233 |

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

Consolidated and University Statement of Changes in Reserves

| | Note | Income and Expenditure Reserve | | Revaluation Reserve | Total Reserves |
|--------------------------------------------------------------------------------------------------|------|--------------------------------|-----------------------|---------------------|------------------------|
| | | <i>Endowment</i> | <i>Unrestricted</i> | | |
| | | £'000 | £'000 | £'000 | £'000 |
| Consolidated | | | | | |
| Balance at 1 August 2017 | | 807 | 61,386 | 27,382 | 89,575 |
| Surplus before other gains and losses from the statement of comprehensive income and expenditure | | - | 1,614 | - | 1,614 |
| Other comprehensive income | | 17 | 19,083 | - | 19,100 |
| Transfers between revaluation and income and expenditure reserve | | - | 660 | (660) | - |
| Total comprehensive income / (expenditure) for the year | | 17 | 21,357 | (660) | 20,714 |
| Balance at 1 August 2018 | | 824 | 82,743 | 26,722 | 110,289 |
| Surplus before other gains and losses from the statement of comprehensive income and expenditure | | - | 19,265 | - | 19,265 |
| Other comprehensive income | 26 | 31 | (3,147 5) | - | (3,11 6 4) |
| Transfers between revaluation and income and expenditure Reserve | | - | 771 | (771) | - |
| Total Comprehensive income / (expenditure) for the year | | 31 | 16,889 9 1 | (771) | 16,149 5 1 |
| Balance at 31 July 2019 | | 855 | 99,632 4 | 25,951 | 126,438 4 0 |
| University | | | | | |
| Balance at 1 August 2017 | | 807 | 61,295 | 27,382 | 89,484 |
| Surplus before other gains and losses from the statement of comprehensive income and expenditure | | - | 1,133 | - | 1,133 |
| Other comprehensive income | | 17 | 19,083 | - | 19,100 |
| Transfers between revaluation and income and expenditure reserve | | - | 660 | (660) | - |
| Total comprehensive income / (expenditure) for the year | | 17 | 20,876 | (660) | 20,233 |
| Balance at 1 August 2018 | | 824 | 82,171 | 26,722 | 109,717 |
| Surplus before other gains and losses from the statement of comprehensive income and expenditure | | - | 2,902 | - | 2,902 |
| Other comprehensive income | | 31 | (3,142) | - | (3,111) |
| Transfers between revaluation and income and expenditure reserve | | - | 771 | (771) | - |
| Gift aid received | | - | 517 | - | 517 |
| Total Comprehensive income / (expenditure) for the year | | 31 | 1,048 | (771) | 308 |
| Balance at 31 July 2019 | | 855 | 83,219 | 25,951 | 110,025 |

London South Bank University

Consolidated and University Balance sheets
As at 31 July 2019

| | Notes | Consolidated | | University | |
|---------------------------------------------------------|-------|--------------------|----------------|----------------|----------------|
| | | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Non-current assets | | | | | |
| Intangible assets | 12 | 165 | 1,065 | 165 | 1,065 |
| Tangible fixed assets | 13 | 295,738 | 217,804 | 224,452 | 217,804 |
| Investments | 14 | 38 | 38 | 38 | 38 |
| | | <u>295,941</u> | <u>218,907</u> | <u>224,655</u> | <u>218,907</u> |
| Current assets | | | | | |
| Stocks | | 6 | 10 | 6 | 10 |
| Trade and other receivables | 15 | 18,999 | 19,408 | 26,253 | 19,022 |
| Investments | 22 | 11,713 | 11,573 | 11,713 | 11,573 |
| Cash and cash equivalents | 22 | 47,088 | 37,841 | 45,602 | 36,821 |
| | | <u>77,806</u> | <u>68,832</u> | <u>83,574</u> | <u>67,426</u> |
| Creditors: amounts falling due within one year | 16 | (34,063,266) | (31,285) | (30,296) | (30,451) |
| Net current assets | | <u>43,743,540</u> | <u>37,547</u> | <u>53,278</u> | <u>36,975</u> |
| Total assets less current liabilities | | <u>339,684,484</u> | <u>256,454</u> | <u>277,933</u> | <u>255,882</u> |
| Creditors: amounts falling due after more than one year | 17 | (79,686) | (45,422) | (56,032) | (45,422) |
| Provisions | | | | | |
| Pension provisions | 19 | (133,560,355) | (100,743) | (111,876) | (100,743) |
| Total net assets | | <u>126,438,400</u> | <u>110,289</u> | <u>110,025</u> | <u>109,717</u> |
| Restricted reserves – endowment reserves | 20 | 855 | 824 | 855 | 824 |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve | | 99,632,4 | 82,743 | 83,219 | 82,171 |
| Revaluation reserve | 21 | 25,951 | 26,722 | 25,951 | 26,722 |
| Total Reserves | | <u>126,438,400</u> | <u>110,289</u> | <u>110,025</u> | <u>109,717</u> |

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

London South Bank University

Consolidated Statement of Cash Flows Year ended 31 July 2019

| | Note | 2019 £'000 | 2018 £'000 |
|-----------------------------------------------------------------|-------|-----------------|----------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 19,296 | 1,631 |
| Adjustment for non cash items | | | |
| Amortisation / depreciation | 12,13 | 10,353 | 9,626 |
| Investment income | 5 | (303) | (179) |
| Interest payable | 11 | 4,586 | 4,298 |
| Decrease / (increase) in stock | | 4 | (2) |
| Decrease / (increase) in debtors | 15 | 1,387 | (1,030) |
| Increase in creditors | 16 | 3,027 | 4,653 |
| Pension costs less contributions payable | 26 | 7,209 | 2,876 |
| Gain on transfer of assets and liabilities from Lambeth College | | (16,210) | - |
| Adjustment for investment or financing activities | | | |
| Investment income | 5 | 23 | 22 |
| Interest receivable | 5 | 280 | 157 |
| Net cash inflow from operating activities | | 29,786 | 12,746 |
| Cashflows from investing activities | | | |
| Payment to acquire tangible and intangible fixed assets | 12/13 | (17,406) | (9,623) |
| Cash (added to) / removed from fixed term deposits | 22 | (140) | 5,047 |
| Acquisition of Lambeth College | | 197 | - |
| | | (17,349) | (4,576) |
| Cashflows from financing activities | | | |
| Capital element of bank loan repayments | 18 | (1,624) | (1,347) |
| Interest element of bank loan repayments | 11 | (1,566) | (1,128) |
| | | (3,190) | (2,475) |
| Increase in cash and cash equivalents during the year | | 9,247 | 5,695 |
| Cash at bank and on deposit at the start of the year | 22 | 37,841 | 32,146 |
| Cash at bank and on deposit at the end of the year | | 47,088 | 37,841 |

Principal Accounting Policies

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

Basis of preparation

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

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

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

Consolidation of accounts

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

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

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

Income recognition

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

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

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

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

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

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

Principal Accounting Policies

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

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

Intangible assets

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

Fixed assets

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

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

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

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

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

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

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

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

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

Investments

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

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

Principal Accounting Policies

Stocks

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

Pension costs

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

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

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

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

Employment benefits

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

Taxation status

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

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

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

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

Principal Accounting Policies

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

Agency arrangements

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

Leases

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

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

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

Maintenance

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

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

Reserves

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

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

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

Cash flows and liquid resources

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

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

Financial instruments

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

Judgements and estimates

Principal Accounting Policies

Material Judgements and estimates

Accounting policies are supplemented by estimation techniques where judgement is required to establish the monetary amounts of assets, liabilities, gains and losses included in the financial statements and the estimates and associated assumptions are believed to be reasonable and prudent. In all cases these judgements and estimates are either based on past experience or are prepared by qualified advisors. In preparing these financial statements management have made the following judgements and estimates:

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

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

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

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

Non Material Judgements and Estimates

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

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

Foreign currency translation

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

Provisions, contingent liabilities and contingent assets

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

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

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

Notes to the Accounts

Year ended 31 July 2019

| | Consolidated | | University | |
|------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| 1. Tuition fees and education contracts | | | | |
| Full-time home and EU students | 72,287 | 60,218 | 70,514 | 60,218 |
| Full-time international students | 9,900 | 8,621 | 9,900 | 8,621 |
| Part-time students | 14,034 | 13,198 | 14,034 | 13,198 |
| Other courses | 1,920 | 1,925 | 1,920 | 1,925 |
| Strategic Health Authority education contracts | 13,203 | 22,575 | 13,203 | 22,575 |
| | <u>111,344</u> | <u>106,537</u> | <u>109,571</u> | <u>106,537</u> |
| | | | | |
| 2. Funding body grants | | | | |
| | | | | |
| Recurrent grant | 26,699 | 14,498 | 15,245 | 14,498 |
| Non recurrent grants | | | | |
| Specific grants | 2,907 | 665 | - | 175 |
| Pension liabilities | 141 | 318 | 141 | 318 |
| Other grants | 952 | 964 | 952 | 964 |
| Teaching Agency grant | - | 99 | - | 99 |
| | <u>30,699</u> | <u>16,544</u> | <u>16,338</u> | <u>16,054</u> |
| | | | | |
| 3. Research grants and contracts | | | | |
| | | | | |
| Research councils | 2,358 | 1,768 | 2,018 | 1,340 |
| UK based charities | 398 | 242 | 398 | 242 |
| European Commission | 1,089 | 1,389 | 1,073 | 1,389 |
| Other grants and contracts | 334 | 208 | 334 | 208 |
| Knowledge Transfer Partnerships | 250 | 131 | 250 | 131 |
| | <u>4,429</u> | <u>3,738</u> | <u>4,073</u> | <u>3,310</u> |
| | | | | |
| 4. Other income | | | | |
| | | | | |
| Residence and catering income | 11,024 | 10,514 | 11,000 | 10,514 |
| Other income | 6,389 | 7,194 | 3,590 | 4,681 |
| | <u>17,413</u> | <u>17,708</u> | <u>14,590</u> | <u>15,195</u> |
| | | | | |
| | | | | |
| 5. Investment income | | | | |
| | | | | |
| Interest on short term investments | 23 | 22 | 23 | 21 |
| Endowment income and interest receivable | 280 | 157 | 276 | 156 |
| | <u>303</u> | <u>179</u> | <u>299</u> | <u>177</u> |

Notes to the Accounts

Year ended 31 July 2019

| | Consolidated | | University | |
|------------------------------------|--------------|-------|------------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| 6. Donations and endowments | | | | |
| Unrestricted donations | 646 | 596 | 376 | 596 |

Donations include the estimated market value of SBC's rent free occupation of its Lambeth College premises in Brixton.

| | Consolidated | |
|------------------------------------------|--------------|-------|
| | 2019 | 2018 |
| | No. | No. |
| 7. Staff | | |
| Average staff numbers by major category: | | |
| Academic staff | 877 | 690 |
| Student support staff | 128 | 107 |
| Other support staff | 649 | 590 |
| | 1,654 | 1,387 |

| | Consolidated | | University | |
|----------------------------------|--------------|--------|------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Costs: | | | | |
| Wages and salaries | 66,221 | 62,469 | 58,356 | 60,967 |
| Social security costs | 6,968 | 6,526 | 6,229 | 6,401 |
| Employers' pension contributions | 17,196 | 13,111 | 15,949 | 12,978 |
| | 90,385 | 82,106 | 80,534 | 80,346 |

Staff costs for the year include costs arising from redundancies of £1m (2018 £2m), of which £0.8m was paid during the year and £0.2m was accrued.

8. Remuneration of Board of Governors and higher paid employees

A. Governors

The University's governors do not receive remuneration from the University in their capacity as governors.

The salaries and pension contributions below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University.

| | 2019 | 2018 |
|-------------------------------------------------------------------|-------|-------|
| | £'000 | £'000 |
| Salaries | 404 | 400 |
| Pension contributions or payment in lieu of pension contributions | 59 | 57 |
| | 463 | 457 |

Governors are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2019 five trustees were paid total expenses of £1,217 (2018: five governors were paid total expenses of £2,731) for travel and subsistence.

B. Determining pay of senior staff

Pay of senior executives, including the Vice Chancellor, is determined, by a Remuneration Committee, composed of Independent governors, and chaired by an experienced Independent governor. The Vice Chancellor is not a member of the Remuneration Committee.

The Committee, in making its determination, considers remuneration levels in a number of comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on

Notes to the Accounts

Year ended 31 July 2019

the performance of senior executives against individual measurable objectives and may award individual bonuses of up to 10% and a group bonus of up to 5%.

Further information is provided in the Annual Remuneration Report on [pages 26 to 30](#).

| C. Emoluments of the Vice Chancellor | 2019 | 2018 |
|---------------------------------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Salary | 234 | 228 |
| Bonus | 19 | 18 |
| Taxable benefits | 10 | 10 |
| Pension Scheme contributions or payments in lieu of pension contributions | 34 | 33 |
| | <hr/> | <hr/> |
| Total emoluments and remuneration | <u>297</u> | <u>289</u> |

The Vice Chancellor is the highest paid Governor.

Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 8(F). The Vice Chancellor's taxable benefit includes £8,750 interest benefit for the loan and £1,460 for medical care cover.

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

The Vice Chancellor's total remuneration is 6.78 times the median total remuneration of staff, where the median [pay-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.

Notes to the accounts

Year ended 31 July 2019

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding bonus, benefits and pension contributions) in excess of £100,000 during the year. Six of these employees accrued benefits under defined benefit pension schemes during the year (2018:5). These employees are grouped as follows:

| | Consolidated and University | |
|----------------------|------------------------------------|-------------|
| | 2019 | 2018 |
| | No. | No. |
| £100,000 to £104,999 | 1 | - |
| £120,000 to £124,999 | - | 2 |
| £125,000 to £129,999 | 1 | 2 |
| £130,000 to £134,999 | - | 1 |
| £135,000 to £139,999 | 2 | - |
| £140,000 to £144,999 | 1 | 1 |
| £145,000 to £149,999 | 1 | 1 |
| £155,000 to £159,999 | 1 | 1 |
| £225,000 to £229,999 | - | 1 |
| £230,000 to £234,999 | 1 | - |
| | <u>8</u> | <u>9</u> |

E. Key management personnel

Key Management personnel include members of the University Executive Group, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excludes employers pension contributions). Members of the University Executive are listed on [page 3](#) of these Financial Statements.

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

F. Related party disclosures

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these financial statements. During the year the university paid for staffing, expenses and equipment for SBUEL totalling £240k (2018: £217k), and collected rental income of £59k (2018: £90k). At the year-end SBUEL owed the University £538k (2018: 356k).

The University is the sole Member of South Bank Colleges (SBC), a Private Limited Company by guarantee, which was incorporated on 1st August 2018. SBC and its wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1st February 2019 SBC received £13.7m from the Education and Skills Funding Agency (ESFA) which was transferred to the University on 2nd February 2019 to hold on its behalf and to transfer back to SBC as it is needed to fund operational and capital expenditure requirements. During the 6 months from 1st February the University transferred £7.45m to SBC. Services totalling £965k were recharged to SBC during the year and the balance between SBC and the University at the year-end was £8,414k.

The President and the Union Council Chair of the LSBU Students' Union are members of the Board of Governors. During the year the LSBU Students' Union received financial support from the University of £945,000 (2018: £945,000) net of services provided by the University. Services provided by the University totalled £37,960. The balance between the two parties at the year-end was £1,260 (2018: £nil).

Notes to the accounts

Year ended 31 July 2019

A member of the Board, Hilary McCallion, is a visiting professors at Kings College London. During the year the University paid Kings College London £31,482 (2018: £74,100) in respect of seconded staff and received £4,117 in tuition fees. Hilary McCallion is also a non-executive director of Ashford and St Peters NHS Foundation Trust. During the year the University received £5,685 in tuition fee income from Ashford and St Peters.

A member of the Board, Jeremy Cope, is a board member of the Universities and Colleges Employer Association (UCEA). During the year the University paid £2,306 (2018: £20,832) in respect of membership and conference fees.

A member of the Board, Duncan Brown, is a retired partner of PricewaterhouseCoopers LLP (PwC) and receives a retirement allowance from that organization. During the year the University paid PwC £1,942,015 (2018: £164,625) in respect of internal audit and professional fees, and the University received £8,800 in respect of tuition fees.

The University controls the board of South Bank Academies. During the year the University charged South Bank Academies Trust £25,000 (2018:£6,000) for clerking services and £1,791 (2018:£18,000) in reimbursement of actual expenses incurred. SBUEL charged South Bank Academies £50k for staff provided through LSBU Employment, an employment agency run by SBUEL. At the year-end South Bank Academies owed The Group £1,791.

The Vice Chancellor is a Trustee of the British University in Egypt. During the year the University invoiced £1,545,491 (2018:£1,539,279) in respect of educational services.

The Vice Chancellor is a member of the Board, and Chair of the Funding Policy Network of Universities UK. During the year the University paid Universities UK £941 in respect of conference fees.

The Vice Chancellor is a member of the Board of the National Centre for Universities and Businesses (NCUK). During the year the University paid NCUK £9,000 in respect of subscription fees and project contributions.

The Vice Chancellor of the University received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to contribute to a specified property and was fully secured by way of legal mortgage on the property in favour of London South Bank University. As of 31 July 2019 the outstanding balance was £350,000, with the total balance being repaid on 8th August 2019.

| | Consolidated | | University | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| 9. Other operating expenses | | | | |
| Academic | 12,033 | 10,275 | 11,691 | 10,275 |
| Academic support | 12,175 | 7,254 | 9,088 | 7,254 |
| Other support | 5,530 | 6,696 | 5,530 | 6,696 |
| Premises | 13,529 | 13,032 | 12,584 | 13,032 |
| Residence and catering | 4,032 | 3,981 | 4,032 | 3,981 |
| Other expenses | 9,156 | 6,420 | 5,174 | 5,228 |
| | <u>56,455</u> | <u>47,658</u> | <u>48,099</u> | <u>46,466</u> |

Group other operating expenses are stated after charging:

| | 2019 £'000 | 2018 £'000 |
|--------------------------------|---------------|---------------|
| Auditors' remuneration* | | |
| <i>External audit</i> KPMG LLP | 100 | 53 |
| <i>Other services</i> KPMG LLP | 79 | 17 |

Notes to the accounts

Year ended 31 July 2019

Rentals under operating leases: Plant and machinery** 208 168

* Includes £100,285 attributable to the University (2018: £62,294)

**Includes £156,641 attributable to the University (2018: £167,936)

10. Taxation

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered.

The amount of the asset not recognised is ~~£6.7X.Xk~~ (2018: £9.9k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

| | Consolidated | | University | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| 11. Interest and other finance costs | £'000 | £'000 | £'000 | £'000 |
| Loans Interest | 1,566 | 1,128 | 1,569 | 1,128 |
| Net charge on pension scheme | 3,020 | 3,170 | 2,791 | 3,170 |
| | <u>4,586</u> | <u>4,298</u> | <u>4,360</u> | <u>4,298</u> |

12. Intangible Assets Software

| Cost or Valuation | Consolidated and University | | |
|----------------------------|-----------------------------|----------------------------------------|-------------------------------|
| | Software | Assets in Course of Construction | Total Intangible Assets |
| | £'000 | £'000 | £'000 |
| At August 2018 | 4,140 | 50 | 4,190 |
| Additions | - | 73 | 73 |
| Transfer | - | - | - |
| At 31 July 2019 | <u>4,140</u> | <u>123</u> | <u>4,263</u> |
| Amortisation Charge | | | |
| At August 2018 | (3,125) | - | (3,125) |
| Charge for the year | (973) | - | (973) |
| At 31 July 2019 | <u>(4,098)</u> | <u>-</u> | <u>(4,098)</u> |
| Net Book Value | | | |
| At 31 July 2019 | <u>42</u> | <u>123</u> | <u>165</u> |
| At 31 July 2018 | <u>1,015</u> | <u>50</u> | <u>1,065</u> |

Notes to the accounts

Year ended 31 July 2019

13. Tangible fixed assets (Consolidated)

| | Freehold Land £'000 | Freehold Buildings £'000 | Long Leasehold Land and Buildings £'000 | Fixtures, Fittings and Equipment £'000 | Short Leasehold Land and Buildings £'000 | Assets in Course of Construction £'000 | Fixed Assets Total £'000 |
|--------------------------|---------------------------|--------------------------------|-----------------------------------------------------|-------------------------------------------------|------------------------------------------------------|-------------------------------------------------|--------------------------------|
| Cost or Valuation | | | | | | | |
| At 1 August 2018 | 64,368 | 167,110 | 47,210 | 46,906 | 44 | 19,091 | 344,729 |
| Additions | - | 28 | (10) | 28 | - | 17,287 | 17,333 |
| Additions at 1 February | 24,597 | 41,100 | 2,468 | 1,130 | - | 687 | 69,982 |
| Disposal | - | - | - | (24) | - | - | (24) |
| Transfers | - | 4,743 | - | 6,052 | - | (10,795) | - |
| At 31 July 2019 | <u>88,965</u> | <u>212,981</u> | <u>49,668</u> | <u>54,092</u> | <u>44</u> | <u>26,270</u> | <u>432,020</u> |
| Depreciation | | | | | | | |
| At 1 August 2018 | - | (59,099) | (30,620) | (37,170) | (37) | - | (126,926) |
| Charge for the year | - | (5,368) | (1,256) | (2,756) | - | - | (9,380) |
| Disposals | - | - | - | 24 | - | - | 24 |
| At 31 July 2019 | <u>-</u> | <u>(64,467)</u> | <u>(31,876)</u> | <u>(39,902)</u> | <u>(37)</u> | <u>-</u> | <u>(136,282)</u> |
| Net book value | | | | | | | |
| At 31 July 2019 | <u>88,965</u> | <u>148,514</u> | <u>17,792</u> | <u>14,190</u> | <u>7</u> | <u>26,270</u> | <u>295,738</u> |
| At 31 July 2018 | <u>64,368</u> | <u>108,013</u> | <u>16,589</u> | <u>9,736</u> | <u>7</u> | <u>19,091</u> | <u>217,804</u> |

Additions at 1 February relate to fixed assets acquired by South Bank Colleges from Lambeth College.

Tangible Fixed assets (University)

| | Freehold Land £'000 | Freehold Buildings £'000 | Long Leasehold Land and Buildings £'000 | Fixtures, Fittings and Equipment £'000 | Short Leasehold Land and Buildings £'000 | Assets in Course of Construction £'000 | Total Fixed Assets Total £'000 |
|--------------------------|---------------------------|--------------------------------|-----------------------------------------------------|-------------------------------------------------|------------------------------------------------------|-------------------------------------------------|-----------------------------------------|
| Cost or Valuation | | | | | | | |
| At 1 August 2018 | 64,368 | 167,110 | 47,210 | 46,906 | 44 | 19,091 | 344,729 |
| Additions | - | - | - | - | - | 15,028 | 15,028 |
| Disposal | - | - | - | (24) | - | - | (24) |
| Transfers | - | 4,743 | - | 6,052 | - | (10,795) | - |
| At 31 July 2019 | <u>64,368</u> | <u>171,853</u> | <u>47,210</u> | <u>52,934</u> | <u>44</u> | <u>23,324</u> | <u>359,733</u> |
| Depreciation | | | | | | | |
| At 1 August 2018 | - | (59,099) | (30,620) | (37,170) | (37) | - | (126,926) |
| Charge for the year | - | (4,677) | (1,231) | (2,471) | - | - | (8,379) |
| Disposals | - | - | - | 24 | - | - | 24 |
| At 31 July 2019 | <u>-</u> | <u>(63,776)</u> | <u>(31,851)</u> | <u>(39,617)</u> | <u>(37)</u> | <u>-</u> | <u>(135,281)</u> |
| Net book value | | | | | | | |
| At 31 July 2019 | <u>64,368</u> | <u>108,077</u> | <u>15,359</u> | <u>13,317</u> | <u>7</u> | <u>23,324</u> | <u>224,452</u> |
| At 31 July 2018 | <u>64,368</u> | <u>108,013</u> | <u>16,589</u> | <u>9,736</u> | <u>7</u> | <u>19,091</u> | <u>217,804</u> |

Notes to the accounts

Year ended 31 July 2019

| 14. Investments | Consolidated | | University | |
|---------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| CVCP Properties plc | 38 | 38 | 38 | 38 |

The University holds 9% of the £1 ordinary shares of CVCP Properties plc. The principal activity of the company is leasing of buildings, with the majority of tenants being Higher Education organisations.

Details of the companies, all incorporated in England and Wales, in which London South Bank University holds directly or indirectly more than 20% of the nominal value of any class of share capital are as follows:

South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL). Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012.

South Bank Colleges

The University is the sole member of South Bank Colleges, a private company limited by guarantee and incorporated on 1st August 2018 and its results are fully consolidated in these accounts. South Bank Colleges took over the operations of Lambeth College from 1st February 2019 and has one subsidiary, SW4 Catering Ltd.

Other investments

All other investments represent less than 20% of the issued share capital in each case and are therefore not individually disclosed.

| 15. Debtors: amounts falling due within one year | Consolidated | | University | |
|---------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Trade debtors | 15,787 | 14,454 | 14,167 | 14,072 |
| Amounts owed by group undertakings | - | - | 8,952 | 356 |
| Other debtors | 996 | 1,255 | 977 | 1,253 |
| Prepayments and accrued income | 2,216 | 3,349 | 2,157 | 2,991 |
| Total debtors due within one year | 18,999 | 19,058 | 26,253 | 18,672 |
| Debtors: amounts falling due after one year: amounts owed by related parties (note 8) | - | 350 | - | 350 |
| | 18,999 | 19,408 | 26,253 | 19,022 |

| 16. Creditors: amounts falling due within one year | Consolidated | | University | |
|----------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Bank and other loans | 1,909 | 1,367 | 1,909 | 1,367 |
| Trade creditors | 810 | 1,677 | 809 | 1,661 |
| Other creditors | 1,913 | 1,582 | 1,620 | 1,449 |
| Social security and other taxation payable | 1,984 | 1,544 | 1,487 | 1,544 |
| Accruals and deferred income | 27,447,650 | 25,115 | 24,471 | 24,430 |
| | 34,063,266 | 31,285 | 30,296 | 30,451 |

Notes to the accounts
Year ended 31 July 2019

| 17. Creditors: amounts falling due after more than one year | Consolidated | | University | |
|-------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Bank and other loans | 34,452 | 22,895 | 34,452 | 22,895 |
| Other creditors | 2,576 | - | - | - |
| Deferred income | 42,658 | 22,527 | 21,580 | 22,527 |
| | 79,686 | 45,422 | 56,032 | 45,422 |

Included within deferred income are items of income which have been deferred until specific performance related conditions have been met.

| | Consolidated | | University | |
|----------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Government | 12,026 | 7,818 | 11,863 | 7,492 |
| Non-government | 2,167 | 2,603 | 2,016 | 2,448 |
| Capital grants | 30,738 | 23,158 | 22,206 | 23,158 |
| | 44,931 | 33,579 | 36,085 | 33,098 |

18. Borrowings

Bank loans are repayable as follows:

| | Consolidated and University | |
|-------------------------------------|-----------------------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Due in less than one year (note 16) | 1,909 | 1,367 |
| Due between one and two years | 1,945 | 1,383 |
| Due between two and five years | 6,035 | 4,156 |
| Due after five years | 26,472 | 17,356 |
| Total due after one year (note 17) | 34,452 | 22,895 |
| | 36,361 | 24,262 |

Notes to the accounts

Year ended 31 July 2019

Details of bank basic loans

| Lender | Term | Interest rate | Security | 2019 £'000 | 2018 £'000 |
|-------------------|---------------------|------------------------------------|------------------|---------------|---------------|
| Barclays Bank | 25 years to 2032 | 5.67% fixed | } McLaren House | 3,886 | 4,197 |
| Barclays Bank | To April 2029 | 5.25 % fixed | | 5,000 | 5,000 |
| Barclays Bank | 23.25 years to 2032 | 5.54% fixed | | 6,909 | 7,291 |
| Barclays Bank | 23 years to 2032 | 0.225% over Libor | | 3,786 | 4,083 |
| Barclays Bank | 16 years to 2035 | 5.16-5.20% Fixed plus 1.65% margin | McLaren House | 13,467 | - |
| Allied Irish Bank | 26.5 years to 2027 | 6.67% Fixed | Dante Road Halls | 3,113 | 3,491 |
| Salix | Variable | Interest free | Unsecured | 200 | 200 |
| | | | | 36,361 | 24,262 |
| | | | | 36,361 | 24,262 |

19. Provisions for liabilities: Consolidated

| | Obligation to fund deficit on USS pension £'000 | LPFA defined benefit obligation £'000 | Enhanced pension £'000 | Total £'000 |
|-------------------------------------------------|----------------------------------------------------|------------------------------------------|---------------------------|-------------------|
| Balance at 1 August 2018 | 977 | 99,766 | - | 100,743 |
| Additions at 1 February | - | 19,040 | 1,934 | 20,974 |
| Utilised during the year | - | (6,278) | (74,279) | (6,352,557) |
| Charged to comprehensive income and expenditure | 1,163 | 16,827 | 205 | 18,195 |
| Balance at 31 July 2019 | <u>2,140</u> | <u>129,355</u> | <u>21,065,860</u> | <u>133,355,60</u> |

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are in note 26B.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26B. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,229,497, a decrease of £912,372 from the current year end provision.

The enhanced pension provision relates to the cost of staff who retired from Lambeth College Corporation with enhanced pension provisions between 1995/96 and 2006/7. The value of the provision is calculated in accordance with guidelines issued by the Association for Colleges.

Notes to the accounts
Year ended 31 July 2019

University

| | Obligation to fund deficit on USS pension £'000 | LPFA defined benefit obligation £'000 | Total Provisions £'000 |
|-------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------|
| Balance at 1 August 2018 | 977 | 99,766 | 100,743 |
| Utilised during the year | - | (5,842) | (5,842) |
| Charged to comprehensive income and expenditure | 1,165 | 15,810 | 16,975 |
| Balance at 31 July 2019 | 2,142 | 109,734 | 111,876 |

| 20. Restricted reserves | Endowments | | Consolidated and University | |
|-----------------------------------------|-------------------------------------------|--------------------------------------------|---------------------------------|---------------------------------|
| | Restricted Permanent £'000 | Restricted Expendable £'000 | 2019 Total £'000 | 2018 Total £'000 |
| Balance at 1 August | 692 | 131 | 824 | 807 |
| Increase in market value of investments | 25 | 6 | 31 | 17 |
| Balance at 31 July | 717 | 137 | 855 | 824 |

| 21. Unrestricted reserve | Consolidated | | University | |
|---------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Revaluation reserve | | | | |
| Balance at 1 August | 26,722 | 27,382 | 26,722 | 27,382 |
| Addition at 1 February | 6,777 | - | - | - |
| Transfer to income and expenditure reserves being excess depreciation on revalued assets | (771,846) | (660) | (771) | (660) |
| Balance at 31 July | 25,322,951,653 | 26,722 | 25,951 | 26,722 |

22. Cash and cash equivalents

| | At 1 Aug 2018 £'000 | Cashflows £'000 | At 31 July 2019 £'000 |
|-----------------------------|------------------------------------|----------------------------|--------------------------------------|
| Consolidated | | | |
| Investments | 11,573 | 140 | 11,713 |
| Cash at bank and on deposit | 37,841 | 9,247 | 47,088 |
| Balance at 31 July | 49,414 | 9,387 | 58,801 |

Investments comprise funds held in fixed term deposits for periods exceeding three months at 31 July 2019. Cash at bank and on deposit comprise funds held in bank and on deposit not exceeding 3 months.

Notes to the accounts

Year ended 31 July 2019

Consolidated and University

23. Capital commitments

| | 2019 | 2018 |
|-----------------------------------|--------|-------|
| | £'000 | £'000 |
| Commitments contracted at 31 July | 15,442 | 6,941 |

Of the above, £6,178k relates to LSBU and £9,264k relates to SBC (2018: £6,941k relates to University)

24. Lease obligations

At 31 July 2019 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

| | Consolidated | | University | |
|------------------------------------|--------------|-------|------------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Expiring within one year | 77 | - | - | - |
| Expiring within two and five years | 41 | - | - | - |
| Expiring in over five years | 459 | 470 | 459 | 470 |
| | 577 | 470 | 459 | 470 |

25. Amounts disbursed as agent

Teacher Training Bursaries

| | Consolidated | | University | |
|-----------------------|--------------|-------|------------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August | (10) | 3 | (10) | 3 |
| Funding council grant | 26 | 23 | 26 | 23 |
| Disbursed to students | (16) | (36) | (16) | (36) |
| Balance at 31 July | - | (10) | - | (10) |

Apprenticeship Employer Incentive Payments

| | Consolidated | | University | |
|------------------------|--------------|-------|------------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August | - | - | - | - |
| Funds received | 19 | 12 | 19 | 12 |
| Disbursed to employers | (19) | (12) | (19) | (12) |
| Balance at 31 July | - | - | - | - |

Learner support funds

| | Consolidated | | University | |
|-----------------------------|--------------|-------|------------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August | - | - | - | - |
| Acquired at 1 February 2019 | 305 | - | - | - |
| 24+ bursary | 231 | - | - | - |
| Disbursed to students | (516) | - | - | - |
| Administration costs | (20) | - | - | - |

Notes to the accounts

Year ended 31 July 2019

Balance at 31 July - - - -

Teacher Training Bursary funds are paid to universities by the Teaching Agency to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS). The grant is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors.

26. Pension arrangements

Different categories of staff were eligible to join one of four different schemes:

- Teachers' Pension Scheme (TPS)
- Universities Superannuation Scheme Limited (USS)
- London Pension Fund Authority (LPFA) Pension Fund
- London South Bank University Defined Contribution Scheme, administered by Aviva.
- National Employment Savings Trust (NEST)

A. The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales including teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

Retirement and other pension benefits are provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Teachers' contributions are credited to the Exchequer under arrangements governed by the above act. The Teachers' Pension Regulations require that an annual account, the Teachers' Budgeting and Valuation Account, be kept of receipts and expenditure, including the cost of pension increases.

From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

- The last valuation of the TPS was as of 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 5 March 2019. The Key results of the valuation are:
- Uncorrected employer contribution rate effective over the implementation period: 19.5% of pensionable pay. This is an increase of 3.1% on the current contribution rate. This increase is primarily due to the reduction in the discount rate (known as the SCAPE rate) to 2.4% pa above CPI with effect from 1 April 2019.
- Corrected employer contribution rate payable over the implementation period: 22.8% of pensionable pay. This is an increase of 6.4% on the current contribution rate. This rate is calculated in the same way as the uncorrected employer contribution rate except that the accrual rate of the 2015 Scheme is assumed to be improved from 1 April 2019 to the extent necessary such that the employer contribution correction cost equals the target cost of the scheme.

Following agreement between the Department for Education and HM Treasury no change will be made to the employer contributions until September 2019, with employers continuing to pay contributions at a rate of 16.4% of pensionable pay. As a consequence of this delay in implementing the change, an additional 0.8% of pay will be payable over the remainder of the period to 31 March 2023 to ensure that the level of the notional fund at the next valuation of the scheme is expected to be unaffected by the delay. Employers will therefore pay contributions at a rate of 23.6% of pensionable pay from September 2019.

Notes to the accounts

Year ended 31 July 2019

At 31 July 2019 the University Group had 1125 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 16.48% (2017: 16.48%) of salaries and the Group's contribution to the TPS for 2019 was £4,635,824 (2018: £4,294,274). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

Under the definitions set out in FRS 102 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

B. The Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contributing rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS102 'Employee Benefits', the University accounts for the scheme as if it were a wholly defined contribution scheme. Since the University has entered into an agreement that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that relate to the deficit and movement in this provision is treated as an expense.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

As of 31/7/19, The latest available complete actuarial valuation of the Retirement Income builder section of the scheme is 31 March 2017, which was carried out using the projected unit method. The valuation as at 31 March 2018 was completed after the year end.

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

| | |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rates (forward rates) | Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32%, Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21, Years 21 +: CPI + 1.7% |
| Pension increases | Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a. |

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Notes to the accounts

Year ended 31 July 2019

| | |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Pre- retirement | 71% of AMC00 (Duration 0) for males and 112% of AFC00 (duration 0) for females. |
| Post-retirement | 96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females |
| Future improvements to mortality: | CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females. |

The current life expectancies on retirement at age 65 are:

| | Males | | Females | |
|-----------------------------------------|-------|------|---------|------|
| | Years | | Years | |
| | 2019 | 2018 | 2019 | 2018 |
| Current pensioners (currently 65 years) | 24.6 | 24.5 | 26.1 | 26.1 |
| Future pensioners (currently 45 years) | 26.6 | 26.5 | 27.9 | 27.8 |

| | 2019 | 2018 |
|------------------------------|---------|---------|
| Scheme Assets | £67.4bn | £63.6bn |
| Total scheme liabilities | £79.2bn | £72.0bn |
| FRS 102 total scheme deficit | £11.8bn | £8.4bn |
| FRS 102 total funding level | 85% | 88% |

At 31 July 2019 the Group had 40 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £1,643,839 (2018: £513,726). The employer contribution rate was 18%, rising to 19.5% from 1st April 2019. (2018: 18%). From 1st October 2019 the employer rate will rise to 22.5% then again from 1st April 2020 to 24.2%.

C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 2013. To finance these benefits, assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2016 with the valuation results taking into account changes to the scheme from 1 April 2017. The results showed the market fund attributable to the Group as £XXM. The actuarial value of those assets represented xx% of the value of the benefits that have accrued to the group's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2019 are 12.7% for London South Bank University and 13.5% for South Bank Colleges, plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years for the university and x years for South Bank Colleges. During the year ending 1 April 2018 this payment amounted to £2.31m.

Pension costs under FRS 102

For accounting purposes, the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15-year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does

Notes to the accounts

Year ended 31 July 2019

not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

| | Consolidated and University | |
|-----------------------------|------------------------------------|---------------------|
| | 31 July 2019 | 31 July 2018 |
| | % per annum | % per annum |
| Salary increases | 3.9% | 3.85% |
| Pension and price increases | 2.4% | 2.35% |
| Discount rate | 2.1% | 2.65% |

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.5% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

| | Males | | Females | |
|--------------------|--------------|----------------------------|----------------|----------------------------|
| | Years | | Years | |
| | LSBU | South Bank colleges | LSBU | South Bank Colleges |
| Current pensioners | 20.3 | 20.3 | 23.3 | 23.1 |
| Future pensioners | 22.1 | 22.1 | 25.2 | 25.0 |

Fund assets

The return on the fund, on a bid value to bid value basis, for the year to 31 July 2019 is estimated at 10%. The actual return on fund assets over the year may be different. The estimated asset allocation at 31 July 2019 is as follows:

| | Consolidated | | University | |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Fair value as at 31 July 2019 | Fair value as at 31 July 2018 | Fair value as at 31 July 2019 | Fair value as at 31 July 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Equities | 110,359 <u>112,111</u> | 87,224 | 86,706 <u>88,078</u> | 87,224 |
| Target return portfolio | 52,256 <u>51,438</u> | 31,847 | 41,054 <u>0,413</u> | 31,847 |

Notes to the accounts

Year ended 31 July 2019

| | | | | |
|----------------------------|-------------|---------|-----------------|---------|
| Cash | 10,854,684 | 6,599 | 8,527,94 | 6,599 |
| Infrastructure | 11,792,607 | 7,155 | 9,264,19 | 7,155 |
| Property | 18,744,451 | 11,044 | 14,726,496 | 11,044 |
| Total fair value of assets | 202,757,539 | 143,869 | 161,649,159,128 | 143,869 |

Net pension liability

The following amounts at 31 July 2019 related to the Group are measured in accordance with the requirements of FRS 102:

| Consolidated | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 |
|---------------------------------------|-----------------------|---------------|---------------|---------------|---------------|
| Fair value of Employer Assets | 95,865,20 5,757 | 143,869 | 133,771 | 112,066 | 105,534 |
| Present value of funded obligations | (324,227,2 17,553) | (232,750) | (234,955) | (221,698) | (182,439) |
| Net underfunding in funded plans | (121,688,1 18,470) | (88,881) | (101,184) | (109,632) | (76,905) |
| Present value of unfunded obligations | (10,885) | (10,884) | (11,565) | (11,868) | (11,852) |
| Net Pension Liability | (132,573,1 29,355) | (99,765) | (112,749) | (121,500) | (88,757) |

| University | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 |
|---------------------------------------|-----------------------|---------------|---------------|---------------|---------------|
| Fair value of Employer Assets | 159,128,1 61,649 | 143,869 | 133,771 | 112,066 | 105,534 |
| Present value of funded obligations | (260,964) | (232,750) | (234,955) | (221,698) | (182,439) |
| Net underfunding in funded plans | (101,836,9 9,315) | (88,881) | (101,184) | (109,632) | (76,905) |
| Present value of unfunded obligations | (10,420) | (10,884) | (11,565) | (11,868) | (11,852) |
| Net Pension Liability | (112,256,1 09,735) | (99,765) | (112,749) | (121,500) | (88,757) |

The movement for the year in the net pension liability is shown in note 19.

Notes to the accounts
Year ended 31 July 2019

Analysis of the amount included in staff costs for the year

| | Consolidated | | University | |
|-----------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Service cost | 10,853 | 8,616 | 9,904 | 8,616 |
| <u>Enhancements to former employees</u> | 0,652 | 318 | - | 318 |
| Total operating charge | 10,853 | 8,934 | 9,904 | 8,934 |

Analysis of the amount included in interest payable for the year

| | Consolidated | | University | |
|-------------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Interest on the defined liability (asset) | 2,789 | 2,969 | 2,578 | 2,969 |
| Administration expenses | 239 | 174 | 187 | 174 |
| Total interest charge | 3,028 | 3,143 | 2,765 | 3,143 |

Analysis of the amount recognised in Other Comprehensive Income

| | Consolidated | | University | |
|-----------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Return on fund assets in excess of interest | 13,330 | 4,524 | 10,446 | 4,524 |
| Other actuarial gains on assets | 49 | - | 68 | - |
| Change in financial assumptions | (36,403) | 14,543 | (29,620) | 14,543 |
| Change in demographic assumptions | 16,593 | - | 13,510 | - |
| Experience gains and losses on defined benefit obligation | 114 | 16 | - | 16 |
| Remeasurement of the net assets / (defined liability) | (3,147) | 19,083 | (3,142) | 19,083 |

Analysis of movement in the present value of scheme liabilities

| | Consolidated | | University | |
|--------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| At 1 August | 243,634 | 246,520 | 243,634 | 246,520 |
| Movement in the year: | | | | |
| Acquisition by SBC of Lambeth College | 59,081 | - | - | - |
| Current service cost | 8,526 | 8,488 | 7,822 | 8,488 |
| Interest cost | 7,174 | 6,609 | 6,406 | 6,609 |
| Changes in financial assumptions | 36,403 | (14,543) | 29,620 | (14,543) |
| Change in demographic assumptions | (16,593) | - | (13,510) | - |
| Experience loss / (gain) in defined benefit obligation | (114) | (16) | - | (16) |
| Past service costs, including curtailments | 2,327 | 128 | 2,082 | 128 |
| Estimated benefits paid net of transfers in | (6,432) | (4,513) | (5,649) | (4,513) |
| Contributions by scheme participants | 1,846 | 1,697 | 1,707 | 1,697 |
| Unfunded pension payments | (740) | (736) | (728) | (736) |
| At 31 July | 335,112 | 243,634 | 271,384 | 243,634 |

Notes to the accounts

Year ended 31 July 2019

| | Consolidated | | University | |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Analysis of movement in the fair value of scheme assets | | | | |
| At 1 August | 143,869 | 133,771 | 143,869 | 133,771 |
| Acquisition by SBC of Lambeth College | 40,242 | - | - | - |
| Interest on assets | 4,359 | 3,640 | 3,848 | 3,640 |
| Return on assets less interest | <u>13,330</u> | 4,524 | <u>10,446</u> | 4,524 |
| | <u>48</u> | | <u>967</u> | |
| Other actuarial gains | - | - | - | - |
| Administration expenses | (213) | (174) | (187) | (174) |
| Contributions paid | 8,124 | 7,357 | 7,549 | 7,357 |
| Estimated benefits paid plus unfunded net of transfers in | <u>(7,172)</u> | <u>(5,249)</u> | <u>(6,377)</u> | <u>(5,249)</u> |
| At 31 July | <u>202,539</u> | 143,869 | <u>159,148</u> | 143,869 |
| | <u>05,757</u> | | <u>1,649</u> | |

The projected pension expense for the year to 31 July 2020 is £15,144~~k,000~~ (consolidated) £13,233~~k,000~~ (University).

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2019 the University had 32 members participating in the scheme. The University's contribution to the Aviva scheme for the year ending 31 July 2019 was £104,754 (2018: £89,516) and employer's contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2019 were £10,060 (2018: £7,373).

E. National Employment Savings Trust (NEST)

The University provides a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31 July 2019 there were 12 staff in the scheme. Employer contribution to the NEST scheme for the year ending 31 July 2019 was £4,579 and employer contributions were 3%. Pension contributions payable at 31 July 2019 were £1,502.

27. Contingent Liabilities

Funds amounting to £4.4m received from the Education and Skills Funding Agency (ESFA) are subject to conditions linked to future estates development for SBC to deliver a viable, sustainable, high quality, relevant and diverse offer from Level 1 to Level 6 learners and employers across the local area with a college presence in Brixton and Clapham and/or Vauxhall without a requirement for government funding to support operating losses.

The University's subsidiary, South Bank Colleges, has received a pre-action claim for reimbursement of costs by a developer in respect of the Vauxhall development project undertaken by South Bank College's predecessor Lambeth College Corporation. The governing body believes that any claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of its knowledge and belief it is satisfied that no provision is necessary in respect of this claim.

28. Post Balance Sheet Events

As set out in Note 26 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £912,373 in the provision for the Obligation to fund the deficit on the USS pension which would instead be £1,229,497. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

Notes to the accounts

Year ended 31 July 2019

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26B. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,229,497, a decrease of £912,372 from the current year end provision.

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