

## Meeting of the Board of Governors

4.00 - 6.00 pm on Thursday, 24 November 2016  
in Boardroom - Technopark, SE1 6LN

\* 3.30pm – 4pm pre-Board presentation on enterprise in the Boardroom

### Agenda

No.	Item	Pages	Presenter
1.	Welcome and apologies		JC
2.	Declarations of Interest		JC
	<i>Governors are required to declare any interest in any item of business at this meeting</i>		
3.	Minutes of previous meeting	3 - 12	JC
4.	Matters arising		JC
	<b>Chair's business</b>		
	<b>Items to discuss</b>		
5.	Vice Chancellor's report	13 - 24	DP
6.	Chief Financial Officer's report	25 - 42	RF
7.	Key performance indicators report 2015/16 and targets for 2016/17	43 - 46	RF
8.	Corporate strategy progress report	47 - 58	PB
	<b>Year end reporting and approvals</b>		
9.	Audit Committee annual report to Board	59 - 68	JS
10.	External audit findings	69 - 104	RF
11.	Letter of representation to the auditors	105 - 110	RF
12.	Annual Report and Accounts	111 - 172	RF
13.	Academic Board annual report	173 - 180	SW
14.	Quality assurance statement	181 - 190	SW
15.	Prevent annual return	191 - 200	IM

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
<b>Items to note</b>			
<i>the following papers will only be discussed at the meeting if there is a matter that any governor wishes to raise with the Secretary the day before the meeting</i>			
16.	Reports on decisions of committees	201 - 214	JS
17.	Corporate risk register	215 - 234	RF
18.	Annual declarations of interest	235 - 250	JS
19.	Any other business		JC

**Date of next meeting  
4.00 pm on Thursday, 16 March 2017**

**Members:** Jerry Cope (Chair), Andrew Owen (Vice-Chair), David Phoenix, Temi Ahmadu, Steve Balmont, Michael Cutbill, Douglas Denham St Pinnock, Neil Gorman, Carol Hui, Hilary McCallion, Kevin McGrath, Mee Ling Ng, Jenny Owen, Tony Roberts and Calvin Usuanlele

**Apologies:** Shachi Blakemore

**In attendance:** Pat Bailey, Richard Flatman, James Stevenson and Michael Broadway

	CONFIDENTIAL
Paper title:	Minutes of the meeting of 13 October 2016
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Jerry Cope, Chair of the Board
Purpose:	To approve the minutes of the last meeting as a correct record and note the redactions for publication.

## Executive Summary

The Board is asked to approve the minutes of its meetings of 13 October 2016 and note the suggested redactions (in grey) for publication on LSBU's website.

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Minutes of the meeting of the **Board of Governors**  
held at 4.00 pm on Thursday, 13 October 2016  
Boardroom - Technopark, SE1 6LN

**Present**

Jerry Cope  
David Phoenix  
Steve Balmont  
Shachi Blakemore  
Michael Cutbill  
Douglas Denham St Pinnock  
Carol Hui  
Hilary McCallion  
Mee Ling Ng  
Tony Roberts  
Calvin Usuanlele

**Apologies**

Andrew Owen  
Temi Ahmadu  
Neil Gorman  
Kevin McGrath  
Jenny Owen

**In attendance**

Pat Bailey	Deputy Vice Chancellor
Richard Flatman	Chief Financial Officer
Ian Mehrtens	Chief Operating Officer ( <i>for minute 10</i> )
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Deputy University Secretary

**1. Welcome and apologies**

The Chair welcomed members to the meeting.

The above apologies were noted.

The Chair noted that the Board had just received an informative pre-Board briefing on health and safety, including an update on the new sentencing guidelines and safeguarding.

**2. Declarations of Interest**

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

The Chair reported that he had joined the board of UCEA.

### 3. **Minutes of previous meeting**

The Board approved the minutes of the meeting of 14 July 2016 and their publication without redactions.

The Board approved the minutes recording the decision to appoint Sir Simon Hughes as Chancellor. The decision was made by email on 15 August 2016.

### 4. **Matters arising**

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

### 5. **Chancellor appointment**

The Chair updated the Board on the appointment of Sir Simon Hughes as Chancellor. The appointment would be publicised when Sir Simon stood down as the Liberal Democrat parliamentary candidate for Bermondsey and Old Southwark at the end of May 2017. Richard Farleigh had agreed to continue to serve as Chancellor until this time.

### 6. **Vice Chancellor's report**

The Board discussed in detail the Vice Chancellor's report, which reviewed progress against the three outcomes in the corporate strategy: student success; real world impact; and access to opportunity.

It was reported that undergraduate full time student enrolments were likely to be at around 2500 against a target of 2750. Recruitment for part time and post graduate students was likely to be above target. A £4m income shortfall was forecast for the current year 2016/7. It was reported that the shortfall was manageable in year due to flexibility built into the 2016/17 budget.

The Board requested analysis of student recruitment and current recruitment strategies for the Finance, Planning and Resources Committee meeting of 8 November 2016.

The Board noted an update on apprenticeships. The HEFCE funded engineering apprenticeships project would be launched at the end of November 2016.

The Board noted strong support from the three local boroughs and the GLA for LSBU's potential strategic alliances in Further Education.

The Vice Chancellor updated the Board on the Higher Education and Research Bill, the external environment and the Teaching Excellence Framework (TEF) consultation.

The Board noted the Vice Chancellor's planned visit to APU, Bahrain in early November 2016 to commence the collaboration.

The Board noted that the University had been shortlisted for the Entrepreneurial University of the Year at the Times Higher Education awards.

#### **7. Chief Financial Officer's report**

The Board discussed the Chief Financial Officer's report.

The Board noted that year end audit was substantially complete and a £3.3m surplus for 2015/16 was expected.

The Board noted that the HEFCE assurance review would take place in January 2017. A mock review was being planned for December 2016, led by internal audit.

#### **8. Corporate risk register - annual detailed review**

The Board discussed in detail the corporate risk register. The Board noted that the risk register is reviewed by the Audit Committee at each meeting.

The Board noted the risk management process had been reviewed by the internal auditors and was rated as "low risk".

The Board requested that corporate risk inform the agendas of Board and committee meetings.

Following a detailed discussion of the corporate risk register, the Board confirmed that the register reflected the current key corporate risks of the organisation. The new regulatory approach to academic quality would be added in the next version.

#### **9. Risk appetite**

At its meeting of 21 October 2015, the Board reviewed the University's appetite for risk, in the following areas: financial; academic delivery; legal and compliance; and reputational.

Based on the definitions in the risk appetite framework the Board agreed to maintain the following risk appetite for the University:

- a. Legal and compliance – "cautious";

- b. Financial – “open”;
- c. Reputational – “open”; and
- d. Academic delivery – “seek.”

10. **Equality, Diversity and Inclusion annual report**

*Ian Mehrtens, Chief Operating Officer, joined the meeting.*

The Board discussed the equality, diversity and inclusion (EDI) annual report in detail. The Board noted that the report evidenced the discharge of the public sector equality duty, applicable to LSBU.

The key challenge facing the university was closing the attainment gap between different groups of students. The learner analytics project, which was launching this academic year, would help address some of these challenges.

The Board discussed gender pay gap reporting, required in 2017, and which should be linked to succession planning.

The under-reporting of certain protected characteristics by staff was noted and made it challenging to develop an action plan to tackle any issues.

The Board noted that the diversity of senior leaders in the organisation was improving and that this was recognised by staff.

The Board welcomed the report and requested additional data is circulated to governors for information.

*Ian Mehrtens left the meeting.*

11. **Reports on decisions of committees**

The Board noted the reports on decisions of committees.

12. **Board strategy day report**

The Board noted the report from the Board strategy day of 29 September 2016.

13. **Governance effectiveness review closure report**

The Board noted the actions taken as a result of the governance effectiveness review of 2015.



14. **Business plan**

The Board noted its business plan for the year 2016/17.

15. **Standing Orders**

The Board discussed the proposed diversity target for the Board of Governors. The Board supported the principle of a gender balanced Board in respect of independent governors only. Targeted recruitment would be used to address underrepresentation. The Nomination Committee would develop the definition and proposals further.

The Board approved the proposed changes to the Standing Orders.

**Confirmed as a true record**

..... (Chair)

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**BOARD OF GOVERNORS - THURSDAY, 13 OCTOBER 2016  
ACTION SHEET**

<b>Agenda No</b>	<b>Agenda/Decision Item</b>	<b>Action</b>	<b>Date</b>	<b>Officer</b>	<b>Action Status</b>
6.	Vice Chancellor's report	Analysis of student recruitment and current recruitment strategies for the Finance, Planning and Resources Committee meeting of 8 November 2016	13 October 2016	Ian Mehrtens	Completed
10.	Equality, Diversity and Inclusion annual report	Additional EDI data circulated to governors for information.	13 October 2016	Ian Mehrtens	To do

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	CONFIDENTIAL
Paper title:	Vice Chancellor's Report
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	David Phoenix, Vice Chancellor
Executive sponsor:	David Phoenix, Vice Chancellor
Purpose:	To update the Board on University matters
Recommendation:	To note the report.

Matter previously considered by:	Board of Governors	At each meeting
Further approval required?	No	N/A

## Executive Summary

The external environment remains one of our biggest challenges. On 31 October 2016 we received our TEF2 metrics from HEFCE. We received three negative flags, which on a metrics base alone would see us rated as a “bronze” institution. Our final assessment will be based upon these metrics and, importantly, a narrative submission which we will complete in January 2017. Significant work is going on to deliver a robust case for upgrading us to “silver”, primarily based on our in-year data. The data show continuous improvement over the three year span. In the most recent year we have only one negative flag. The assessment results will be known in May 2017.

In 2015/16 there was a 3% increase for Year 1 to Year 2 progression, and the VC is pleased to report that preliminary data for academic year 2016/17 indicates a further 3% improvement.

With the September 2016 recruitment cycle over we finished just 2% (or 469 applications) behind compared to the previous year (24,131 vs 24,600 applications). Our competitors were down as a group by -5%. We ended the cycle with 2,791 firm acceptances in total from Home / EU applicants for full-time UG study. This

translated into 2,510 fully enrolled FT UG students. This is in line with last year and hence should be seen as a positive outcome alongside growth in postgraduate recruitment and international recruitment in line with last year when many have seen a decrease.

Based on this recruitment position, our full year forecast income for 2016/17 is £144.5m which whilst £1.0m short of budget would represent a 5.3% increase compared to last year.

## Vice Chancellor's Report November 2016

**This report has been formatted around the three key outcomes listed in the corporate strategy followed by a review of activity related to the enablers.**

### 1.0 External Environment

#### 1.1 LSBU and Teaching Excellence Framework 2

On 31 October 2016 LSBU received its TEF2 metrics from HEFCE. LSBU received three negative flags, which on a metrics base alone, would see LSBU assessed as a bronze rated institution. LSBU's final assessment rated by HEFCE using assessors from across the sector will be based upon these metrics and a narrative which we will submit in January 2017 following approval by the Executive. Results will be shared in May 2017 by HEFCE. Institutions rated as silver or gold will benefit from an enhanced reputational impact but all categories will have the ability to raise fees by inflation for courses starting in September 2018.

Initial ratings are informed by the number of flags given. Two or more negative flags result in an initial rating of bronze, two or more positive flags represent an initial rating of gold. All others are rated as silver. Flags are awarded by being +/- 2% from benchmark. Benchmarks are based upon a variety of student demographics, student entry qualifications and subject mix of an institution.

It is believed that LSBU has a compelling case as to why, the bronze rating that will be initially be allocated based upon metrics should be upgraded to silver. Despite this compelling case, it should be recognised that getting an upgrade will be a challenge.

The following arguments will represent the thrust of the narrative submission:

- Using the most recent year of data (TEF is based upon three years of data), LSBU has four of the six measures as having no flag, one positive flag and only one negative flag. (of the six measures in total, three relate to NSS, two to DLHE and one to retention). This demonstrates that as of the most recent data, LSBU is a silver institution.
- All three negative flags are against NSS measures. Evidence suggests that students tend to penalise institutions across the board in the NSS, and therefore a lower score against one measure would normally result in low scores in others. Evidence also suggests that London on average receives lower NSS scores, thus disadvantaging London institutions. Geographic area is not taken account in the benchmark calculation.
- For one measure (NSS teaching), LSBU is only just outside the negative flag benchmark threshold (-2.1).
- LSBU receives student satisfaction scores for BME students that are in line with benchmark, and LSBU BME students are actually more satisfied than their white

counterparts. This has been indicated by HEFCE as important as it demonstrates supporting students that are disadvantaged.

- LSBU has in two years, turned a negative flag (DLHE graduate outcomes), to a positive flag. This is seen as a priority in LSBU's corporate plan, thus showing what can be achieved.

### TEF LSBU Summary Scores (blue = negative, green = positive)

	Indicator (a) %	Benchmark (b) %	Difference (a)-(b) *	Z-score	Flag	Years		
						1	2	3
<b>Full-time headcount: 9,495</b>								
The teaching on my course	83.6	85.7	-2.1	-4.5	-	-	-	
Assessment and feedback	69.8	73.4	-3.6	-6.1	--	--	--	
Academic support	76.1	80.9	-4.8	-9.0	--	--	--	--
Non-continuation	12.8	11.0	-1.8	-6.2				
Employment or further study	90.1	90.9	-0.8	-2.6				
Highly skilled employment or further study	68.9	70.1	-1.2	-2.3		--		++
<b>Part-time headcount: 4,338</b>								
The teaching on my course	80.7	85.3	-4.7	-3.9	--			--
Assessment and feedback	70.9	76.4	-5.5	-4.0	--			--
Academic support	75.8	79.5	-3.6	-2.7	-			-
Non-continuation	13.1	21.3	8.2	5.6	++	+	++	+
Employment or further study	94.4	95.2	-0.7	-1.8				
Highly skilled employment or further study	78.6	77.5	1.1	1.4				++

## 1.2 Home Office and International Students

As part of an information gathering exercise the Education Select Committee will be visiting LSBU to meet with staff and students to hear first-hand views of how best to approach Brexit while maximising the opportunities for universities. The meeting is expected to take place on 7 December and will involve a tour of the campus and informal round tables. LSBU has done well with managing its student visas and must rank as one of the best in the UK for its UKVI statistics. This is an opportunity to show the government how a university like LSBU is well placed to look after international students and satisfy the government requirements at the same time.

## 2.0 Corporate Strategy Outcome 1: Student Success

### 2.1 Progression Statistics

Increasing our retention/progression rates is one of the University's highest priorities (KPI 13), affecting income, student satisfaction, student achievement, and key metrics that feed into league tables and the TEF. For 2015/16, there was a 3% increase for Year 1 to Year 2 progression, and preliminary data for this academic year indicates a further 3% improvement for 2016/17 start.

The table below summarises the School and overall progression rates over the past 4 years). Improvement is seen across the board, with only Health & Social Care (which has the highest progression rate) remaining at its 2015/16 level. The Schools of Arts & Creative Industries and Built Environment & Architecture show particularly



strong improvement. Several of the initiatives for the 2016/17 academic year explicitly aim to further improve the progression rate.

School	2013/14	2014/15	2015/16	2016/17
School of Applied Sciences	63.7%	63.4%	68.7%	73.1%
School of Arts & Creative Industries	75.4%	71.8%	70.3%	78.0%
School of Built Environment & Architecture	61.2%	61.5%	63.4%	72.3%
School of Business	71.7%	63.1%	70.9%	73.7%
School of Engineering	64.2%	64.4%	68.3%	69.8%
School of Health & Social Care	78.6%	79.6%	85.1%	84.6%
School of Law & Social Sciences	63.7%	69.0%	67.9%	70.2%
<b>Grand Total</b>	<b>70.2%</b>	<b>69.9%</b>	<b>73.1%</b>	<b>76.1%</b>

**The focus of this outcome is developing the learning pathway to improve student engagement and the outcomes they achieve.**

### **3.0 Corporate Strategy Outcome 2: Real World Impact**

**This outcome focuses on the applied nature of our teaching research and enterprise and the way the three interact to ensure we have a real world focus and impact.**

#### **3.1 Research and Enterprise and Innovation**

For the 2016/17 academic year we have to date secured £400k of research income against a target of £2.6m. For the remainder of the year we have contracted research income of £1.15m, leaving a shortfall, which we need to secure in year, of £1.05m for which there is a research bid pipeline of £9.56m. In Q1 16/17 we submitted 60 proposals, 20 of these were to H2020. This represents a big increase compared to 15/16 where we submitted 75 for the whole year.

To date we have £1.06m of enterprise income against a target of £11.53m. For the remainder of the year we have contracted enterprise income of £8.52m, leaving a shortfall of £1.94m for which we have an enterprise bid pipeline of £11.02m. In terms of enterprise activity driven through the Enterprise Institutes, we're £161k ahead of where we were during the same period last year (£199k vs. £360k) – an 80% increase.

## **4.0 Corporate Strategy Outcome 3: Access to Opportunity**

**This outcome focuses on the need to work in partnership with key organisations to deliver our strategy and the civic engagement aspects of our vision. Its outcomes include measures such as recruitment of students that can succeed as well as international activity.**

### **4.1. UK and EU Undergraduate Recruitment (as at 8/11/16)**

In a competitive UG market, LSBU finished the 2016/17 main cycle just -2% (or 469 applications) behind compared to the previous year (24,131 Vs 24,600 applications). Our competitors were down as a group by -5%. The national market remained flat. Through Clearing 2016 we took over 15,000 calls and an additional 3,000 plus applications which generated over 1,000 additional firm acceptances.

With clearing and enrolment now closed for semester one, LSBU ended the 2016/17 cycle with 2,791 firm acceptances in total from Home / EU applicants for full-time UG study. This translated into 2,510 fully enrolled FT UG students (includes all years), giving us a conversion rate, from Firm Accept (FA) to fully enrolled (EFE), of 90%.

Overall, this represents a short fall of 250 places against our UG FT target (2,760 students) but is in line with last year during a period of intense competition.

Undergraduate part-time Home /EU recruitment saw LSBU receive 745 firm accepts this cycle, we converted 84% of them, ending the cycle with 623 fully enrolled UG PT students.

This represents a shortfall of 75 places against target (698 students).

#### **4.1.1 Postgraduate Recruitment (Home / EU)**

Full-time Postgraduate Home / EU recruitment performed well this cycle, with 1,035 Firm Acceptances received and 816 students fully enrolled, giving us a conversion rate of 79%.

This represents a 17% increase on our target of 700 students (116 additional places).

Postgraduate part-time recruitment saw 17 Firm Acceptances this cycle, with 12 students fully enrolling against a target of 0, a conversion rate of 71%.

#### **4.1.2 Summary (Home / EU)**

Across all modes, LSBU received 5,925 Firm Accepts and fully enrolled 5,361 students, giving an overall conversion rate of 90% for the 2016/17 cycle.

Undergraduate recruitment for degree programmes has been challenging this year due to increased competition, however strong PG recruitment and recruitment to the

University's apprenticeship programmes have helped offset the undergraduate fee shortfall. In addition, semester two provides a further opportunity to build our fee income. As agreed with the board, some flexibility was built into the budget to help manage such a scenario, but further work will be required to ensure we deliver to budget across the year.

We are now recruiting for the 2016/17 semester two in-take. In addition, we have launched our 2017/18 UG campaign. Reporting on these will start later this month.

#### **4.2 2016/17 International Recruitment (As at 08/11/2016)**

The University exceeded its target by 4 for the October 2016 intake reaching 504 but the mix of students has meant we are currently c£300K behind our income target. In a year of increased Home Office restriction this reflects well on the university and the recruitment team as LSBU continues to be an attractive destination for international students. The immediate task is to ensure that the January 2017 intake keeps the recruitment plan on target, and to that end, a number of strategies are being put in place to directly engage applicants and also to create interest in the January start through the distribution network of offices and LSBU representatives world-wide.

As new Director International, Stuart Bannerman's main objective is to make the international operation demand oriented and to work across LSBU to ensure services work together to provide an excellent student experience throughout the international student journey. Ensuring the operations of the directorate is fit for the 21<sup>st</sup> century and meets standards of effectiveness matching the best in the industry will require ongoing changes to process and culture.

#### **4.3 Update on Trans National Education (TNE)**

With the withdrawal of Loughborough from the British University Egypt (BUE) this leaves Queen Margaret University in Edinburgh and LSBU as the validating universities with the greater proportion of students with LSBU. It is now one of the largest TNE operations in the MENA region; the growth for LSBU has been rapid with 300 students in 14/15, rising to 1600 in 15/16 and with 1200 new entrants in 16/17 it brings the total LSBU population to nearly 3000 students. With new courses in Law, Psychology and English the target of 5000 students is likely to be exceeded. The mix of UG and PG programmes continues and 9 PhDs are also now underway. The management of this operation under the International Directorate will be scaled up to ensure the student experience and the academic quality in BUE is as close to LSBU as they can be, as the numbers grow. A dedicated space for BUE is being looked at on site in London to assist in course management but also to support the Study Abroad operation, bringing BUE students to London and also to explore opportunities for outgoing LSBU students and staff.

As BUE expands it is important that LSBU develops a range of complementary operations in other sites to balance the portfolio. The continuing progress following the Vice Chancellor's visit in November to the Applied Science University (ASU) in Bahrain should result in an early start for the Engineering School Pathway. The Business School is also quickly developing its TNE portfolio and most notably an articulation agreement has been signed recently in Malaysia with the innovative university UNITAR.

The number of BUE teaching assistants enrolling as LSBU part-time Ph.D. candidates has grown from 7 to 10 and co-operation on a joint research environment / centre, output data basing and technology transfer is developing. The joint Executive management group is functioning as planned with dialogue around the strategic 'pillars' of the partnership between formal meetings and reporting back.

#### **4.4 Apprenticeships**

The School of the Built Environment and Architecture (BEA) successfully enrolled a large cohort of Chartered Surveyor Apprenticeships in September. Business, Law and Social Sciences and Applied Sciences continue to develop provision to deliver for September 2017. The 250k HEFCE funded Degree Apprenticeship development project is now underway with both BEA and engineering benefiting from additional support to write and plan the standards for delivery. The official launch will take place on Tuesday 29 November 2016 with Robert Halfon as keynote speaker (all governors have been cordially invited).

The School of Health is enrolling two cohorts of Level 5 Health Practitioner apprentices between now and April 2017 with enrolments circa 150. LSBU is writing a joint bid with City & Guilds for funding for improving digital skills training at HE level. Southwark Council has recognised LSBU as a key employer championing Apprenticeships in the Borough awarding them the Southwark employer 'standard.' LSBU will be launching its Lambeth Apprenticeship Ambitions project with partners Lambeth Council and Lambeth College on 23 November. This project aims to increase the awareness of apprenticeships to both employer and school leavers in the borough.

#### **4.5 Academies Update**

South Bank Academies continues to develop. The trust is now working to harmonise the employment contracts across both schools. The trust staff have been supporting both schools with marketing and promotion including adverts on buses, cinemas, print and electronic media for student recruitment for September 2017. The Trust appointed a School Improvement Adviser from Lambeth Traded Services, to support the development of both schools.

#### **4.5.1 South Bank Engineering UTC**

The UTC continues to make progress as the initial problems with the temporary accommodation and ICT are resolved. The student recruitment was slightly below target at 93, but the UTC's financial viability is assured. The staff have been undertaking a range of activities for recruitment for next school year in conjunction with the Trust staff. The permanent building programme is progressing according to schedule. EFA agreed to fund additional capacity to catch up on the two week delay resulting from the discovery of excess amounts of asbestos.

A Department for Education team led by an experienced Ofsted Inspector reviewed the progress made by the UTC. We have now received a generally positive report. The DfE team will visit the UTC again in the Spring Term with two Ofsted Inspectors to review the learning and teaching, students' progress etc.

#### **4.5.2 University Academy of Engineering South Bank**

An Interim Principal joined the Academy in early August 2016 following the departure of the previous Principal. Before joining the Academy, he was previously with the Bright Futures Trust in Wigan and Newstead Wood School before that. We undertook a substantive review of the Academy and introduced several systems and processes in preparation for the Ofsted Inspection, which is imminent. We focussed on consistency of learning and teaching, student behaviour and compliance as we found these were weak and potentially did not meet the Ofsted requirements. Over the last four months, significant progress has been made in several areas. We invited a highly respected Ofsted Inspector, who had previously visited the Academy in February, to review the Academy again on 3<sup>rd</sup> November 2016. His report noted some improvements and identified areas for further improvement. Staff have put in place an action plan to address his recommendations. The Academy has held a number of open events for Year 7 and Year 12 admissions for 2017/18 school year. Attendance at these events has been highly encouraging.

The sixth form students have been very positive about their experience at the Academy so far. The number of students has increased to 25 with three students transferring from a neighbouring school.

As the Senior Leadership Team is relatively new, we engaged an experienced Education Advisor, Sir Nick Williams, to advise and mentor the senior leadership team. This has been extremely helpful in their development in their new roles.

#### **4.6 Public Affairs and Civic Engagement**

We have continued to engage extensively with our local councils and the GLA on creating a family of educational institutions and all have been very active in support of our proposals. We are also continuing to work on a wide range of projects with the councils e.g. as panel members on Lambeth's review of the opportunities to grow digital businesses; with Southwark on the Apprenticeship Standards programme;

and with Lewisham on health workforce development. At the graduation ceremonies we were pleased to see a higher than ever number of Councillors from Lambeth, Lewisham and Lewisham demonstrating their desire to work more closely with the University. We have had growing engagement with the GLA, including meetings with two of the Deputy Mayors. As reported above, we have secured a visit from Robert Halfon MP, Minister for Apprenticeships and Skills, for 29<sup>th</sup> November. At the event, which will include apprentices and employers, Southwark Council and HEFCE will announce financial support for LSBU's apprenticeship programme. A meeting with Justine Greening, the Minister for Education, is scheduled for December. In December we are hosting a visit from the Education Select Committee for an informal evidence gathering session for its inquiry on the effects of Brexit. Later in the year we are also expecting an informal visit from Home Office staff seeking a better understanding of the international visa processes for students. Our MP Neil Coyle has kindly agreed to submit an Early Day Motion to celebrate the University's 125<sup>th</sup> anniversary next year.

## **5.0 Strategic Enablers**

### **5.1 Strike Action and 2016 Pay Award**

UCU has decided to go into a consultation with its members as to what its next steps in the pay round should be. UCEA understand that UCU members will be asked to vote on whether UCU should escalate industrial action in support of their demand for a higher pay offer, or whether UCU should conclude the round.

Following UNISON's decision not to call on its members to take strike action, its higher education service group executive (SGE) is understood to be meeting to decide how it will sign off the round. GMB has not been in dispute but has been saying that it 'rejected' the final offer. UCEA has reminded GMB that it now expects to receive a notification as to its formal position on signing off the round.

In the meantime, LSBU is in the process of implementing the pay award; which provides an increase of 1.1% for base pay at JNCHES points 8 to 51, plus higher increases of between 1.6% and 3.1% for those on the lower points. Payments will be made with November salaries, backdated to 1 August 2016.

### **5.2 Employee Engagement Survey**

Progress continues with the development and implementation of local School and Professional Service Group (PSG) action plans. The Executive team Task Groups have commenced and are engaging with staff to develop improvement plans for the key themes of Leadership, Inclusivity and Wellbeing and Role and Environment. All action plans will be submitted by 14 November 2016.

The network of 'Engagement Champions' continue to support the Engagement Survey programme. They are key to providing feedback, promoting the action planning and generally keeping the momentum going. Focus groups were held for

Wellbeing and Equality, Diversity and Inclusion and the results will inform improvement action plans. The shorter, targeted Pulse Survey will take place in May 2017.

### **5.3 Staff Conference 2017**

The theme of the next staff conference will be 'Becoming what we want to be'. As part of LSBU's 125 Anniversary celebrations the conference will acknowledge our past but focus mainly on the future of LSBU and Higher Education generally. The Staff Conference and Staff Awards are planned for 17 May 2017 (all governors are very welcome and invitations will follow in the new year). Due to overwhelmingly positive feedback from the last two years, attendance is expected to be even higher next year as will nominations for the Staff Awards.

### **5.4 LSBU Successes**

- We have been successful in obtaining the Mayor of London Healthy Workplace "Achievement Award". This builds on the work last year where we gained a commitment award, and sets the goal for next year – Excellence Award. There will be an awards ceremony at City Hall on 15 November.
- We have been shortlisted for the institute of Customer Service 'Quality Service Provider Award.' This is a national nomination against 13 sectors and 500 companies. The awards ceremony is in March 2017.
- We recently won an award for [Outstanding Emerging Entrepreneurship Centre](#) at the [Global Consortium of Entrepreneurship Centres](#) (GCEC) Conference 2016 in Rochester, USA. This significant achievement celebrates our commitment to supporting students and graduates to develop their enterprise skills, and recognises the [Clarence Centre for Enterprise and Innovation](#) as a central hub for this activity across campus.

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	CONFIDENTIAL
Paper title:	Report from the Chief Financial Officer
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	Richard Flatman, Chief Financial Officer
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To update the Board on financial matters.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Sustainability
Recommendation:	The Board is requested to note the report which provides a progress update on the latest income projections for 2016/17 and an update on year end reporting matters. The Board is also asked to approve the updated financial commentary explaining any significant variations from the data submitted to HEFCE in the July 2016 financial forecast submission. This requires approval before submission to HEFCE as part of the Annual Accountability Return (deadline 1 December 2016). The detailed tables showing the actual performance and position for 2014/15 and 2015/16 do not need to be submitted this year but have been included in this report for internal information only.

Matter previously considered by:	Board of Governors	At each meeting
Further approval required?	N/A	On:

Attachments:

Appendix 1: Tuition fee forecast

Appendix 2: Commentary on financial variations

Appendix 3: Updated financial tables

## **Report from the Chief Financial Officer: November 2016**

### **1. 2016/17 income projections**

An analysis of forecast tuition fee income is provided in Appendix 1.

As previously reported to the Board, this year's recruitment round has been challenging. We equalled last year's Semester 1 Home/EU Full Time Undergraduate numbers but were not able to increase Full Time recruitment to our 2,760 target. We have however increased progression by 3% from 73.1% to 76.1% and have performed better than budget with regard to Part Time Undergraduate students. The net position is forecast year on year growth in income from Home/EU Undergraduates of £1.9M, an increase of 3%. We are also forecast to deliver a year on year increase in Home/EU Post Graduate income of £1.5M, growth of 19%.

Overseas recruitment has been mixed. Whilst our Overseas Post Graduate income is forecast to increase by £0.2M year on year which is 6% growth, our Undergraduate income is forecast to slip by £0.2M, a 3% decline. This would mean that our 16/17 Overseas income would be broadly flat at £8.8M. Our Semester 2 recruitment overseas income included within the forecast is £800k which may be prudent. Last year we delivered £1.1m in Semester 2 and if we could repeat that again this year we would hit budget target of £9.1m in total for the year.

Combined together, the growth in Home/EU income and the flat Overseas income gives us forecast total year on year Tuition Fee income growth of £3.4M which is growth of 5% as compared to 15/16. Whilst tuition fee income has increased by £3.4M compared with 2014/15, the University had ambitious growth targets of £4.3M from Tuition Fees and so we are £0.9m behind budget.

There are a number of actions to address this £0.9M income shortfall. Firstly we will focus on growing Semester 2 recruitment. We have assumed that income from Semester 2 will be £1.7M, the same as 15/16 and so Marketing and the International Team are focused on converting enquiries in an attempt to deliver higher levels of enrolment. Secondly, we have assumed in our forecast that tuition fee refunds will be broadly in line with 15/16 (£3.5M) and so our Student Engagement teams are currently reviewing the interventions which are most likely to drive retention and student success.

However, as at 30/9 the University had underspent by £1.2M its staffing budget based on year to date actual spend. A proportion of this (£400k) relates to backdated pay and incremental uplift which will be processed in November, but the Executive has

taken a decision to bank the net savings to offset the income shortfall. As a result, the October management Accounts are able to absorb the reduction in income and the University remains on track to deliver the £1M surplus.

There remains a risk in terms of Research and Enterprise income growth and so the University remains focused on cost control until there is confidence with regard to levels of Enterprise and Research activity.

## **2. Year-end reporting matters**

HESA Recreation - Potential 2015/16 clawback

There is always a risk of clawback of our HEFCE grant following the HESA student number recreation which may impact the results.

The University has now submitted its student numbers for 2015/16 to HESA following student reassessment activity and the risk in terms of clawback is considered minimal. In fact there is the potential for increased grant of up to £159,012 but we will wait for confirmation from HEFCE before recognising this.

Following this submission there is a net grant reduction for 2014-15 of £75,021 and a net increase for 2016-17 of £27,950. The amount for 14/15 had already been provided for whilst the upside will be factored into 16/17.

### *Year-end accounts*

The Grant Thornton audit findings report confirms that the work of the external auditors is complete, that no material adjustments to the accounts are required and that there are no significant audit findings. Some internal control recommendations have been made although the findings are not rated as significant.

Furthermore, as noted above, no material adjustment is required as a result of either the HESA re-creation or confirmation by HEFCE of grant adjustments. The University is therefore now in a position to close its accounts for 2015/16. The final accounts are presented for approval in a separate paper to Board. The reported operating surplus for the year is £3.3m, which is £2.3m better than budget.

The accounts include a full compliance statement on the University's system of internal control for the period under review up to the date of signing the accounts. A detailed report has been reviewed and approved by audit committee setting out the various sources of assurance supporting this full compliance statement. No matters have arisen since audit committee on 10 November 2016 which would change our opinion in this regard.

In approving the financial statements, governors confirm they are satisfied that it is appropriate to prepare the financial statements on a going concern basis. A detailed going concern report has been prepared drawing together the assurance sources regarding institutional sustainability. This was reviewed and approved by Audit committee.

The letter of representation contains standard representations only. There are no matters that are LSBU specific or which have been included in response to matters arising during the course of the audit.

### **3. Annual accountability return (AAR)**

The annual accountability return is due for submission to HEFCE on 1 December 2016 and will inform their overall assessment of risk for LSBU. Currently LSBU is rated as “not at higher risk at this time”.

The majority of the papers required have already been to Audit Committee, Finance, Planning and Resources Committee and Board under separate cover and these include for example:

- Audited financial statements
- Audit committee annual report
- External audit findings report
- Internal audit annual report.

Financial tables were approved at the July 2016 Board meeting setting out details of our forecast financial position, our balance sheet and cashflow for the period 2014/15 to 2018/19. The tables are consistent with agreed corporate KPIs and our longer term financial objectives to deliver the following by 2020:

- income of (minimum) £170m
- surplus of 5%
- EBITDA margin of 15%.

The forecasts were subsequently submitted to HEFCE. A couple of minor queries were raised but these have been resolved to HEFCE’s satisfaction.

Consistent with HEFCE guidance, we are now required to submit before 1 December 2016, as part of our AAR submission, a commentary on the 2015/16 financial results compared with the July forecast. This is attached in Appendix 2. We are not required to submit the financial tables or amended forecasts at this stage. We have included the tables as Appendix 3 but this is for internal purposes only.

#### **4. External audit tender**

The University appointed Grant Thornton as its external auditors for a period of 5 years commencing with the audit of the accounts for the year ended 31 July 2011. This was extended for one year and therefore the last audit under the current contract is the audit just completed for the year ended 31 July 2016. The University is therefore seeking a provider of external audit services with an appointment needed in time for the 2017 audit planning process which starts in April 2017.

A sourcing strategy was approved by Audit Committee at their September 2016 meeting where it was agreed that the University would go out to tender for this service with a contract duration of 5 years with an option to extend for a further 2x one year. It was agreed that a mini competition would take place through the Crown Commercial Service consultancy ONE framework. The invitation to tender (ITT) documentation has been published with a closing date of 6 December for receipt of tenders. At its meeting in February 2017 the Audit Committee will make a recommendation to Board for approval.

#### **5. LPFA pensions scheme**

The March 2016 Triennial Actuarial Valuation of the LPFA fund is in progress and we have been advised that we will receive our individual employer results before 31 December 2016. This will impact the level of cash contributions payable from April 2017 in respect of future service and the annual cash contribution payable in respect of past service adjustment (currently £1.5m pa). We have already been notified that the same principles around employer categorisation, based on individual institution strength of covenant, will be used as for the 2013 valuation. We have requested early identification of categorisation for LSBU so that we can anticipate the likely outcome and begin meaningful discussions with the LPFA. The longer term sustainability of the scheme remains a key challenge as reflected in the corporate risk framework.

## **APPENDIX 1**

### **Tuition fee forecasts**

**Tuition Fee Forecast**

as at November 4

*Total School Portfolio*

	15/16 Actuals	16/17 Budget	16/17 Forecast	Forecast vs 15/16		Forecast vs Budget	
				16/17 Growth	16/17 Growth %	16/17 vs Budget	16/17 vs Budget %
Fees - Home & EU UG	57,208,778	60,728,697	59,133,853	1,925,075	3%	-1,594,844	-3%
Fees - Home & EU PG	7,720,422	8,246,353	9,200,329	1,479,907	19%	953,976	12%
Fees - Overseas UG	5,685,872	5,412,396	5,500,077	-185,796	-3%	87,681	2%
Fees - Overseas PG	3,108,554	3,664,913	3,287,629	179,075	6%	-377,284	-10%
	<b>73,723,626</b>	<b>78,052,359</b>	<b>77,121,887</b>	<b>3,398,261</b>	<b>5%</b>	<b>-930,472</b>	<b>-1%</b>

## **APPENDIX 2**

### **Commentary on financial variations**



## AAR Financial Commentary

The July 2016 Financial Submission to HEFCE was based on the Full Year Forecast as at April 30 2016. In the final 3 months of the year there have been a number of movements particularly in the areas of Surplus, Income, Staff costs, Capital Expenditure and Pensions Liability between that forecast and the final accounts produced as at July 31st.

### Surplus

One change between the April forecast and the year end was the increase in the University's final surplus. The final position for the year showed a surplus of £3.3M which was an increase of £2.3M from the April forecast of £1.0M. This was driven by a number of factors including an increase in income, a decrease in staffing costs and an increase in operating expenses.

The surplus as a % of income also increased from the forecast 0.7% to a final 2.4%

### EBITDA

The increase in surplus since the April forecast also had a positive impact on EBITDA which increased from the forecast £14.1M to £16.4M.

### Income Changes

As detailed above, the positive movement in our surplus was driven by income and expenditure factors.

In terms of income, our final position was £0.3M ahead of our April Forecast. This was driven by 4 factors.

- **Funding Body Grants**  
HEFCE grant income was £0.1M down against forecast. This was due to slightly lower deferred capital grants being released as compared to forecast.
- **Tuition Fees & Education Contracts**  
In terms of Home/EU Tuition Fees, our final mix was slightly different to the original forecast. Tuition fees from part time students were ahead of forecast as were fees from our overseas partnerships, whilst fees received from the Department of Health were slightly down on forecast as were fees from full time Post Graduate students.

The net impact of the above was that our final tuition fee income was in excess of £102.7M, an increase of £1.5M as compared to the April forecast.

- **Research Grants & Contracts**  
In terms of research grants, the university also finished £0.2M ahead of forecast with a final outcome of almost £2.2M. The mix of funding partners was slightly different to forecast but the outcome, following a strong final quarter, represents an 11% increase against our July submission.
- **Other Income**  
In terms of other operating income the university finished slightly behind forecast with a final outturn of £17M a decrease of £1.6M as compared to our April forecast. This was due to a decrease in Enterprise related activity and slightly optimistic residence and catering income forecasts.

## Expenditure Analysis

Our total expenditure at £134.9M was £1.9M lower than the anticipated expenditure of the April forecast.

- **Staff costs**  
The University remains focused on balancing the costs of staff with the income generated and our total staff costs in the year end submission were £3.7M better than forecast at £71.5M, excluding 3rd party staff. Our recurring staff costs were £1.8M better than forecast following a delay in staff recruitment. There was a further saving in the provision in the final quarter of 2015/16 for staff restructuring. We had been forecasting that a provision in line with the budget of £1.5M would be required however the final position was a small writeback from 14/15.
- **Operating Expenses**  
The increase in operating expenses of £2.1M between the April Forecast and the July outturn is primarily driven by a change in the methodology for calculating the bad debt provision, an increase in legal and professional costs and the early write off of some capital projects. The final expenditure of £48.8M is £4.7M less than the equivalent cost in 14/15 although that is accounted for by IBM spend in the previous year.
- **Depreciation**  
There was a decrease of £0.5M in the depreciation charge compared to forecast and this was driven by a delay in capital expenditure as compared to forecast.
- **Interest and Other finance costs**  
There was no real change between the forecast interest and other finance costs and the final position.

The net impact of the above was that our total expenditure at £134.9M was 1.4% lower than the anticipated forecast in April.

## Balance Sheet Movements

In terms of the balance sheet there are 3 key differences between our April forecast and the final position at the end of July. These changes are an increase in Fixed Assets following revaluation, a change in working capital and an increase in the university's pension liability.

The net position was a £3.0M improvement in the Total Net Assets of the university

- **Fixed Assets**  
Our Fixed assets are £26.0M ahead of the April forecast. As part of our preparations for the implementation of Accounting Standard FRS 102, the University chose to carry out a revaluation of land held. This revaluation resulted in an increase of Fixed Assets of £41.9M higher than our original forecast. However, our actual capital expenditure in year was lower than forecast and the net position was Fixed Assets of £225.8M as against a forecast of £199.7M.
- **Current Assets**  
The increase in current assets of £13.5M as compared to the previous submission reflects the fact that our cash outlay on capital expenditure was less than forecast and so our cash reserves finished £10.3M higher than forecast. This was primarily due to a delay until August 2016 in paying £9.5M to complete the purchase of 'Hugh Astor Court'. There were also some changes to working capital including an increase in debtors of £2.4M.

- **Creditors**  
Creditors due within 1 year increased by £9.5m against forecast as a result of the commitment to purchase Hugh Astor Court that completed after year end. This is partially offset by reductions in other Creditors.
- **Net Current Assets**  
Changes to current assets and creditors due within 1 year have resulted in an increase of £8.7m in net current assets at 31 July 2016 compared with previous forecast.
- **Pension Liability**  
The University's pension liability increased by a net £33.3M to £122.5M. The key driver was the change in pension liability with the London Pension Scheme Authority (LPFA). This increased from £88.8m to £121.5m, mainly as a result of actuarial losses reflecting lower discount rates after the referendum decision on 23 June to leave the EU.

### **Cash Flow movements**

In terms of the Cash flow statement there were 2 key differences that reflect the changes described above. The net cash flow from operating activities of £23.5m was £7.8m higher than forecast reflecting the higher surplus and the movements in working capital, principally the increase in creditors following the delay in completion of Hugh Astor Court.

The net impact of the above was that our cash and cash equivalents finished the year £9.3M ahead of our forecast position.

**APPENDIX 3**

**Updated financial tables  
(for information only – not for submission to HEFCE)**

# Financial results and forecasts 2016 - July 2016 submission vs December ARR

Institution: London South Bank University

## Financial indicators (automated table)

Financial indicators are shown for indicative purposes only. They will be reviewed after the data has been analysed.

	Restated 2014-15	Forecast 2015-16	Actuals 2015-16	Change over Forecast	Comments
Surplus/(deficit) as a % of total income	0.7	0.7	2.4	1.6	
Discretionary reserves exc. pension asset/(liability) as a % of total income	83.3	85.8	123.6	37.7	
External borrowing as a % of total income	20.1	20.5	19.5	-1.0	
Net cash flow as a % of total income	3.5	11.4	17.1	5.7	
Net liquidity days	139.7	119.7	153.7	34.0	
Staff costs as a % of total income	53.0	54.6	51.9	-2.7	

## Earnings before interest, tax, depreciation and amortisation (EBITDA) - (partially automated table)

Please complete cells in blue font. All other values will be completed as you fill in table 1.

	Restated 2014-15 £000	Forecast 2015-16 £000	Actuals 2015-16 £000	Change over Forecast £000	Comments
Surplus/(deficit)	946	1,000	3,269	2,269	
Share of surplus/(deficit) in joint venture(s) and associates	0	0	0	0	
Interest payable	2,963	4,623	4,755	132	
Depreciation	8,759	10,279	9,749	-530	
Release of deferred capital grants (accruals model only, please enter as negative)	-1,586	-1,759	-1,379	380	
Amortisation	0	0	0	0	
Change to pension provisions within staff costs	0	0	0	0	
EBITDA	11,082	14,143	16,395	2,252	

## Adjusted operating cash flow (automated table)

	Restated 2014-15 £000	Forecast 2015-16 £000	Actuals 2015-16 £000	Change over Forecast £000	Comments
1. Net cash flow from operating activities	4,887	15,717	23,572	7,855	
2. Add: cash received from investment income	311	189	293	104	
3. Add: endowment cash received	0	0	0	0	
4. Deduct: cash paid on interest on borrowings	-1,294	-4,379	-1,303	3,076	
5. Deduct: cash paid on interest element of finance leases	0	0	0	0	
6. Adjusted operating cash flow	3,904	11,527	22,562	11,035	
Balance of outstanding financial commitments and agreed financial commitments (includes long-term and short-term) not yet drawn down as at 31 July 2016	0	0	0	0	

<b>Table 1: Consolidated statement of comprehensive income and expenditure</b>					
	<b>Restated</b>	<b>Forecast</b>	<b>Actuals</b>	<b>Change</b>	<b>Comments</b>
	<b>2014-15</b>	<b>2015-16</b>	<b>2015-16</b>	<b>over Forecast</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>1. Income</b>					
1a. Tuition fees and education contracts	99,338	101,256	102,794	1,538	
1b. Funding body grants	17,584	15,842	15,684	-158	
1c. Research grants and contracts	2,358	2,011	2,232	221	
1d. Other income	21,182	18,548	16,959	-1,589	
1e. Investment income	311	189	313	124	
1f. Total income before donations and endowments	140,773	137,846	137,982	136	
1g. Donations and endowments	0	0	195	195	
1h. Total income	<b>140,773</b>	<b>137,846</b>	<b>138,177</b>	<b>331</b>	
<b>2. Expenditure</b>					
2a. Staff costs	74,558	75,303	71,581	-3,722	
2b. Fundamental restructuring costs	0	0	0	0	
2c. Other operating expenses	53,547	46,641	48,822	2,181	
2d. Depreciation	8,759	10,279	9,749	-530	
2e. Interest and other finance costs	2,963	4,623	4,755	132	
2f. Total expenditure	<b>139,827</b>	<b>136,846</b>	<b>134,908</b>	<b>-1,938</b>	
<b>3. Surplus/(deficit) before other gains/losses and share of surplus/(deficit) in joint ventures and associates</b>					
	<b>946</b>	<b>1,000</b>	<b>3,269</b>	<b>2,269</b>	
4. Gain/(loss) on disposal of fixed assets	0	0	0	0	
5. Gain/(loss) on investments	6	0	12	12	
6. Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	
7. Share of operating surplus/(deficit) in associate(s)	0	0	0	0	
<b>8. Surplus/(deficit) before tax</b>					
	<b>952</b>	<b>1,000</b>	<b>3,282</b>	<b>2,282</b>	
9. Taxation	0	0	0	0	
<b>10. Surplus/(deficit) for the year</b>					
	<b>952</b>	<b>1,000</b>	<b>3,282</b>	<b>2,282</b>	
11. Unrealised surplus on revaluation of land and buildings	0	0	0	0	
12. Actuarial gain/(loss) in respect of pension schemes	-11,030	0	-29,519	-29,519	
13. Change in fair value of hedging financial instrument(s)	0	0	0	0	
<b>14. Total comprehensive income for the year</b>					
	<b>-10,078</b>	<b>1,000</b>	<b>-26,237</b>	<b>-27,237</b>	
<b>15. Total comprehensive income for the year represented by:</b>					
15a. Endowment comprehensive income for the year	30	30	12	-18	
15b. Restricted comprehensive income for the year	0	0	0	0	
15c. Unrestricted comprehensive income for the year	-10,108	970	-26,249	-27,219	
15d. Revaluation reserves comprehensive income for the year	0	0	0	0	
15e. Total	<b>-10,078</b>	<b>1,000</b>	<b>-26,237</b>	<b>-27,237</b>	
<b>16. Surplus for the year attributable to:</b>					
16a. Non-controlling interest	0	0	0	0	
16b. University	952	1,000	3,282	2,282	
<b>17. Total comprehensive income for the year attributable to:</b>					
17a. Non-controlling interest	0	0	0	0	
17b. University	-10,078	1,000	-26,237	-27,237	

*All items of income and expenditure relate to continuing activities*

<b>Table 1a: Analysis of income</b>	<b>Restated</b>	<b>Forecast</b>	<b>Actuals</b>	<b>Change</b>
	<b>2014-15</b>	<b>2015-16</b>	<b>2015-16</b>	<b>over Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>1. Tuition fees and education contracts</b>				
1a. Full-time UG home and EU	49,588	50,501	50,443	-58
1b. Full-time postgraduate home and EU	3,080	4,641	4,068	-573
1c. Part-time fees - home and EU	8,859	9,583	10,991	1,408
1d. Home and EU domicile fees paid by the Department of Health	27,201	27,704	27,233	-471
1e. Non-EU domicile students	10,610	8,827	8,794	-33
1f. Other fees and support grants	0	0	1,266	1,266
1g. Total tuition fees and education contracts	<b>99,338</b>	<b>101,256</b>	<b>102,794</b>	<b>1,538</b>
<b>2. Funding body grants</b>				
2a. HEFCE - teaching grant	11,648	10,773	10,446	-327
2b. HEFCE - research grant	1,956	1,857	1,820	-37
2c. HEFCE other grants	3,935	3,212	3,418	206
2d. SFA funding	0	0	0	0
2e. NCTL funding	45	0	0	0
2f. Capital grants recognised in the year	0	0	0	0
2g. Total funding body grants	<b>17,584</b>	<b>15,842</b>	<b>15,684</b>	<b>-158</b>
<b>3. Research grants and contracts</b>				
3a. BIS Research Councils	675	641	718	77
3b. UK-based charities	378	397	249	-148
3c. Other research grants and contracts	1,305	973	1,265	292
3d. Total research grants and contracts	<b>2,358</b>	<b>2,011</b>	<b>2,232</b>	<b>221</b>
<b>4. Other income</b>				
4a. Other services rendered	0	0	0	0
4b. Residences and catering operations (including conferences)	0	0	0	0
4c. Income from health and hospital authorities (excluding teaching contracts for student provision)	0	0	0	0
4d. Other operating income	21,182	18,548	16,959	-1,589
4e. Total other income	<b>21,182</b>	<b>18,548</b>	<b>16,959</b>	<b>-1,589</b>
5. Investment income	311	189	313	124
<b>6. Total income before donations and endowments</b>	<b>140,773</b>	<b>137,846</b>	<b>137,982</b>	<b>136</b>
7. Donations and endowments	0	0	195	195
<b>8. Total income</b>	<b>140,773</b>	<b>137,846</b>	<b>138,177</b>	<b>331</b>

<b>Table 1b: Analysis of staff costs</b>	<b>Restated</b>	<b>Forecast</b>	<b>Actuals</b>	<b>Change</b>
	<b>2014-15</b>	<b>2015-16</b>	<b>2015-16</b>	<b>over Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
1. Salaries and wages	60,680	58,977	56,446	-2,531
2. Social security costs	5,251	6,075	5,283	-792
3. Employer pension costs	8,627	10,251	9,851	-400
4. Changes to pension provisions	0	0	0	0
5. Other staff related costs	0	0	0	0
<b>6. Total staff costs</b>	<b>74,558</b>	<b>75,303</b>	<b>71,581</b>	<b>-3,722</b>
7. Staff numbers (FTEs academic and other)	1,367	1,345	0	-1,345

Note: FTE = full-time equivalent.

<b>Table 2: Consolidated balance sheet</b>	<b>Restated</b>	<b>Forecast</b>	<b>Actuals</b>	<b>Change</b>
	<b>2014-15</b>	<b>2015-16</b>	<b>2015-16</b>	<b>over Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>1. Non-current assets</b>				
1a. Intangible assets	0	0	0	0
1b. Goodwill	0	0	0	0
1c. Negative goodwill	0	0	0	0
1d. Net amount of goodwill and negative goodwill	0	0	0	0
1e. Fixed assets	189,219	198,940	225,735	26,795
1f. Heritage assets	0	0	0	0
1g. Investments	780	780	38	-742
1h. Investment in joint venture(s)	0	0	0	0
1i. Investments in associate(s)	0	0	0	0
1j. Total non-current assets	<b>189,999</b>	<b>199,720</b>	<b>225,774</b>	<b>26,054</b>
<b>2. Current assets</b>				
2a. Stock	71	71	11	-60
2b. Trade and other receivables	12,773	12,773	15,208	2,435
2c. Investments	15,620	15,620	16,465	845
2d. Cash and cash equivalents	34,552	25,886	36,238	10,352
2e. Other (e.g. assets for sale)	0	0	0	0
2f. Total current assets	<b>63,016</b>	<b>54,350</b>	<b>67,922</b>	<b>13,572</b>
<b>3. Creditors - amounts falling due within one year</b>				
3a. Bank overdrafts	0	0	0	0
3b. Loans repayable to funding council	0	0	0	0
3c. Bank loans and external borrowing	1,309	1,309	1,325	16
3d. Obligations under finance leases and service concessions	0	0	0	0
3e. Other (including grant claw back)	37,767	37,767	42,660	4,893
3f. Total creditors (amounts falling due within one year)	<b>39,076</b>	<b>39,076</b>	<b>43,985</b>	<b>4,909</b>
4. Share of net current assets/(liabilities) in associate	0	0	0	0
5. Net current assets/(liabilities)	23,940	15,274	23,937	8,663
6. Total assets less current liabilities	<b>213,939</b>	<b>214,994</b>	<b>249,711</b>	<b>34,717</b>
<b>7. Creditors: amounts falling due after more than one year</b>				
7a. Loans repayable to funding council	0	0	0	0
7b. Bank loans and external borrowing	26,934	26,989	25,609	-1,380
7c. Obligations under finance leases and service concessions	0	0	0	0
7d. Other (including grant claw back)	25,248	25,248	25,039	-209
7e. Total creditors (amounts falling due after more than one year)	<b>52,182</b>	<b>52,237</b>	<b>50,648</b>	<b>-1,589</b>
<b>8. Provisions</b>				
8a. Pension provisions	89,198	89,198	122,512	33,314
8b. Other provisions	0	0	0	0
8c. Total provisions	<b>89,198</b>	<b>89,198</b>	<b>122,512</b>	<b>33,314</b>
9. Total net assets	<b>72,559</b>	<b>73,559</b>	<b>76,550</b>	<b>2,991</b>
<b>10. Reserves</b>				
<b>Restricted reserves</b>				
10a. Income and expenditure reserve - endowment reserve	742	742	755	13
10b. Income and expenditure reserve - restricted reserve	0	0	0	0
<b>Unrestricted reserves</b>				
10c. Income and expenditure reserve - unrestricted	28,124	29,124	47,826	18,702
10d. Revaluation reserve	43,693	43,693	27,969	-15,724
10e. Total restricted and unrestricted reserves	<b>72,559</b>	<b>73,559</b>	<b>76,550</b>	<b>2,991</b>
11. Non-controlling interest (enter as negative)	0	0	0	0
12. Total reserves	<b>72,559</b>	<b>73,559</b>	<b>76,550</b>	<b>2,991</b>



<b>Table 3: Consolidated statement of cash flow</b>	<b>Restated 2014-15 £000</b>	<b>Forecast 2015-16 £000</b>	<b>Actuals 2015-16 £000</b>	<b>Change over Forecast £000</b>
<b>1. Cash flow from operating activities</b>				
1a. Surplus for the year	952	1,000	3,282	2,282
<b>2. Adjustment for non-cash items</b>				
2a. Depreciation	8,759	10,279	9,749	-530
2b. Amortisation of intangibles	0	0	0	0
2c. Benefit on acquisition	0	0	0	0
2d. Amortisation of goodwill	0	0	0	0
2e. Loss/(gain) on investments	-6	0	0	0
2f. Decrease/(increase) in stock	-26	0	60	60
2g. Decrease/(increase) in debtors	-4,110	0	-2,430	-2,430
2h. Increase/(decrease) in creditors	-1,907	0	7,908	7,908
2i. Increase/(decrease) in pension provisions	-318	0	-188	-188
2j. Increase/(decrease) in other provisions	-1,180	-45	0	45
2k. Receipt of donated equipment	0	0	0	0
2l. Share of operating (surplus)/deficit in joint venture	0	0	0	0
2m. Share of operating (surplus)/deficit in associate	0	0	0	0
2n. Other: enter details in the text box under validation check 8	0	0	0	0
<b>3. Adjustment for investing or financing activities</b>				
3a. Investment income (enter as negative)	-311	-189	-293	-104
3b. Interest payable	2,963	4,672	5,047	375
3c. Endowment income (enter as negative)	0	0	0	0
3d. Loss/(gain) on the sale of fixed assets	0	0	437	437
3e. Capital grant income (enter as negative)	71	0	0	0
4. Net cash inflow from operating activities	<b>4,887</b>	<b>15,717</b>	<b>23,572</b>	<b>7,855</b>
<b>5. Cash flows from investing activities</b>				
5a. Proceeds from sales of fixed assets	0	0	0	0
5b. Proceeds from sales of intangible assets	0	0	0	0
5c. Capital grants receipts	0	0	0	0
5d. Disposal of non-current asset investments	0	0	0	0
5e. Withdrawal of deposits	-80	0	-102	-102
5f. Investment income	311	189	0	-189
5g. Payments made to acquire fixed assets	-6,524	-20,000	-20,240	-240
5h. Payments made to acquire intangible assets	0	0	0	0
5i. New non-current asset investments	0	0	0	0
5j. New deposits	0	0	0	0
5k. Total cash flow from investing activities	<b>-6,293</b>	<b>-19,811</b>	<b>-20,342</b>	<b>-531</b>
<b>6. Cash flows from financing activities</b>				
6a. Interest paid	-1,294	-4,379	-1,303	3,076
6b. Interest element of finance lease and service concession payments	0	0	0	0
6c. Endowment cash received	0	0	0	0
6d. New secured loans	0	0	0	0
6e. New unsecured loans	0	0	0	0
6f. Repayments of amounts borrowed	-193	-193	-1,310	-1,117
6g. Capital element of finance lease and service concession payments	-47	0	0	0
6h. Total cash flow from financing activities	<b>-1,534</b>	<b>-4,572</b>	<b>-2,613</b>	<b>1,959</b>
7. Increase/(decrease) in cash and cash equivalents in the year	<b>-2,940</b>	<b>-8,666</b>	<b>617</b>	<b>9,283</b>
8. Cash and cash equivalents at beginning of the year	37,492	34,552	34,552	0
9. Cash and cash equivalents at the end of the year	34,552	25,886	35,169	9,283

<b>Table 4: Supporting data</b>	<b>Restated 2014-15 £000</b>	<b>Forecast 2015-16 £000</b>	<b>Actuals 2015-16 £000</b>	<b>Change over Forecast £000</b>
<b>1. Identification of items included in other operating expenses (Table 1 heading 2c)</b>				
1a. Operating leases and other long-term operating expense commitments	356	356	365	9
1b. Annual contract cost of PFI deals	0	0	0	0
1c. Maintenance expenditure	6,411	6,500	6,500	0
<b>2. Transitional adjustments</b>				
2a. Balance of research related deferred capital grants as at 31 July 2015 taken to reserves	0	0	0	0

Note: 'PFI' = 'Public Finance Initiative'.

	CONFIDENTIAL
Paper title:	Key Performance Indicators: 16-17 Target Proposal
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	John Baker, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To present proposed targets for the institutional KPIs for 16/17 and rating criteria, for discussion & decision.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The Key Performance Indicators provide measures which determine progress made against all of the goals of the Corporate Strategy 2015-2020.
Recommendation:	The Board is requested to approve the final proposed targets and rating criteria for 16/17.

Matter previously considered by:	Executive	9 <sup>th</sup> November
Further approval required?	None	

**Executive Summary:**

- Only one proposed change has been made to the KPI set for 2016/17. KPI 24 on teaching utilisation rate has been removed and replaced by the Institute of Customer Service Index which measures the students' satisfaction with the services offered and is considered to be a better indicator in terms of student satisfaction. Space utilisation is an important issue for the University and will be reported to FPR in future as a stand-alone item.
- Recommended targets are shown for 16/17 academic year.
- As before, where forecast results are available, these will be provided during the year, before the confirmed results are available.
- The results will be provided through the Corporate Strategy Progress report throughout the year.

The Board is requested to consider and approve the targets and rating criteria for 2016/17.

		Report Date	3rd November 2016			Past Performance Baselines				Benchmark	Target	Ambition		16/17 Rating Criteria		
Out comes	#	Corporate Strategy Goals	20/20 Success Measures	#	Key Performance Indicators	2012/13	2013/14	2014/15	15/16	Competitor Group 12/13 average	2016/17	2020/21	Exec. Lead	Green	Amber	Red
Student Success	1	Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	1	Graduate level employment (EPI population)	56%	49%	68%	76%	n/a (local indicator)	77%	80%	PVC (SE)	77 % +	72 - 76 %	<72 %
	2	Student Experience	Top quartile of all universities in NSS	2	NSS scores – overall satisfaction	82%	80%	82%	82%	81.7%	84%	89%	DVC	84 % +	82 - 83 %	< 82 %
				3	International Student barometer (% recommending LSBU)	73.00%	72.40%		77.0%	not available	78%	81%		78% +	74 - 77%	< 74 %
				4	PGT experience (% satisfaction)	75%	77%	74%	74%	not available	76%	82%		76 % +	73- 75 %	< 73 %
				5	Student Staff Ratio	24.2:1	17.2:1	16.4:1	17:1	21.2	17.5:1	18:1		<=17.5	17.5 - 18.5	> 18.5
Real World Impact	3	Employ- ability	95% students in employment / further study (EPI)	6	DHLE entry to employment or further study (EPI)	77.4%	85.5%	90.2%	90.4%	88.5%	92%	95%	PVC (SE)	92 % +	90 - 91 %	<90 %
			Top 10 UK universities for student start ups	7	Number of Student start ups	6	1	30	50	47.86	70	150	PVC (R&E)	70 +	63 - 69	< 63
	4	Research and Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non Hefce)	£2.2m	£1.8	£2.0m	£1.9m	£6.1	£2.5m	£6.0 m	PVC (R&E)	£2.5 m +	£2.25 - 2.50 m	<£2.25 m
				9	Enterprise Income	£8.5m	£9.4m	£8.7m	£8.7m	not available	£11.6 m	£15.0 m	£11.6 m +	£10.9 - 11.5 m	<£10.9 m	
Access to Opportunity	5	Access	Top London Modern for LPN recruitment	10	% recruitment from low participation neighbourhoods	7.3%	7.4%	7.7%	8.4%	6.4%	7.5-8.5%	9.0%	COO	7.5-8.5%	7-7.5% 8.5-9%	<7% >9%
				11	FT UG recruitment pre-clearing applicant %	68.0%	76.0%	79.2%	78.4%	not available	81%	90%		81 % +	77 - 80 %	< 77 %
				12	First Degree Completion (at or above benchmark)	-6.7%	-9.5%	-7 %	-5.8%	-3.13%	-4%	+3%	>=-4 %	-5 to -7 %	<-8 %	
			Exceed expectations on completion	13	Year 1 progression	70.1%	70.2%	69.9%	73.1%	not available	76%	85%	DVC	76 % +	74 - 75%	<74%
				14	Good Honours	59.7%	61.0%	61.2%	66.4%	62.2%	63-67%	63 - 67%		63-67%	68-70%	<60%
	15	PGT completion	67.1%	54.8%	61.5%	58.7%	not available	65%	85%	65% +	61-64%	< 60%				
	International	4 QS Stars	16	QS Star Rating	n/a	2 (prov.)	3 stars	3 stars	not available	3	4	VC	3	2	2	
17			Overseas student income	£8.8m	£8.5m	£10.6m	£8.8m	£29.5m	£9.1m	20m	PVC (R&E)	£9.1 m +	£8.7 - 9.0 m	<£8.7 m		
Strategic Enablers	7	People and Organisation	Rated as a good employer	18	Appraisal completion %	28%	37%	90%	72% (+23% started)	not available	95%	95%	EDHR	95 % +	90 - 94 %	< 90 %
				19	Average Engagement Score as as %	58%	-		58%	70%	62%	75%	EDHR	62%	58 - 61 %	< 58 %
	8	Resources and Infrastructure	Grow our income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of income	4.0%	2.3%	0.9%	2.4%	9.6%	0.70%	5.0%	CFO	0.7 % +	0.4 - 0.6 %	< 0.4%
				21	Income (£m)	£137.9m	£134.8m	£140.8m	£138.2	£188.2m	£144.5m	£170.0m		£144.5 m +	£140 - 144 m	< £140 m
				22	EBITDA margin (EBITDA expressed as % of income)	12.6%	11.4%	9.2%	11.8%	9.20%	11.7%	15.0%	11.7% +	11.3 - 11.6%	<11.3%	
				23	Student satisfaction ratings with facilities & environment	80.0%	83.0%	87.7%	90%	82.7%	90%	90%	COO	90 % +	86 - 89 %	< 86%
24	ICS Service Index	-	68%	76%	Nov/Dec	-	78%	80%	78% +	75-77%	<75%					
League Tables	Overall	Top London Modern university (excl UAL)	25	Times - League table ranking	118/121	122/123	120 / 127	120 / 128	92.3	115	80	VC	115 or higher	116 - 119	120 or lower	
			26	Guardian – League table ranking	113/119	112/116	111 / 119	107 / 119	87.1	102	86		102 or higher	103 - 106	107 or lower	
			27	Complete University Guide – League table ranking	119/124	120/123	119 / 126	115 / 127	85	110	93		110 or higher	111 - 114	115 or lower	

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	CONFIDENTIAL
Paper title:	Corporate strategy progress report
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	John Baker, Corporate and Business planning manager
Executive/Operations sponsor:	Pat Bailey, Deputy Vice Chancellor
Purpose:	Information
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A
Recommendation:	The Board is asked to review the draft KPI report.

Matter previously considered by:	Operations board	25 October 2016
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## Executive Summary

An executive summary from the Deputy Vice Chancellor is included on page one of the document.

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## Corporate Strategy Progress Report

### DVC Executive Summary:

*Summary of overall progress on goals of Corporate Strategy (DVC - Pat Bailey):*

The academic year 2015/16 has been the first in which the 7 new Schools and the new Professional Service Groups have been fully in place, and there has been one over-riding imperative – that virtually all of the KPIs should be showing steady upward trajectories, and this has generally been the case, although not always meeting/exceeding the targets. Highlights concerning progress have been:

- Overall NSS remaining at 82% but with improvements in 5 of the 6 sub-sections
- DLHE results (>90% in employment/further study, and 76% in graduate roles (68% in 14/15)
- Total income behind target (£138M), but surplus (2.4%) and EBITDA (11.8%) ahead of target
- Year 1 progression to year 2 up 2.5% to 72%
- Internationalisation: QS 3 star and in the THE top 1000 universities globally (for the first time)
- Dramatic reduction in student complaints being referred to the OIA (75% down on 14/15)

But perhaps of greater significance for LSBU are the range of major projects or initiatives that have been put in place in 2015/16, for which we should see substantial impact in the next 2-3 years:

- Launch of the Centre for Research Informed Teaching, and the Digitally Enhanced Learning team
- Launch of the Elephant Studios for digital technologies in the creative industries
- Sector leading in offering trailblazer apprenticeships, with grants of £250k and £3M from HEFCE
- Shortlisted/award-winning in several enterprise/entrepreneurship categories
- Sign-off of the IBM Phase 1 project, and improved contract for Phase 2 (until 2019)
- Major grant-winning (multi-£M grants) in Engineering and in Built Environment & Architecture
- Continued success of the Engineering Academy and launch of the UTC, as part of a broader engagement with the FE-to-HE interface and the FE Area Review

Whilst the overall research and enterprise income targets remain challenging, the new Academic Framework and key research appointments are positioning us well in a very competitive market. Similarly, international recruitment should be underpinned by the new branding and the recent arrival of the Director of International, and our low visa refusal rate (in contrast to many of our competitors) is a crucial factor in growing our international student numbers in the future.

For our undergraduate recruitment, the continuing rise in GPA is welcomed (12 tariff points up in 2014, and again in 2015), but equally important are a raft of initiatives to identify students who are struggling and provide targeted support for them, which has already yielded significant dividends this year (re-enrolment looks to have risen again – final numbers available in November). Recruitment for September 2016 intake has been something of a roller-coaster; applications down 6% at the end of 2015, then a significant increase in acceptances in the wake of the new branding/marketing strategy, followed by a very challenging clearing period. We are behind target for F/T undergraduates by c250, but should not be far off target across all student groups, with PGT especially strong.

In people and organisation, a new database system is a crucial investment, and the employee engagement survey is generating a range of initiatives to improve wellbeing. The four customer service awards, Stonewall top 100, and 88% engagement in the current appraisals are also very positive signs.

Whilst every year is unique and challenging, 2016-17 is especially important for LSBU. The TEF2 ratings may label us as bronze, because our 3-year metrics haven't been great, but we'll hope to win the case that our upward trajectory merits a silver rating. In addition, several major projects will hit decision point this year: the £100M St Georges Quarter development (architects just appointed), the roll out of our apprenticeship scheme linked to the Passmore Centre/IPTE, the drop-in Medical Centre, and our FE engagement initiatives.

## Goal 1: **Employability**

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Actual
1	DHLE entry to employment or further study (EPI)	77.4%	85.50%	90.2%	88.5%	90.4%
2	Number of Student start ups	6	1	30	47.86	50

Executive Commentary: *(PVC S&E - Shân Wareing)*

The DLHE graduate outcomes place LSBU close to the top half in the sector, and positions us as the top London modern university.

Activities to maintain and improve on this position include the commitment to offer all London and Havering FT undergraduate students commencing study in or after September 2016 a placement, internship or professional opportunity. Software to support this offer is being implemented, and the employability team is being restructured to focus on the new approach.

In 2016/7, two activities to support the transition of new graduates into employment are being extended. The successful winter interns programme is oversubscribed for 2016/7, and the PGCert in project management is expanding its offer.

The Recruitment Agency project has been supported as an investment by the Executive, and when delivered will connect LSBU students with work opportunities, during and after study, as well as connecting the needs of local businesses with our graduate cohorts.

The number of student start-ups will be formally confirmed to HESA in the December finance return, but is forecast to be ahead of the target position, and the support activity provided by the Student Enterprise team has been recognised with an award at the Global Consortium for Entrepreneurship Centers, winning the award for 'Outstanding Emerging Entrepreneurship Centre'.

Contributing to this was the work carried out through the Graduate Entrepreneur Support Scheme, and the Rocket support programme. Both schemes recently held a pitch event at the Artworks Elephant where recipients demonstrated the impact of their participation whilst competing for a second year of support, and new applicants to Y2 of the schemes are currently being considered.

The Higher Education Achievement Report (HEAR) project has now been delivered, with 52 validated activities currently available to students at LSBU, with which they can record and illustrate their achievements at university outside of academic study, and demonstrate the full range of transferable skills and knowledge thus acquired. The tool was launched at the recent Fresher's Fair for new entrants.

### Related Risk Matters:

There is an issue around resource and capacity to deliver Placements. Processes are being tested via internal audit and some additional capacity has been identified through reassignment of existing staff along with a new IT solution for placement management.

## Goal 2: Student Experience

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Actual
3	NSS scores – overall satisfaction	82%	80%	82%	82%	82%
4	International Student barometer (% recommending LSBU)	73.00%	72.40%	0.00%	not available	77.0%
5	PGT experience (% satisfaction)	75%	77%	74%	not available	74%
6	Student Staff Ratio	24.2:1	17.2:1	16.4:1	21.2	17:1

### Executive Commentary: *(PVC S&E - Shân Wareing)*

The NSS overall satisfaction score remained constant at 82%, but for the First Degree cohort that feature in League Tables there were underlying improvements in five of the six other subsections of the survey.

A dashboard showing student information will be available from November 2016 to support tutors contacting and advising students.

The Operations Board has approved a move away from attendance monitoring, to student engagement monitoring (looking at a range of information sources, including entry to campus, class attendance, use of Moodle & MyLSBU and coursework submission) except for UKVI sponsored and HSC contract students. The Student Experience Committee also approved a regulation change so that students who arrive late to their examinations, may now be allowed in, at fixed points up to half an hour after the start time. This change meant that, in 2016, 147 students who would previously have been turned away were able to undertake their exams. These changes should address some concerns amongst the student body and create perceived improvements to the student experience.

We have also employed seven student engagement interns, who are working with the Schools on a number of retention and engagement projects. The initial impact around encouraging students to re-enrol and attend induction sessions has been very positive, and it is anticipated that these new posts will help reduce in year drop outs and improve progression rates.

The SSR is expected to be just under the target figure for this year.

### Related Risk Matters

We need to maintain control over our capability to ensure the consistent quality of the student experience across all of our provision, including that delivered in partner institutions in the UK and overseas. Growth must not be allowed to jeopardise quality, through diversion of resource, or failure to observe full steps of due diligence in implementing emerging partnerships models.

Many of the projects and initiatives in this area involve information technology, and there is a risk that they may not be delivered within anticipated timescales or that some support requirements could be under-resourced once plans are realised. To mitigate, the Executive collaborate to prioritise high impact activity and the ICT pipeline is reviewed by the Operations Board.

### Goal 3: Teaching & Learning

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Target	2015/16 Actual
7	Graduate level employment	56%	49%	68%	n/a (local indicator)	77 %	76%

Executive Commentary: *(PVC S&E - Shân Wareing)*

The Centre for Research Informed Teaching (CRIT) now has the Director in post, and brings together the existing Academic Staff Development Unit and Skills for Learning team with the new programme of work related to digitally enhanced learning (DEL) led by the new Head of DEL. In semester 1 the Centre will be launching a new curriculum development fund, will be providing targeted professional development to support course teams for validation and will be working in partnership with the LSBU Student Union to support student-led projects investigating the LSBU student experience.

Pilots & subject interventions have been completed by the Skills for Learning team, utilising investments from the teaching and learning fund. The embedding of study skills within modules has already seen improvements in pass rates and in year progression.

CRIT will drive forward the LSBU Educational Framework, consolidating the offer of relevant, applied education, strongly linked to employers, professions and industry, and incorporating opportunities for students to develop their confidence, networks, and extracurricular achievements.

The Digitally Enhanced Learning user group has also been established, to provide a stakeholder forum for prioritising investment and tracking outcomes from delivered activity.

Recruitment is underway for new positions within the DEL team to oversee the MyLSBU environment & Digital Literacies project.

#### Related Risk Matters

The continued uncertainty around the mechanism and outcome of the TEF means there is a real risk it could focus attentions and effort on metrics that have no real link with pedagogy or teaching excellence. The formal set of TEF metrics should include recent positive performance from LSBU & the January submission of narrative statements provide an opportunity to demonstrate the scale and impact of relevant activity across the institution.

## Goal 4: Research & Enterprise

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Target	2105/16 Actual
8	Research Income (non Hefce)	£2.2m	1.8	£2.0m	£6.1	£2.1	£1.9 m
9	Enterprise Income	£8.5m	£9.4m	£8.7m	not available	£10.2	£8.7 m

Executive Commentary: *(PVC R&E - Paul Ivey)*

LSBU won the Outstanding Entrepreneurship Centre award, has been shortlisted for the Entrepreneurial University of the Year category in the Times Higher Awards, and was a finalist in the Duke of York's Award for University Entrepreneurship in the National Business Awards.

Graeme Maidment has now taken up a new role as Associate Director of Research, and Head of the London Doctoral Academy to drive forward a strategic approach to research development. A "mini ref" audit was completed this year on 2015 activity, and the team are now building on this and revising the approach into the Annual University Research Audit (AURA) so that it will line up with the academic year and appraisal cycle for future years; this will inform the development of Groups and Centres that will align with external research priorities, increasing our ability to secure income.

LSBU was one of 10 Universities awarded Intellectual Property Office funding, and the £70K was used to deliver the Ignite project which engaged over 1500 students in learning events. The new IP policy was also agreed and implemented with a revised reward structure to incentivise ideas collaboration.

### Related Risk Matters

The forecast KPI results are below target, but consistent with the performance in 2014/15. To increase activity two further institutes: Creative and Digital Economy and Global Challenges have been established. Training workshops for bid development are also scheduled for the year and the REI team are working with external agencies to identify funding opportunities and to develop LSBU's offering of Incubation space.

Activity has already increased for 2016/17 with 60 research proposals submitted to date (compared with 75 for the entire year 2015/16) and enterprise sales being £161k ahead of where we were this time last year, reflecting an 80% increase.

## Goal 5: Access

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Target	2015/16 Actual
10	% recruitment from low participation neighbourhoods	7.3%	7.4%	7.7%	6.4%	8.0%	8.4%
11	FT UG recruitment pre-clearing applicant %	68.0%	76.0%	79.2%	not available	80.0%	78.4%
12	1 <sup>st</sup> Degree completion (at or > benchmark)	-6.7%	-9.5%	-7 %	-3.13%	-4%	-5.8%
13	Year 1 progression	70.1%	69.1%	69.5%	not available	75%	73.1%
14	Good Honours		61.0%	61.2%	62.2%	60 - 65%	
15	PG completion	67.1%	54.8%	61.5%	not available	70%	

### Executive Commentary: (C.O.O. - Ian Mehrtens)

The revitalised Corporate Brand has been rolled out across the organisation, has been extensively used in the Clearing and Enrolment periods, and is now well embedded for the 17/18 recruitment cycle with a strong recruitment marketing campaign.

The 2016/17 recruitment cycle has been fiercely competitive and LSBU saw a 2% reduction in applications this year compared to the previous year. Despite this, Semester 1 enrolment period is almost completed, and has seen strong performance against target in part time undergraduate provision, and across postgraduate programmes, but the FT UG Home / EU position looks to be short of the planned enrolment target by around 250 FTE's.

A new apprenticeships manager has been recruited who will lead on the development of the new higher apprenticeship programme. BEA are leading with the Chartered Surveyor Apprenticeship and are awaiting notification from the Construction trailblazer group regarding possible start dates for a broader range of apprenticeships standards.

LSBU has been awarded £3m of HEFCE Catalyst funds to develop the Institute of Professional & Technical Education that will support the apprenticeship programme.

The UTC in Brixton (for students 14 – 19) opened in September, with 100 students. In addition to the University, the College is supported by world leading employers that include Skanska, and the NHS Foundation Trusts of Guy's and St Thomas and King's College. The education vision is underpinned by contextualised learning and the curriculum focuses on problem and project based learning.

The UEA has 400 students and has been oversubscribed for Year 7 entry over the last two years.

### Related Risk Matters

The recruitment of staff to the apprenticeships team is currently underway, to ensure that the key relationships with employers are developed to support the development of this new HE route.

The uncertainty of BREXIT is impacting on EU recruitment across the sector and will impact on the 2017/18 recruitment campaign. We have also undertaken scenario planning, modelling 5% and 10% income reduction scenarios to understand the associated risks and issues.

New curricula areas are under development to expand portfolio.

## Goal 6: Internationalisation

#		2012/1 3	2013/1 4	2014/1 5	Competitor Group 12/13 average	2015/16 Target	2015/16 Actual
16	QS Star Rating	n/a	2 (prov.)	3 stars	not available	3	3
17	Overseas student income	£8.8m	£8.5m	£10.6m	£29.5m	9.5	£8.8m

### Executive Commentary: (PVC R&E - Paul Ivey )

Stuart Bannerman has now started work in the role of Director of International. Stuart joins LSBU from University of Suffolk & will be responsible for leading the work of the team in overseas recruitment and the development of Trans National Educational; we are also making a new part-time appointment to role as academic lead for TNE Teaching & Quality Enhancement.

For international recruitment, the compliance assessment for the year end is probably amongst the best in the country, demonstrating that league table and compliance are not related. Our Refusal rate is 3.66% against 10% allowed, Enrolment rate is 99.65% against 90% allowed and Course completion is 91.04% against 85% allowed. Good progress has been made with developing a new due diligence process for the consideration of new relationships, and a new Partnerships model has been developed, in conjunction with the Academic Quality Development Office, to ensure the student experience of all those studying an LSBU curriculum. The total level of overseas income is below target, but the focus on UKVI licence stipulations has meant that LSBU is well within the visa refusal rate required by the Home Office in order to maintain highly trusted status.

The recruitment process is being overhauled to ensure LSBU is competing with an ever increasingly sophisticated market. Providers of market leading conversion tools are currently being assessed and, combined with better use of data analytics will improve conversion of current applicants. Further support is being given to increase applications from overseas partners to increase student flows to LSBU where numbers have been low in the past.

The British University of Egypt LSBU validation is now one of the largest TNE operations in the MENA region; the growth for LSBU has been rapid with the total LSBU population nearly 3000 students and expecting to rise to over 5000 within a year. As BUE expands it is important that LSBU develops a range of complementary operations in other sites to balance the portfolio and minimise the risk of its loss. The continuing progress following the Vice Chancellor's visit in November to the Applied Science University (ASU) in Bahrain will result in significant growth there.

### Related Risk Matters:

Post Brexit uncertainty in the international marketplace is having a significant impact on the attractiveness of the UK as a study destination.

The comments made by the Home Secretary at the Conservative party conference around placing limitations on the overseas recruitment ability of lower 'quality' providers are very troubling and cause real concern for the growth expectations in this area in the medium term. We continue to try and mitigate by seeking a) to broaden remit b) to grow TNE which is not subject to UK Government control (e.g. Egypt) Even with TNE operations there is an expectation from students that some time can be spent in the UK and any adjustment of the visa regime needs to reflect this if TNE is to continue to expand.

Due to the size of the BUE operation it will have a dedicated office to help ensure we can oversee and protect quality and income.

## Goal 7: People & Organisation

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Actual
18	Appraisal completion %	28%	37%	90%	not available	72% (+23% started)
19	Average Engagement Score as %	58%	-		70%	58%

Executive Commentary (*EDHR - Mandy Eddolls*)

A new IT system to manage the Appraisal process was developed in partnership with the ICT transformation team, and this was launched to staff in June. At present 88% of staff have commenced their appraisals using this tool, and 53% have completed and submitted these online.

The Leadership Development Programme was launched to all staff of grade 8 and above across the institution, and a wide range of development opportunities have been delivered to these staff within the Leadership Forum.

A soft launch of the new staff intranet is planned for late October. The requirements of the new intranet have been developed following feedback from the staff survey and after consultation with hundreds of colleagues on what they would like to see and what business applications they need.

Design phase of the new staff intranet has taken place following engagement with staff across the institution, and a soft launch is planned for the autumn.

Work is beginning to develop a career pathway for Professional Services staff, utilising the LSBU values and the Association of University Administrator's Mark of Excellence scheme which recognises the embedding of the AUA's CPD framework in approaches to staff development and selection.

### Related Risk Matters

Employee Engagement Actions plans are being developed by each team across the institution, alongside themed priority action plans being developed through the Executive and Leadership forum, with progress being tracked by the Operations Board, prior to a Pulse snapshot survey check on progress in May 2017.

The current Oracle HRMS system is being replaced by Midland iTrent and the initial phase of integrating employee data with the iTrent Payroll system will be completed in October 2016. An internal audit review currently underway will provide pre-implementation assurance in terms of connection with existing systems and procedures. The eRecruitment module will be installed by the end of the year and next year the supplementary modules for absence, learning and development, performance management and Employee and Management Self Service will be included within the service offer.



## Goal 8: Resources & Infrastructure

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Actual
20	Surplus as % of income	4.0%	2.3%	0.9%	9.6%	2.4%
21	Income (£m)	£137.9m	£134.8m	£140.8m	£188.2m	£138.2
22	EBITDA margin (EBITDA expressed as % of income)	12.6%	11.4%	9.2%	9.20%	11.8%
23	Student satisfaction ratings with facilities & environment	80.0%	83.0%	87.7%	82.7%	90%
24	Teaching room utilisation rate	23%	22%	21%	not available	21%

### Executive LDP Commentary: (C.O.O. -Jan Mehrtens)

The end of year financial position was positive from a surplus and EBITDA perspective, with costs managed effectively to ensure that even with a reduction in anticipated income the required surplus was achieved.

The NSS satisfaction rating for the learning environment was an improvement on the previous year and ahead of target, and ahead of the average response for the sector.

This is the first year of a fully centralised timetabling process, and the early signs are that there will be an improvement in the utilisation rate. The rooms will be monitored throughout the year.

WilkinsonEyre have been appointed as architects for the next phase of the Estates Development strategy, for the St Georges quarter section of the campus at Elephant & Castle, and a development partner for the Technopark site is being sought through the OJEU publication of this enabling partnership opportunity.

### Related Risk Matters

The latest version of the IBM Cognos Analytics software has been installed by the Business Intelligence team within Academic Related Resources, and the first visualisation dashboard created using this product is currently being rolled out across the organisation.

University Level:

## League Tables

#	Key Performance Indicator	2012/13	2013/14	2014/15	Competitor Group 12/13 average	2015/16 Actual Result
25	TIMES - League table ranking	118/121	122/123	120 / 127	92.3	120 / 128
26	GUARDIAN – League table ranking	113/119	112/116	111 / 119	87.1	107 / 119
27	COMPLETE UNIVERSITY GUIDE – League table ranking	119/124	120/123	119 / 126	85	115 / 127

Executive Commentary (DVC – Pat Bailey, incorporating analysis from the Business Intelligence Unit)

### Times and Sunday Times 2017

LSBU increased its score from 386 points to 400 points, a 3.5% increase in score represents the 35<sup>th</sup> highest increase nationally. This marks a sustained improvement, after the 20.5% increase in last year's score (the highest nationally). A further eight points, would have seen LSBU gain 3 places.

In regards to individual measures, LSBU improved rank against Graduate Prospects and Services/Facilities Spend. It however reduced its rank against both NSS measures, first/2:1s, completion rates and SSR. These reductions in rank were not as a result of a material deterioration in performance, but rather other institutions improving their performance.

LSBU falls outside the top 100 in five of the eight measures; NSS Teaching Quality (115<sup>th</sup>), NSS Student Experience (107<sup>th</sup>), Entry Standards (125<sup>th</sup>), First/2:1s % (114<sup>th</sup>) and Completion Rate (125<sup>th</sup>).

### Guardian League Table 2017

LSBU improved its ranking by four places from 111th to 107th. LSBU overtook seven universities in the table; these were, Westminster & East London (in our aspirational group), and Aberystwyth, Canterbury Christ Church, Bedfordshire, Cumbria and Glyndwr.

Southampton Solent and West of Scotland moved ahead of LSBU, and one University entered the table for the first time ahead of LSBU (University of the Creative Arts).

The key areas, where LSBU will have to improve its performance in order to improve in the league tables are: average entry tariff, proportion of students attaining a First/2:1, an improvement against the NSS of 2-4 percentage points across NSS areas, and expenditure on student facilities and equipment.

### Complete University Guide (CUG) 2017

LSBU placed in joint 115<sup>th</sup> position (tied with Southampton Solent), four places higher than in the 2016 iteration. LSBU overtook five institutions (St Mary's Twickenham, Bishop Grosseteste, Bedfordshire, Cumbria and St Mark & St John), and one institution (Norwich University of the Arts) entered the table for the first time. LSBU increased its total score by 3.3%; this represented the 15th highest increase in the table. Universities of Greenwich and Middlesex (Aspirational Group members), also saw their scores increase, with resulting increase in rankings.

The measures that hold LSBU back from placing in the top 100 institutions are Entry Standards (122<sup>nd</sup>), Student Satisfaction (106<sup>th</sup>), Good Honours (114<sup>th</sup>) and Degree Completion (125<sup>th</sup>). The highest ranking measures for LSBU in the 2017 table were Graduate Prospects (62) and Academic Services Spend (44). As a result of these higher placed measures, it is not necessary for all measures to be placed in the top 100 to attain an overall top 100 ranking. It is also worth adding that we now have a greatly improved understanding of how the league table scores are derived (through a huge amount of modelling – the assessing bodies don't provide this!), and we are confident that our improving statistics can be managed to optimise our league table performance (as most universities do).

	CONFIDENTIAL
Paper title:	Audit Committee Annual Report to the Board and Accountable Officer
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Steve Balmont, Chair of the Audit Committee
Recommendation:	To approve the report from the Audit Committee to the Board

## **Audit Committee Annual Report to the Board and Accountable Officer**

### **Introduction**

The Audit Committee is required under the Financial Memorandum with HEFCE to produce an annual report to the Board of Governors and the Accountable Officer (the Vice Chancellor). The report will also be submitted to HEFCE on 1 December 2016.

Guidance from HEFCE is that the report must include any significant issues and should be considered by the Board before approval of the statutory accounts. The report must also include the committee's opinions on the adequacy and effectiveness of LSBU's arrangements for the following:

- Risk management, control and governance;
- Economy, efficiency and effectiveness (value for money);
- Management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies.

### **Executive Summary**

During the year to 31 July 2016, the Audit Committee was chaired by Steve Balmont and met four times.

Matters completed by the Committee during the year include:

- review and clearance of the University's annual report and accounts for 2015/16 (paragraph 9);
- approval of the plan for PwC's internal audit review work for the year (paragraph 13);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 13);
- four meetings with PwC and four meetings with Grant Thornton UK LLP in the absence of all University officers;
- consideration of the annual internal audit report (paragraph 15);
- regular review of the corporate risk framework (paragraph 19); and
- approval of a statement of internal control (paragraph 20).

Please note that that the speak up matter referred to in paragraph 30 in the report is expected to be concluded very shortly and verbal confirmation will be given to the Board meeting by the Chair of the Audit Committee.

### **Annual Report and Opinions**

At its meeting of 10 November 2016, the audit committee approved the attached annual report, to be signed by the Chair of the audit committee at the end of the Board meeting. In addition, the audit committee approved the following opinions:

- 1) the institution's risk management, control and governance is that these arrangements are adequate and effective (see paragraph 33).
- 2) the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective (see paragraph 35).
- 3) the management and quality assurance of data submitted to HESA and HEFCE is that the University has adequate assurance (see paragraph 37).

### **Recommendations**

The Board is asked to note the opinions of the audit committee.

The Board is asked to note the annual report for submission to HEFCE.

## **Annual Report of the Audit Committee to the Board of Governors and the Accountable Officer 2015/16**

### **Executive summary**

During the year to 31 July 2016, the Audit Committee was chaired by Steve Balmont and met four times.

Matters completed by the Committee during the year include:

- review and clearance of the University's annual report and accounts for 2015/16 (paragraph 8);
- approval of the plan for PwC's internal audit review work for the year (paragraph 13);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 13);
- four meetings with PwC and four meetings with Grant Thornton UK LLP in the absence of all University officers;
- consideration of the annual internal audit report (paragraph 15);
- regular review of the corporate risk framework (paragraph 19);
- approval of a statement of internal control (paragraph 20).

## Introduction

1. This report covers the financial and academic year from 1 August 2015 to 31 July 2016 and includes any significant issues up to the date of the signing this report and consideration of the financial statements for the year.
2. No member of the Audit Committee has, or has had during the year, a direct role in the management of the University. All members of the Committee are asked to declare any interests in any item of business on the agenda at each meeting.
3. During 2015/16, the Audit Committee was chaired Steve Balmont, an independent governor. Other members of the Committee during the year were: Douglas Denham St Pinnock, Mee Ling Ng, Shachi Blakemore and Roy Waight (independent co-opted member). Roy Waight was co-opted as an independent member of the Audit Committee and attended his first meeting on 9 June 2016. Douglas Denham St Pinnock stepped down from the committee on 9 June 2016.
4. All members of the Committee are independent of management. James Stevenson, University Secretary & Clerk to the Board, served as secretary to the Committee throughout the year.
5. The Committee held four business meetings during the financial year to 31 July 2016. The Vice Chancellor, Chief Financial Officer and other members of the Executive were present. The internal auditors and the external auditors were present at all four meetings. For the financial & academic year 2016/17 the Committee will also hold four business meetings (September, November, February, June.)
6. The Committee's terms of reference are reviewed annually in the autumn. The Committee has an agreed forward business plan which is used to plan its agendas during the year and is reviewed annually.

## External Audit

7. Throughout the year Grant Thornton UK LLP served as the University's external auditors. Grant Thornton's contract is due to end on 31 July 2017.
8. At its meeting of 9 June 2016, the Committee approved the external audit plan for the financial year 2015/16.

9. At its meeting of 10 November 2016, the Committee considered and recommended to the Board for approval the draft financial statements for the year ended 31 July 2016. The Committee considered in detail audit opinions and audit opinion from Grant Thornton UK LLP. The Committee considered and recommended to the Board for approval the letter of representation from the Board of Governors to Grant Thornton UK LLP.
10. Performance indicators had been agreed against which the performance of the external auditors would be measured. The Committee received a report on performance against indicators at its meeting of 10 November 2016. The external auditors met all of the agreed performance indicators.
11. The Committee met Grant Thornton UK LLP prior to its meeting of 10 November 2016 in the absence of any University employees to discuss the year end audit and other matters.
12. Grant Thornton reports that non-audit work for LSBU Group is as follows. For the year ended 31 July 2015, Grant Thornton provided VAT advice services with a value of £3,693 including VAT and corporation tax advisory services with a value of £4,188 including VAT. Both these pieces of work were carried out by an engagement team completely separate from the audit team. In addition Grant Thornton provided advice on the FRS102 transition review, charging £6,000 including VAT. This review was carried out at the audit planning stage and during the year-end audit work.

### **Internal Audit**

13. The University's Internal Auditors for the year were PricewaterhouseCoopers (PwC). PwC worked to an internal audit plan of 125 days approved by the Committee at its meeting of 4 June 2015. 123 days of work were delivered. The Committee has received progress reports from PwC against the plan at every meeting.
14. During the year 9 internal audits were undertaken (2015: 9) and a specialist review into external infrastructure vulnerability was undertaken. The Continuous Audit programme of key financial systems and student data was undertaken throughout the year.
15. The internal auditor's annual report for 2015/16 (dated September 2016) provided a positive assurance statement. The internal audit annual report found:

“Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk”

16. “Our [PwC’s] view on London South Bank University’s operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There has been one high risk rated report, two medium risk rated reports and two low risk rated reports prepared during the financial year. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2015/16 have an overall classification of critical risk.”
17. The Executive states that work to further strengthen data security has been undertaken and the PwC annual report states that “we recognise that a significant amount of work has been done to update and rationalise IT controls; this has been demonstrated through our follow up work, reports to Audit Committee throughout the year and management directing us to a known risk area (external infrastructure)”.
18. The Committee met PwC prior to each meeting, in the absence of any of the University’s employees.
19. Following a tender process in 2014/5, PwC were re-appointed as internal auditors from 1 August 2015. The contract is for three years with the possibility of a further two 12 month extensions subject to performance.

### **Risk management, control and governance**

20. The Committee reviewed the corporate risk register at each meeting. In addition, the committee annually reviews risk strategy and risk appetite and makes recommendations to the Board of Governors. The University’s corporate risk framework is aligned to the Corporate Strategy.
21. PwC undertook an internal audit on risk management during the year which was rated as low risk.
22. The committee reviewed the effectiveness of internal controls at its meeting on 22 September 2016 and approved the full compliance statement for inclusion in the annual report and accounts.



### **Economy, Efficiency and Effectiveness**

23. A Value for money (VFM) report was prepared by the Executive and considered by the Committee on 10 November 2016. Based on the report the Executive is confident that LSBU has delivered Value for Money (VFM) across the broad range of its spend and activities for 2015/16.

### **Management and Quality Assurance of Data submitted to HESA and HEFCE**

24. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

25. Following two reports on the continuous auditing of student data controls, the Internal Auditors “have not identified any significant exceptions regarding student data controls, but in the second phase of fieldwork we identified an increase in the number of exceptions which suggests there has been a deterioration in performance. This should be monitored by management to ensure that this remains low risk”.

26. At its meeting of 11 February 2016, the committee noted a paper on data assurance, which provided key recommendations for improvements to data quality.

### **HEFCE’s Assessment of Institutional Risk**

27. In a letter dated 19 April 2016, the Board received HEFCE’s assessment of the University’s institutional risk, which was that LSBU was “not at higher risk” at this time. HEFCE has given the same opinion each year since 2007.

### **HEFCE Assurance Review**

28. In July 2011 HEFCE undertook a five yearly assurance review of the University to review how the University exercises accountability for the public funds it receives. HEFCE’s conclusion was that they are “able to place reliance on the accountability information”. The next five year review is due to take place on 26 January 2017.

### **Public Interest Disclosure**

29. Under the “speak up” policy the University Secretary reported on speak up activity at every meeting of the Audit Committee. The Chairman of the Audit Committee acts as the independent point of contact for anyone wishing to raise a speak up

matter outside line management. An independent reporting helpline has been implemented for the 2015/16 financial year, delivered by SafeCall.

30. [*subject to approval by Chair* - One Speak Up matter was reported during the year, alleging age discrimination, as part of a restructure. Following an investigation by management and a review by the Chair of the Committee the conclusion is that “there is no evidence of direct or indirect age discrimination arising from the change proposal process”.]

### **Anti-Fraud**

31. Under LSBU’s anti-fraud policy the Chief Financial Officer reported on any fraud matter at every business meeting. During the year 2015/16 two irregularities were investigated and all were reported to the Board.

### **Audit Committee effectiveness assessment**

32. The Audit Committee will review its effectiveness in early 2017.

### **Opinion of the Audit Committee**

#### *Risk Management, Control and Governance*

33. The Committee’s opinion on the institution’s risk management, control and governance is that these arrangements are adequate and effective.

34. This opinion is based on:

- the Internal Audit annual report for 2015/16 which gave the opinion that “we believe London South Bank University has adequate and effective arrangements to address the risks that management’s objectives are not achieved over risk management, control and governance”; and
- the Executive’s detailed review of internal controls. This review was considered by the Audit Committee on 10 November 2016

#### *Economy, Efficiency and Effectiveness*

35. The Committee’s opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.

36. This opinion is based on the Executive's annual assessment of Value for Money and the Internal Audit annual report, 2015/16 which gave the opinion that "[PwC's] work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchasing consortiums".

*Management and quality assurance of data submitted to HESA and HEFCE*

37. The Committee's opinion on the management and quality assurance of data submitted to HESA and HEFCE is that the University has adequate assurance.

38. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

This annual report was approved by the Audit Committee on 10 November 2016.

Signed .....

Steve Balmont  
Chairman of the Audit Committee

[for signing at the Board meeting of 24 November 2016]

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	CONFIDENTIAL
Paper title:	External Audit Findings
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman – CFO
Purpose:	To present the findings from the audit for the year ending 31 <sup>st</sup> July 2016.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting
Recommendation:	It is recommended that the Board and note the attached audit findings from Grant Thornton which have been reviewed in detail by the Audit Committee.

Matter previously considered by:	Executive	On: 2 <sup>nd</sup> November 2016
	Audit Committee	10 November 2016
	SBUEL Board	15 November 2016
Further approval required?	None	n/a

## Executive Summary

Note main findings and recommendations.

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# The Audit Findings for London South Bank University and its subsidiary undertaking

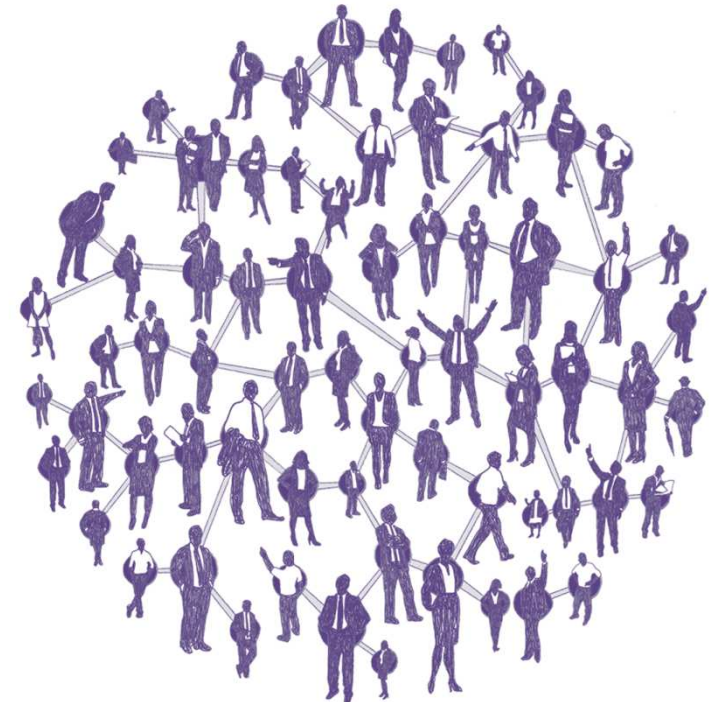
Year ended 31 July 2016

October 2016

Page 71

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October 2016

Dear Sirs

**Audit Findings for London South Bank University and its subsidiary undertaking for the year ended 31 July 2016**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Carol Rudge

Engagement Partner, Grant Thornton UK LLP

**Chartered Accountants**

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# Contents

<b>Section</b>	<b>Page</b>
1. Status of the audit	4
2. Audit findings against significant risks	5
3. Audit findings against other risks	7
4. Audit findings against subsidiaries	11
5. Other communication requirements	13
6. Adjusted misstatements	14
7. Unadjusted misstatements	15
8. Misclassifications and disclosure changes	16
9. Internal controls	17
10. Non-audit fees and independence	23
11. Pension	24
12. Communication of audit matters with those charged with governance	26

Appendix A – Sector update

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# 1. Status of the audit

## Purpose of this report

This report highlights the key issues affecting the results of London South Bank University and its subsidiary undertaking and the preparation of the financial statements for the year ended 31 July 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated May 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Receipt of outstanding bank letters
- Resolution of small number of final outstanding testing queries
- Completion of our internal review process
- Review of the final versions of the financial statements for LSBU and SBUEL
- Obtaining and reviewing the final management letter of representation
- Completion of the post balance sheet events review up to the date of the audit opinion

## Key audit and financial reporting issues

### Financial statements opinion

There were a small number of adjustments posted during the course of the audit. Further detail of these adjustments are included in sections 6, 7 and 8 of this report. The final group accounts record a surplus for the year of £3,283k (2015: £1,172k deficit).

The key messages arising from our audit of the financial statements are:

- The financial statements presented for audit were complete and free from significant errors.
- The working papers provided a comprehensive audit trail from the statements to the individual transactions in the financial ledger, which was clear and easy to follow.

Further details are set out in sections 2, 3 and 4 of this report. We anticipate providing unmodified audit reports in respect of the financial statements for both London South Bank University and South Bank University Enterprises Limited.

## 2. Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work performed and commentary
Page 75	<p><b>1. The income cycle includes fraudulent transactions</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue</li> </ul>	<p>Throughout the course of the audit we performed the following:</p> <ul style="list-style-type: none"> <li>review and testing of revenue recognition policies</li> <li>testing of significant revenue streams</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not highlighted any issues in respect of revenue recognition. The University has adopted appropriate accounting policies regarding revenue recognition and our testing supports compliance with the policies.</p>
	<p><b>2. Management override of controls</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.</li> </ul>	<p>Throughout the course of the audit we performed the following:</p> <ul style="list-style-type: none"> <li>review of accounting estimates, judgements and decisions made by management</li> <li>review of the controls in place over the accounting system and other key IT software applications</li> <li>testing of journal entries</li> <li>review of related party transactions</li> <li>review of unusual significant transactions</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not highlighted any evidence of management override of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We have identified some control findings within the internal control section of this report.</p>

## 2. Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work performed and commentary
Page 76	<p><b>3. FRS 102 compliance</b></p> <ul style="list-style-type: none"> <li>For periods commencing on or after 1 January 2015, new accounting standards come into effect for entities previously reporting under UK GAAP.</li> <li>Management are required to assess the impact of the changes under FRS 102, to select appropriate accounting policies and make required adjustments in the preparation of the financial statements.</li> </ul>	<p>Throughout the course of the audit we performed the following:</p> <ul style="list-style-type: none"> <li>review of management's impact assessment to ensure all changes have been identified and that management have selected appropriate accounting policies.</li> <li>Review of the financial statements to ensure these changes have been correctly accounted for in accordance with those policies. The key areas considered as part of this review included: <ul style="list-style-type: none"> <li>the treatment of grant income – the University has opted to retain the accruals method, whereby the balance on capital grants is held as deferred income and is set off against the depreciation charge for the asset</li> <li>the classification of leases – the University has reviewed the classification of all operating leases to ensure that there are no items requiring reclassification to finance leases</li> <li>the revaluation of fixed assets – the University has taken advantage of the option under FRS 102 to revalue assets of its choosing and to carry these revaluations forward as the deemed cost of the asset. The University has revalued selected land assets and has recognised an increase in land value of £41,946k</li> <li>the treatment of bank loans – the University has reviewed each of its bank loans on an individual basis to ensure that they meet the conditions set within FRS 102 to be recognised as a basic loan.</li> <li>the treatment of LPFA pension scheme – under FRS 102, the University is required to recognise a net interest cost in the Statement of Comprehensive Income and Expenditure. This change does not impact the overall liability balance included on the balance sheet</li> <li>The treatment of USS pension scheme – the University has an obligation to fund past deficits within the USS scheme and therefore is required to recognise this as a liability on the balance sheet. This represents £1,012k of the year end pension liability</li> <li>the employee leave accrual – under FRS 102 the University is required to recognise a liability for unused annual leave at the reporting date. This represents £2,610k of the year end accruals balance</li> </ul> </li> <li>review of the presentation and disclosures in the financial statements to ensure compliance with the new standards.</li> </ul> <p><b>Conclusion</b></p> <p>The impact of the transition is set out in note 27 to the financial statements. Our audit work has not highlighted any issues in respect of FRS 102 compliance.</p>

### 3. Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

	Risks identified in our audit plan	Audit findings and conclusions
<p>1.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 77</p>	<p><b>Tuition and fee revenues (including education contracts)</b></p> <ul style="list-style-type: none"> <li>Recorded tuition and fee revenues not valid</li> <li>Allowance for doubtful debts not adequate</li> <li>Recorded debtors not valid</li> </ul> <p><i>Income: £102,794k</i></p> <p><i>Debtors: £9,620k</i></p> <p><i>Bad debt provision: £4,332k</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle</li> <li>performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>performed substantive analytical review of tuition fees income, using student numbers and fees as set by the University to develop an expectation of fees income for comparison to recorded income</li> <li>performed detailed testing on a sample of students in the period, agreeing the information back to student enrolment forms to ensure the validity and correct calculation of the fee income recognised</li> <li>reconciled student data between the student database and the accounting system</li> <li>reviewed the treatment of income from a sample of education contracts to confirm the existence and amount of income, that it relates to the period and has been correctly accrued or deferred as appropriate at the balance sheet date. We have considered any potential clawback in relation to the NHS contract</li> <li>reviewed the recoverability of debtors in respect of tuition fees and considered the adequacy of bad debt provisions</li> <li>compared aged balances with prior year aged balances and calculated aging as a percentage of total fees debtors. Any unusual differences have been investigated</li> </ul> <p><b>Conclusion:</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>2.</p>	<p><b>Funding Council grants</b></p> <ul style="list-style-type: none"> <li>Recorded revenue and debtors not valid</li> </ul> <p><i>Income: £15,684k</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle</li> <li>performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>reconciled HEFCE income to remittance advice, bank statements and correspondence with HEFCE</li> <li>reviewed the recoverability of debtors in respect of grant income</li> </ul> <p><b>Conclusion:</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

### 3. Audit findings against other risks (continued)

	Risks identified in our audit plan	Audit findings and conclusions
Page 78	<p><b>3. Other operating income</b></p> <ul style="list-style-type: none"> <li>Recorded revenue and debtors not valid</li> </ul> <p><i>Income: £19,505k</i> <i>Debtors: £6,328k</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle</li> <li>performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>verified a sample of other income transactions to confirm the existence and amount of the income and to ensure that it relates to the correct period</li> <li>reviewed the recoverability of debtors in respect of student accommodation fees and other sales ledger debtors</li> </ul> <p><b>Conclusion:</b> Our audit work has not identified any significant issues in relation to the risk identified.</p>
Page 78	<p><b>4. Employee remuneration</b></p> <ul style="list-style-type: none"> <li>Employee remuneration and benefit obligations and expenses understated</li> </ul> <p><i>Staff costs: £71,581k</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle</li> <li>performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>reviewed the reconciliation between the payroll system and the finance system</li> <li>analytically reviewed payroll expenses in comparison to prior years and investigated any significant or unexpected variances</li> <li>reviewed a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment</li> <li>performed data interrogation tests (using IDEA software) to identify exceptions such as duplicate employee names, NI numbers and have investigated the results</li> </ul> <p><b>Conclusion:</b> Our audit work has not identified any significant issues in relation to the risk identified.</p>

### 3. Audit findings against other risks (continued)

	Risks identified in our audit plan	Audit findings and conclusions
Page 79	<p><b>5. Creditors and operating expenses</b></p> <ul style="list-style-type: none"> <li>• Creditors understated or not recorded in the correct period</li> </ul> <p><i>Other operating expenses: £48,882k</i></p> <p><i>Creditors due within one year: £42,993k</i></p> <p><i>Deferred income: £25,038</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and controls over the transaction cycle</li> <li>• performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>• completed unrecorded liabilities testing to confirm the completeness and cut off of transactions</li> <li>• tested a sample of creditor balances through agreement to supporting evidence</li> <li>• reviewed all significant creditors and accruals balance sheet items, comparing them to the prior year and our expectations, investigating any significant differences</li> <li>• tested a sample of items of expenditure throughout the year to gain assurance that it has occurred and is correctly classified</li> <li>• reviewed the deferred income balance for appropriateness, including sample testing against supporting documentation</li> </ul> <p><b>Conclusion:</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
	<p><b>6. Property, plant and equipment</b></p> <ul style="list-style-type: none"> <li>• Revaluation measurements not correct</li> </ul> <p><i>Land revaluation: £41,946k</i></p>	<p>Under FRS 102 there is an option for the University to select specific assets for revaluation, with these values then becoming the deemed cost on transition. The University chose to take advantage of this opportunity and has revalued elements of the land held at the Southwark Campus. The University engaged a professional valuer, Bilfinger GVA, to complete these valuations, which resulted in an increase to the land value of £41,946k.</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and controls over the transaction cycle</li> <li>• performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>• reviewed the competence, expertise and objectivity of management experts used</li> <li>• reviewed the work carried out by the valuer, including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards and the assumptions and judgements are reasonable</li> <li>• reviewed and challenged the information used by the valuer to ensure it is complete, robust and consistent with our understanding</li> </ul> <p><b>Conclusion:</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

### 3. Audit findings against other risks (continued)

	Risks identified in our audit plan	Audit findings and conclusions
Page 80	<p><b>7. Pensions</b></p> <ul style="list-style-type: none"> <li>Pension scheme assets and liabilities may be misstated</li> </ul> <p><i>Pension scheme liabilities:</i> £122,512k</p>	<p>The University has engaged the services of a professional actuary, Barnett Waddingham, to undertake pension expense calculations in respect of the pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of South Bank University as at 31 July 2016. The assumptions used in generating the liability at year end have been considered in additional detail within section 11 of this report.</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle and confirmed through our review that the process has been followed as expected</li> <li>Benchmarked adopted pension actuarial assumptions with expectations</li> <li>Reviewed the underlying assumptions and calculations for both the LGPA and USS schemes to ensure that they are reasonable</li> <li>reviewed the detailed disclosures included within the financial statements to ensure full compliance with accounting standards</li> </ul> <p><b>Conclusion:</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



## 4. Audit findings – subsidiaries

This section provides commentary on matters which were identified during the course of the audit in relation to the subsidiary company.

	Subsidiary	Commentary
1.	<b>South Bank University Enterprises Limited</b>	We have not identified any significant issues as a result of our audit procedures performed in relation to South Bank University Enterprises Limited. The key risks have been considered below:
	<b>Significant risks</b>	
	<b>The income cycle includes fraudulent transactions</b>	Work performed against this risk aligns with that performed for the main university as documented on page 5. No issues in relation to SBUEL were identified from the work performed.
	<b>Management override of controls</b>	Work performed against this risk aligns with that performed for the main university as documented on page 5. No issues in relation to SBUEL were identified from the work performed.
Page 81	<b>FRS 102 compliance</b>	<p>Throughout the course of the audit we performed the following:</p> <ul style="list-style-type: none"> <li>• review of management's impact assessment to ensure all changes have been identified and that management have selected appropriate accounting policies.</li> <li>• Review of the financial statements to ensure these changes have been correctly accounted for in accordance with those policies. The key areas considered as part of this review included: <ul style="list-style-type: none"> <li>• the employee leave accrual – under FRS 102 SBUEL is required to recognise a liability for unused annual leave at the reporting date. This represents £5k of the year end accruals balance</li> </ul> </li> <li>• review of the presentation and disclosures in the financial statements to ensure compliance with the new standards.</li> </ul> <p><b>Conclusion</b></p> <p>The impact of the transition is set out in note 14 to the financial statements. Our audit work has not highlighted any issues in respect of FRS 102 compliance.</p>

## 4. Audit findings – subsidiaries (continued)

	<b>Other risks</b>	
	<p><b>Income</b></p> <ul style="list-style-type: none"> <li>Recorded revenue and debtors not valid</li> </ul> <p><i>Income: £2,295k</i> <i>Debtors: £325k</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle</li> <li>performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>verified a sample of income transactions to confirm the existence and amount of the income and to ensure that it relates to the correct period</li> <li>reviewed the recoverability of debtors in respect of sales ledger debtors</li> </ul> <p><b>Conclusion:</b> Our audit work has not identified any significant issues in relation to the risk identified.</p>
Page 82	<p><b>Employee remuneration</b></p> <ul style="list-style-type: none"> <li>Employee remuneration and benefit obligations and expenses understated</li> </ul> <p><i>Staff costs: £1,201k</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle</li> <li>performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>reviewed the reconciliation between the payroll system and the finance system</li> <li>analytically reviewed payroll expenses in comparison to prior years and investigated any significant or unexpected variances</li> <li>reviewed a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment</li> <li>performed data interrogation tests (using IDEA software) to identify exceptions such as duplicate employee names, NI numbers and have investigated the results</li> </ul> <p><b>Conclusion:</b> Our audit work has not identified any significant issues in relation to the risk identified.</p>
	<p><b>Creditors and operating expenses</b></p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period</li> </ul> <p><i>Operating expenses: £929k</i> <i>Creditors due within one year: £411k</i></p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and controls over the transaction cycle</li> <li>performed walkthrough testing to gain assurance that in-year controls were operating in accordance with our documented understanding</li> <li>completed unrecorded liabilities testing to confirm the completeness and cut off of transactions</li> <li>tested a sample of creditor balances through agreement to supporting evidence</li> </ul> <p><b>Conclusion:</b> Our audit work has not identified any significant issues in relation to the risk identified.</p>

## 5. Other communication requirements

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with those charged with governance. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>Testing performed in relation to related parties has not highlighted any issues. We are not aware of any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations and we have noted no significant issues as a result of our regularity review.</li> </ul>
4.	<b>Key estimates and judgements</b>	<ul style="list-style-type: none"> <li>Judgements and estimates have been considered for asset valuations, bad debt provisions, accruals and pension assumptions</li> </ul> <p><b>Asset valuations:</b></p> <ul style="list-style-type: none"> <li>The University's accounting policy for valuation is appropriate under FRS 102. The University has selected specific items of land which have been revalued, with these values then becoming the deemed cost on transition. The University engaged valuation experts to complete the valuation of land and judgement has been applied by the valuers in considering the University's assets. To provide us with assurance over the judgements used and the reported results, we have reviewed the results of the valuation through a detailed review of the assumptions made and the evidence supporting these.</li> </ul> <p><b>Bad debt provisions:</b></p> <ul style="list-style-type: none"> <li>The University continues to apply estimates and judgements over bad debt provisions. We have reviewed the judgement that has been applied by the University in calculating these balances. The University has taken a reasonable approach to estimating these provisions and our testing has provided assurance over the judgements made.</li> </ul> <p><b>Pension liabilities:</b></p> <ul style="list-style-type: none"> <li>The University engaged with professional actuaries, Barnett Waddingham, to provide the information for the pensions liability. We have confirmed that the pension fund valuations were consistent with the actuarial reports and we have considered the assumptions used by the University. No issues were noted from the work performed.</li> </ul>
5.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested, including a specific representation with regard to the assumptions used in relation to the pension liability. This should be signed alongside the financial statements.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>We are working with management to finalise our review of the financial statements and have highlighted some key items in section 8 of this report.</li> </ul>
7.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>We have just received the management consideration of going concern and are currently finalising our review. However from our discussions and understanding of the University, we do not anticipate any issues to be identified that would cause concern about the going concern status in the 12 months following the signing of the audit report.</li> </ul>

## 6. Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported surplus.

Adjustment type	Profit & Loss £'000	Balance Sheet £'000	Impact on surplus £'000	Detail
<b>London South Bank University:</b>				
Reclassification (Trade Creditors / Other Creditors)	-	10,222 (net impact £0)	-	• Being the adjustment to reclassify the Hugh Astor Court creditor from trade creditors to other creditors.
2 Reclassification (Assets Under Construction / Accruals)	-	498 (net impact £0)	-	• Being the adjustment to recognise the retention relating to assets under construction.
<b>South Bank University Enterprises Limited:</b>				
1 Reclassification (Accrued income / Accruals)	-	74 (net impact £0)	-	• Being the adjustment to reclassify accrued income from accruals
2 Reclassification (Inter-company balances)	-	223 (net impact £0)	-	• Being the adjustment to reclassify the inter-company balance as a creditor rather than a negative debtor

## 7. Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made in the final set of financial statements.

Adjustment type	Profit & Loss £'000	Balance Sheet £'000	Impact on surplus £'000	Detail	
<b><i>London South Bank University:</i></b>					
We have not identified any unadjusted misstatements in relation to the University.					
<b><i>South Bank University Enterprises Limited:</i></b>					
1	Reclassification (Trade Debtors / Trade Creditors)	-	12	-	• Being the adjustment to reclassify credit balances in the trade debtors listing
2	Misstatement (Operating Expenses / Accruals)	(15)	15	(15)	• Being the adjustment to recognise the Interserve accrual
3	Misstatement (Bad Debt Provision / Bad Debt Expense)	11	11	11	• Being the adjustment to the bad debt provision for amounts recovered post year end
<b>Overall impact</b>		<b>(4)</b>	<b>-</b>	<b>(4)</b>	

## 8. Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
<b><i>London South Bank University:</i></b>			
1 Disclosure	-	Financial statements	As per the HE SORP, the University is required to show both the consolidated and the university balances for the Statement of Comprehensive Income and Expenditure. The additional University disclosures have been added to the financial statements.
2 Disclosure	-	Intangible assets	Under FRS 102, the University is required to show software assets separately as intangible assets rather than including them within the fixed asset balance. The University has not historically recorded the split of assets (net book value approximately £1.5m) and has not amended the disclosure on the grounds of materiality. A recommendation has been on page 18 to record this information going forward.
3 Disclosure	-	Financial statements	There were a number of minor presentational changes that arose during the course of the audit that have been made to the financial statements
<b><i>South Bank University Enterprises Limited:</i></b>			
1 Disclosure	-	Financial statements	The statements are to be updated to make clear reference to FRS 102 and the impact of the transition
2 Disclosure	-	Gift Aid	Guidance on the treatment of gift aid payments in respect of company law and tax has just been updated. Following this, it has been concluded that the amounts are distributions under FRS 102 and therefore should be accounted for as such. As a discretionary distribution, the payment should only be recognised at the balance sheet date if there is a binding obligation in place (constructive or contractual). Without a binding obligation, the payment remains discretionary and therefore should not be included as a liability in the year. SBUEL had paid £150k over during the year which is not affected, but there is no binding obligation in place for the balance. The financial statements have been amended to reflect the new accounting requirements.
3 Disclosure	-	Financial statements	There were a number of minor presentational changes that arose during the course of the audit that have been made to the financial statements

## 9. Internal controls

- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control
- The matters being reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with ISA 265
- If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported.
- During our work we have liaised with the internal auditors and held independent discussions to make sure we are aware of any issues they may have that might be relevant for our external audit, or where we believe we should make them aware of any concerns arising from our work. Although we do not place direct reliance on the work of the internal auditors, we take into account their findings, and if necessary amend our audit approach as may be required.

	Assessment	Issue and risk	Recommendations
<b>London South Bank University:</b>			
1.	●	<p><b>Journals</b></p> <p>Testing has identified that the manual journal type of G6 journals for the University are all subject to review by the Financial Controller. There are an increasing number of these journals being posted and this review process is increasingly time consuming.</p>	<p>We recommend that the authorisation process for journals is reviewed to ensure that a documented authorisation process is in place and followed for all manual journals.</p> <p><b>Management response</b></p> <p>Agreed. We are in the process of reviewing the processes involved in posted GL journals and will document the authorisation process and monitor that this is followed. Going forward we will investigate how Agresso can be used to automate the journal approval process.</p> <p><b>Person responsible:</b> Natalie Ferer</p> <p><b>Date:</b> January 2017</p>
2.	●	<p><b>Journals</b></p> <p>Testing has identified that a number of automated journals are posted to the system without a description. This does not provide sufficient clarity to easily identify journal postings.</p>	<p>We recommend that a description is included against all journal postings to provide a clear record on the system.</p> <p><b>Management response</b></p> <p>Agreed. Where there is an absence of a description, the posting usually originates from the purchase ledger and occurs when staff do not input a description when raising a purchase order or authorising an uncommitted invoice on Agresso. We will remind users of the requirement to include a description and monitor and follow up when this procedure is not being followed.</p> <p><b>Person responsible:</b> Natalie Ferer / Ravi Mistry</p> <p><b>Date:</b> December 2016</p>

## 9. Internal controls (continued)

	Assessment	Issue and risk	Recommendations
3.	●	<p><b>Deferred capital grants</b></p> <p>Our testing has identified a number of grants where it has been difficult to obtain supporting documentation for the grant</p>	<p>We recommend that the University ensures that all backing documentation is retained for capital grants and can be easily accessed.</p> <p><b>Management response</b></p> <p>Agreed. A file will be maintained by the financial accounting team to make sure they have access to all relevant information.</p> <p><b>Person responsible:</b> Natalie Ferer</p> <p><b>Date:</b> November 2016</p>
4.	●	<p><b>Tuition fee debtors</b></p> <p>Testing of the tuition fee debtors and the associated bad debt provision identified that the University holds a number of very old debts on its ledger, with a corresponding provision against them. Our understanding is that the current policy is to write off these balances after six years. Given the likelihood of receiving these balances, we would not expect the period before write off to be so long.</p>	<p>We recommend that the University consider its policy in relation to writing off bad debt to ensure that it remains appropriate.</p> <p><b>Management response</b></p> <p>Agreed. Although some older debt is recovered, we will review all debt and recommend write off where there is little chance of recovery.</p> <p><b>Person responsible:</b> Natalie Ferer</p> <p><b>Date:</b> June 2017</p>
5.	●	<p><b>Intangible assets</b></p> <p>Under FRS 102 software assets should be recorded separately as intangible assets. The University has not historically split out this information on its asset register and has not completed a detailed review on the grounds of materiality.</p>	<p>We recommend that the University ensure that details of software items are clearly split out on the asset register going forward to enable disclosure within the financial statements.</p> <p><b>Management response</b></p> <p>Agreed. A separate category will be set up on the fixed asset register and software will be disclosed separately in the 2016/17 financial statements.</p> <p><b>Person responsible:</b> Natalie Ferer</p> <p><b>Date:</b> July 2017</p>

Page 88



## 9. Internal controls (continued)

	Assessment	Issue and risk	Recommendations
6.	●	<p><b>Prior year recommendations rolled forward</b></p> <p>We have rolled forward prior year recommendations in relation to:</p> <ul style="list-style-type: none"> <li>- Fixed asset retentions</li> </ul>	Please see page 21 for management response.
<b>South Bank University Enterprises Limited:</b>			
1.	●	<p><b>Prior year recommendations rolled forward</b></p> <p>We have rolled forward prior year recommendations in relation to:</p> <ul style="list-style-type: none"> <li>- Journals</li> </ul>	Please see page 21 for management response.

Page 89

## 9. Internal controls (continued) *Issues raised in previous years*

	Assessment	Issue and risk	Update on actions taken to address this issue
<i>London South Bank University:</i>			
1.	●	<p><b>Payroll controls</b></p> <p>We tested a sample of employees to contract and identified two cases where the employment contract on file was not signed by the employee.</p> <p>The existence of the employee was verified to other supporting documentation.</p> <p><b>Management response</b></p> <p>Most staff will have an HR induction on their first day of work and at this meeting HR will check that all starter procedures have taken place, including ensuring contracts have been signed. One of the cases identified during the audit was an hourly paid lecturer (HPL), whose induction was carried out in the school and not in HR as is the normal process. There are no plans to change this process.</p> <p>The other missing contract was for a permanent member of staff and the file containing a signed employment contract has now been found.</p>	No issues noted from the testing performed in the current year. Recommendation closed.

## 9. Internal controls (continued) *Issues raised in previous years*

	Assessment	Issue and risk	Update on actions taken to address this issue
2.	●	<p><b>Bank account controls</b></p> <p>It came to our attention through the receipt of a bank confirmation from Barclays that there was an account that was not included in the accounts and for which bank reconciliations were not carried out.</p> <p>The bank letter confirmed this was a zero balance at year end and there has been no activity since the year end. However the last statement received was dated November 2014.</p> <p><b>Management response</b></p> <p>The account in question was a Euro account held at Barclays which has not been used for a number of years. We will write to Barclays and ask them to close the account.</p>	No issues noted from the testing performed in the current year. Recommendation closed.
3.	●	<p><b>Fixed asset register</b></p> <p>A disposal was made of the Student Union building and the fixtures and fittings of Eileen House in 2013/14, but this was not picked up as part of the 2013/14 accounts process and remained on the fixed asset register. The asset has now been removed.</p> <p>The assets were fully depreciated and were sold for nil consideration, so there is no impact to the financial statements. As such, this has been included within the financial statements as a current year transaction.</p> <p><b>Management response</b></p> <p>We will put in place an annual process to verify that fixed assets recorded on the fixed assets register are in existence and have not been disposed of.</p>	No issues noted from the testing performed in the current year. Recommendation closed.

## 9. Internal controls (continued) *Issues raised in previous years*

	Assessment	Issue and risk	Update on actions taken to address this issue
4.	●	<p><b>Fixed asset retentions</b></p> <p>We identified that the University had not accrued for retentions against assets completed in the period. As the asset is complete, it should be recognised in full. We have proposed an adjustment to reflect this.</p> <p><b>Management response</b></p> <p>The retentions relate to a number of completed projects. In the future we will accrue retentions annually as part of the cost of the fixed asset.</p>	<p>During our review this year we noted that the University had not accrued for retentions against assets completed in the period. We would recommend that this is accounted for and have proposed an adjustment to reflect this. This recommendation has been rolled forward into the current year.</p> <p><b>Management response</b></p> <p>Agreed. This task will be part of the year end checklist to ensure that it is completed at the year end.</p> <p><b>Person responsible:</b> Natalie Ferer / Ralph Sanders</p> <p><b>Date:</b> July 2017</p>
<b>South Bank University Enterprises Limited:</b>			
5.	●	<p><b>Journals</b></p> <p>Testing has identified that the manual journal type of G1 journals for South Bank University Enterprise Limited do not have a formal review process in place. This is not considered to be a significant deficiency as oversight of all posted journals is provided by the University.</p> <p><b>Management response</b></p> <p>Agreed. In the future SBUEL journals will be subject to the same review process as those posted in the University's accounts.</p>	<p>As per discussion with management, this is still in progress. This recommendation has been rolled forward into the current year.</p> <p><b>Management response</b></p> <p>Agreed. We are in the process of reviewing processes around journal authorisation and will bring SBUEL in line with standard university practices.</p> <p><b>Person responsible:</b> Natalie Ferer</p> <p><b>Date:</b> December 2016</p>

# 10. Non-audit fees and independence

## Fees

	£
London South Bank University (incl. SBUEL)	42,630
One off FRS 102 compliance review	10,000
<b>Total audit fees (excluding VAT)</b>	<b>52,630</b>

## Fees for other services

	£
Tax compliance services (SBUEL)	2,625
ixBRL tagging (SBUEL)	865

The above non-audit services are consistent with the University's policy on the allotment of non-audit work to your auditors.

## Independence and ethics:

Ethical standards and ISA UK 260 requires us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- we confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements
- we confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards

# 11. Pension

The following table shows the key mortality assumptions used by the actuaries.

Mortality (based on future life expectancies at the age of 65)	2016	Benchmark* (years)
Current pensioners	22.0	22.4
Future pensioners	24.4	24.4
* Median has been obtained from information provided by our actuarial experts		

Page 94

## Mortality / life expectancy

The derivation of the assumption for future mortality is one of the most subjective areas of the actuarial basis. The assumption for mortality before retirement has a relatively minor impact on the liabilities and this section therefore considers only the assumptions made for mortality after retirement.

### The Base Table

The base table that has been used in the calculations is the Club Vita tables, which is based on the mortality experience of the Scheme itself.

### Projected Improvements

The method used to allow for future improvements in mortality is critical in the assessment of the liabilities. The approach adopted by the Actuary is the CMI 2012 improvement factors applied with an long term future improvement of 1.50% per annum.

The table above shows that the illustrative life expectancies under the Actuary's assumptions are in each in line with those under the median assumptions.

The following table shows the key assumptions used by the actuaries.

Actuarial assumptions	2015	2015
Pension increases	2.1%	2.6%
Salary increases	3.9%	4.4%
Discount rate	2.5%	3.8%
CPI increases	2.1%	2.6%

### Pension increases

Increases in payment – 2.10% p.a (CPI)

Increases in deferment – 2.10% p.a (CPI)

The assumptions for pension increases are based on (CPI) inflation. These assumptions should be based on the inflation assumption but adjusted to allow for the relevant cap and floor (if applicable) to the extent that inflation is expected to vary in future years. Given our expectations of future inflation volatility (based on past experience), we are happy that the proposed assumptions for pension increases are appropriate.

### Salary increases

The rate assumed for salary increases is 3.90% pa, which represents a 0.90% pa real salary increase above the RPI inflation rate assumption adopted. In the past the usual range was between 0.5% and 1.5% pa above RPI inflation. However, due to changing economic conditions, the typical margin we have observed over recent periods has reduced to, in some cases, a zero margin.

As this assumption is based on long term expectations, we have confirmed with the University that this in line with their long term business plans.

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# 11. Pension (continued)

## **Discount rate**

The discount rate should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. For this purpose, in the UK, the universal approach is to base the discount rate on the yields available on AA-rated corporate bonds of appropriate term and currency to the liabilities.

The yield on the iBoxx AA-rated Corporate Bond Index (for terms of over 15 years) (the "iBoxx index") as at 31 July 2016 was 2.30% pa. The Actuary has adopted a discount rate of 2.50% pa as at 31 July 2016, i.e. an upward adjustment of 0.20% on the iBoxx index.

Due to the current upward-sloping curve of the yield curve, we would expect to see discount rates above the iBoxx index for schemes whose liabilities have a longer duration than iBoxx. The current duration of the iBoxx index was around 14 years as at 31 July 2016. The Actuary has estimated the duration of the scheme's liability to be 19 years. We are therefore comfortable with the adjustment to the iBoxx index and the discount rate assumption is acceptable.

## **CPI increase**

Standard practice is to derive the CPI assumption based on the RPI assumption. Based on the RPI assumption a downward adjustment of 0.90% has been made to RPI inflation in this case. Since the introduction of the CPI measure in 2010, we have been observing downward adjustments of between 0.50% and 1.00%, from the RPI to produce estimates of CPI.

We expect the RPI/CPI wedge to remain between 0.50% and 1.00% and therefore this assumption is reasonable.

## 12. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence		✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to Going Concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

### Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all of the directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

### Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISA's (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



# Appendix A – Sector update

## 'Adapting to change': the financial Health of the Higher Education sector in the UK 2016-Grant Thornton

Grant Thornton's sixth annual report and review of the financial health of the higher education sector has been published. It is an independent analysis of the audited financial statements prepared by over 150 higher education institutions (HEIs) in the UK. The report considers that:

- the higher education sector in the UK remains in sound financial health; but
- there is a widening gap in financial performance across the sector, with some institutions thriving; whilst
- others have yet to embrace the need to adapt to a changing environment.

Key highlights of financial performance include:

- Sector surpluses (before exceptional items) of £1.85bn in 2014/15 are the highest for seven years at 5.6% of income - a 54% increase over the prior year.
- Sector income is up by 8.1% to £33.1bn in 2014/15 - buoyed up by £0.4bn of research and development expenditure credits (RDEC) and increases in income from UK and EU tuition fees and contracts which rose by 16.2% to £11.5bn.
- Income from overseas students has doubled in the last seven years to £4bn in 2014/15 with more than one in ten students in the sector domiciled outside the EU.
- Staff costs continue to be the largest category of expenditure representing 51.6% of income in 2014/15.
- Investment in capital infrastructure is up by 15.5% over 2013/14 levels to £4.3bn in 2014/15– the highest level for six years. This has been funded from cash and higher levels of debt which has increased by £4.1bn since 2008/09 and now represents 27% of income.

## 'Adapting to change': the financial Health of the Higher Education sector in the UK 2016-Grant Thornton

One statistic alone demonstrates how some institutions have thrived:

- The five institutions which saw the largest absolute growth in income in the year to 31 July 2015 represent over a quarter of the sector growth - £558m excluding RDEC .

Higher education institutions in the UK continue to be extremely successful at attracting international students:

- More than one in ten undergraduates studying in the UK are from overseas (non-EU) countries.
- Tuition fees from overseas students represents in excess of 12% of the sector's total income in 2014/15 (which compares to over 17% in Australia, which has a similar funding regime to the UK).

However institutions need to be cautious of this growing dependency on the premium afforded from international students. International recruitment is complex, competitive and highly sensitive to changing economic and political factors.

A copy of the report can be downloaded from this link:

<http://www.grantthornton.co.uk/en/insights/financial-health-of-uk-higher-education-in-2016/>

# Appendix A – Sector update (continued)

## Charities (Protection and Social Investment) Act 2016

The Charities (Protection and Social Investment) Bill received Royal Assent on 16 March 2016 and is now an Act of Parliament ('the Act'). The Act will apply to Universities that are registered or exempt charities. The Act gives additional powers to the Charity Commission to issue official warnings in relation to breaches of trust, misconduct or mismanagement.

The Act also requires additional reporting about fundraising in a University's annual reports. HEFCE-funded HEIs that are registered charities or exempt charities, plus any other registered charities within the higher education sector will need to consider how to report the required fundraising standards information in their financial statements. The requirements are set out within section 13(4) of the Act.

The Cabinet Office has published its proposed timetable for the commencement orders to enact the provisions of the Act. The order relating to the disclosure of information about fundraising in annual reports (financial statements) is expected in late 2016.

Until the draft commencement order is published, however, it is likely to remain unclear as to whether all financial statements published after this date will be required to include the new disclosures or whether there will be a transition period. There is a possibility that higher education institutions will be required to make fundraising disclosures in their financial statements for 2015-16.

Details on the timetable can be found at this link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/524527/charities\\_act\\_2016\\_implementation\\_plan\\_11\\_may\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524527/charities_act_2016_implementation_plan_11_may_2016.pdf)

A copy of the Act can be downloaded from this link:

<http://www.legislation.gov.uk/ukpga/2016/4/contents/enacted/data.htm>

## Higher Education White Paper -Success as a Knowledge Economy

The Department of Business, Innovation and Skills have released the HE White Paper. This white paper sets out a range of reforms to the higher education and research system. In some cases these plans are subject to Parliament. If the proposed reforms are accepted, it will lead to a major reshaping of higher education. A copy of the white paper can be downloaded from this link: <https://www.gov.uk/government/publications/higher-education-success-as-a-knowledge-economy-white-paper>.

### Some of the key proposals in the white paper include:

- The most significant change is the linking of tuition fees to a teaching quality assessment, this will be carried out under the Teaching Excellence Framework (TEF). Institutions will be given one of three grades, with all HEIs allowed to increase their fees by at least half of the rate of inflation for that year (starting from 17/18), but with those in the upper two grades allowed to increase their fees by the full rate of inflation. The government believes this will bring in an extra £1 billion a year for the sector. The TEF assessment will be based on student satisfaction, retention, and graduate employment, as well as other unspecified metrics, qualitative submissions, and expert judgement
- The creation of new body, an Office for Students, merging the Office for Fair Access with the learning and teaching functions of the Higher Education Funding Council for England
- The merger of the seven research councils with the research funding responsibilities of HEFCE, creating a new body called UK Research and Innovation (UKRI), which will control a 'common research fund'
- Changes to make it easier for new providers to enter the system such as gain degree awarding powers, allowing new providers who want access to state student loans to charge tuition fees of up to £9,000, rather than £6,000 as is currently the case, if they have an access agreement in place
- A requirement for Universities to publish the gender, ethnicity and social backgrounds of their student intake to "shine a light on their admissions processes."

# Appendix A – Sector update (continued)

## Gift Aid update

The ICAEW have updated their guidance in the form of Tech 16/14BL Revised in February 2016 which confirms that the payments to the company's parent University are indeed distributions and therefore need to be considered in relation to company law. This is applicable to those entities making gift aid payments that are registered under the Companies Act 2006.

In summary, gift aid payments to the company's parent should only be made if that company has sufficient distributable profits. Any payments made in excess of distributable profits would be deemed unlawful and have to be repaid by the parent. Furthermore, the directors of the subsidiary may be liable in some circumstances. This liability includes such excess amounts arising over the previous 6 years.

HMRC have issued new specific guidance on the tax treatment of accounting entries that may arise in relation to the application of the matters set out within the ICAEW technical release. HMRC guidance is expected to be followed for accounting periods beginning on or after 1 April 2015. The University may wish to consider the filing position of any returns not yet submitted and any open years, and take professional advice as necessary.

In accordance with the new HMRC guidance, the tax treatment is as follows:

- a Gift Aid payment that represents an unlawful distribution is not allowable as a qualifying donation
- a repayment of a previous unlawful distribution is not taxable.

A copy of the ICAEW Tech 16/14BL Revised can be downloaded from this link:

<https://www.icaew.com/~media/corporate/files/technical/technical%20releases/legal%20and%20regulatory/tech16%2014bl%20guidance%20for%20donations%20by%20a%20company%20to%20its%20parent%20charity.ashx>

## Mandatory Gender Pay Gap Reporting

Tackling the gender pay gap is an absolute priority for the Government and as a result draft regulations in the form of The Equality Act 2010 (Gender Pay Gap Information) Regulations 2016 ('the regulations') will come into force for **periods on or after 1 October 2016.**

The regulations will apply to both private and voluntary sector employers in England, Wales and Scotland with at least 250 employees. As employers publish their information onto a government sponsored website, a database of complying employers will be built up. Areas of compliance and non-compliance will be identified. The Government are not intending to create any additional civil penalties but will closely monitor compliance in the early years of implementation.

The regulations require each employer to publish information based upon a “snapshot of pay” at 30 April 2017, to be repeated annually for 30 April each year. However, employers have 12 months’ grace to publish their figures, so first reports must be published by 30 April 2018.

The Government intend to publish guidance on implementing the regulations which will cover various governance structures (for example parent entities and subsidiaries) and will also provide advice on voluntary narrative reporting that explains any pay gaps and what action the employer is taking.

Universities may need to introduce new systems or processes to analyse their gender pay gaps. For many organisations, collating this information may be time-consuming and difficult. Therefore take action now to ensure that you are ready to capture pay data on 30 April 2017.

For more information visit this link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504398/GPG\\_consultation\\_v8.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf)

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# Appendix A – Sector update (continued)

## Persons with Significant Control Register

From 6 April 2016, most companies will need to keep a new register with their company books, recording the main owners of the business. This is called the register of Persons with Significant Control (PSC) Register, and is required under the Small Business, Enterprise and Employment Act 2015.

This change will impact Universities registered as companies, under the Companies Act 2006, and require them to send information on the PSC register to Companies House **from 30 June 2016**.

For most companies, the PSC Register will need to record those individuals or UK registered limited companies who own more than 25% of the shares or voting rights. However, the requirements of the statute are broad, and companies will also need to record those who have significant influence or control of the company in other ways. In addition the company will need to consider whether or not the individual is classed to be a person with significant control over the company:

- **Ownership or control of right to appoint or remove directors:** The individual is entitled, directly or indirectly, to appoint a majority of the board of directors of the company or to control the exercise of a right or rights (in aggregate) to appoint or remove a majority of the board.
- **Significant influence or control:** The individual has the right to exercise, or actually exercises, significant influence or control over the company. The Secretary of State has published draft guidance on the meaning of "significant influence or control" and regard will need to be had to that guidance in interpreting this condition.

The PSC register must include the required particulars of each person with significant control over the company who is a registrable person. The company must also note details of any relevant legal entity in its register.

## Persons with Significant Control Register (continued)

In all cases, the PSC register must also contain details of the date on which a person became a registrable person or relevant legal entity and the nature of his, her or its control.

For individuals, the register will need to include his or her name, service address, country or state of usual residence, nationality, date of birth and usual residential address. The legislation sets out the particulars to be included for entities included in the register. An individual's usual residential address will be omitted from the public register at Companies House and from the information made available by the company for inspection

### What are the next steps?

Directors and company secretaries of Universities need to familiarise themselves with the requirements for the PSC Register and start getting together the required information. Details of individual owners need to be confirmed with them before they can be entered on the PSC Register so action needs to be taken now.

### Useful links

#### **BIS Statutory Guidance - Meaning of Significant Control within**

**Companies:** [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/498275/Statutory\\_company\\_PSC\\_Guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/498275/Statutory_company_PSC_Guidance.pdf)

#### **BIS Guidance - PSC Register - for Companies:**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/515720/Non-statutory\\_guidance\\_for\\_companies\\_LLPs\\_and\\_SEsv4.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/515720/Non-statutory_guidance_for_companies_LLPs_and_SEsv4.pdf)

#### **BIS Summary Guide - People with Significant Control:**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/496738/PSC\\_register\\_summary\\_guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/496738/PSC_register_summary_guidance.pdf)

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# Appendix A – Sector update (continued)

## Modern Slavery Act 2015

On 28 October 2015, two sets of regulations relating to the Modern Slavery Act 2015 were published. Their combined effect is to require commercial organisations to prepare an annual slavery and human trafficking statement for each financial year ending on or after 31 March 2016 year end in which their total turnover is above £36 million.

The total turnover will be determined by taking into account the global turnover of the organisation and its subsidiary undertakings.

Whilst the Act refers to commercial organisations, this may still be relevant to Universities, if they have commercial activities, i.e. where they are selling goods or services to the public, as this is considered commercial activity, providing this activity is over £36m.

The above change in legislation may impact larger Universities, who will have to produce an annual statement setting out the steps they are taking to ensure that slavery is not occurring in their supply chains. Entities are encouraged to report within six months of the financial year end.

The annual slavery and human trafficking statement must be published on the organisation's website and in a prominent place on the website's homepage there should be a link to the statement. Note that the statement is not required to be presented in the annual report and accounts.

Please download a copy of the statutory guidance to understand whether the new requirement applies to your organisation, and if so what to include in a slavery and human trafficking statement:

<https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide>

## Off Payroll Workers

In anticipation of new legislation being introduced in April 2017, we recommend that employers in the higher education sector consider updating their policies and procedures relating to the engagement of off payroll workers.

During Budget 2016 it was announced by the Chancellor that all public sector employers will need to verify the status of any individuals engaged on a self-employed basis through an intermediary – such as a Personal Service Company (“PSC”) or partnership. If deemed an employee due to the nature of the contractual relationship there will be a Class 1 Employer’s NIC (13.8%) withholding obligation on your organisation. This is why it is critical that public sector employers fully understand the underlying nature of any contractual relationships they currently have with all their off-payroll workers – particularly those operating through an intermediary. If you are engaging any temporary or interim staff through an intermediary that is not already operating PAYE (such as an agency or Umbrella company) they are very likely to be impacted by this new legislation.

Under the previous rules a worker could be engaged off-payroll providing there was a contractual arrangement in place with the PSC, and the worker was responsible for any tax and NIC liability under the so-called IR35 rules. From April 2017 for public sector employers, the responsibility for determining status in these cases, and therefore any resulting liability, is being transferred from worker to engager. We highly recommend that Universities spend the next six to nine months looking at their current contractor population to assess the level of possible tax risk. In addition new internal processes and controls should be introduced to ensure PAYE compliance with these rules from April 2017.

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# Appendix A – Sector update (continued)

## Apprenticeship Levy

In April 2017 the way the government funds apprenticeships in England is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers. The Apprenticeship Levy would be introduced from 6th April 2017 and apply to all UK employers including Universities.

The apprenticeship levy requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships.

The Levy will be calculated at 0.5% of the company's gross paybill and all employers will receive one allowance of £15,000 to offset against payment of the Levy. This means that a net payment will be due from employers with an annual paybill (excluding other payments such as benefits in kind) in excess of £3 million per year.

## Paybill

The concept of 'paybill' for the purposes of the levy will be regarded as the total employee earnings which are subject to secondary Class 1 contributions.

Employers with an annual paybill in excess of £3m will be liable to the Apprenticeship Levy.

Only the employer/entity liable for secondary Class 1 contributions will be subject to the Apprenticeship Levy, where its gross paybill is in excess of £3m per tax year.

Self employed individuals/consultants or agency workers engaged by an employer will not be included as part of the paybill.

## Payment & Reporting

The Levy and the allowance will be payable under existing PAYE scheme references using Real Time Information (RTI) on a monthly basis.

## Apprenticeship Levy

### Digital Vouchers

The Levy fund will be stored as electronic vouchers which can be then be used by employers to purchase apprentice training from accredited providers.

Employers who pay the Levy and are committed to apprenticeships training will technically able to get more out of it than they put in, through top-up to their digital accounts. Where employers choose not to use the funds in their digital accounts, these funds will be made available to other employers via top-up of their accounts.

### Administration

A new independent employer-led body, the Institute For Apprenticeships, will be established, to set apprenticeship standards.

The Department of Business and Innovation and Skills produced information on how the Apprenticeship Levy will work. A copy of this guidance can be obtained from this link:

<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>



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	<b>CONFIDENTIAL</b>
Paper title:	External Audit Letter of Representation
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	Natalie Ferer, Financial Controller
Executive/Operations sponsor:	Richard Flatman – CFO
Purpose:	To agree the Letter of Representation.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting
Recommendation:	It is recommended that the Board approve the attached Letter of Representation

Matter previously considered by:	Executive	On: 2 November 2016
	Audit Committee	10 November 2016
Further approval required?	No	N/A

## Executive Summary

The letter of representation requires the Board of Governors to give specific assurances to the auditors over matters regarding the financial statements and the year-end audit. It should be signed by the Chair of Governors at the time of signing the accounts. The attached letter contains standard representations only; there are no items that have been inserted specific to LSBU.

## Recommendation

It is recommended that the the Board approves the attached Letter of Representation.

## Attachments:

- Letter of representation

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**{\*\*Prepare on LSBU letterhead\*\*}**

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London  
NW1 2EP

**{\*\*Date\*\*}**

Dear Sirs

**London South Bank University**  
**Financial Statements for the year ended 31 July 2016**

This representation letter is provided in connection with the audit of the financial statements of London South Bank University for the year ended 31 July 2016 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

We confirm that, to the best of our knowledge and belief, the following representations are made on the basis of appropriate enquiries of other members of the Board of Governors with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your engagement letter dated 15 August 2016.

**Financial Statements**

- i As set out in the Statement of Responsibilities of the Board of Governors on **page 18**, we acknowledge our responsibilities for preparing financial statements that give a true and fair view in accordance UK GAAP, the Statement of Recommended Practice - Accounting for Further and Higher Education ('SORP') as issued in March 2014 and any subsequent amendments; and applicable law, and for making accurate representations to you.
- ii In addition, within the terms and conditions of the Memorandum of assurance and accountability agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors of the University, through its designated officer holder, have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.
- iii We are responsible for ensuring that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Memorandum of assurance and accountability with the Higher Education Funding Council for England and any other conditions which the Funding Council may from time to time prescribe.

- iv The University has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- v We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.
- vi Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vii On the basis of the process established by the Board of Governors and having made appropriate enquiries, the Board of Governors is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with FRS 102 Section 28 Employee Benefits.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK GAAP, the SORP, and HEFCE's Accounts Direction.
- ix All events subsequent to the date of the University financial statements and for which UK GAAP and the SORP and any subsequent amendments or variations to this statement require adjustment or disclosure have been adjusted or disclosed.
- x Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK GAAP.
- xi We have considered the adjustments schedule included in your Audit Findings Report. The financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.

#### **Information Provided**

- i We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the University financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- ii We have disclosed to you the results of our assessment of the risk that the University financial statements may be materially misstated as a result of fraud or error.
- iii All transactions have been recorded in the accounting records and are reflected in the University's financial statements.
- iv We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware, at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements.
- v We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:

- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the University's financial statements.
  
- vi We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, analysts, regulators or others.
  
- vii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing University's financial statements.
  
- viii We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.
  
- ix We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
  
- x We confirm that we have reviewed all correspondence with regulators, which has also been made available to you, including, in England and Wales, the serious incident report guidelines issued by the Charity Commission (updated in 2014). We also confirm that no serious incident reports have been submitted to HEFCE, as the principal regulator, nor any events considered for submission, during the year or in the period to the signing of the balance sheet.

Yours faithfully

**\*\*Name, role and date\*\***

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	<b>CONFIDENTIAL</b>
Paper title:	Annual Report and Accounts for the year ending 31 <sup>st</sup> July 2016
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman – CFO
Purpose:	To approve the draft Annual Report and Accounts for the year ending 31 <sup>st</sup> July 2016.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting
Recommendation:	It is recommended that the Board approve the accounts

Matter previously considered by:	Executive	On: 2 November 2016
	Finance Policy and Resources	On: 8 November 2016
	Audit Committee	On: 10 November 2016
Further approval required?	No	N/A

### **Executive summary**

The audit for the year ended 31 July 2016 is complete. The draft report & accounts have been reviewed by Audit Committee and the Finance, Planning and Resources Committee.

This is the first set of accounts produced by LSBU using the new accounting standard, FRS102 and in line with the 2015 HE/FE Statement of Recommended

Practice (SORP) and the impact on the accounts is detailed in note 27 to the accounts.

### **Key Issues**

The attached accounts are for the year ended 31 July 2016. A detailed financial review is included on pages 7-11 of the accounts. Results for the year have previously been considered in the July Management accounts which went to the September meeting of Finance, Policy and Resources Committee.

Grant Thornton have presented the results of their audit in their Audit Findings document.

### **Recommendation**

The Executive recommends that the Board approves the attached report and accounts.

Changes to the accounts since the Audit Committee meeting are set out after the accounts for information.





**Report and Financial Statements**

**31 July 2016**

## **Report and financial statements 2016**

<b>Contents</b>	<b>Page</b>
Strategic report	2
Statement of Responsibilities of the Board of Governors	18
Corporate governance statement	20
Independent auditors' report to the Board of Governors of London South Bank University	26
Consolidated and University statement of comprehensive income and expenditure	28
Consolidated and University statement of changes in reserves	29
Consolidated and University balance sheets	30
Consolidated statement of cashflows	31
Principal accounting policies	32
Notes to the accounts	38



## Strategic Report

### Legal and Administrative Details

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

London South Bank University 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. London South Bank University 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 20-25 and the members of the Board of Governors during the year ended 31 July 2016 are listed on page 3. The Governors are also directors under the Companies Act 2006.

The University is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal regulator is HEFCE. All Governors are also charitable trustees. The University is regulated principally by HEFCE under a Memorandum of Assurance and Accountability. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

#### **Solicitors**

Shakespeare Martineau LLP  
1 Colmore Square  
Birmingham B4 6AA

Mills and Reeve LLP  
Botanic House  
100 Hills Road  
Cambridge CB2 1PH

Veale Wasbrough Vizards LLP  
Orchard Court  
Orchard Lane  
Bristol BS1 5WS

Shoosmiths LLP  
Witan Gate House  
500-600 Witan Gate West  
Milton Keynes MK9 1SH

Michelmores LLP  
48 Chancery Lane,  
London WC2A 1JF

#### **Auditor**

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

#### **Internal Auditor**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

#### **Bankers**

NatWest  
City of London Office  
1 Princes Street  
London EC2R 8PA

### Structure, Governance and Management

#### **Principal Officers:**

##### **Name**

Professor David Phoenix

Professor Patrick Bailey

Mrs Mandy Eddolls

Mr Richard Flatman

##### **Position**

Vice Chancellor

Deputy Vice Chancellor

Executive Director of Organisational Development and HR

Chief Financial Officer

## Strategic Report

Professor Paul Ivey	Pro Vice Chancellor (Research and External Engagement)
Mr Ian Mehrrens	Chief Operating Officer
Mr James Stevenson	Secretary and Clerk to the Board of Governors
Professor Shân Wareing	Pro Vice Chancellor (Education and Student Experience)

A separate Corporate Governance Statement is shown on pages 20-25.

The following were Governors throughout the year ended 31 July 2016 except as noted:

### Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix (Vice Chancellor and Chief Executive)	
Miss Temi Ahmadu	Appointed 1 July 2016
Mr Steve Balmont	
Mrs Shachi Blakemore	
Mr Michael Cutbill	Appointed 1 January 2016
Mr Douglas Denham St Pinnock	
Professor Neil Gorman	
Mrs Carol Hui	
Professor Hilary McCallion CBE	
Mr Kevin McGrath	
Dr Mee Ling Ng	
Mr Abdi Osman	Resigned 10 May 2016
Mr Andrew Owen	
Ms Jenny Owen	Appointed 21 November 2015
Mr Tony Roberts	Appointed 21 November 2015
Ms Andrea Smith	Resigned 30 June 2016
Mr James Smith CBE	Resigned 30 April 2016
Mr Calvin Usuanlele	Appointed 1 July 2016

### Changes in Governors since 31 July 2016:

There have been no changes in Governors since 31 July 2016

## **Strategic Report**

### **Objectives and Activities**

#### **Our mission:**

#### **To be recognised as an enterprising civic university that addresses real world challenges**

London South Bank University has been transforming lives, communities and businesses for over 120 years. At its creation, the Prince of Wales and Archbishop of Canterbury were instrumental in a fundraising campaign which included 55,000 letters of appeal and led to collection boxes being placed on London's bridges. The aims were to improve the social mobility of the people of south east London by improving their employment opportunities and to support the community by providing access to applied knowledge that would advance their businesses. Other than an increasingly global reach that mission remains almost unchanged today – LSBU provides a highly applied academic environment which supports students into professional careers by providing the knowledge and skills attractive to employers. At the same time, it supports employers and the professions by providing the education, consultancy and high quality applied research they need to grow their businesses.

#### **Key outcomes 2015-2020**

The higher education sector and the market within which we operate has changed and continues to develop rapidly and so we must continue to innovate in order to keep pace. The recent decision to remove student number controls means we will inevitably see recruitment becoming an even more heated environment and this will be fuelled by new entrants such as private providers. In 2010 only £30 million of public funding went to private providers and this is now approaching £1billion.

Students do not want simply to sit in a lecture theatre. They continue to demand more for their money and the demand will increase still further now that, since September 2016, maintenance grants have been scrapped and replaced with loans. They will expect that their investment in education will enhance their future career prospects. Institutions who strive successfully to meet and manage these expectations are the ones who will prosper. Providing a personalised student experience leading to strong graduate outcomes will become increasingly important and, given our focus on professional education, this is an area in which we must excel.

As the number and diversity of providers grows it will be important to ensure a degree of differentiation from competitors. Universities that succeed in this new environment will be ones that build on their strengths to ensure they develop a strong external reputation for the quality of what they deliver.

Developing into a university that is recognised for addressing society's challenges by engaging with partners on both a local and global scale is not in itself a significant move away from who we are now. We have a reputation for courses relevant to the professions, for applied research and for business engagement and our teaching is becoming more and more dynamic as we produce enterprising graduates ready for a global market. Our academic expertise has real world impact and is drawn upon by commercial and government organisations, so it makes sense to build our future ambitions upon the relevance and strengths of our current identity.

Examples of recent activity include:

- 960 employers send 4,000 of their staff to be educated by LSBU each year.
- Over 150 British SMEs and major companies have formed commercial research partnerships with LSBU.
- The Clarence Centre for Enterprise and Innovation is now home to 60 student-led businesses and social enterprises: 82 companies in our business incubation suite generate an annual turnover of over £54m.

We are refocusing and re-doubling our ambition, trading on our specialisms and moulding graduates for success.

We want our success to be recognised, so by 2020 we aim to be London's top modern University.

## Strategic Report

### Key outcomes 2015-2020

We are committed to:-

- Ensuring we work with local partners to provide opportunities for students with the potential to succeed and through active engagement retain them;
- Developing the multicultural community of students and staff, working through international alliances and partnerships to further build our capacity and capabilities in education, research and enterprise;
- Ensuring students develop skills and aspiration to enter employment or further study and so become sought after by employers, or have the skills and confidence to start their own businesses, or develop a portfolio career;
- Ensuring that students are seen as participants in their learning and that the student voice is encouraged and listened to;
- Strengthening our national position and our profile as a leading university for professionally focused education underpinned by highly applied research;
- Delivering outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research with the real world through commercial activities and via social enterprise;
- Creating an environment which attracts and fosters the very best staff, and within which all staff, whatever their role, feel valued and proud of their university and take appropriate responsibility for its development; and
- Strategically investing in the creation of first class facilities and ensuring that they are underpinned by services which are responsive to academic and student needs and outcome focused.

The University is split into seven schools, to ensure that it has academic groupings that are meaningful to the outside world and focused enough to be able to respond rapidly to stakeholder needs. This enables each to build its own ethos, to attract potential students and business to work with the University. The Schools are:

- Applied Science
- Arts and Creative Industries
- Built Environment and Architecture
- Business
- Engineering
- Health and Social Care
- Law and Social Sciences.

Professional Service functions have also been aligned with key areas of delivery, thereby allowing the University to minimise duplication through ensuring clarity in terms of responsibility.

The University has taken forward its systems and processes for monitoring and enhancing student engagement to improve student progression and outcomes, using a combination of new technologies including IBM solutions and existing technologies. This programme of work includes better use of student engagement data, better systems for dealing with student academic appeals, integrated student support in modules with lower achievement rates and better and more timely interventions for students at risk of early withdrawal. An early indicator of success is the increased number of students re-enrolling by early September 2016 compared with the same point the previous year. This suggests both improved engagement and progression.

In addition to these investments, we have established a £1m teaching investment fund which is used to ensure students have access to industry standard technical equipment and specialist software which has been implemented to catalogue and monitor industrial placement opportunities and extracurricular achievements (The Higher Education Achievement Record).

A student communications project will ensure technology is used effectively to achieve corporate goals, and stage two of the student engagement project will utilise a wider range of student engagement data presented via a redesigned

## Strategic Report

online interface. All students commencing undergraduate study on the Southwark or Havering Campuses will be entitled to a placement, internship or professional opportunity.

### Achievements and Performance

#### **Strategy and Performance:**

The University's financial strategy is articulated in the Corporate Strategy and expressed through its rolling five year financial forecasts. The strategy is focused on future sustainability and is designed to maintain financial resilience and flexibility at all times. These rolling five year forecasts are updated each year following Semester 1 recruitment and include surplus and liquidity forecasts and a five year investment profile as well as income and cost projections. The forecasts are returned to Hefce each year as part of the annual accountability return, after approval by Governors. This analysis ensures that the University delivers not only an acceptable level of surplus, but stays within reasonable gearing levels and has the funds for an appropriate capital investment programme.

The Corporate KPIs (*below*) include a number of financial metrics which are reported to the Executive and Board throughout the year, and enable the monitoring of the financial strategy on a continual basis. These KPIs are central to the sustainability of the institution and the headline financial targets remain unchanged and show that by 2020 we are forecast to have:

- Grown our income by approximately 25% to £170m;
- Returned to an annual operating surplus of minimum 5%; and
- Improved the EBITDA margin to 15%.

The key drivers of successful financial outcomes for the university are:

- Meeting our home/EU recruitment targets;
- Delivering agreed growth targets for postgraduate, overseas students and enterprise income;
- Improving progression and retention rates. Significant financial impact can be delivered through small improvements in progression and retention rates;
- Given the uncertainty around the proposals for the TEF, we have currently made no assumptions about incorporating inflationary tuition fee increases into the financial forecasts, but this should not be taken as a sign that we will not be increasing our fees for eligible students from 2017/18;
- Maintaining current levels of NHS contract income through high quality delivery;
- Managing staff costs, including agency costs, so they are within our maximum agreed percentage of income; and
- Further efficiency savings.

#### **Investment in the Physical Estate**

LSBU continues to develop its strategic investment in the estate to create sustainable, first class facilities which will enhance both the learning and social experiences of students and support the delivery of the academic mission.

Plans to build new facilities and for the refurbishment of existing buildings have been progressed. LSBU has acquired Hugh Astor Court, a social housing development situated in the middle of the campus, from the Peabody Trust at a cost of £11.3m. The building will make way for a new Learning Centre and Creative and Design Centre and the selection process for an architect is well advanced. Sustainable construction principles will be used as standard and innovative solutions to improve the energy efficiency of existing buildings in order to meet the University's carbon reduction commitment by 2020 have been implemented with remarkable success to date. It is proposed to dispose of old buildings of corresponding dimensions to those of the new builds in order that there is no significant increase in the size of the overall footprint of the campus.

## **Strategic Report**

Sustainability is a major consideration in all procurement processes and we ensure that, where appropriate, environmental criteria are used in both the award of contracts and the purchase of equipment and supplies.

In addition to major capital acquisitions, a further £2.1m has been invested in the estate, of which approximately £0.7m has been through capital investment and the remaining £1.4m has come from revenue budgets. Works funded by capital monies include improvements to the ventilation and heating systems in K2, the upgrade of signage and wayfinding and essential health and safety improvements which have helped to ensure a fully compliant campus. Revenue spend has seen investment in the upgrade of lighting systems in various buildings, general redecoration and improvements to teaching spaces, redecoration of Dante Road Halls of Residence and the first phase of a campus wide toilet refurbishment programme. All work has greatly contributed to improving the Student Experience whilst also improving the condition and environment across the estate.

### **Key Performance Indicators**

The Board of Governors reviewed and revised the key performance indicators for the institution alongside the approval process for the new corporate strategy 2015-2020. Targets for these indicators are set annually, and they are reported regularly to the Executive and Board to review the institution's performance. We are satisfied that our strategies and initiatives will help us move towards achieving these targets. Detailed financial results for the year and financial trend analysis are shown in the Financial Review section of this report.

Against the University KPIs significant progress was made in a number of areas. A key result, which has seen increased impact in league table calculation methods, is the rate of graduate employment within the DLHE survey. A further increase to 81% in the 2015/16 survey took the institution well ahead of target. In addition we have maintained our position as a leading university for graduate starting salaries with the average starting salary placing us in the top 15 universities nationally.

Furthermore LSBU now has 37% of its part time students attending university through sponsorship which is the highest proportion for any UK university and which shows the value employers place on the education provided. The University's National Student Survey overall satisfaction rating by students studying First Degrees was maintained at 82%, with students showing satisfaction with some areas, for example learning resources, that were in the top 50% of the country. Also 77% of students in the International Student Barometer survey said they would positively recommend LSBU as a study destination, which was one of the highest scores within London HEI's.

As a result of improvements in these and other KPIs, there was an overall increase in League Table performance, moving up four places in both the Guardian and Complete University Guides, increasing our score in the Times and Sunday Times guides and leading to our inclusion in the Times World Rankings for the first time.

### **Financial Review**

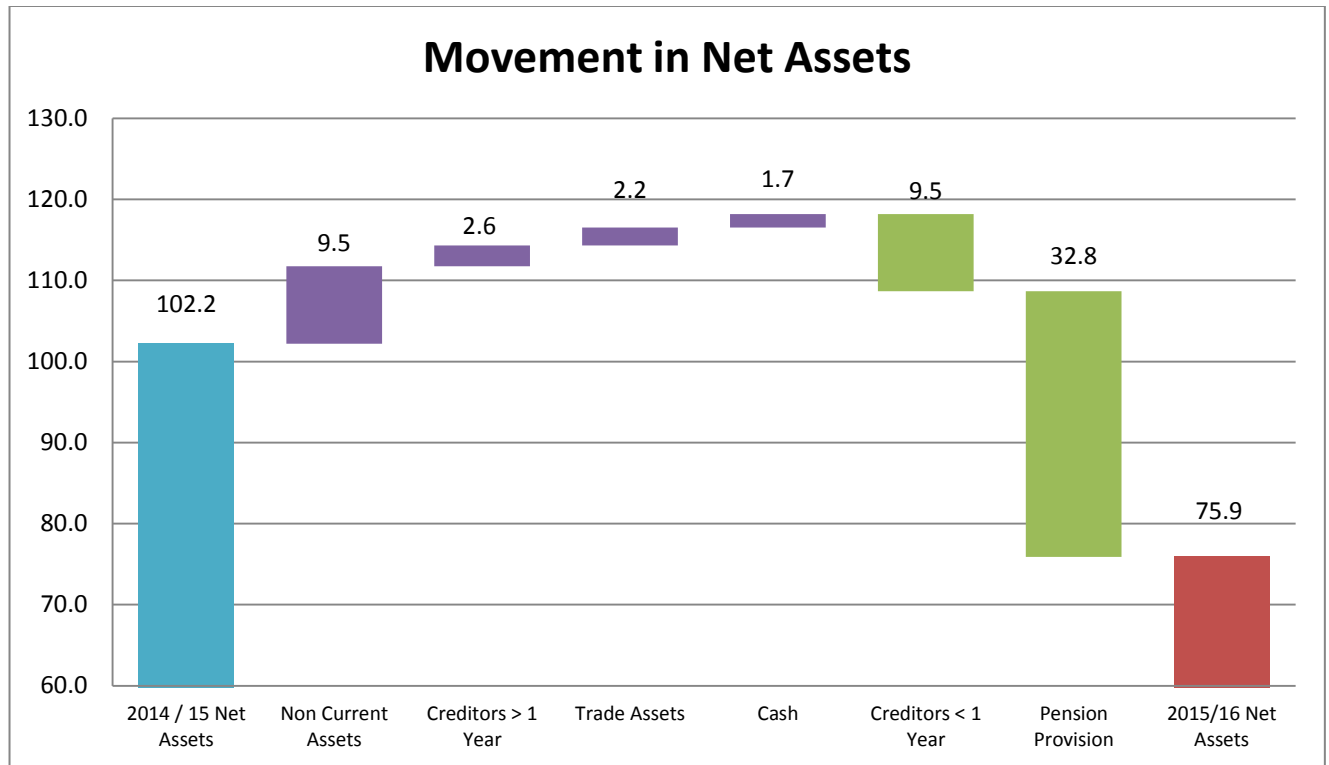
#### **Balance sheet and liquidity**

The Group's restated net assets decreased by 26% during the year, moving from £102.2m to £76.0m. The principal reason for the reduction is an increase of £32.7m in the LPFA pension liability. Creditors that are due within 1 year have increased by £9.5m, partly as a result of the purchase of Hugh Astor Court for £10.2m that completed at the end of the year. Our cash balances are broadly comparable with previous years.

The movement in net assets is summarised as follows:



## Strategic Report



The University always plans to have sufficient liquid assets to meet its liabilities as they fall due and this reduction in net assets will not compromise the group's ability to do so.

Cash balances and bank deposits have increased from £50.9m to £52.7m. Borrowings have reduced from £28.2m at 31 July 2015 to £26.9m at 31 July 2016 reflecting loan repayments made during the year. No new loans were taken out during the year.

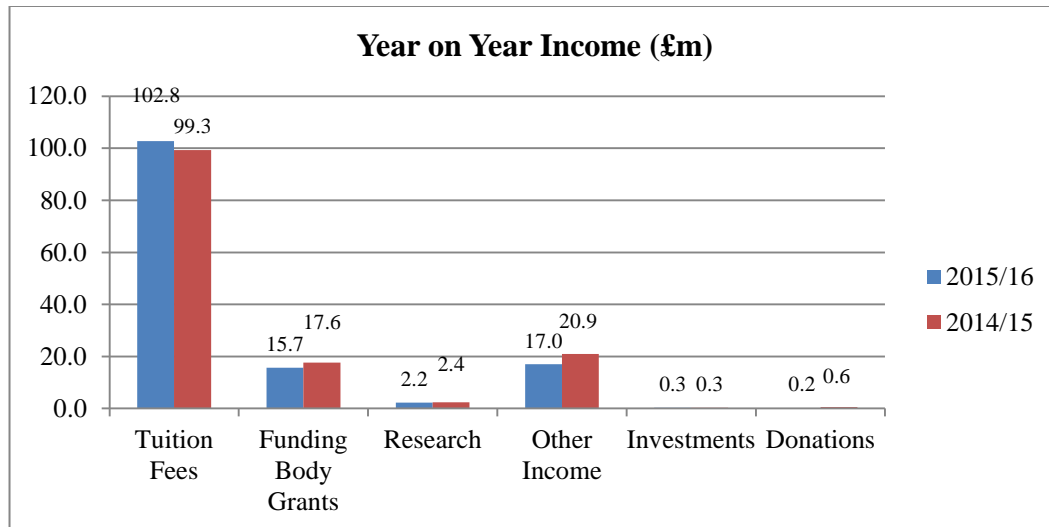
The levels of borrowing are reviewed on a regular basis and are considered adequate to meet current plans.

### Result for the Year

Financial Summary in £m			Variance from 2014 / 15 £m	
	2015/16	2014/15		
Income	138.2	141.1	-2.9	-2.1%
Expenditure	134.9	142.3	-7.4	-5.2%
Surplus for the year	3.3	-1.2	4.5	375%
Surplus %	2.4%	-0.85%		

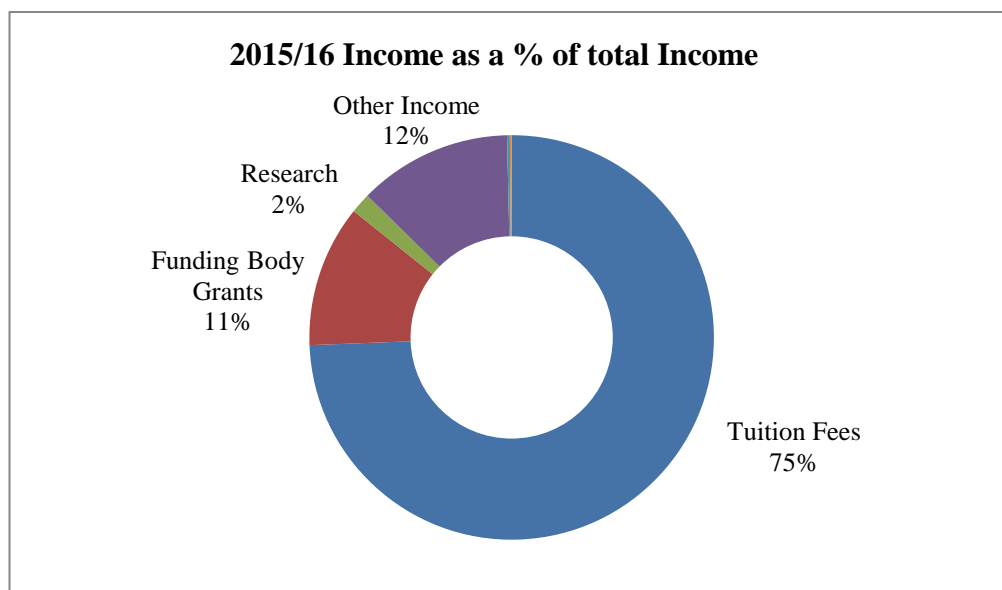
The operating surplus of £3.3m is ahead of the agreed budget of £1.0m. This is considered a strong result, in the context of the recruitment challenges across the sector in 2015/16, the negative impact of FRS102 particularly with regard to interest costs and the additional depreciation due to the current and continued level of investment costs incurred.

## Strategic Report

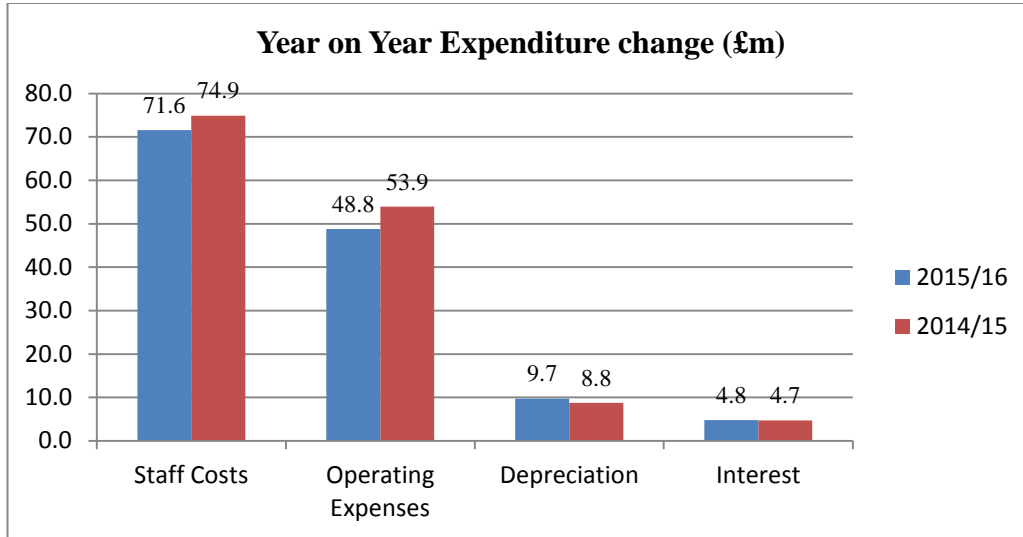


Total income decreased by 2.1% (-£2.9m) to £138.2m (2014/15: £141.1m). There was a reduction in Funding Grant due to the continued impact of the new fee regime for both undergraduate (UG) and post graduate (PG) students. This fall, however, was offset by an increase in Full Time Home / EU UG fees and a significant increase in fees from part time students. The other factors affecting income were a small decline in International student income and a decline in other income which reflects the one off grants released last year as part of the EDISON programme.

Academic fees (including NHS contract income) and Funding Council grants remain the main sources of income for the university representing 74.4% and 11.4% respectively (2014/15 = 70.4% and 12.5%). The key driver for the increase in fee income and corresponding decline in grant income is the introduction of the new fee regime for Undergraduate students.

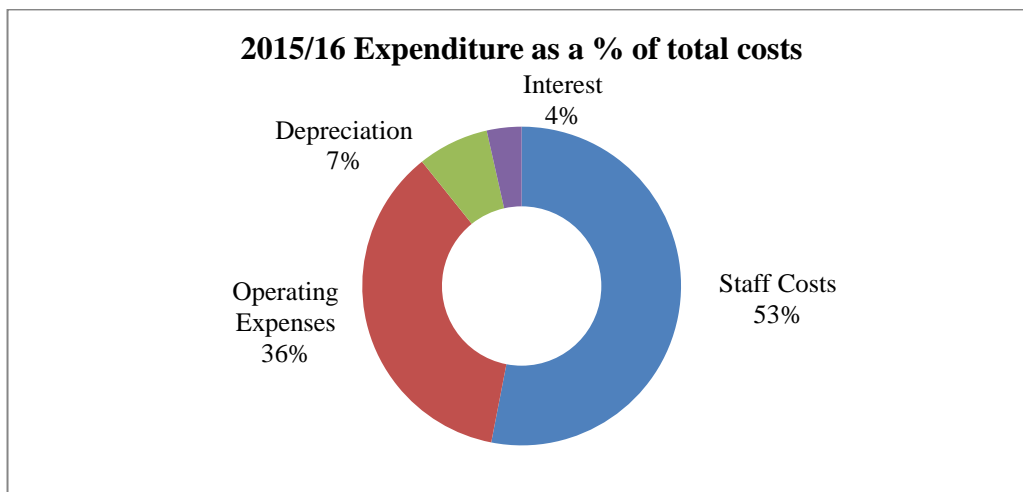


## Strategic Report



In terms of expenditure, staff costs decreased by 4.4% from £74.9m in 2014/15 to £71.6m in 2015/16 representing 51.8% of income (2014/15: 53.1%). After including agency staff costs, which are included in the accounts as operating expenditure, total staff costs represent 53.9% of income. This is within our agreed maximum of 55%. Although this year's performance is strong, staff costs remain an area of continued focus for the university in 2016/17.

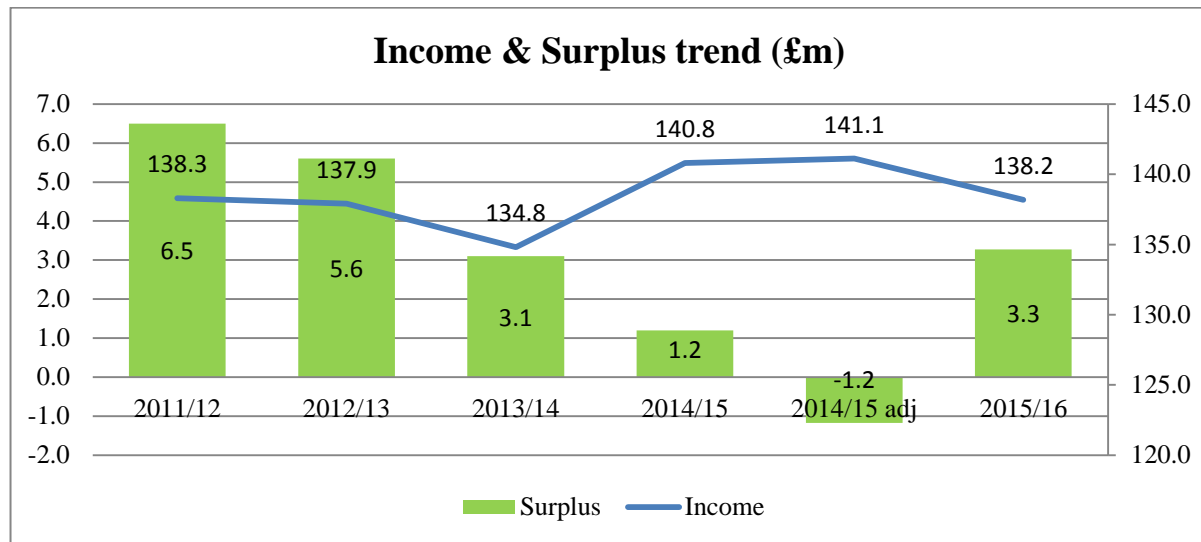
Other operating expenses decreased by 9.4% from £53.9m in 2014/15 to £48.8m. This change is largely accounted for by large one off costs in 2014/15 including agency staff, computing software and computing software consultancy spent on the EDISON project amounting to £5.2m.



Additions to fixed assets during the year cost £19.8m and disposals had a cost of £4.1m. Major investments included the new media centre in London Road, refurbishment of Caxton House for the Confucius Institute, refurbishment of the Refectory kitchen and the installation of Wi Fi in all four halls of residences. The University has also introduced a comprehensive replacement and upgrade plan for both AV and ICT equipment.

## Strategic Report

### Financial trend analysis



Between 2007/08 and 2010/11 income had grown steadily as a result of the introduction of higher tuition fees for full-time home & European Union (EU) students from 2006 and growth in student numbers. The market has become increasingly competitive following the introduction of higher tuition fees and the removal of the student number cap and this has resulted in a reduction in full time home/EU undergraduate student numbers.

The University strategy is to focus on income growth from postgraduate, overseas students and enterprise. For full-time home and EU undergraduate students the focus is on maintaining stability in terms of numbers with the emphasis on increased entry tariff, improved retention and progression, enhanced student experience and employability.

Income was reduced in both 2012/13 and 2013/14 by continued cuts to the HEFCE funding grant and by a reduction in the level of income generated from overseas students. There was a one off change with regard to Teacher Training Agency (TTA) funding in 2013/14 which further depressed income.

Income growth in 2014/15 was due to higher levels of International recruitment and one off income released as part of the EDISON programme.

The University remains focused on both income growth and cost management in order to ensure the university grows sustainably. The deficit position noted above in 2014/15 is after FRS 102 adjustments. The University has a strong track record of delivering financial surplus.

### Pension liability

The pension liability with the London Pension Scheme Authority (LPFA) has increased from £88.8m to £121.5m, mainly as a result of actuarial losses. The charge to the staff costs for the year is £5.7m, interest £3.4m and a £29.4m loss is charged to other comprehensive income and expenditure.

## Strategic Report

### Creditor payment policy

It is the University's policy to abide by the terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later. Average creditor days during the year were 27 (2015: 26).

### Accounting policies

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 32-37. The University's Governing Body has reviewed the Group's accounting policies and considers them to be the most appropriate to the group's operations.

### Subsidiaries

South Bank University Enterprises Limited ("SBUEL") provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL has donated £0.15m in gift aid to the University this year (2015: £0.35m).

SBUEL is fully consolidated into the Group accounts.

### Principal risks and uncertainties

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

The Corporate Risk Register has been the subject of careful and frequent review, and is aligned to the Corporate Strategy. The principal risks and mitigation strategies are as follows:

<b>Risk &amp; Impact</b>	<b>Mitigation Strategy</b>
Failure to position LSBU to maintain reputation & effectively respond to policy changes & shifts in the competitive landscape, leading to loss of funding and greater challenge in recruitment and partnership development	<ul style="list-style-type: none"> <li>- Strategic partner appointed to advice on sector changes communications strategies &amp; horizon scanning with a report to each Executive meeting</li> <li>- Strategic approach to business intelligence through corporate metrics dashboard, &amp; Business Intelligence team</li> </ul>
Britain's eventual exit from the EU impacts negatively on the number of students from EU countries and other overseas territories seeking opportunities in UKHE, as well as other impacts on staff recruitment, research funding and investment performance	<ul style="list-style-type: none"> <li>- Targeted partnership development</li> <li>- Increased marketing activity</li> <li>- Monitoring of channels for advice and demographic patterns</li> </ul>

## Strategic Report

<p>Revenue reduction if marketing and PR activity does not achieve Home/EU recruitment targets, or if strategies do not cause progression rates across undergraduate programmes to rise in line with targets</p>	<ul style="list-style-type: none"> <li>- Financial modelling and scenario analysis over 5 year period reviewed annually</li> <li>- Incorporation of Analytics Technology into course review and interventions processes</li> <li>- Differentiated marketing campaigns for FT, PT &amp; PG course offerings, and monthly reporting on applications cycle</li> </ul>
<p>Income growth expected from greater research and enterprise, activity and international recruitment does not materialise, leading to weakened financial position, and challenge to current investment plans</p>	<ul style="list-style-type: none"> <li>- Doubling from two to four research and enterprise Institutes aligned directly with every UKRI grand challenge, each having a dedicated business partner.</li> <li>- Overseas commercial partnership offer to secure income from UK companies operating in Bahrain.</li> <li>- Expansion of Innovation District concept from Clarence Centre to other locations in South London and Internationally driving KPT and company start up activity.</li> <li>- Creation of named research centres having a dedicated academic lead, aligned QR investment and multi-year development plan, all driven by annual performance reviews.</li> <li>- KPI review of activity</li> <li>- Regular reporting of Visa Refusal rates</li> </ul>
<p>Loss of NHS contract relationships, leading to loss of income, staff and reputation</p>	<ul style="list-style-type: none"> <li>- Named customer manager roles with Trusts &amp; Clinical Commissioning Groups (CCGs)</li> <li>- Annual course quality review processes</li> <li>- Applicant support for Literacy &amp; Numeracy requirements</li> <li>- Development of BSc courses for general entry</li> </ul>
<p>Increase in staff pension scheme deficit, leading to increased pressure on maintaining a defined staff cost % and challenge to achieving planned surplus</p>	<ul style="list-style-type: none"> <li>- Participation in sector review activity</li> <li>- Strict control on early access</li> <li>- DC pension scheme for some staff</li> <li>- Annual valuation, utilising CPI inflator</li> </ul>
<p>Management Information is not meaningful, unreliable, or does not triangulate for internal decision or external reporting, leading to poor decision making, or external penalty</p>	<ul style="list-style-type: none"> <li>- Data quality framework introduced</li> <li>- Systematic Internal Audit Reviews</li> <li>- Review of external returns by Business Intelligence unit</li> <li>- Cycle of training for staff on UKVI matters and process</li> </ul>
<p>Staff engagement at a lower level than target affects performance and service delivery in a negative way</p>	<ul style="list-style-type: none"> <li>- Cascade Meeting cycle connects staff with Corporate Strategy &amp; progress</li> <li>- Bi-annual staff engagement survey with more frequent pulse survey</li> <li>- Engagement survey champions are co-ordinating area responses to issues identified in survey</li> <li>- New Staff Intranet project and focused internal communications team utilising technology to better connect colleagues across campus</li> </ul>

## **Strategic Report**

### **Going Concern**

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

2015/16 has been another year of significant change, re-structuring and investment for future success. After adjusting for non-recurring income releases in the previous year, related to the implementation of a suite of IBM hardware and software solutions, income of £138m was flat in an increasingly competitive market. A financial surplus of £3.3m has been delivered (ahead of the approved budget surplus for the year of £1m) as a result of continued sound financial management and effective cost control.

A budget surplus of £1m has been approved for 2016/17, reflecting the continued investment necessary to ensure delivery of 2020 corporate strategic and financial outcomes. The next few years will remain challenging in financial terms and the levels of surplus are expected to remain lower than the medium term target whilst we are in the process of investing for growth, delivering new income streams and improving retention and progression. This is consistent with the University's financial model and approved five year forecasts.

The University is forecast to deliver annual surpluses and generate positive cash inflows from operating activities. This, together with the current strong cash position (the University has £52.7m cash and bank deposits at 31 July 2016), supports the University's ambitious investment plans.

### **Public Benefit statement**

The University is an exempt charity within the meaning of the Charities Act 2011 and is regulated by HEFCE on behalf of the Charity Commission.

### **Charity Commission Guidance on Public Benefit**

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

### **Aims (Charitable Objects)**

The charitable objects (under s.3 Charities Act 2011) of the University, 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 higher education at all levels; and
- Provide facilities to promote these objects and provide associated support and welfare for students.

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

## Strategic Report

The University advances education for the public benefit by:

- Providing learning opportunities for its students in the form of enquiry-based and work-related curriculum including access to lectures, seminars, personal tuition and online resources;
- Delivering many courses accredited by recognised professional bodies, both full and part time;
- Setting and marking assessments and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

The University promotes research and the dissemination of knowledge by:

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

The University provides student support and services for students through:

- Wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- Student advice and guidance services via a one-stop-shop and student helpdesks across both campuses;
- 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;
- Tutorial guidance, assessment and feedback;
- Mentoring and coaching;
- Providing student accommodation;
- Funding some individual students' education through bursaries and fee waivers; providing funds to London South Bank University Students' Union, enabling social, cultural, sporting and recreational activities and volunteering opportunities for the personal development and employability of its students.

### Beneficiaries

In carrying out its objects the University benefits the wider public, through research and knowledge transfer, and through the volunteering activities of students; and benefits its students and future students through teaching and learning activities.

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at London South Bank University are open to anyone who the University believes has the potential to succeed. Throughout its history LSBU has enabled wider access to education. The University's Strategy, 2015-2020 sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; and access to education.

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



## Strategic Report

The University has one “linked” exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £755,551 on 31 July 2016 (2015: £765,659). The funds are managed with the aim of securing capital growth and an annual income. In 2015/16 the income received was £18,420 (2014/15: £24,709). 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 2015, 90.4% of graduates were in employment and/or further study 6 months after leaving (DLHE survey results 2014/15). Around 7,000 LSBU students are sponsored to study by their employers, including NHS funded students.

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2015, with the majority of its research graded as internationally excellent and recognised internationally.

The University sponsors two schools in the local area: the University Academy of Engineering South Bank which opened in September 2014; and a University Technical College which opened in September 2016. This community engagement aims to develop professional opportunities for students who have the ability to succeed and to enhance student success by preparing them for higher education.

### **Employment policy, diversity and training**

During the year, the University has developed an ambitious vision to be recognised as a UK leading university in diversity and inclusion. ‘All People Matter’, our Diversity & Inclusion Strategy 2015 – 2020, describes how tapping into the diversity of skills and expertise that all our people bring, will help us to be an open, diverse and inclusive organisation and achieve our aim to be London’s top modern University by 2020.

A new Equality Diversity and Inclusion Steering Group was created in 2015 to help improve and drive EDI performance throughout the business. In addition, it supports the delivery of our Diversity & Inclusion Strategy and ensures our compliance with the Public Sector Equality Duties (PSED) of the Equality Act 2010. The membership is made up of Executive Team members, two Deans, the chairs of our four Staff Networks, and representatives from Student Services, the Students’ Union (SU) and the EDI team. We are also supported by three experts with national and international profiles.

We have reviewed our recruitment and selection processes, together with programmes for employee engagement, communication and training to ensure that they are all designed to promote diversity and inclusion, irrespective of age, disability, sex, gender reassignment, marriage/civil partnership, pregnancy and maternity, race, religion or sexual orientation. To this end, LSBU delivered Unconscious Bias training, aimed towards staff and contractors who managed key decision-making processes in relation to appointing, selecting, training and/or teaching staff and students.

For the first time, LSBU broke into the Stonewall Top 100 Employers. Ranked 92nd out of 415 companies and organisations, this is a major achievement in LGBT+ equality. This achievement builds on the steady progress the university has made, rising by 175 places over the past two years. The University continues to meet the requirements of the “Two Ticks Positive about disability” Scheme, having demonstrated its commitment to the recruitment and retention of staff who are disabled on joining LSBU have or become disabled during the course of their employment. We are also Athena SWAN members and have signed up to the 10 Athena SWAN principles committing us to gender equality in academia. Through Athena SWAN, we will also explore opportunities to incorporate race equality data. We are committed to submit our application for Athena Swan Bronze accreditation in November 2016. We have also launched a Gender network and a disability network for all staff.

## **Strategic Report**

All four of our established staff networks were prominent at our second Staff Conference in May 2015: Equinet, our staff network in support of race equality; SONENT, our staff network in support for LGBT equality; dNET, our staff network in support for disability equality; and GenderNet, our staff network in support for gender equality.

The University places considerable value on the involvement of its employees and on good and effective communication with them. Staff are informed through regular meetings, emails and information on the University website, open staff forums, staff newsletters and magazines and other means. Staff are encouraged to participate in formal and informal consultation, through membership of formal committees and informal working groups.

### **Disclosure of information to auditors**

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

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

### **Auditor**

The Members will be asked to reappoint Grant Thornton UK LLP as auditor of the University by written resolution.

### **Directors' report**

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

### **Approval**

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

## Statement of Responsibilities of the Board of Governors

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

Company law requires the Board of Governors to prepare financial statements for each financial year. Under that law, the Board of Governors is required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". In addition, the Board of Governors is required to prepare the financial statements in accordance with the terms and conditions of the HEFCE Memorandum of assurance and accountability (July 2016), through its accountable officer. Under company law, the Board of Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit, gains and losses, changes in reserves and cash flows of the University and the Group for that year.

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

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

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

The Board of Governors has taken reasonable steps to:

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

## **Statement of Responsibilities of the Board of Governors**

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

The Board of Governors confirm that:

- so far as each Governor is aware, there is no relevant audit information of the University's auditor is unaware; and
- the Governors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

*Chair of the Board of Governors  
24<sup>th</sup> November 2016*

## **Corporate Governance Statement**

The following statement is given to assist readers of the financial statements in understanding the governance and legal structure of the University.

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

- The CUC Higher Education Code of Governance
- The UK Corporate Governance Code (where applicable)
- The seven principles of standards in public life
- The HEFCE Memorandum of Assurance and Accountability and the Audit Code of Practice
- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care
- Other legislative requirements of corporate and Higher Education bodies
- The University's Articles of Association and standing orders

### **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 CUC Higher Education Code of Governance**

The Board has 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.

During the year, the Board met five times (five in 2014/15). In addition, the Board held two strategy days (two in 2014/15) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was a 93% (2014/15: 90%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on pages 14-16 (1.2)). It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability is followed through the remit of the Audit Committee (1.3).

## **Corporate Governance Statement**

### *Compliance*

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

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety, equality, diversity and inclusion and otherwise by exception reporting (3.6.) In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. The Board reviews the delegated authority annually which includes a review of the accountable officer's authority. Material adverse change is reported to HEFCE when discovered and annually as part of the Accountability and Assurance statement (3.6.) No material adverse changes were reported to HEFCE during the year.

The Board receives regular reports from the Students' Union in relation to its democratic processes and financial practices (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 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.

The Board approved the LSBU Sustainability policy during the year under review, which covers institutional and environmental sustainability in its remit.

### *Academic governance*

The Board has oversight of academic governance across the institution, regularly meeting with the Academic Board to discuss strategy. The Board has reviewed the quality process and agreed an assurance statement during the year under review. With regard to terms and conditions of academic staff, including pay awards and promotion opportunities, the Board has regard to the need to ensure that academic staff have freedom within the law to question and test received wisdom and to put forward new ideas and controversial or unpopular opinions, without placing themselves in jeopardy of losing their jobs or any privileges they may have at the University (4.1, 4.2, 4.3.)

### *External activities*

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

### *Equality and Diversity*

The Board receives an annual report on the institution's compliance with the public sector equality duty under the Equality Act 2010. The Board also receives a progress report against agreed Equality, Diversity and Inclusion action plans at the institution.

The Board regularly reviews its composition and considers equality and diversity in its appointments. An Equality, Diversity and Inclusion plan is being developed for board appointments (6.3, 6.4, 6.5).

## **Corporate Governance Statement**

### *Structures and processes*

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on page 3. The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association.

Under the Article, 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, 1.4, 2.1)

### *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 have a majority of independent governors. The chairs of each committee are set out below under Key Individuals.

The following committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee (including special meetings to select a Chancellor)
- Remuneration Committee

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

The Audit Committee has a majority of independent governors (3.12), including a co-opted external member. The Audit Committee produces an annual report for the Board, following HEFCE requirements (3.4, 3.5.) The Audit Committee reviews the effectiveness of the systems of control in place across the institution. The Audit Committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10).

There is a Remuneration Committee which decides the remuneration of members of the Executive, including the Vice Chancellor (3.13.) The committee includes the Chair of the Board and has a majority of independent governors (3.14.) No individual is present for discussions that directly affect them. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16).

The Board completed an independent external governance review in 2015 and implemented recommended changes (7.11, 7.12).

### **Statement of Primary Responsibilities of the Board of Governors**

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.

## **Corporate Governance Statement**

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**

### **Key Individuals**

<b>Position</b>	<b>Name</b>
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Andrew Owen
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont
Chair of Finance, Planning and Resources Committee	Andrew Owen
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng
University Secretary and Clerk to the Board of Governors	James Stevenson

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

### **Statement on Internal Control**

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

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 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

## Corporate Governance Statement

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

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

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in July 2011. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 26 November 2016 and were signed on its behalf by:

Mr Jeremy Cope

*Chair of the Board of Governors*  
24<sup>th</sup> November 2016

## **Independent auditors' report to the Board of Governors of London South Bank University**

We have audited the financial statements of London South Bank University (the 'University') for the year ended 31 July 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the University's Board of Governors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University's Board of Governors those matters we are required to state to it 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 University's Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Board of Governors and auditor**

As explained more fully in the Statement of Responsibilities of the Board set out on pages 18-19, the Board of Governors (who are also the directors of the charitable 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.

We have been appointed as auditor under the Companies Act 2006 and the Education Reform Act 1988 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

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 2016 and of the group's and the University's surplus, and its income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the Board of Governors of London South Bank University**

### **Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2016**

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

## Consolidated and University Statement of Comprehensive Income and Expenditure Year ended 31 July 2016

	Note	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Income</b>					
Tuition fees and education contracts	1	102,794	99,338	102,794	99,338
Funding body grants	2	15,684	17,583	15,141	17,046
Research grants and contracts	3	2,232	2,358	2,122	2,246
Other income	4	16,960	20,932	15,467	19,397
Investment income	5	313	311	310	307
		<hr/>	<hr/>	<hr/>	<hr/>
Total income before other grants and donations		137,983	140,522	135,834	138,334
Donations and endowments	6	195	599	195	599
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total income</b>		<b>138,178</b>	<b>141,121</b>	<b>136,029</b>	<b>138,933</b>
<b>Expenditure</b>					
Staff costs	7	71,581	74,898	70,380	73,944
Other operating expenses	9	48,822	53,912	47,894	52,724
Depreciation	12	9,749	8,759	9,749	8,759
Interest and other finance costs	11	4,755	4,724	4,755	4,724
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenditure</b>		<b>134,907</b>	<b>142,293</b>	<b>132,778</b>	<b>140,151</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Surplus/(deficit) before other gains and losses</b>		<b>3,271</b>	<b>(1,172)</b>	<b>3,251</b>	<b>(1,218)</b>
Gains on investments	19	12	6	12	6
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Surplus/(deficit) for the year</b>		<b>3,283</b>	<b>(1,166)</b>	<b>3,263</b>	<b>(1,212)</b>
Actuarial loss in respect of pension schemes	25	(29,519)	(9,285)	(29,519)	(9,285)
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expenditure for the year		(26,236)	(10,451)	(26,256)	(10,497)
		<hr/>	<hr/>	<hr/>	<hr/>
Represented by:					
Endowment comprehensive income for the year		12	6	12	6
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income and expenditure for the year		(26,248)	(10,457)	(26,268)	(10,503)
		<hr/>	<hr/>	<hr/>	<hr/>
		(26,236)	(10,451)	(26,256)	(10,497)
		<hr/>	<hr/>	<hr/>	<hr/>

All activities consist of continuing operations.

## 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
<b>Consolidated</b>					
Balance at 1 August 2014		736	82,517	29,400	112,653
Deficit before other gains and losses from the statement of comprehensive income and expenditure		-	(1,172)	-	(1,172)
Other comprehensive expenditure		6	(9,285)	-	(9,279)
Transfers between revaluation and income and expenditure reserve	20		707	(707)	-
Total comprehensive income and expenditure for the year		6	(9,750)	(707)	(10,451)
Balance at 1 August 2015		742	72,767	28,693	102,202
Surplus before other gains and losses from the statement of comprehensive income and expenditure			3,271	-	3,271
Other comprehensive expenditure	25	12	(29,519)	-	(29,507)
Transfers between revaluation and income and expenditure reserve	20	-	724	(724)	-
Total Comprehensive income and expenditure for the year		12	(25,524)	(724)	(26,236)
Balance at 31 July 2016		754	47,243	27,969	75,966
<b>University</b>					
Balance at 1 August 2014		736	82,427	29,400	112,563
Deficit from the statement of comprehensive income and expenditure		-	(1,216)	-	(1,216)
Other comprehensive expenditure		6	(9,285)	-	(9,279)
Transfers between revaluation and income and expenditure reserve		-	707	(707)	-
Total comprehensive income and expenditure for the year		6	(9,794)	(707)	(10,495)
Balance at 1 August 2015		742	72,633	28,693	102,068
Surplus from statement of other comprehensive income and expenditure		-	3,252	-	3,252
Other comprehensive expenditure		12	(29,519)	-	(29,507)
Transfers between revaluation and income and expenditure reserve		-	724	(724)	-
Total Comprehensive income and expenditure for the year		12	(25,543)	(724)	(26,255)
Balance at 31 July 2016		754	47,090	27,969	75,813



## Consolidated and University Balance sheets As at 31 July 2016

	Note	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Non-current assets</b>					
Tangible fixed assets	12	225,735	216,165	225,735	216,165
Investments	13	38	38	38	38
		<u>225,773</u>	<u>216,203</u>	<u>225,773</u>	<u>216,203</u>
<b>Current assets</b>					
Stocks		11	71	11	71
Trade and other receivables	14	14,956	12,778	14,780	12,486
Investments	21	16,465	16,363	16,465	16,363
Cash and cash equivalents	21	36,238	34,552	35,778	34,422
		<u>67,670</u>	<u>63,764</u>	<u>67,034</u>	<u>63,342</u>
Creditors: amounts falling due within one year	15	(44,318)	(34,788)	(43,834)	(34,500)
<b>Net current assets</b>		<u>23,352</u>	<u>28,976</u>	<u>23,200</u>	<u>28,842</u>
<b>Total assets less current liabilities</b>		<u>249,125</u>	<u>245,179</u>	<u>248,973</u>	<u>245,045</u>
Creditors: amounts falling due after more than one year	16	(50,647)	(53,245)	(50,648)	(53,245)
<b>Provisions</b>					
Pension provisions	18	(122,512)	(89,732)	(122,512)	(89,732)
<b>Total net assets</b>		<u><u>75,966</u></u>	<u><u>102,202</u></u>	<u><u>75,813</u></u>	<u><u>102,068</u></u>
<b>Restricted reserves – endowment reserves</b>	19	754	742	754	742
<b>Unrestricted reserves</b>					
Income & expenditure reserve– unrestricted		47,243	72,767	47,090	72,633
Revaluation reserve	20	27,969	28,693	27,969	28,693
<b>Total Reserves</b>		<u><u>75,966</u></u>	<u><u>102,202</u></u>	<u><u>75,813</u></u>	<u><u>102,068</u></u>

These financial statements were approved by the Board of Governors on 24 November and were signed and authorised on their behalf by:

## Consolidated Statement of Cash Flows Year ended 31 July 2016

	Note	2016 £'000	2015 £'000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		3,283	(1,166)
<b>Adjustment for non cash items</b>			
Depreciation	12	9,749	8,759
Investment income	5	(313)	(311)
Interest payable	11	4,755	4,724
Decrease/ (increase) in stock		60	(26)
Increase in debtors	14	(2,178)	(4,110)
Increase/(decrease) in creditors	15	8,241	(2,032)
Pension costs less contributions payable	25	(191)	164
<b>Adjustment for investment or financing activities</b>			
Loss on disposal of assets	12	438	71
Investment income	5	21	13
Interest receivable	5	292	298
<b>Net cash inflow from operating activities</b>		<b>24,157</b>	<b>6,384</b>
<b>Cashflows from investing activities</b>			
Payment to acquire tangible fixed assets	12	(19,757)	(6,524)
Cash added to fixed term deposits	21	(102)	(86)
		<b>(19,859)</b>	<b>(6,610)</b>
<b>Cashflows from financing activities</b>			
Capital element of bank loan repayments		(1,309)	(1,294)
Capital element of finance lease repayments		-	(47)
Interest element of bank loan repayments	11	(1,303)	(1,372)
Interest on finance leases		-	(1)
		<b>(2,612)</b>	<b>(2,714)</b>
<b>Increase/(decrease) in cash and cash equivalents during the year</b>		<b>1,686</b>	<b>(2,940)</b>
Cash and Cash equivalents at the start of the year	21	34,552	37,492
Cash and Cash equivalents at the end of the year		36,238	34,552



## **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 FRS102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. 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 Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on pages 13-14 of these accounts. 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 consolidated financial statements incorporate the financial statements of the University and its subsidiary undertaking South Bank University Enterprises Limited (SBUEL). Following a change to the constitution of London South Bank University Students' Union (LSBUSU) from August 2012, the University no longer exercises control over LSBUSU and therefore took the decision to cease consolidating the accounts of LSBUSU within these financial statements from that date.

The University Sponsors an Academy Trust, South Bank Academies, which operates The University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC (opened September 2016). Although the University has representation on the Trust's Board and the local governing boards of the two schools, the Trustees and Governors act for the Trust or schools and not the University. The University does not gain direct benefits from its activities and the funds of the Academies Trust are restricted to its own purpose and will not be available to the creditors of the University, for example in the event of the University's insolvency. Furthermore, if the Academies Trust were to fail, the University would not receive its assets or reserves. Therefore the Accounts of the Academies Trust 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 Consolidated Statement of Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

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

## Principal Accounting Policies

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Consolidated 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 Consolidated 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 Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Income is retained within the restrictive reserve until such a time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Any realised gains or losses from dealing in the related assets are retained within the restricted reserve in the balance sheet and reported in the Statement of Comprehensive Income and Expenditure.

Donations with no restrictions are recorded within the Consolidated 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.

### **Tangible 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 revaluation of assets are not undertaken by the University.

Freehold land and buildings, long leasehold and short leasehold premises are included in the accounts 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 income and expenditure account 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

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

## **Principal Accounting Policies**

of the asset, which is the higher of its fair value and its value in use, is estimated in order to determine the extent of the impairment loss.

### **Investments**

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

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

### **Stocks**

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

### **Pension costs**

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

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

For other defined benefit schemes, including the LPFAPF, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that return on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University should recognise 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

## **Principal Accounting Policies**

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.

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.

Lease 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 Consolidated 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 capital 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.

## **Principal Accounting Policies**

The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 24).

### **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**

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 accounts 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 Local Government Pension Scheme 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 25, will impact the carrying amount of the pension liability.

Land has been revalued at 31/7/14 resulting in 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.

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 accounts and after making deductions where a repayment arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

### **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.

## **Principal Accounting Policies**

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.

### **Transition to the 2015 SORP**

The Group is preparing its financial statements in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Group has amended certain accounting policies to comply with FRS 102 and the 2015 SORP.

The 2015 SORP requires Universities to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of FRS 102 and the 2015 SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1<sup>st</sup> August 2014, the Group has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- The University has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the University balance sheet discloses cash at both the current and preceding reporting dates.

An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University and its subsidiaries is provided in note 26.

## Notes to the accounts Year ended 31 July 2016

### Consolidated and University

	Consolidated		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>1. Tuition Fees and Education Contracts</b>				
Full-time home and EU students	54,511	51,716	54,511	51,716
Full-time international students	8,438	10,258	8,438	10,258
Part-time students	11,347	9,747	11,347	9,747
Other courses	1,266	757	1,266	757
Strategic Health Authority education contracts	27,232	26,860	27,232	26,860
	<u>102,794</u>	<u>99,338</u>	<u>102,794</u>	<u>99,338</u>
<b>2. Funding Body Grants</b>				
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
HEFCE recurrent grant	13,396	14,811	13,396	14,811
HEFCE Non recurrent grants	543	808	-	271
Specific grants	201	333	201	333
Pension liabilities	1,379	1,586	1,379	1,586
Other grants	165	45	165	45
Teaching Agency grant	165	45	165	45
	<u>15,684</u>	<u>17,583</u>	<u>15,141</u>	<u>17,046</u>
<b>3. Research grants and contracts</b>				
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Research councils	718	751	608	639
UK based charities	249	338	249	338
European Commission	191	196	191	196
Other grants and contracts	814	777	814	777
Knowledge Transfer Partnerships	260	296	260	296
	<u>2,232</u>	<u>2,358</u>	<u>2,122</u>	<u>2,246</u>
<b>4. Other income</b>				
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Residence and catering income	10,931	10,418	10,931	10,418
Other income	6,029	10,514	4,536	8,979
	<u>16,960</u>	<u>20,932</u>	<u>15,467</u>	<u>19,397</u>
<b>5. Investment income</b>				
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Interest on short term investments	21	13	21	13
Endowment income and interest receivable	292	298	289	294
	<u>313</u>	<u>311</u>	<u>310</u>	<u>307</u>

**Notes to the accounts  
Year ended 31 July 2016**

		<b>Consolidated and University</b>	
		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>6. Donations and Endowments</b>			
	Unrestricted donations	195	599
		<hr/>	<hr/>
			<b>Consolidated</b>
<b>7. Staff</b>		<b>2016</b>	<b>2015</b>
	Average staff numbers by major category:	<b>No.</b>	<b>No.</b>
	Academic staff	741	780
	Student support staff	117	122
	Other support staff	472	467
		<hr/>	<hr/>
		1,330	1,369
		<hr/> <hr/>	<hr/> <hr/>
		<b>Consolidated</b>	<b>University</b>
		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Costs:</b>			
	Wages and salaries	55,960	59,918
	Social security costs	5,284	4,958
	Employers' pension contributions	10,337	10,022
		<hr/>	<hr/>
		71,581	74,898
		<hr/> <hr/>	<hr/> <hr/>
			<hr/> <hr/>
		70,380	73,944

Staff costs for the year include a credit arising from the over accrual of prior year redundancies of £(0.49)m (2015:£3.61m).



## Notes to the accounts Year ended 31 July 2016

### 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.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	331	383
Pension contributions	54	53
	<u>385</u>	<u>436</u>

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2016 six trustees were paid total expenses of £2,331 (2015: six trustees were paid total expenses of £6,253) for travel and subsistence.

#### B. Remuneration of other higher paid staff

Certain employees received remuneration (excluding pension contributions) in excess of £100,000 during the Year. Eight of these employees accrued benefits under defined benefit pension schemes during the year (2015:8). These employees are grouped as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
£100,000 to £109,999	-	1
£110,000 to £119,999	1	1
£120,000 to £129,999	1	1
£130,000 to £139,000	2	2
£140,000 to £149,999	1	1
£150,000 to £159,999	1	1
£160,000 to £169,999	2	-
£240,000 to £249,999	-	1
£250,000 to £259,999	1	-
	<u>9</u>	<u>8</u>

#### C. Emoluments of the Vice Chancellor

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Salary	243	230
Taxable benefits	12	12
Pension Scheme contributions	40	31
	<u>295</u>	<u>273</u>

All remuneration was to the current Vice Chancellor, Professor David Phoenix. 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(E). The Vice Chancellor is a member of the Teachers' Pension Scheme. The nature of the scheme means it is not possible to ascertain the amount of his accrued pension at the year end.

## Notes to the accounts Year ended 31 July 2016

### D. 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 excluding employer's pension contributions). Members of the University Executive are listed on page 2 and 3 of these accounts.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Key management personnel	1,245	1,079

The information provided in notes 8B, 8C and 8D does not represent a valid year to year comparison because of (a) changes in the structure of the senior team and (b) part year and pension cost impacts.

### E. Related party disclosures

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local 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 accounts and therefore the University has taken exemption under FRS 102 not to disclose transactions between the SBUEL and the University.

There were no transactions during the year between London Knowledge Innovation Centre Limited (LKIC) or CVCP Properties PLC and the University.

During the year the LSBU Students' Union received financial support from the University of £855,000 (2015: £727,000) net of services provided by the University. The President of the LSBU Students' Union is a member of the Board of Governors. The balance between the two parties at the year-end was £nil (2015: £nil).

The Vice Chancellor of the University, Professor David Phoenix, is a member of the board of South Bank Academies. During the year South Bank Academies paid the University £189,017 in reimbursement of actual expenses incurred.

The Vice Chancellor of the University is a member of the board of Universities UK. During the year the University paid Universities UK £28,632 (2015: £28,567) in respect of membership fees and conference attendance.

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 purchase a specified property. The loan is repayable on 30 October 2018 (or later as agreed). As of 31 July 2015 the outstanding balance was £350,000. The loan is fully secured by way of legal mortgage on the property in favour of London South Bank University.

**Notes to the accounts  
Year ended 31 July 2016**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>9. Other operating expenses</b>				
Academic	8,675	11,076	8,675	11,076
Academic support	7,173	12,316	7,173	12,316
Other support	6,769	6,706	6,769	6,706
Premises	14,627	14,812	14,627	14,812
Residence and catering	4,197	3,697	4,197	3,697
Other expenses	7,381	5,305	6,453	4,117
	<u>48,822</u>	<u>53,912</u>	<u>47,894</u>	<u>52,724</u>

Group other operating expenses are stated after charging:

	2016 £'000	2015 £'000
Auditors' remuneration		
<i>External audit</i> Grant Thornton UK LLP*	65	54
<i>Internal audit</i> ** PricewaterhouseCoopers LLP	91	91
<i>Other services</i> ** Grant Thornton UK LLP	4	5
Rentals under operating leases Plant and machinery	212	119
Loss on disposal of fixed assets	<u>22</u>	<u>70</u>

\* Includes £51,156 attributable to the University (2015: £50,154)

\*\* All attributable to the University

**10. Taxation**

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

The amount of the asset not recognised is £5,680 (2015: £14,697). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated and University	
	2016 £'000	2015 £'000
<b>11. Interest and other Finance Costs</b>		
Loans Interest	1,303	1,372
Net charge on pension scheme	3,452	3,351
Finance lease interest	-	1
	<u>4,755</u>	<u>4,724</u>

## Notes to the accounts Year ended 31 July 2016

### 12. Fixed assets (Consolidated and 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 £'000
<b>Cost or Valuation</b>							
At 1 August 2015	53,000	165,481	47,233	42,154	44	13,888	321,800
Additions	-	-	-	176	-	19,581	19,757
Disposals	-	(3,243)	(23)	(807)	-	-	(4,073)
Transfers	-	2,649	-	8,312	-	(10,961)	-
At 31 July 2016	<u>53,000</u>	<u>164,887</u>	<u>47,210</u>	<u>49,835</u>	<u>44</u>	<u>22,508</u>	<u>337,484</u>
<b>Depreciation</b>							
At 1 August 2015	-	(48,511)	(26,781)	(30,306)	(37)	-	(105,635)
Charge for the year	-	(4,542)	(1,282)	(3,925)	-	-	(9,749)
Disposals	-	2,850	5	780	-	-	3,635
At 31 July 2016	<u>-</u>	<u>(50,203)</u>	<u>(28,058)</u>	<u>(33,451)</u>	<u>(37)</u>	<u>-</u>	<u>(111,749)</u>
<b>Net book value</b>							
At 31 July 2016	<u>53,000</u>	<u>114,684</u>	<u>19,152</u>	<u>16,384</u>	<u>7</u>	<u>22,508</u>	<u>225,735</u>
At 31 July 2015	<u>53,000</u>	<u>116,970</u>	<u>20,452</u>	<u>11,848</u>	<u>7</u>	<u>13,888</u>	<u>216,165</u>

The university has chosen to carry out a revaluation of land held with the one off adjustment creating a new deemed costs of land at 31/7/14 resulting in an increase in deemed cost of £41,946,000.

13. Investments	Consolidated		University	
	2016 £000	2015 £000	2016 £000	2015 £000
CVCP Properties plc	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>

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

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

#### South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL), which was formed in order to take over the commercial aspects of the University's activities. Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012.

#### London Knowledge Innovation Centre Limited

SBUEL holds 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies but now dormant. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are

## Notes to the accounts Year ended 31 July 2016

immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2016 (2015: £nil).

### Other investments

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

14. Debtors: amounts falling due within one year	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	11,425	9,833	11,100	9,574
Amounts owed by group undertakings	-	-	224	-
Other debtors	190	266	188	263
Prepayments & accrued income	2,991	2,329	2,918	2,299
<b>Total debtors due within one year</b>	<b>14,606</b>	<b>12,428</b>	<b>14,430</b>	<b>12,136</b>
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	350	350	350	350
	<b>14,956</b>	<b>12,778</b>	<b>14,780</b>	<b>12,486</b>

15. Creditors: amounts falling due within one year	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank and other loans	1,325	1,309	1,325	1,309
Trade creditors	1,004	993	991	993
Amounts owed to group undertakings	-	-	-	108
Other creditors	11,555	1,157	11,495	1,081
Social security and other taxation payable	1,485	1,340	1,466	1,319
Accruals and deferred income	28,949	29,989	28,557	29,690
	<b>44,318</b>	<b>34,788</b>	<b>43,834</b>	<b>34,500</b>

16. Creditors: amounts falling due after more than one year	Consolidated and University	
	2016 £'000	2015 £'000
Bank and other loans	25,609	26,934
Deferred income	25,038	26,311
	<b>50,647</b>	<b>53,245</b>

## Notes to the accounts Year ended 31 July 2016

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

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Government	8,957	6,957	8,867	6,949
Non government	2,334	3,118	2,292	3,099
Capital grants	25,248	26,627	25,248	26,627
	<u>36,539</u>	<u>36,701</u>	<u>36,407</u>	<u>36,675</u>

### 17. Borrowings

Bank loans and finance leases are repayable as follows:

	Consolidated and University	
	2016 £'000	2015 £'000
Due in less than one year (note 16)	1,325	1,309
Due between one and two years	1,347	1,325
Due between two and five years	4,135	4,097
Due after five years	20,127	21,512
Total due after one year (note 17)	<u>25,609</u>	<u>26,934</u>
	<u>26,934</u>	<u>28,243</u>

#### Details of bank basic loans

Lender	Term	Interest rate	Security	2016 £'000	2015 £'000
Barclays Bank	25 years to 2032	5.67% fixed	David Bomberg House	4,819	5,130
Barclays Bank	To April 2029	5.25 % fixed	K2 Building	5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed	K2 Building	7,993	8,316
Barclays Bank	23 years to 2032	0.225% over Libor	K2 Building	4,677	4,974
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	4,245	4,623
Salix	Variable	Interest free	Unsecured	200	200
				<u>26,934</u>	<u>28,243</u>

## Notes to the accounts Year ended 31 July 2016

### 18. Provisions for Liabilities (Consolidated and University)

	USS pension	LPFA pension	Total
	£'000	£'000	£'000
Balance at 1 August 2015	974	88,758	89,732
Utilised during the year	-	(5,536)	(5,536)
Charged to comprehensive income and expenditure for the year	38	38,278	38,316
<b>Balance at 31 July 2016</b>	<u>1,012</u>	<u>121,500</u>	<u>122,512</u>

The obligation to fund the past deficit on the University's' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

### 19. Restricted Reserves

#### Endowments Consolidated and University

	Restricted Permanent £'000	Restricted Expendable £'000	2016 Total £'000	2015 Total £'000
Balance at 1 August	396	346	742	736
Investment income	-	-	-	24
Expenditure	-	-	-	(24)
Increase in market value of investments	14	(2)	12	6
Reclassification	224	(224)	-	-
<b>Balance at 31 July</b>	<u>634</u>	<u>120</u>	<u>754</u>	<u>742</u>

During the year a number of permanent endowment funds held by the University were reclassified. The income of these funds is often too small to make a meaningful award to a student. By transferring these funds to the University and pooling them together the University will be better able to make awards to students. Awards made from the income from these assets will be made to the same beneficiaries as currently and will be made for similar purposes as specified in the original trust deed.

### 20. Unrestricted Reserves

#### Consolidated and University

	2016 £'000	2015 £'000
<b>Revaluation Reserve</b>		
Balance at 1 August	28,693	29,400
Transfer to income & expenditure reserves being excess depreciation on revalued assets	(724)	(707)
<b>Balance at 31 July</b>	<u>27,969</u>	<u>28,693</u>

## Notes to the accounts Year ended 31 July 2016

### 21. Cash and cash equivalents

	<b>At 1 Aug 2015</b>	<b>Cashflows</b>	<b>At 31 July 2016</b>
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments	16,363	102	16,465
Cash at bank and on deposit	34,552	1,686	36,238
<b>Balance at 31 July</b>	<u>50,915</u>	<u>1,788</u>	<u>52,703</u>

Investments comprise of funds held in fixed term deposits for periods not exceeding three months at 31 July 2016. Cash and cash equivalents comprise funds held in bank and on deposit not exceeding 3 months.

	<b>Consolidated and University</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
22. <b>Capital commitments</b>		
Commitments contracted at 31 July	<u>804</u>	<u>4,671</u>

### 23. Lease obligations

At 31 July 2016 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Expiring within two and five years	57	97
Expiring in over five years	491	502
	<u>548</u>	<u>599</u>

### 24. Amounts disbursed as agent - Teacher Training Bursaries

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	(41)	(77)
Funding council grant	352	102
Disbursed to students	(297)	(66)
<b>Balance at 31 July</b>	<u>14</u>	<u>(41)</u>

Teacher Training Bursary funds are paid to universities by the Teaching Agency to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS).

The grant from the TDA is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors.



## Notes to the accounts Year ended 31 July 2016

### 25. 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 Friends Life.

#### 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 of 3.5%, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The contribution rate paid into the TPS is in two parts: a standard contribution rate plus a supplementary contribution payable if, as a result of actuarial investigation, it is found that accumulated liabilities of the Account are not fully covered by the standard contribution to be paid in the future plus the notional fund built up from past contributions.

The last valuation of the TPS was as of 31 March 2012 and revealed that total liabilities in the scheme (pensions currently in payment and estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds of notional investments) amounted to £176.6 billion, giving a notional past service deficit of £15.0 billion. The assumed real rate of return is 3%, pension increases 2% and long term salary growth 4.75% (2.75% pa in excess of assumed CPI).

The employer contribution rate in respect of the period 1 September 2015 to 31 March 2019 will be 16.4% and the next revision to the employer rate is not expected until 1 April 2019, following the next valuation which is due on 31 March 2016. From April 2015 employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

At 31 July 2016 the University had 832 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 14.1% (2015: 14.1%) of salaries and the University's contribution to the TPS for 2016 was £4,021,187 (2015: £3,574,565).

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 university participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was

## Notes to the accounts Year ended 31 July 2016

contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund.

At 31 July 2016 the University had 57 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £528,766 (2015: £989,835) with tiered employer contribution rates of between 6% and 9% depending on employee earnings.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (“the valuation date”), which was carried out using the projected unit method.

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

The 2014 valuation was the third 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 £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	<b>2016</b>	<b>2015</b>
Discount Rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Price inflation and pension increases(CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) SINA tables as follows:

Male members’ mortality	98% of SINA [“light”] YoB tables – No age rating
Female members’ mortality	99% of SINA [“light”] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	<b>2016</b>	<b>2015</b>
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
	<b>2016</b>	<b>2015</b>
Scheme Assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%
Females currently aged 45 (years)	28.8	28.7

## Notes to the accounts Year ended 31 July 2016

Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the Statement of Comprehensive Income and Expenditure (note 18).

At 31 July 2016 the University had 57 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £559,114 (2015: £989,835). The scheme has tiered employer contribution rates of between 6% and 9% depending on employee earnings.

### 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 1997. 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 2013 with the valuation results taking into account changes to the scheme from 1 April 2014. The results showed the market value of the Fund's assets attributable to the University as £92.17m. The actuarial value of those assets represented 69% of the value of the benefits that have accrued to the University'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 2014 are 15.2% of pensionable salaries to cover the cost of future service plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years. During for the year ending 1<sup>st</sup> April 2016 this payment amounted to £1,548,000.

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

	<b>31 July 2016</b>	<b>31 July 2015</b>
	<b>% per annum</b>	<b>% per annum</b>
Salary increases	3.9%	4.4%
Pension and price increases	2.1%	2.6%
Discount rate	2.5%	3.8%

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 retirements.
- 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.

## Notes to the accounts Year ended 31 July 2016

### Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2012 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:

	<b>Males Years</b>	<b>Females Years</b>
Current pensioners	22.0	25.2
Future pensioners	24.4	27.5

### Fund assets

For the year ending 31 July 2016 a single expected rate of return of 5.0% has been used to determine the charge to the statement of comprehensive income and expenditure for the year (2015: 5.8%). Comparative figures for the year ending 31 July 2015 show the expected returns based on the long-term future expected investment return for each asset class as at the beginning of that period as follows:

	<b>Fair value as at 31 July 2016 £'000</b>	<b>Fair value as at 31 July 2015 £'000</b>
Equities	57,655	46,573
Target return portfolio	27,250	20,464
Cash	4,662	13,833
Cashflow matching	9,793	15,229
Infrastructure	7,917	5,655
Commodities	599	473
Property	4,190	3,307
Total fair value of assets	<u>112,066</u>	<u>105,534</u>

### Net pension liability

The following amounts at 31 July related to London South Bank University measured in accordance with the requirements of FRS 102:

	<b>2016 £'000</b>	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Fair value of Employer Assets	112,066	105,534	99,726	96,319	80,635
Present value of funded obligations	<u>(221,698)</u>	<u>(182,439)</u>	<u>(164,260)</u>	<u>(146,774)</u>	<u>(143,181)</u>
Net underfunding in funded plans	109,632	(76,905)	(64,534)	(50,455)	(62,546)
Present value of unfunded obligations	<u>(11,868)</u>	<u>(11,852)</u>	<u>(11,968)</u>	<u>(11,756)</u>	<u>(12,118)</u>
Net Pension Liability	<u>(121,500)</u>	<u>(88,757)</u>	<u>(76,502)</u>	<u>(62,211)</u>	<u>(74,664)</u>

The movement for the year in the net pension liability is shown in note 18.

## Notes to the accounts Year ended 31 July 2016

### Analysis of the amount included in staff costs for the year

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Service cost	5,484	5,147
Enhancements to former employees	201	334
	<hr/>	<hr/>
Total operating charge	5,685	5,481
	<hr/> <hr/>	<hr/> <hr/>

### Analysis of the amount included in interest payable for the year

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Interest on the defined liability (asset)	3,270	3,185
Administration expenses	158	150
	<hr/>	<hr/>
Total interest charge	3,428	3,335
	<hr/> <hr/>	<hr/> <hr/>

### Analysis of the amount recognised in Other Comprehensive Income

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Return on fund assets in excess of interest	1,473	307
Change in financial assumptions	(31,077)	(10,085)
Experience gains and losses on defined benefit obligation	85	493
	<hr/>	<hr/>
Remeasurement of the net assets/(defined liability)	(29,519)	(9,285)
	<hr/> <hr/>	<hr/> <hr/>

### Analysis of movement in the present value of scheme liabilities

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August	194,291	176,278
Movement in the year:		
Current service cost	5,014	4,843
Interest cost	7,296	7,400
Changes in financial assumptions	30,839	10,085
Experience loss/(gain) in defined benefit obligation	(85)	(493)
Past service costs, including curtailments	456	304
Estimated benefits paid net of transfers in	(4,987)	(4,963)
Contributions by scheme participants	1,478	1,475
Unfunded pension payments	(736)	(638)
	<hr/>	<hr/>
At 31 July	233,566	194,291
	<hr/> <hr/>	<hr/> <hr/>

### Analysis of movement in the fair value of scheme assets

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August	105,534	99,776
Interest on assets	4,026	4,215
Return on assets less interest	1,221	307
Administration expenses	(158)	(150)
Contributions paid	7,166	7,320
Estimated benefits paid plus unfunded net of transfers in	(5,723)	(5,934)
	<hr/>	<hr/>
At 31 July	112,066	105,534
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the accounts Year ended 31 July 2016

The projected pension expense for the year to 31 July 2017 is £9,642,000.

### D. London South Bank University Defined Contribution Scheme.

The University provides a defined contribution pension scheme through Friends Life for employees of London South Bank University Enterprises Limited (SBUEL). At 31/7/16 the University had 16 members participating in the scheme. The University's contribution to the Friends Life scheme for 2016 was £78,822 (2015: £52,031) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2016 were £6,538 (2015: nil)

### 26. Transition to FRS102 and the HE SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out on pages 32 to 37 been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

Financial position	Consolidated		University	
	31 July 2015 £'000	1 Aug 2014 £'000	31 July 2015 £'000	1 Aug 2014 £'000
<b>Total endowments and reserves under 2007 SORP</b>	63,868	73,681	63,720	73,593
Revaluation of land	41,946	41,946	41,946	41,946
USS pension provision	(974)	(446)	(974)	(446)
Employee leave accrual	(2,638)	(2,528)	(2,624)	(2,530)
<b>Total effect of transition to FRS 102</b>	<b>38,334</b>	<b>38,972</b>	<b>38,348</b>	<b>38,970</b>
<b>Total reserves under 2015 SORP</b>	<b>102,202</b>	<b>112,653</b>	<b>102,068</b>	<b>112,563</b>
			<b>Year ended 31 July 2015 Consolidated £'000</b>	<b>Year ended 31 July 2015 University £'000</b>
<b>Financial performance</b>				
<b>Surplus for the year under 2007 SORP</b>			<b>1,211</b>	<b>1,149</b>
Movement in USS pension provision			(528)	(528)
Interest on the LPFA scheme			(1,745)	(1,745)
Movement in employee leave accrual			(110)	(94)
			<b>(1,172)</b>	<b>(1,218)</b>
Actuarial Gains/losses from LPFA scheme			(9,285)	(9,285)
Endowment income for the year			6	6
<b>Total comprehensive expenditure for the year under 2015 SORP</b>			<b>(10,451)</b>	<b>(10,497)</b>

## Notes to the accounts Year ended 31 July 2016

### a) Revaluation of land

The university has chosen to carry out a revaluation of land held with the one off adjustment creating a new deemed costs of land at 31/7/14 resulting in an increase in deemed cost of £41,946,000.

### b) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 July each year meaning that, at the reporting date, there was a liability of £2,610k for unused leave. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £2.53m was recognised at 1 August 2014. The movement in this provision of £0.1m has been charged to the Statement of Comprehensive Income and Expenditure in the year ended 31 July 2015 and a provision of £2.64m recognised at 31/7/15.

### c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31<sup>st</sup> July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income and Expenditure, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

### d) USS pension scheme

The University has an obligation to fund past deficits within the USS scheme and therefore recognises this as a liability on the Balance Sheet. The past deficit has been calculated using a model recommended by the British Universities Finance Directors Group (BUDFDG). The assumptions used and resulting past service deficit are:

Year ending	Discount rate	Salary inflation	Past service deficit
	%	%	£'000
31/7/14	4.2	4.5	446
31/7/15	3.8	4.4	974
31/7/16	2.5	3.9	1,012

It is not possible to identify the University's share of underlying assets and liabilities in the USS scheme and hence accounts for contributions paid during year if it were a defined contribution scheme, charging contributions directly to staff costs.

### e) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the University's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

## 27. Post Balance Sheet Events

There are no events after the reporting date to report in these accounts.

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## Track changes since Audit Committee

Page 4

Students do not want ~~to~~ simply to sit in a lecture theatre. They continue to demand more for their money and the demand will increase still further now that, since September 2016, maintenance grants have been scrapped and replaced with loans. They will expect that their investment in education will enhance their future career prospects. Institutions who strive ~~to~~ successfully to meet and manage these expectations are the ones who will prosper. Providing a personalised student experience leading to strong graduate outcomes will become increasingly important and, given our focus on professional education, this is an area in which we must excel.

Page 5

Strategically investing in the creation of first class facilities and ensuring that they are underpinned by services which are responsive to academic and student needs and outcome focused

The University is split into seven schools, to ensure that it has academic groupings that are meaningful to the outside world and focused enough to be able to respond rapidly to stakeholder needs. This enables each to build its own ethos and brand, to attract potential students and business to work with the University. The Schools are:

The University has taken forward its systems and processes for monitoring and enhancing student engagement to improve student progression and outcomes, using a combination of new technologies including IBM solutions and existing technologies. ~~An early indicator that the~~This programme of work, ~~which has included~~ includes better use of student engagement data, better systems for dealing with student academic appeals, integrated student support in modules with lower achievement rates, and better and more timely interventions for students at risk of early withdrawal, ~~has been effective.~~ An early indicator of success is that the increased number of students re-enrolling by early September 2016 ~~was up 1000 on~~compared with the same point the previous year. This suggests both improved engagement and progression.

~~In 2016/17, with improvements in the student experience, student engagement and progression will continue the work in previous years.~~ A student communications project will ensure technology is used effectively to achieve corporate goals, and stage two of the student engagement project will utilise a wider range of student engagement data presented via a redesigned online interface. All students commencing undergraduate study on the Southwark or Havering Campuses will be entitled to a placement, internship or professional opportunity.

Page 6

The University's financial strategy is articulated in the Corporate Strategy and expressed through its rolling five year financial forecasts. The strategy is focused on future sustainability and is designed to maintain financial resilience and flexibility at all times. These rolling five year forecasts are updated each year following Semester 1 recruitment and include surplus and liquidity forecasts and a five year investment profile as well as income and cost projections. The forecasts are returned to Hefce each year as part of the annual accountability return, after ~~formal~~ approval by Governors. This analysis ensures that the University delivers not only an acceptable level of surplus, but stays within ~~acceptable~~reasonable gearing levels and has the funds for an appropriate capital investment programme.

The Corporate KPIs (*below*) include a number of financial metrics which are reported to the Executive and Board throughout the year, and enable the monitoring of the financial strategy on a continual basis. These KPIs are relevant~~central~~ to the sustainability of the institution and the headline financial targets remain unchanged and show that by 2020 we are forecast to have:

Further efficiency savings wherever possible

The building will make way for a new Learning Centre and Creative and Design Centre and the selection process for an Architect~~architect~~ is well advanced.

Page 7

Targets for these indicators are set annually, and they are reported regularly to the Executive and Board to continually review the institution's performance.

Also 77% of students in the International Student Barometer survey said they would positively recommend LSBU as a study destination, [which was one of the highest scores within London HEI's](#).

As a result of improvements in these and other KPIs, there was an overall increase in League Table performance, moving up four places in both the Guardian and Complete University Guides ~~and~~, increasing our score in the Times and Sunday Times guides ~~– and leading to our inclusion in the Times World Rankings for the first time~~.

Page 14

A budget surplus of £1m has been approved for 2016/17, reflecting the continued investment necessary to ensure delivery of 2020 corporate strategic and financial outcomes. The next few years will remain challenging in financial terms and the levels of surplus are expected to remain lower than the medium term target whilst we are in the process of investing for growth, delivering new income streams and improving retention and progression. This is ~~entirely~~ consistent with the University's financial model and approved five year forecasts

### **Aims (Charitable Objects)**

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

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

Page 15

The University advances education for the public benefit by:

- ~~providing~~[Providing](#) learning opportunities for its students in the form of enquiry-based and work-related curriculum including access to lectures, seminars, personal tuition and online resources;
- ~~delivering~~[Delivering](#) many courses accredited by recognised professional bodies, both full and part time;
- ~~setting~~[Setting](#) and marking assessments and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

The University promotes research and the dissemination of knowledge by:

- ~~undertaking~~[Undertaking](#) academic research and publishing the results;
- ~~publishing~~[Publishing](#) articles in peer-reviewed journals;
- ~~maintaining~~[Maintaining](#) an academic library with access for students and academics;

The University provides student support and services for students through:

- Wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- Student advice and guidance services via a one-stop-shop and student helpdesks across both campuses;
- 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;
- ~~tutorial~~[Tutorial](#) guidance, assessment and feedback;
- ~~mentoring~~[Mentoring](#) and coaching;
- ~~providing~~[Providing](#) student accommodation;

- ~~funding~~**Funding** some individual students' education through bursaries and fee waivers; providing funds to London South Bank University Students' Union, enabling social, cultural, sporting and recreational activities and volunteering opportunities for the personal development and employability of its students.

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

Page 16

~~The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £755,551 on 31 July 2016 (2015: £765,659). The funds are managed with the aim of securing capital growth and an annual income. In 2015/16 the income received was £18,420 (2014/15: £24,709). 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 2015, ~~8290.4~~8290.4% of graduates were in ~~graduate~~employment and/or further study 6 months after leaving (DLHE survey results 2014—/15). Around 7,000 LSBU students are sponsored to study by their employers, including NHS funded students.

~~The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £755,551 on 31 July 2016 (2015: £765,659). The funds are managed with the aim of securing capital growth and an annual income. In 2015/16 the income received was £18,420 (2014/15: £24,709). The income is usually allocated for distribution by the University's Hardship Panel to students in financial difficulty. However, a decision was taken to reinvest income from 2015/16 as funds had not been reinvested for some time.~~

Page 18

In accordance with the University's ~~Memorandum and~~ Articles of Association, the Board of Governors is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

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

Page 19

Approved~~Signed~~ on behalf of the Board of Governors by:

Page 20

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on ~~page 9~~pages 14-16 (1.2). It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability is followed through the remit of the Audit Committee (1.3).

As explained more fully in the Statement of Responsibilities of the Board set out on pages 18-~~18~~19, the Board of Governors (who are also the directors of the charitable 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.

give a true and fair view of the state of the group's and the University's affairs as at 31 July 2016 and of the group's and the University's surplus, and its income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;

Land has been revalued at 31/7/14 resulting in 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~~condition of properties, ground and services, - estimated market value and estimated rental income at the date of valuation.

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 accounts and after making deductions where a repayment ~~arrangement~~arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

These are disclosed by way of a note, where there is a probable, rather than a present asset arising from a past event.

#### D. 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 excluding employer's pension contributions). Members of the University Executive are listed on page 2 and 3 of these accounts.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Key management personnel	1,245	<u>1,079</u>

The information provided in notes 8B, 8C and 8D does not represent a valid year to year comparison because of (a) changes in the structure of the senior team and (b) part year and pension cost impacts.

Investments comprise of funds held in fixed term deposits for periods not exceeding three months at 31 July 2016. Cash ~~and~~and cash equivalents comprise ~~of~~ funds held in bank and on deposit not exceeding 3 months.

	CONFIDENTIAL
Paper title:	Academic Board annual report
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	Pat Bailey, Deputy Vice Chancellor, Shân Wareing, Pro Vice Chancellor (Education and Student Experience) and Janet Bohrer, Director Academic Quality Development
Executive sponsor:	Pat Bailey, Deputy Vice Chancellor and Chair of Academic Board
Purpose:	For Information
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Academic quality and standards
Recommendation:	The Board is requested to note the report

Matter previously considered by:	This is part of the annual reporting cycle	N/A
Further approval required?	No	N/A

## Executive summary

This is the annual report from Academic Board and summarises the work of the Academic Board for 2015-16.

Academic Board is responsible for academic standards and the direction and regulation of academic matters. Where Academic Board delegates responsibility it maintains oversight through reports from the Student Experience Committee; from the Quality and Standards Committee; and from the Research Committee.

In this document assurance is provided for the development of academic strategy, monitoring progress against academic key performance indicators; demonstrate the

oversight of the development of the academic environment; demonstrate the oversight of academic ethics; report on the approval of the academic regulations and oversight of their enactment; and report on the granting of honorary degrees and academic titles.

During the year to 31 July 2016, Academic Board was chaired by the Deputy Vice Chancellor (DVC) Professor Pat Bailey. Academic Board met three times for business as usual with one additional meeting in September 2015 to approve specific items for the academic year 2015-16.

Matters completed by Academic Board at the additional meeting in September 2015:

- approval of the Academic Regulations for academic year 2015/16;
- a new risk based process for approving new courses and for collaborations;
- a revised Student Complaints Procedure (para 3)

Matters completed by Academic Board during the year include:

- Agreement that the KPI targets set for 2020/21 were realistic. Academic Board continued to review work against the KPIs at each meeting (para 6-7)
- Reporting that the University had recently been re-awarded its Tier 4 licence by the Home Office with a visa refusal rate of 9% (November 2015 para 5 d)
- Discussion of the Staff Guidance for Overseas Activities (November 2015 para 5 e)
- Approval of the proposed changes to the Academic Regulations for academic year 2016/7 (June 2016) and agreed that the more detailed procedures (which operationalised the regulations) could be amended at Quality and Standards Committee in-year, if required (para 9)
- Academic Board were informed of the new procedures in place from the 1 June 2016 regarding research ethics
- During the year Academic Board approved the award of Emeritus Professor to: Professor Nicola Crichton, Professor Mary Lovegrove, and Professor John Taylor.

## **Annual Report 2015/16 from the Academic Board to the Board of Governors**

### **Introduction**

1. This report covers the academic year from 1 August 2015 to 31 July 2016 and includes any significant issues up to the date of the signing this report.
2. The proposal that the DVC should replace the Vice Chancellor as Chair of the Academic Board was approved by the Board of Governors at its meeting of 26 November 2015. The DVC explained to Academic Board in November 2015 that the main purpose of the Academic Board was to engage key academic staff in discussion around substantive academic issues. Membership of Academic Board can be found in appendix one.
3. Academic Board met three times for business as usual with one additional meeting in September 2015 to approve specific items for the 2015/16 academic year. These items were: approval of the Academic Regulations for academic year 2015/16, a new risk based process for approving new courses and for collaborations, and a revised Student Complaints Procedure.
4. Academic Board terms of reference are reviewed annually in the autumn. The business plan for 2015/16 evolves throughout the year.

### **DVC reports**

5. Academic Board receives reports from the Deputy Vice Chancellor (DVC) who is Chair of the Student Experience Committee; from the Pro-Vice Chancellor Education and Student Experience (PVC E&SE) who is Chair of the Quality and Standards Committee; and from the Pro-Vice Chancellor Research and External Engagement (PVC R&EE) who is Chair of the Research Committee. The reports record the actions taken towards meeting the goals in the Corporate Strategy. In summary
  - a. Full-time undergraduate recruitment and the increase made to entry tariffs were reported; Applications for undergraduate in comparison with competitor group and acceptances were discussed. NSS results and DLHE information was reported. Actions included the review of the Student Record System that would start in May 2016 ahead of the expiry of the current contract in 2018, and the EDISON Phase 1 project that had been completed with an enhanced agreement with IBM until 2019. A

dashboard for learner analytics was agreed to be in place for September 2016.

- b. The removal of the Disabled Students Allowance was discussed and it was agreed that action needed to be taken to ensure flexibility and quality of offer.
- c. Apprenticeships were agreed to be a major development area for LSBU. LSBU is registered with the Skills Funding Agency (SFA). An Apprenticeship Manager has been appointed; The Institute for Professional & Technical Education (IPTE) is being developed to oversee the apprenticeships programmes at LSBU. It will maintain the University's relationship with the SFA.
- d. In November 2015 it was reported that the University had a visa refusal rate of 9% (below the 10% requirement) and had recently been re-awarded its Tier 4 licence by the Home Office. Successful visa applications are received from UG, postgraduate taught (PGT) and postgraduate research (PGR) students.
- e. It was reported that the partnership with the British University in Egypt (BUE) is strong. The BUE has established four new faculties, accommodating TNE students from September 2016.
- f. Academic Board discussed the Staff Guidance for Overseas Activities. Amendments to the guidelines, in particular wording on 'Gifts', were approved.
- g. Academic Board had been kept informed of the financial forecast through DVC's report at the start of each meeting, and this had helped in the decision-making that had contributed to an end-of-year surplus of over £3M.
- h. New procedures were reported to be in place from the 1 June 2016 regarding research ethics. The new procedures mean that research ethics requests will primarily be considered through Schools.
- i. There has been a review of the REF 2014. Academic Board noted some of the results and that implementation of a series of 'mini REFs' that was taking place in preparation for the next round.



## **Key Performance Indicators**

6. Academic Board discussed the academic KPIs. Academic Board agreed that the targets set for 2020/21 were realistic. Academic Board reviews the KPIs at meetings. In June 2016 Academic Board discussed the recent Guardian league table and an encouraging performance from LSBU, especially compared with other London modern universities.
7. Academic Board reviewed the amount of students receiving Firsts and 2:1s, which is currently around 60-65% of students. This will be reviewed at a future Academic Board meeting.

## **Quality Assurance and Teaching Excellence**

8. During 2015-16 Academic Board discussed at each meeting the changes in the regulatory landscape for higher education in the UK. It was agreed that the Board of Governors would be briefed about their enhanced assurance role at the Board strategy away day in September 2016 and a report provided to the Audit Committee in the November 2016 meeting.
9. Academic Board is responsible for academic regulations. Academic Board approved the proposed changes to the Academic Regulations for academic year 2016/7. The regulations are high-level and Academic Board agreed the more detailed procedures which operationalised the regulations could be amended at Quality and Standards Committee in-year, if required.

## **Emeritus Professor Appointments**

10. A new procedure for appointing visiting academics and Emeritus Professors was approved by Academic Board which won't now require referral to Academic Board but through the old system, Professor Nicola Crichton and Professor Mary Lovegrove and Professor John Taylor were approved as Emeritus Professors.

Appendix one:

## **Academic Board**

### **Terms of Reference**

The Academic Board is responsible for academic standards and the direction and regulation of academic matters.

#### **1. Remit**

1.1 The remit of the Academic Board is to:

- 1.1.1 develop academic strategy and monitor progress against academic key performance indicators
- 1.1.2 monitor development of academic portfolio
- 1.1.3 oversee the development of the academic environment
- 1.1.4 have oversight of academic ethics
- 1.1.5 approve academic regulations and oversee their enactment, including for:
  - admission of students;
  - granting and annulling of degrees, qualifications and titles;
  - exclusion of students for academic reasons;
  - appointment of internal and external examiners;
  - assessment and examination of academic performance of students;
  - character of curricula;
  - quality of courses including validation and accreditation by external bodies; and
  - granting distinctions including honorary degrees and academic titles.

#### **2. Membership**

2.1 Membership consists of the following:

**Holders of Senior Posts (4)**      Deputy Vice Chancellor (Chair)

PVC Students and Education  
PVC Research and External Engagement

<b>Senior Academic Staff and Professors (8)</b>	Deans (x7) Nominated professor (x1)
<b>Academic and Research staff (2)</b>	Nominated academic staff member (x1) Nominated research staff member (x1)
<b>Non-teaching staff (4)</b>	Director of Research and Enterprise Director of Academic Quality Development Director of Student Support and Employability  Nominated member of professional staff
<b>Technician (1)</b>	Nominated member of technical staff
<b>Students (2)</b>	Students' Union President Students' Union Vice President (Academic Affairs)

2.2 A quorum consists of 7 members.

2.3 The term of office of nominated members is three years.

2.4 The Academic Board meets three times per year.

### **3. Reporting Procedures**

3.1 The minutes (or a report) of meetings of the Committee will be circulated to all members of the Board of Governors.

*Approved by the Academic Board on 8 July 2015*

*Approved by the Board of Governors on 9 July 2015*

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	CONFIDENTIAL
Paper title:	HEFCE Annual Assurance Return for Academic Quality
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	Janet Bohrer
Executive/Operations sponsor:	Shân Wareing, Pro Vice Chancellor (Education and Student Experience)
Purpose:	Decision
Recommendation:	<p>The audit committee has carried out a full review of the current quality assurance process within LSBU. Based on assurances from the executive and by the Academic Board as to the appropriateness of LSBU's quality processes, the Chairman of the Audit Committee is satisfied that the Board of Governors may give the required assurance to HEFCE as set out in part 2 of the annual assurance return (attached).</p> <p>Accordingly, the Board is requested to authorise the Chairman of the Board to sign part 2 of the assurance statement on its behalf.</p>

Matter previously considered by:	Audit Committee	10 <sup>th</sup> November 2016
	Academic Board	2 <sup>nd</sup> November 2016
	Quality and Standards Committee	5 <sup>th</sup> October 2016
	Joint meeting of the Board of Governors and Academic Board	29 <sup>th</sup> September 2016
	Board of Governors	14 <sup>th</sup> July 2016
Further approval required?	No	N/A

## **Executive Summary**

1. At its joint strategy day meeting of 29 September 2016, the board and academic board noted the presentation by the PVC (Education & Student Experience) on HEFCE's revised operating model for quality assessment by higher education institutions (March 2016).
2. For the first time in 2016/17, the new approach requires the governing body to provide assurance to HEFCE about the quality of HE provision.
3. Accordingly, the board is requested to submit on an annual basis assurances about:
  - the reliability of degree standards; and
  - the continuous improvement of the student academic experience and of student outcomes.
4. Following the strategy day meeting, the board agreed that in order for it to provide these assurances, the audit committee, on behalf of the board, should receive a report on LSBU's quality assurance processes, an explanation as to how the board may rely on those processes and, therefore, that the assurances may be provided to HEFCE.
5. During October 2016, the chair of the audit committee met the PVC (Education & Student Experience) and the Director of Academic Quality Enhancement and received a detailed briefing on the quality assurance regime within LSBU.
6. At its meeting of 10 November 2016, the Audit Committee discussed in detail a report on quality assurance within LSBU, including a report on improvements to the student experience; assurance in relation to collaborative arrangements; the University's action plan for quality improvement, and a summary of the new quality landscape, a report from the Students' Union of their participation in quality enhancement, and a detailed mapping exercise of LSBU processes to national expectations under the UK quality code for higher education.
7. Please note that the report to the audit committee is available to any governor on request and not included in this pack, apart from the text of the statement to HEFCE and the mapping exercise of LSBU processes to national expectations. (The secretary will provide this paper to any governor on request).
8. In addition, at its meeting of 2 November 2016, the Academic Board have confirmed that the appropriate internal quality assurance processes have been

completed and that standards are appropriate (please note that the Chair of the Board attended this meeting as an observer). As detailed above, the Audit Committee has had oversight of the process through which this has been accomplished and received Executive assurance that appropriate processes remain in place.

### **Recommendation to the board**

9. The audit committee has carried out a full review of the current quality assurance process within LSBU. Based on assurances from the executive and by the Academic Board as to the appropriateness of LSBU's quality processes, the Chairman of the Audit Committee is satisfied that the Board of Governors may give the required assurance to HEFCE as set out in part 2 of the annual assurance return (attached).
  
10. Accordingly, the Board is requested to authorise the Chairman of the Board to sign part 2 of the assurance statement on its behalf.

### **Attached:**

- part 2 AAR statement
- map of process to national expectations

{Note: any governor who wishes to do optional background reading about the quality assurance process may wish to review LSBU's Academic Quality Regulations and the national quality framework in which UK higher education providers operate under the QAA's UK Quality Code for higher education. The secretary will provide these documents to any governor on request}.

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HEFCE Annual Assurance Return: part two statement:

**Part 2**

As a governor and on behalf of the governing body, I confirm that for the 2015-16 academic year and up to the date of signing the return:

The governing body has received and discussed a report and accompanying action plan relating to the continuous improvement of the student academic experience and student outcomes.

This included evidence from the provider's own periodic review processes, which fully involve students and include embedded external peer or professional review.

The methodologies used as a basis to improve the student academic experience and student outcomes are, to the best of our knowledge, robust and appropriate.

The standards of awards for which we are responsible have been appropriately set and maintained.

Signed by the Accountable Officer as a governor on behalf of all of the governors:

Signed: .....

Print name: .....

Date: .....

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Part A: Setting and Maintaining Academic Standards			
Expectation	How LSBU comply	Monitored by	reported
<b>A1:</b> UK and European Reference Points for Academic Standards	Alignment to Framework to Higher Education Qualifications (FHEQ) and subject benchmark statements is required for all new course approvals.	Validation panels, annual monitoring, periodic review panels, external examiner system (examiners report on standards and level of awards)	Reported through School Academic Standards Committee(SASC) to Quality and Standards Committee(QSC)
<b>A 2.1:</b> In order to secure their academic standards, degree-awarding bodies establish transparent and comprehensive academic frameworks and regulations to govern how they award academic credit and qualifications.	LSBU has an ongoing commitment to revising Academic Regulations and Procedures to make sure they are fit for purpose. These are made public on the web site <a href="http://www.lsbu.ac.uk/about-us/policies-regulations-procedures">http://www.lsbu.ac.uk/about-us/policies-regulations-procedures</a>	QSC can make in year changes to procedures in the best interest of students and if it is made clear they are being added as amendments to existing procedures	Academic regulations are revised annually at the start of the academic year and are agreed through Academic Board. These do not change in-year
<b>A 2.2:</b> Degree-awarding bodies maintain a definitive record of each programme and qualification that they approve (and of subsequent changes to it) which constitutes the reference point for delivery and assessment of the programme, its monitoring and review, and for the provision of records of study to students and alumni.	The definitive information made available to students and the recording any local protocols of differences from the Academic Regulations, for example because of professional body requirements, are made in the Course Specification	Validation panels, annual monitoring, periodic review panels, and through the external examiner system (examiners report on standards and level of awards)	Changes are made and reported through SASC. Requires an Annual Audit of Course Specifications to be completed reported to QSC <b>Action required - see action plan</b>
<b>A 3.1:</b> Degree-awarding bodies establish and consistently implement processes for the approval of taught programmes and research degrees that ensure that academic standards are set at a level which meets the UK threshold standard for the qualification and are in accordance with their own academic frameworks and regulations.	LSBU use an approval process which assigns risk to the type of validation event required	Validation panels, annual monitoring, periodic review panels, external examiner system (examiners report on standards and level of awards)	Academic Planning Panel reports to QSC, annual report of validations to QSC. <i>Paper provided for AB Nov 2016 about 2016-17 number of new courses linking growth to quality requirements</i>
<b>A 3.2:</b> Degree-awarding bodies ensure that credit and qualifications are awarded only where: a) the achievement of relevant learning outcomes (module learning outcomes in the case of credit and programme outcomes in the case of qualifications) has been demonstrated through assessment b) both the UK threshold standards and the academic standards of the relevant degree-awarding body have been satisfied.	Verified for new courses by the validation event and checked through annual monitoring of courses monitoring reports.	Academic Board - with authority delegated to QSC, and checked through the external examiners system for qualification types. Each course monitored by SASC	Reported to QSC. Need to embed more inclusive assessment provision and check that because of the highly modularised system at LSBU there is not a bias to over assessment. <b>Action required Assessment practices used across the universities should be a topic for a future Academic Audit</b>
<b>A 3.3:</b> Degree-awarding bodies ensure that processes for the monitoring and review of programmes are implemented which explicitly address whether the UK threshold academic standards are achieved and whether the academic standards required by the individual degree-awarding body are being maintained.	Individual modules are reviewed every year and this is used for course monitoring reports which feed into School action plans for making continuous improvement.	Checked through validation and re-validation events and by individual external examiners. Monitored by course teams through annual monitoring and through periodic review.	UG and PG courses reported to SASC which make annual overarching reports to QSC. <b>Action required Schools to be visited to discuss quality processes at a local level as aligned with plans for future growth.</b>
<b>A 3.4:</b> In order to be transparent and publicly accountable, degree-awarding bodies use external and independent expertise at key stages of setting and maintaining academic standards to advise on whether: a) UK threshold academic standards are set, delivered and achieved b) the academic standards of the degree-awarding body are appropriately set and maintained.	External advisers are used in validation events and external examiners report on academic standards annually	External examiner reports are used in annual monitoring reports and actions resulting from external examiner comments are discussed at SASCs	An annual external examiner report goes to QSC. To enhance the effectiveness of the external examiner system it has been proposed to AB to recruit and develop the role of an Institutional Examiner <b>Action required - see action plan</b>

QAA Quality Code Part A

<http://www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-a>

**Paper 5: A mapping exercise of LSBU processes to national expectations**

<b>Expectation</b>	<b>How LSBU comply</b>	<b>Monitored by</b>	<b>reported</b>
<b>B1:</b> Higher education providers, in discharging their responsibilities for setting and maintaining academic standards and assuring and enhancing the quality of learning opportunities, operate effective processes for the design, development and approval of programmes.	Course design by course teams is further supported through Centre for Research Informed Teaching (CRIT) and checked through validation events, (including using external specialists) with course teams meeting subsequent conditions before a new course is signed off for students to be allowed to enrol. This is checked through being annually monitored and periodically reviewed.	School Academic Standard Committees (SASC) and Quality and Standards Committee (QSC)	Academic Board - with authority delegated to Academic Planning Panel, and Quality Standard Committee see A3.1
<b>B2:</b> Recruitment, selection and admission policies and procedures adhere to the principles of fair admission. They are transparent, reliable, valid, inclusive and underpinned by appropriate organisational structures and processes. They support higher education providers in the selection of students who are able to complete their programme.	Through the specific LSBU Admissions and Enrolment Procedure, Enrolment Declaration and a Complaints and Appeals Procedure for admissions decisions. <a href="http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo">http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo</a>	Currently PVC Education and Student Experience signs off Procedure.	Gov-Legal is responsible for writing the enrolment declaration
<b>B3:</b> Higher education providers, working with their staff, students and other stakeholders, articulate and systematically review and enhance the provision of learning opportunities and teaching practices, so that every student is enabled to develop as an independent learner, study their chosen subject(s) in depth and enhance their capacity for analytical, critical and creative thinking.	Development and embedding the Educational Framework through course design supported by CRIT, checked through validation events. There is annual monitoring of courses, which are also periodically reviewed; external examiners report on university standards and student achievement in relation to those standards.	Through annual course monitoring, periodically reviewed and through academic audit as required.	Reported through SASC to QSC See A3.2 <i>paper to AB Nov 2016 about embedding the Educational Framework.</i>
<b>B4:</b> Higher education providers have in place, monitor and evaluate arrangements and resources which enable students to develop their academic, personal and professional potential.	LSBU Student Services include: Disability & Dyslexia Support; Student Advice, Careers Service, Library and learning resources and includes the learner analytics work and the support for learning team.	The Director of Student Support and Employment	Annual performance reported and discussed by the Student Experience Committee
<b>B5:</b> Higher education providers take deliberate steps to engage all students, individually and collectively, as partners in the assurance and enhancement of their educational experience.	Course boards; feedback surveys e.g. National Student Survey (NSS), Module Evaluation Questionnaires (MEQs), student participation in Academic Board, QSC, Board of Governors and other committees and sub-committees	Annual monitoring, periodic reviews and academic audit panels as required.	Reported through SASCs (Currently SASCs do not have any student representation) to QSC. Schools are starting to set up Student Voice Committees. <b>Action required:</b> to work with the Student Union to review the student participation in quality assurance in particular to review the Student Charter
<b>B6:</b> Higher education providers operate equitable, valid and reliable processes of assessment, including for the recognition of prior learning, which enable every student to demonstrate the extent to which they have achieved the intended learning outcomes for the credit or qualification being sought.	Courses design supported by CRIT and checked through the validation events and then subsequently through annual monitoring, periodic reviews and academic audits as required. There is an Academic Misconduct Procedure embedded in the Assessment and Examination Procedure available on the web <a href="http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo">http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo</a>	Validation and re-validation events. Annual external examiner reports are used in annual monitoring.	Reported through SASC to QSC <b>Action</b> AP(E)L /RPL will be reviewed for consistency across the university though the use of an academic audit. <b>Action</b> review the Academic Misconduct Procedure and make available separately on the web page
<b>B7:</b> Higher education providers make scrupulous use of external examiners.	External examiners report on university standards and student achievement in relation to those standards, this information is used in annual monitoring. Details about the LSBU external examiner system can be found in the in the Assessment and Examination Procedure available on the web <a href="http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo">http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo</a>	Reported through SASCs and an annual report to QSC. Any individual external examiner report signalling a not meeting of standards goes directly to PVC E&SE who checks a response from the relevant School is made and recorded at SACs	Annual report and check of external examiners recruitment by Academic Board see A3.4
<b>B8:</b> Higher education providers, in discharging their responsibilities for setting and maintaining academic standards and assuring and enhancing the quality of learning opportunities, operate effective, regular and systematic processes for monitoring and for review of programmes.	Annual monitoring of courses through course monitoring reports and periodically reviewing courses, and academic audits as required. Development and maintenance of a PSRB database recording the LSBU courses that have professional body recognition and when this will be reviewed.	Periodic Review and Academic Audit Panels as required	Reported through SASC and QSC. <b>Action required see action plan</b> to make the results from the annual monitoring more timely for making appropriate changes to courses and to make the process less burdensome the Course Monitoring Report (CMR) forms will be designed to be semi auto populated
<b>B9:</b> Higher education providers have procedures for handling academic appeals and student complaints about the quality of learning opportunities; these procedures are fair, accessible and timely, and enable enhancement.	Complaints and Appeal can be made using the LSBU procedures available on the web site at <a href="http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo">http://www.lsbu.ac.uk/about-us/policies-regulations-procedures#collapseTwo</a> At the end of the internal appeal or complaints process, a 'Completion of Procedures' letter is issued to the student which gives them the right to appeal to the OIA.	All Appeals and Complaints handling have moved to the Gov legal team from 2016-17	Reported to QSC before Academic Board. The OIA use a calendar year for reporting so the main reporting occurs at the Spring committees to discuss the previous year internal reporting has been discussed previously.

<p><b>B10:</b> Degree-awarding bodies take ultimate responsibility for academic standards and the quality of learning opportunities, irrespective of where these are delivered or who provides them. Arrangements for delivering learning opportunities with organisations other than the degree-awarding body are implemented securely and managed effectively.</p>	<p>This follows the same procedures for other course development approval processes checked through validation events. This was the topic for an academic audit in Autumn 2016-17</p>	<p>Validation panels, SASCs QSC, external examiner system (standards and level of awards)</p>	<p>Reports about collaborative arrangements are made through the course monitoring report and reported annually through SASC and to QSC. Larger transnational partnership also require institutional processes to be reported directly to QSC <i>Paper provided to AB Nov 2016 with recommendations from the academic audit</i> <b>Action - see action plan for developing robust reviewing and reporting from larger partnerships</b></p>
<p><b>B11:</b> Research degrees are awarded in a research environment that provides secure academic standards for doing research and learning about research approaches, methods, procedures and protocols. This environment offers students quality of opportunities and the support they need to achieve successful academic, personal and professional outcomes from their research degrees.</p>	<p>The LSBU research degrees code of practice can be found online at <a href="http://www.lsbu.ac.uk/__data/assets/pdf_file/0007/84355/research-degree-code-of-practice.pdf">http://www.lsbu.ac.uk/__data/assets/pdf_file/0007/84355/research-degree-code-of-practice.pdf</a></p>	<p>Through supervision and annual monitoring of students development plan</p>	<p>Research Degrees Committee,</p>
<p>QAA Quality Code Part B  <a href="http://www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-b">http://www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-b</a></p>	<p>Note: LSBU processes for how each of these are operated can be found in the LSBU Quality Code being revised for 2016-17 to be a Quality Assurance and Enhancement Manual</p>		

**Paper 5: A mapping exercise of LSBU processes to national expectations**

<b>Expectation</b>	<b>How LSBU comply</b>	<b>Monitored by</b>	<b>Owner</b>
UK higher education providers produce information for their intended audiences about the higher education they offer that is fit for purpose, accessible and trustworthy.	CMA Compliance, LSBU Marketing Guidelines		see A2.2

QAA Quality Code Part C

<http://www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-c>



	CONFIDENTIAL
Paper title:	Prevent Annual Report
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	Ian Mehrtens, COO
Executive/Operations sponsor:	Ian Mehrtens, COO
Purpose:	To approve the submission to HEFCE
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Goal 5: Access
Recommendation:	The Board is requested to approve the Prevent Annual Report for submission to HEFCE.

Matter previously considered by:	Audit Committee	On: 10 November 2016
Further approval required?	No	N/A

## Executive Summary

This first annual report on the Prevent Duty is prepared in accordance with the HEFCE guidance issued in October 2016. It follows a positive self-assessment submission in January 2016 and a detailed assessment in April 2016 when the University was given assurance in relation to our procedures.

Audit Committee previously reviewed an internal audit in order to assure the Committee and this is included in this annual report to HEFCE.

The Board is asked to approve the:

- HEFCE Required Statement of Assurance (as follows):

“Throughout the academic year and up to the date of approval, London South Bank University:



- has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)
  - has provided to HEFCE all required information about its implementation of the Prevent duty
  - has reported to HEFCE all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted on a timely basis”.
- the annual report for submission to HEFCE by the deadline date of 1<sup>st</sup> December 2016.





## **Prevent Annual Report**

### **1.0 Background and Purpose**

The government passed legislation which came into effect for Higher Education in September 2015, setting out responsibilities for trying to stop people being radicalised and drawn into terrorism.

- 1.1 The Higher Education Funding Council for England (HEFCE) is responsible for monitoring its implementation.
- 1.2 The monitoring framework requires the university to submit an annual return to HEFCE by **1 December 2016**. The report covers the period of the last academic year and developments to date.

### **2.0 Previous evaluation**

London South Bank University has:

- participated in a HEFCE pilot evaluation programme prior to the required self assessment earlier this year
- undertaken and produced a positive self-assessment for the required HEFCE return in January 2016
- received the highest compliance category outcome from the HEFCE detailed assessment of 1 April 2016. HEFCE did **not** highlight any areas for development or concern in their April 2016 outcome letter
- further tested compliance by commissioning PWC, our internal auditors, to review our approach. The report was rated as low risk and the progress of all actions is monitored by the university audit committee, against the deadlines set.

### **3.0 HEFCE Required Statement of Assurance**

#### **Recommendation**

**The Board of Governors approves the Annual Report and confirms the statement overleaf.**

Throughout the academic year and up to the date of approval, London South Bank University:

- has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)
- has provided to HEFCE all required information about its implementation of the Prevent duty
- has reported to HEFCE all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted on a timely basis.

(Note that there have not been any serious reportable incidents to HEFCE)

#### **4.0 Senior management governance and partnership working**

The Vice Chancellor is fully engaged with the approach to Prevent and the Chief Operating Officer is Executive Lead. Governance arrangements and postholders remain the same as the information previously supplied to HEFCE in the April 2016 return.

- 4.1 The Chief Operating Officer chairs an overarching Safeguarding Committee. The London Regional Prevent Co-ordinators are invited to these meetings. The Safeguarding Committee structure also includes wider senior management at Dean level.
- 4.2 The Chair of the Board of Governors is designated as the Health and Safety Sponsor. Safeguarding and Prevent is included under Health and Safety. The Board of Governors meeting of 13 October 2016 featured face to face training on health and safety and an overview of Prevent.
- 4.3 The Head of Health Safety and Resilience has contact with Southwark Local Authority in relation to Prevent. He also chairs the London Regional Higher Education Prevent Training Sub Group, and regularly attends the London Regional Higher Education Prevent Network.
- 4.4 London South Bank University hosted the London Regional Higher Education Prevent Network meeting on 4 October 2016, which was also attended by a HEFCE representative.
- #### **5.0 Safeguarding Policy, Risk Assessment, Action Plan and External Speakers Policy**

The university has a fully approved Safeguarding Policy including Prevent, which has been promoted and widely advertised throughout the last academic year and to date.

Forms of dissemination have included:

- using internal communications channels
- universe staff magazine
- intranet
- emails from the Chief Operating Officer
- cascade meetings
- face to face discussions
- training and induction.

The Policy contains a Prevent Risk Assessment, Action Plan and External Speakers Policy. Evidence of these documents has been previously submitted to HEFCE as part of our April 2016 return, and fully audited by PWC.

- 5.1 The safeguarding committee, chaired by the Chief Operating Officer, is responsible for the review and update of all of the above documents.
- 5.2 The agenda for the safeguarding committee meeting of 9 November 2016 includes the review of documentation and consideration of any required updates or changes. No fundamental principal changes are anticipated.

## 6.0 ICT

The ICT Security Policy has been redrafted to include specific reference to the Prevent Duty under the Counter Terrorism and Security Act 2015. This follows a recommendation in the PWC Audit. The new Policy will be formally approved before the end of November 2016.

### 6.1 Web Filtering

The safeguarding committee has discussed and considered the use of web filtering and the controls which are currently in place.

The Head of Information Security has also done further work following the PWC Audit recommendations, and this is reported back to the University Audit Committee. **Appendix A** provides full details of our current arrangements. This is a matter for ongoing review, and further work is being done in relation to considering the situation for mobile devices.

## **7.0 Referrals**

There have been no referrals to Channel during 2015 to date.

7.1 During 2015 there were 3 occasions where specific advice was sought from both the Regional Prevent Co-ordinator (at that time Mr. Chris Bowles) and the Metropolitan Police Local Prevent Lead (Mr. Grant Bones). Each issue related to Students. Two of the three issues were initially raised by Student Union Officers, and one by a Lecturer.

7.2 In each case, no further action was necessary.

7.3 No referral concerns have been raised in 2016.

## **8.0 External Speaker Requests**

187 external speaker requests have been received and processed since 2015 to date. No external speakers have been denied access or had applications rejected.

8.1 On 1 November 2016, the University became aware of an LSBU badged event involving an external speaker due to be held on 7 November. This had been advertised without following the appropriate procedures, or seeking authorisation.

8.2 The event was cancelled by the university and suitable management advice provided to the organiser. London South Bank University worked closely with the Regional Prevent Co-Ordinator. This example highlighted a need to further reinforce processes and training. This has been done by additional communications to Schools and adding wording to the events booking policy and safeguarding policy.

8.3 London South Bank University is an active member of the London Regional Higher Education Prevent Network, whose terms of reference also specifically include sharing information about external speakers.

8.4 The Safeguarding committee has also discussed improved methods of developing centralised lists of future planned events to match with speaker requests. This also follows a recommendation from the PWC Audit. This continues to be further developed, matched against random audit sampling, and will be fully established by 31 December 2016.

## **9.0 Training**

London South Bank has written and developed its own online training, as previously outlined in the HEFCE return of 1 April for all staff. It has also adopted a tiered training model with face to face training for groups more likely to have dealings with someone being drawn into extremism. This also includes security and catering and cleaning contractors.

675 staff have successfully undertaken the online training package as of 2 November 2016. The software package provides detailed completion data statistics.

9.1 In addition more detailed face to face training has been conducted for 421 people. The leadership foundation materials are also used as a cross reference, but not sole content. The safeguarding committee now monitors an overall training timetable and all training progress.

9.2 The Head of Health Safety and Resilience has regularly shared information about the training package via the London Regional Network, in case it supports other universities.

## **10.0 Committee structure**

The university has recently identified improvements which could be made to its safeguarding structure, by creating a number of working groups under the main safeguarding committee which oversees Prevent. The new working groups will be:

- Events and Social Media
- Prevent
- Legal
- Adult/Child Protection

These changes evidence the ongoing development, review and active implementation of arrangements to satisfy the required duties.

## **11.0 Research**

Where any individual may be legitimately required to research any terrorism related information online, there is a clear process for considering and authorising such a request. To date there have not been any requests.

11.1 The safeguarding committee has further discussed how such requests would be processed, and where any sensitive electronic information would be stored. The committee also included the Metropolitan Police Local Prevent Lead, who contributed to this discussion.

11.2 Two members of the safeguarding committee are now co-opted members of the university ethics committee. The university ethics committee is the body which has to consider all academic research requirements.

## **12.0 Student Union**

London South Bank University has a positive relationship with the Student Union, and this has continued to evolve since the last HEFCE return in April 2016.

- 12.1 Following the PWC Audit recommendation, a Student Engagement Plan is being developed and discussed with the Chief Executive of the Student Union. This will be fully in place by 31 December 2016.
- 12.2 The Chief Operating Officer and Head of Health Safety and Resilience both continue to regularly independently meet with the Chief Executive of the Student Union and the President of the Student Union, to ensure the voice of the Student is reflected in our approach . Robust arrangements for directly engaging the Student Union and Societies are fully in place.

## **Appendix A**

## Web Filtering Arrangements

LSBU has three levels of web filtering.

1. The first filter is at our ISP, which consists of a filter database maintained by the IWF (<https://www.iwf.org.uk/>). This is principally in place to stop child abuse websites from proliferating on the open internet.

2. The second level of filtering is an application installed on each of the machines owned by the University, there is a database maintained by our software vendor (Sophos) that updates the filter every day or so with reputation information for specific categories of filtering.

3. The third level of filtering is at the firewall. This allows us to block any website unilaterally across the whole network for our own devices and any other third party devices on the network. Typically, we only use this filter for hard blocks where there is a significant risk or potential legal liability for allowing content.

There is a list of websites blocked by the University. This is held on our Sophos platform, and without exception are related to malware, phishing, general malicious websites etc. We have never blocked a website related to terrorism or extremism manually. We do block extremist and terrorist content through the use of a category filter. In July 2016 we expanded our web filter to include 'Weapons', 'Violence' and 'Intolerance and Hate' categories, broadly to be in line with the Prevent guidance. Unfortunately, neither our Sophos filter or our Firewall has a specific separate Extremism or Terrorism filter category.

We log attempts to access blocked content on the Sophos enterprise console. Depending on capacity, we can usually search back around 6 months. We generate reports every week containing the top 25 'worst offenders'. We are able to identify the user account making the request (Active Directory account). In the case of any Prevent related request, we have an agreed process to escalate issues to our Chief Operating Officer. However to date there haven't been issues significant enough to warrant that escalation.

Exceptions to the web filtering is done by request to the ICT Helpdesk, and the request is raised to the Head of Information Security. He seeks permission from the requestors line manager or course director, documents the request and works out a solution for the user.



	CONFIDENTIAL	
Paper title:	Report on decisions of Committees	
Board/Committee	Board of Governors	
Date of meeting:	24 November 2016	
Author:	Michael Broadway, Deputy University Secretary	
Board sponsors:	Relevant committee chairs.	
Purpose:	To update the Board on committee decisions.	
Recommendation:	To note the report.	
Matter previously considered by:	As indicated	N/A
Further approval required?	No	N/A

## Executive Summary

A summary of Committee decisions is provided for information. Minutes and papers are available on request.

The Board is requested to note the reports.

## **Summary of Committee decisions**

### **Major Projects and Investment Committee – 1 November 2016**

The meeting was cancelled as there was no business to discuss.

In the new year the committee will be reviewing:

- Business case for Project Larch
- Business cases for estates redevelopment

### **Academic Board – 2 November 2016**

The Board recommended to the Board for approval:

- The quality assurance report to HEFCE

The Board approved:

- Revised honorary awards criteria

The Board discussed:

- Deputy Vice Chancellor's report
- The Promotions Panel process for academic staff
- An update on the Teaching Excellence Framework
- Foundation year and year 1 provision
- Proposed new course validation process
- Embedding the educational framework in the curriculum
- An update on managing UK and transnational partnerships
- Progress against academic KPIs

### **Honorary Awards Committee – 8 November 2016**

The committee approved that following are invited to receive honorary awards:

- Carol Black
- Stephen Bourne
- Ronald Dobson
- Rio Ferdinand
- Tom Toumazis
- Martha Lane-Fox
- Linda Dobbs (approved in 2015)

The committee agreed that Margaret Sharp would be approached if some recipients choose not to accept the offer of an award.

Please note that list is confidential. Recipients who accept will receive their awards in the autumn 2017 graduation ceremonies.

### **Finance, Planning and Resources Committee – 8 November 2016**

The committee recommended to the Board:

- Annual report and accounts, 2015/16

The committee discussed:

- Management accounts to 30 September 2016
- A review of student recruitment for 2015/16
- Key performance indicators for the strategic enablers
- SU draft accounts, 2015/16
- Strategic HR report
- Chief Operating Officer's report

The committee approved:

- Revised gift acceptance policy (text of approved version attached to this report for information)

### **Audit Committee – 10 November 2016**

The committee reviewed and recommended to the Board:

- External audit findings
- External audit letter of representation
- Draft report and accounts
- Quality assurance return to HEFCE
- Prevent annual report to HEFCE
- Audit Committee annual report

The committee reviewed:

- Internal audit annual report
- Internal audit report on Human Resources – rated low risk
- External audit performance
- The going concern statement for inclusion in the annual report
- The public benefit statement for inclusion in the annual report

The committee approved:

- Annual value money report to HEFCE
- Anti-bribery policy review
- The Modern Slavery Act statement (text of final version included as an appendix to this report for information).

The committee noted:

- Corporate risk register
- Anti-fraud, bribery and corruption report – no issues had been identified
- Speak up report – one issue had been raised. The Chair is reviewing the findings.
- The audit committee business plan

### **South Bank Enterprises Ltd Board – 15 November 2016**

The Board approved:

- Company accounts for 2015/16. These form part of the consolidated accounts.
- Staff bonuses for 2015/16

## **Introduction**

This policy has been devised in light of the Woolf Report into the LSE and Libya (2011) including the recommendation that “A university should not be criticised for deciding to lawfully accept a gift, so long as it makes proper investigation and then comes to one of the range of decisions which are appropriate in the circumstances”. The University has a charitable obligation to its beneficiaries, primarily its students, to accept donations except where these might harm directly or indirectly those beneficiaries; and it should be robust in exercising this obligation.

This policy has been devised to ensure clarity and openness to all our stakeholders regarding the acceptance of gifts and other financial support. It is designed to address donations, sponsorship, cause-related marketing, and gifts in kind. The principles will also apply to research funding, although this will be dealt with primarily by the University’s Research Committee.

The University policy on Gift Acceptance policy is approved by the LSBU Board of Governors. Compliance is monitored by the LSBU Finance, Planning & Resources Committee. The Policy should be read in conjunction with the associated Procedures which are maintained by the University Executive.

## **Policy**

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

- Only LSBU and its group companies have direct access to its databases.
- Potential funders are screened through Corporate Critic Database or other research sources to provide an independent assessment of funders before a decision to accept funding is made. For practical reasons we do not assess donors or sponsors of amounts of £5000 or less.
- The University reserves the right to withdraw from any arrangements where this policy becomes breached. Agreements with donors and commercial partners should take account of this.

The University has a series of agreed Procedures for the implementation of this policy (see below).

### **Gift Acceptance Procedures**

- Donations, grants and commercial sponsorships may be solicited and accepted by University staff where this is specified in individual letters of designated authority. In general this will be at a level of up to £5000 for Heads of Division and £25,000 for Deans of Schools.
- Any member of staff receiving or soliciting any gift to the University must notify details of the gift and any potential or actual conflicts of interest to the fundraising team and secure approval.
- To ensure that the University holds a complete view of all donor, sponsor and similar relationships the fundraising team should be informed of all applications and solicitations for donations, grants or commercial sponsorship. Where practicable this should be done in advance of any donation, grant or commercial sponsorship being solicited or accepted.
- In any event the fundraising team should be notified of any donations, grants or commercial sponsorship being solicited or accepted within 7 days of this taking place.
- The Research and Enterprise Offices should also be consulted and approval sought for grants or similar applications in the usual way.
- No donation, grant or commercial sponsorship above £25,000 should be solicited without the prior agreement of the fundraising team.

- The University retains the right to review and return any donation.
- The fundraising team, in partnership with those involved in the funded activities and supported by the Secretary's Office where appropriate will be required to undertake any warranted due diligence about a potential donor.
- Where a potential donation, grant or commercial sponsorship is perceived by the fundraising team to be in possible conflict with the University Policy on Gift Acceptance, it will make recommendations on acceptance to the Vice Chancellor, based on the following criteria:
  - The reputation of the donor and their associates
  - The likely origin of the funds
  - The activities of the donor as they relate to the area of the gift
  - The nature of the funded activities
  - Any conditions attached to the gift
  - The local, national and international context
- The decision to refuse a gift will be made if the risk to the reputation of the University outweighs the benefit to the University's charitable beneficiaries.
- Each donation will be considered on a case by case basis.
- The Vice Chancellor will either determine the decision or may seek the advice of the Executive or the Board of Governors.
- If the proposed donation, grant or commercial sponsorship raises a genuine issue of principle the Executive will refer the question to the Board of Governors.
- This process should ensure adequate notice for decisions and details of the nature and implications of those decisions. Adequate supporting documentation should be provided by the fundraising team in partnership with those involved in the funded activities which should ensure clarity over the most pertinent issues and include representation of all the relevant views concerned.
- Where a donation, grant or commercial sponsorship is offered prior to any solicitation, the same process will apply. However, to avoid potential embarrassment, the process will be expedited through the use of electronic communication to enable a response to the donor within 20 working days.

- Reasons for non-acceptance of support might include concerns relating to:
  - Money laundering and receiving money which might come from illegal activities, including contravention of the UK Bribery Act 2010
  - Being used to give respectability to those whose reputation is doubtful. Where there is no absolute evidence, judgement must be made over whether the balance of benefit or potential damage is greater
  - Activities of the donor which are counter to the funded activities
  - The possibility of adverse publicity from the donation which would likely result in a disproportionate reduction of donations from other sources
  - Dependency on conditions which are contrary to the objectives of the recipient area of the University, or unreasonable in relation to the nature of the donation
  - Conditions which tie the donation to a specific activity where the activity itself is not within the objectives or intended strategy of the institution.
  
- It should be recognised that the perceived endorsement provided by legal structures or association with other organisations is often only limited and is not necessarily evidence of a bona fide organisation or source of funds.
  
- In the case of historic sources of funds, due consideration should be given to accepted practice.
  
- The Fundraising team will review annually previous donations above £25,000 where those donations continue to provide funding for University programmes.
  
- The Finance, Planning and Resources Committee will receive an annual report on all donations above £25,000 and adherence to the University Policy and Procedures for Gift Acceptance.
  
- A “related party” refers to an individual, such as a close family member to the student, or an organisation over which the student has a degree of control, such as a directorship or shareholding.
  
- The University may not accept gifts of more than £5000 to be made in cash
  
- The object and any agreement around gifts below £25,000 should be recorded in writing. Gifts of more than £25,000 should be recorded in a formal gift agreement.
  
- The University may not make honorary awards in exchange for financial support.



- The University will not solicit donations from Honorary Graduates or Fellows regarding new fundraising opportunities from the point of first contact with the offer of an award to three months after the award. Honorary awards can be made to existing donors provided all other gift acceptance policies and procedures have been followed.
- University staff members have the opportunity to suggest candidates. However, University staff directly involved in fundraising from an individual may not propose them as a candidate.

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## **Anti-slavery and Human Trafficking Statement**

### **November 2016**

#### **1. Introduction**

- 1.1 This statement is made under the Modern Slavery Act 2015 and sets out the steps that London South Bank University (LSBU) is taking with the aim that slavery and human trafficking are not taking place within its supply chain or its business.
- 1.2 LSBU is a UK higher education institution. LSBU purchases around £60 million p.a. in goods, services and works through various supply chain arrangements.

#### **2. Policy on slavery and human trafficking**

- 2.1 LSBU is committed to procuring goods and services and employing people without causing harm to others. In doing so, LSBU is committed to supporting the UK Government's approach to implementing the UN Guiding Principles on Business and Human Rights.
- 2.2 In implementing this approach LSBU supports the Base Code of the Ethical Trading Initiative (ETI):
- employment is freely chosen
  - freedom of association and the right to collective bargaining are respected
  - working conditions are safe and hygienic
  - child labour shall not be used
  - living wages are paid
  - working hours are not excessive
  - no discrimination is practised
  - regular employment is provided
  - no harsh or inhumane treatment is allowed

#### **3. Identified risks and mitigation**

- 3.1 Direct employment – LSBU mitigates the risk of modern slavery in directly employed staff by following its own policies on selection and recruitment.
- 3.2 Agency staff – agency staff are recruited through established sources, which should provide assurance that they comply with the requirements of legislation relating to the rights and welfare of their candidates and employees.

- 3.3 Students – although the risk is low, LSBU recognises that students living in south London and the surrounding area may become aware of instances of modern slavery or human trafficking. If such circumstances occur, students will be encouraged to seek assistance, support and advice on their wellbeing from the Student Life Centre.
- 3.4 Supply chain – LSBU’s supply chains are managed under the following categories:
- estates\* (including capital estate projects, works, maintenance, utilities)
  - facilities\* (including cleaning, security, reception, catering, furniture, health & safety including personal protective equipment)
  - insurance
  - capital & specialist equipment
  - professional clothing\*
  - ICT hardware\* & software (including audio visual, telecoms, print)
  - professional services (including recruitment, marketing, and HR services)
  - research & enterprise
  - publications
  - travel
  - office supplies\*
  - laboratory consumables and equipment\*
  - international student recruitment representatives
- 3.5 LSBU’s reasonable assessment at this time is that categories highlighted with an asterisk \* carry potentially higher risks relating to modern slavery in their supply chains.

#### **4. Raising concerns**

- 4.1 Any person who has a concern that there is malpractice in relation to LBSU’s activities anywhere in the world may raise their concern via the independent speak up helpline provided by Safecall (details are in the speak up policy).

#### **5. Current action**

- 5.1 LSBU is committed to carrying out procurement of goods and services in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to this commitment.

- 5.2 LSBU's procurement is either: (1) collaborative, through national public sector or regional higher education purchasing consortia; or (2) by in-house tendering and contracting.
- 5.3 LSBU is a member of the London Universities Purchasing Consortium (LUPC). LSBU engages with its purchasing consortia to support the inclusion of ethical sustainability, including addressing slavery and human trafficking, in their procurement programmes.
- 5.4 When procuring goods, works and services the university reviews corporate social responsibility in a range of methods, depending on the type of procurement being undertaken. All employees involved in university procurement processes are required to uphold the university's procurement code of ethics. This includes specific reference to modern slavery.
- 5.5 The university's sustainability steering group is responsible for the oversight, development and ongoing monitoring of the university environmental and sustainability policies and strategy (which include modern slavery).

## **6. The future**

- 6.1 LSBU will continue to develop its approach to better understand its supply chain and to encourage greater transparency and responsibility towards people working within them.
- 6.2 LSBU will continue to review its supply base and procurement processes to assess what steps need to be taken to prevent, monitor and mitigate risks where supply chains may pose particular risks

This statement has been approved by LSBU's Board of Governors and will be reviewed annually.

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	CONFIDENTIAL
Paper title:	Corporate Risk Register
Board/Committee	Board of Governors
Date of meeting:	24 November 2016
Author:	John Baker – Corporate & Business Planning Manager
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Board with the current corporate risk register.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	All aspects as the risk entries on the register are aligned to the goals of the Corporate Strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> <li>• the risks and their ratings,</li> <li>• the allocation of risks to corporate objectives</li> </ul>

Matter previously considered by:	Operations Board	On: 25 <sup>th</sup> October
Further approval required?		

## Executive Summary

The latest version of the Corporate Risk Register is attached for review.

An overview of the key amendments provided in the middle column of the summary table on pages 2 and 3.

The Committee is requested to note:

- the risks and their ratings
- the allocation of risks to corporate objectives

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# LSBU Corporate Risk Register cover sheet: Risk overview matrix by impact & residual likelihood

**Date:** 1<sup>st</sup> Nov 2016      **Author:** John Baker – Corporate & Business Planning Manager      **Executive Lead:** Richard Flatman – Chief Financial Officer

Page 217	2: Revenue reduction if course portfolio, and related marketing activity, does not achieve H/EU UG recruitment targets (IM)	1: Lack of capability to respond to policy changes & shifts in competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	Impact	
	457: Anticipated international student revenue unrealised (PI)	6: Management Information perceived as unreliable, doesn't triangulate or is not presented (RF) 14: Loss of NHS contract income (WT) 305: Data not used / maintained securely (IM) 362: Low staff engagement impacts performance negatively (DP) 3: Increasing pensions deficit reduces flexibility (RF) 402: Unrealised research & enterprise £ growth (PI) 467: Progression rates don't rise (SW) 495: Higher Apprenticeship degrees (PB)	37: Affordability of Capital Expenditure investment plans (RF)		3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>
	517: Impact of EU Referendum result on operating conditions & market trends (DP)	398: Academic programmes not engaged with technological and pedagogic developments (SW)	494: Inconsistent delivery of Placement activity across the institution (SW)		2 Medium <i>failure to meet operational objectives of the University</i>
					1 Low <i>little effect on operational objectives</i>
	<b>3 - High</b> <i>The risk is likely to occur short term</i>	<b>2 - Medium</b> <i>This risk may occur in the medium term.</i>	<b>1 - Low</b> <i>This risk is only likely in the long term</i>		
<b>Residual Likelihood</b>					
Executive Risk Spread: VC – 2, DVC – 1, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 2, Dean Health – 1, ExD-HR – 1, US - 0					

**Changes since presentation at previous AC / Operations Board meeting, and overdue action progress updates detailed below:**

Reference	Risk title	Completed Actions & Risk Changes	Overdue Actions
<b>Goal 1: Teaching &amp; Learning:</b> Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise			
398 (SW)	Low engagement with tech or pedagogic developments	Actions updated:	
467 (SW)	UG Progression rate doesn't rise	New actions added to record & re-allocated.  Engagement Interns action implemented. Appointments now made to these positions.	Learner Analytics action update: The rollout of the Learner Analytics Dashboard has been postponed whilst ICT address data protection and privacy issues relating to access.
<b>Goal 3: Employability:</b> Ensuring students develop skills, aspiration and confidence.			
494 (SW)	Inconsistent delivery of Placement activity across institution	New actions around Employability restructure & Steering Group:	Policy & Agreement ProForma action update: Work is in progress on policy and contracts. Both are in 'draft' form, and awaiting further agreement/confirmation from the Gov/Legal team.
<b>Goal 4: Research &amp; Enterprise:</b> Delivering outstanding economic, social and cultural benefits from our intellectual capital.			
402 (PI)	2020 income growth through Research & Enterprise	Research & Enterprise Guide launched: Guide was launched on 24 <sup>th</sup> October, and CRS will continue comms campaign over 3 month period.  TNE quality lead appointed: Mandy Maidment of Applied Sciences will take up this role on a 0.5 fraction.	
<b>Goal 5: Access:</b> Work with local partners to recruit, engage and retain students with the potential to succeed.			
495 (PB)	Impact of Higher Apprenticeship degrees on existing recruitment markets		Staff Appointment Action Progress Note: Apprenticeship Administrator and Account manager have gone to advert. Application closing date Friday 21st October. Interviews w/c 31st October.  Launch Action Progress Note: Apprenticeship Scheme to be announced on 29th November; this will include the launch of IPTE, which will be attended by Robert Halfon (Minister of State at the Department for Education)
<b>Goal 6: Internationalisation:</b> Developing a multicultural community of students & staff through alliances & partnerships.			
457 (PI)	International student £income unrealised	New Director Induction action completed:	

517 (DP)	Impact of EU Referendum		
<b>Goal 7: People &amp; Organisation:</b> Attracting proud, responsible staff, & valuing & rewarding their achievements.			
1 (DP)	Response to environmental change & reputation	Controls Updated.	
362 (DP)	Poor Staff Engagement	Behavioural framework action implemented: The Values are now integrated into all of our training and HR processes.	
<b>Goal 8: Infrastructure:</b> Investing in first class facilities and outcome focused services, responsive to academic needs.			
2 (PI)	Home & EU Recruitment income targets	Controls updated	
3 (RF)	Pensions deficit		
6 (RF)	Quality and availability of Management Information	MIO enrolments dashboard action completed: The new enrolments dashboard has been moved into the Live environment, and access provided to Ops Board members and recruitment contacts.  New action – Scope for SRS replacement.	
14 (WT)	Loss of NHS income		
17 (RF)	Affordability of Capital Investment plans		Student Centre negotiations action progress update: Programming expert engaged to adjudicate on the decisions taken in respect of the refused extension of time claim. We await a meeting with the senior Director of Balfour Beatty early in 2016.
105 (IM)	Data Security		Mandatory training action progress update: The Pilot programme completed in January, feedback from this was implemented in February and ICT are now in discussions with HR comms team to work out optimum distribution method and comms package.

# Standard Risk Register




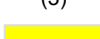
Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
398	Academic programmes do not employ suitable technological and pedagogic developments to support students and promote achievement	Shan Wareing	<p><b>Cause:</b> Sustained underinvestment in expertise and dedicated human resource to support utilisation of learning technologies, comparative to new and existing competitors.</p> <p><b>Effect:</b> LSBU does not effectively exploit the learning potential of new technologies, impacting negatively on student retention, achievement, or cost base (eg in terms of physical estate, inability to use virtual facilities) and our ability to delivery new provision such as apprenticeships Curriculum do not adapt sufficiently to remain relevant, jeopardising the employability of LSBU graduates. More flexible and efficient educational models which enable us to remain adaptable and competitive are out of institutional reach Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment so retention does not meet the targets within the 5 year forecast. Market appeal of courses is impaired, impacting negatively on recruitment.</p>	I = 3 L = 2 High (6)	<p>The Student Experience Committee reports regularly to the Quality &amp; Standards Committee on the Achievements of work undertaken by CRIT (Centre for Research Informed Teaching).</p> <hr/> <p>Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Educational Framework and Quality Processes, monitored by Academic Board.</p>	I = 3 L = 2 High (6)	Shan Wareing	Establish Digitally Enhanced Learning Steering Group; to prioritise actions & investment, and engage with stakeholders, and report progress to Academic board on ongoing basis.	30 Nov 2016
							Marc Griffith	Appoint to positions within DEL team to develop and support use of MyLSBU and Digitally Enhanced pedagogies.	23 Dec 2016

## Standard Risk Register

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
467	Progression rate across undergraduate programmes does not rise in line with targets of Corporate Strategy	Shan Wareing	<p><b>Cause:</b> Students admitted through clearing with lower tariff and less commitment to the course. High risk students are not identified in a timely way and supported sufficiently. Failures in timetabling, organisation and communication increase during periods of change, and high risk students are more vulnerable. New initiatives don't engage students. Provision fails to meet immediate needs of students entering through non-traditional access routes. Unable to finance student support adequately to meet level of demand.</p> <p><b>Effect:</b> Progression rate fails to increase sufficiently . HEFCE, or OFS could view LSBU as high risk. Data could have negative impact in TEF metric assessment. Considerable loss of income from UG non-progression to level 5 and 6.</p>	I = 3 L = 2 High (6)	<p>Study Support &amp; Skills Sessions provided by the Library &amp; LRC</p> <hr/> <p>Student Welfare advice and support provided by Student Life Centre</p>	I = 3 L = 2 High (6)	Saranne Weller	Provide review of newly validated courses to Academic Board to inform discussion around review of existing procedures, ensuring effective linkage with CRIT in future process.	04 Nov 2016
							Shan Wareing	Review current Job Description for Course Directors, ensuring fit with current priorities and Career Pathway structure.	23 Dec 2016
							Jamie Jones	Amend Academic Regulations to provide greater support to students at risk of withdrawal.	31 Mar 2017
							Jamie Jones	Review impact of Engagement and Attendance Monitoring Strategy.	31 Jul 2017
							Lesley Roberts	Oversee rollout of stage 1 of Learner Analytics Project with demographic data dashboard available to Personal Tutors and Student support teams.	31 Oct 2016

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
494	Inconsistent delivery of Placement activity across institution	Shan Wareing	<p><b>Cause:</b>                      Insufficient human resource allocation centrally and in Schools                      Insufficient expertise within LSBU.                      Lack of allocation of sufficient central and School human resource.                      Speed of implementation without underpinning project planning or learning from the sector.                      Lack of assurance over offsite workplace conditions.</p> <p><b>Effect:</b>                      Placement practice may not comply with Chapter B10 of the Quality Code, so may be a quality risk.                      LSBU may not be able to provide a placement, internship or professional opportunity for all UG students entering in 2016 and after, leading to a CMA risk                      Placements may not deliver a good student experience, creating a risk to achievement of NSS improvement plans.                      Duty of care to students re workplace safety may not be met, creating a reputational risk.                      Potential insurance risk.</p>	I = 3 L = 2 High (6) 	Utilisation of new software platform 'InPlace' enables efficiencies in the Schools & the centre, and supports constancy of process and knowledge sharing.	I = 3 L = 1 Medium (3) 	Valerie Tomlinson	Creation of placements policy and placement agreement pro-forma.	30 Sep 2016
							Kirsteen Coupar	Establish Placements Steering Group; with representatives from each School and relevant PSGs, to review operations managed through InPlace system and develop practice and procedure across the university in relation to the recruitment guarantee.	28 Apr 2017
							Kirsteen Coupar	Complete restructure of Employability team to ensure improved ability to support placements.	28 Feb 2017
							John Baker	Oversee completion of Internal Audit Review into activity.	28 Feb 2017
							Valerie Tomlinson	Develop procedure and systems for quality assurance of placement opportunities.	23 Dec 2016


# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
402	Income growth expected from greater research and enterprise activity does not materialise	Paul Ivey	<p><b>Cause:</b></p> <ol style="list-style-type: none"> <li>1) Challenging market environment with high competition for similar opportunities and funders.</li> <li>2) Lack of proven forecasting systems &amp; recent static performance</li> <li>3) Aggressive and complex turnaround required carries intrinsic high risk.</li> <li>4) Dependence on HSC CPPD income (circa 50% of enterprise£)</li> <li>5) New structures fail to entice and encourage academic participation in activity.</li> <li>6) Limitations of academic capacity and capability.</li> <li>7) Internal competition for staff time over and above teaching.</li> <li>8) TNE partnerships are not approved, present quality risks, or break down due to absence of adequate support structures, or when contacts relocate.</li> </ol> <p><b>Effect:</b></p> <ol style="list-style-type: none"> <li>1) Income growth expectations unrealised.</li> <li>2) Undiversified enterprise portfolio.</li> <li>3) Lower financial contribution, as an increased proportion of delivery is sourced outside core academic staff.</li> <li>4) Increased dependency on generating enterprise opportunities via Knowledge Transfer outreach as opposed to an academic-led stream, results in higher opex costs.</li> <li>5) The holistic benefits for teaching and the student experience are reduced.</li> <li>6) Proportion of staff resource diverted to winning new funding is significantly increased.</li> <li>7) Reduced research income adversely affects the research environment, publication rates, evidence of impact, student completions, &amp; ultimately LSBU REF 2020 rating.</li> <li>8) Inability to align academic resource with identified market opportunities.</li> <li>9) TNE enterprise expectations unrealised.</li> </ol>	I = 3 L = 2 High (6)	<p>Operation of Sharepoint Enterprise Approval Process for authorisation of new income opportunities.</p> <hr/> <p>R&amp;E activity Pipeline Reports (Financial &amp; Narrative) will be provided to each Operations Board Meeting to aid constant scrutiny and review of progress against 5 year income targets.</p> <hr/> <p>Bid writing workshops for academic staff delivered routinely</p> <hr/> <p>Enterprise Business Plan &amp; strategy submitted for approval annually to SBUEL Board (which has 2 Non-Executive Directors) for monitoring &amp; quarterly updates provided at LSBU Board meetings.</p>	I = 3 L = 1 Medium (3)	<p>Shan Wareing</p> <hr/> <p>Graeme Maidment</p>	<p>Ensure financial model recognises the costs of managing risks to quality and the student experience</p> <hr/> <p>Development of bid management strategy for each School.</p>	<p>01 Aug 2017</p> <hr/> <p>22 Dec 2016</p>

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
495	Impact of Higher Apprenticeship degrees on existing recruitment markets	Pat Bailey	<p><b>Cause:</b> The Introduction of Higher Apprenticeship degrees may present an opportunity for LSBU to grow student numbers in a new market.</p> <p><b>Effect:</b> These degrees could cannibalise existing employer sponsored students. This represents a risk to existing income and markets. LSBU currently has c.4,000 students on part-time courses, majority employer-sponsored &amp; initial estimations are that income from 1,400 students (£3.3m of surplus) could be affected.</p>	<p>I = 3 L = 2 High (6)</p> 			Pat Bailey	Develop a financial model for the efficient running of Higher and Degree Apprenticeships , with funding mechanisms for student transfer from FE-HE.	28 Oct 2016
							Alison May	Appoint staff to the new team roles being created to manage this activity for the institution.	01 Nov 2016
							Pat Bailey	Develop launch strategy for Institute of Professional & Technical Education (IPTE)	30 Sep 2016



## Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
457	Anticipated international student revenue unrealised	Paul Ivey	<p><b>Cause:</b> UK government process / policy changes. Restriction on current highly trusted sponsor status. Issues connected with english language test evidence. Anticipated TNE growth does not materialise.</p> <p><b>Effect:</b> LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise.</p>	I = 3 L = 3 High (9)	<p>Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.</p> <hr/> <p>International Office runs annual cycle of training events with staff to ensure knowledge of &amp; compliance with UKVI processes.</p> <hr/> <p>Recruitment Reports presented to each meeting of Ops Board.</p>	I = 3 L = 2 High (6)	Paul Ivey	Lead development of an LSBU partnership model for International activity.	28 Oct 2016

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
517	Impact of EU Referendum result on operating conditions & market trends	David Phoenix	<p><b>Cause:</b> Following the vote to 'Leave', the Government is working towards a plan to extract the UK from the European Union. Whilst we appear to be a long way from the triggering of article 50, itself a 2 year process, the news of the outcome of the plebiscite has already seen impact in markets and international opinion.</p> <p><b>Effect:</b> Staff impact: The outcome could impact on the ability of some existing staff to remain in the UK, and could impair the ability for future recruitment, both from Europe, and from other overseas territories. Recruitment impact: Currently EU students pay home fees &amp; can access the UK student loan system. It is likely that higher fees and removal of this access will have a significant impact on the appeal of the UK to European applicants long term. Additionally the reporting of the Brexit outcome is having a negative impact on the reputation of the UK as a welcoming destination. These impacts on the sector could also cause changes in recruitment patterns at well-ranked institutions, which could have a negative impact on applicant pools elsewhere. Research Funding: Leaving the EU is likely to remove the ability of LSBU to partner in EU research projects, and access Horizon 2020 funding opportunities. Legislative Compliance: There could be additional administration cost in updating many EU compliant processes if regulations are amended. Impact on bond yields could affect year end pension liabilities.</p>	I = 2 L = 3 Medium (6)			David Phoenix	Continue to monitor closely, through UUK and other sector bodies, the potential impacts and responses.	31 Jul 2017
							Gurpreet Jagpal	Review bid development strategy in Research, and seek to find alternatives to offset any anticipated shortfalls from European sources.	31 Jan 2017
							Mandy Eddolls	Monitor situation with regard to employment law and right to work, and ensure that appointments are made in compliance with any changes to regulation.	28 Jul 2017

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
1	Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape	David Phoenix	<b>Cause:</b> - Changes to fees and funding models - Increased competition from Private Providers - TEF and Apprenticeship development - Failure to anticipate change - Failure to position (politically) - Failure to position (capacity/structure) - Failure to improve League Table position  <b>Effect:</b> - Failure to recruit students - Failure to differentiate	I = 4 L = 3 Critical (12)	Ketchum appointed to advise LSBU on the ongoing changes to the political environment for higher education & its external communications in response to these changes.	I = 4 L = 1 High (4)	Shan Wareing	Oversee preparation of Narrative reports element of submission to the TEF.	23 Dec 2016
					Financial controls (inc. forecasting & restructure) enable achievement of forward operating surplus target communicated to Hefce in July Forecast.  The Business Intelligence Unit (BIU) provides Senior Managers with trend analysis and competitor benchmarking on all KPIs  A horizon scanning report produced by the Policy Unit  Maintain relationships with key politicians/influencers, boroughs and local FE  Annual review of corporate strategy by Executive and Board of Governors		Michael Simmons	Fully populate team within newly created Office of Corporate Affairs.	31 Jan 2017

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
362	Low staff engagement impacts performance negatively	Mandy Eddolls	<b>Cause:</b> <ul style="list-style-type: none"> <li>•Bureaucracy involved in decision making at the University</li> <li>•Systems and structure do not facilitate teamwork between areas of the University</li> <li>•Staff feeling that they do not receive relevant information directly linked to them and their jobs</li> <li>•Poor pay and reward packages</li> <li>•Poor diversity and inclusion practises</li> </ul> <b>Effect:</b> <ul style="list-style-type: none"> <li>•Decreased customer (student) satisfaction</li> <li>•Overall University performance decreases</li> <li>•Low staff satisfaction results</li> <li>•Increased staff turnover</li> <li>•Quality of service delivered decreases</li> </ul>	I = 3 L = 3 High (9)	Cascade messages from Ops Board circulated for Cascade Meetings within each School & Professional Function.	I = 3 L = 2 High (6)	Markos Koumaditis	Complete progress review of University, School & PSG action plans.	28 Feb 2017
				Departmental Business Planning process		Cheryl King-McDowall	Conduct EES Pulse survey for key themes.	31 May 2017	
				Direct staff feedback is encouraged through the "asktheVC@" email address and through feedback forms on intranet and 'developing our structures' microsite.		Jo Sutcliffe	Complete soft launch of new staff intranet.	31 Oct 2016	
				Scheduled Team meetings					
					Regular Business review meetings				

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
2	Revenue reduction if course portfolio, or related marketing activity and admissions process does not achieve Home/EU recruitment targets	Ian Mehrtens	<p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>- Changes to UGFT fees</li> <li>- Increased competition (removal of SNC cap in 15/16)</li> <li>- Failure to develop and communicate brand &amp; lsbu graduate attributes</li> <li>- Lack of accurate real-time reporting mechanisms</li> <li>- Poor league table position</li> <li>- Portfolio or modes of delivery do not reflect market need</li> <li>- Tighter tariff policy during clearing</li> </ul> <p><b>Effect:</b></p> <ul style="list-style-type: none"> <li>- Under recruitment</li> <li>- loss of income</li> <li>- Loss of HEFCE contract numbers - to 14/15</li> <li>- Failure to meet related income targets</li> <li>- cost of legal challenge relating to CMA guidance</li> </ul>	I = 4 L = 3 Critical (12)	<p>Report on student applications is presented to every monthly meeting of Operations Board &amp; reviewed by Board of Governors</p> <hr/> <p>Weekly Report linking student numbers to anticipated income levels circulated to Ops Board.</p> <hr/> <p>Advance predictions of student recruitment numbers informs the Annual five year forecast submitted to Hefce each July</p> <hr/> <p>Differentiated marketing campaigns are run for FTUG, PTUG and PG students on a semesterised basis.</p>	I = 4 L = 2 Critical (8)	Pat Bailey	Oversee Executive scenario planning activity, to explore growth opportunities within portfolio, and to consider action in the event of an income shortfall.	30 Dec 2016

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
3	Staff pension scheme deficit increases	Richard Flatman	<p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>- Increased life expectancies</li> <li>- Reductions to long term bond yields, which drive the discount rate</li> <li>- Poor stock market performance</li> <li>- Poor performance of the LPFA fund manager relative to the market</li> <li>- Impact of change from FRS17 to FRS102</li> <li>- Further change to accounting requirements for TPS &amp; USS schemes</li> </ul> <p><b>Effect:</b></p> <ul style="list-style-type: none"> <li>- Increased I&amp;E pension cost means other resources are restricted further if a surplus is to be maintained</li> <li>- Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE</li> <li>- Significant cash injections into schemes may be required in the long term</li> <li>- Inability to plan for longer term changes</li> </ul>	I = 3 L = 3 High (9)	<p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars</p> <hr/> <p>Annual FRS 102 valuation of pension scheme</p> <hr/> <p>Regular participation in sector review activity through attendance at LPFA HE forum, &amp; UCEA pensions group by CFO or deputy.</p> <hr/> <p>Regular Reporting to Board via CFO Report</p> <hr/> <p>DC pension scheme for SBUEL staff.</p> <hr/> <p>Tight Executive control of all staff costs through monthly scrutiny of management accounts</p> <hr/> <p>Strict control on early access to pension at redundancy/restructure</p>	I = 3 L = 2 High (6)			

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
6	Management Information is not meaningful, reliable, or does not triangulate for internal decision or external reporting	Richard Flatman	<b>Cause:</b> - Lack of strategic vision for ICT - Proliferation of technology solutions - Data in systems is inaccurate - Data in systems lacks interoperability - Resource constraints & insufficient staff capability delay system improvement - Lack of data quality control and assurance mechanisms  <b>Effect:</b> - Insufficient evidence to support effective decision-making at all levels - Inability to track trends or benchmark performance - Internal management information insufficient to verify external reporting - unclear data during clearing & over-recruitment penalties - League table position impaired by wrong data - Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)	I = 3 L = 3 High (9)	Data Assurance Group meets to review matters of data quality and provides reports to Operations Board.	I = 3 L = 2 High (6)	Mandy Eddolls	Deliver i-trent HR data system replacement	28 Feb 2017
					Internal Auditors Continuous Audit programme provides regular assurance on student and finance information, including UKVI compliance.  Engagement between International Office, Registry & School Admin teams to ensure UKVI requirement compliance, specifically regarding: - Visa applications and issue of CAS - English language requirements - Reporting of absence or withdrawal  Systematic data quality checks and review of key data returns prior to submission by B.I.U.  Sporadic internal audit reports on key systems through 3 year IA cycle to systematically check data and related processes: - HR systems - Space management systems - TRAC - External returns		Shan Wareing	Develop a specification for a new Student Record system, underpinned by configuration requirements and workflows.	29 Jul 2017

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
14	Loss of NHS contract income	Warren Turner	<p><b>Cause:</b> NHS financial challenges/ structural change is resulting in a total review of educational commissioning by Health Education England with an expected overall reduction in available funding (affecting CPPD).</p> <p>Plus London Educational Contracts (pre-registration) are running out from Sept 2017 with students paying their own fees via student loan system. Recruitment to contracted programmes is buoyant currently but could dip following shift from bursaries to tuition fees.</p> <p><b>Effect:</b> Reduction in income Reduced staff numbers Reduced student numbers</p>	I = 3 L = 3 High (9)	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)</p> <hr/> <p>Support with numeracy and literacy test preparation.</p> <hr/> <p>Complete review in 2016/17 of all post-registration/ PG and CPPD courses and modules to ensure these remain leading edge and fit for the future. Review programmed to involve all stakeholders and to be employer driven.</p>	I = 3 L = 2 High (6)	Anthony Mcgrath	Increase formal progression/ access partnerships with FE colleges and establish FE partner health & social care network to increase supply chain for FE-entrants to pre-reg education	31 Dec 2016
							Sue Mullaney	Improve NSS participation & scores Develop action plans for Departments and School from results of 2015 NSS	28 Feb 2017
							Warren Turner	Plan for renewal of Havering lease in 2018/19 or alternative site. Continue discussions with NHS partners in NE London (BHR, NELFT and Barts) together with Queen Mary School of Medicine and Dentistry re potential for revitalising the Harold Wood site for the future.	31 Dec 2016
							Anisa Salim	Provide clear, timely and accurate advice to potential students re change from bursaries to student loans through improvements to web site and at open days	30 Sep 2016
							Warren Turner	Grow into new markets for medical and private sector CPPD provision - include as part of Ipsos Mori bi-annual survey to identify workforce/ education requirements. Include these in CPPD course review	31 Dec 2016
							Sheelagh Mealing	Increase uptake in band 1-4 activity Support Trusts in seeking external (non NHS) funding Work with NHS partners to meet demand for apprenticeship programmes/ Foundation Degrees (esp around Assistant/ Associate Practitioner roles)	31 Mar 2017
							Anisa Salim	Develop a programme of open events held jointly with our NHS partners to ensure that we reach all sectors of the community re attracting the best pre-reg students for Sept 2017 and beyond	31 Dec 2016



# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
37	Affordability of Capital Expenditure investment plans	Richard Flatman	<p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>- Poor project controls</li> <li>- Lack of capacity to manage/deliver projects</li> <li>- Reduction in agreed/assumed capital funding</li> <li>- Reduction in other government funding</li> </ul> <p><b>Effect:</b></p> <ul style="list-style-type: none"> <li>- Adverse financial impact</li> <li>- Reputational damage</li> <li>- Reduced surplus</li> <li>- Planned improvement to student experience not delivered</li> <li>- Inability to attract new students</li> </ul>	I = 3 L = 3 High (9)	<p>Management Accounts, with a CAPEX report section, are provided to each meeting of the FP&amp;R Committee, and the Board receives business cases in relation to all planned capital expenditure &gt; £1million.</p> <hr/> <p>Full Business Cases prepared; using guidance and process approved by Executive - including clarity on cost and funding, for each element of Estates Strategy, and approved by Board of Governors where cost = &gt;£1M</p> <hr/> <p>Clear requirement (including authority levels) for all major (&gt;£1m) capital expenditure to have Board approval</p> <hr/> <p>Major Projects &amp; Investments Committee (MPIC) is a Board sub-committee with remit to review all property related capital decisions, and is empowered to approve all unplanned capital expenditure &gt; £500K but &lt;£1M.</p> <hr/> <p>Capex reporting routines established and embedded into regularly updated financial forecasts &amp; management accounts and regular Board reports.</p>	I = 3 L = 1 Medium (3)	Ian Mehrstens  Ian Mehrstens	<p>Complete report on the final Student Centre negotiations. Update: the 12 month defects liability period concluded &amp; working through the final defect list. POE was due by Feb 14.</p> <hr/> <p>Creation and submission of business case for wider estate development programme to MPIC Board Committee.</p>	30 Apr 2013  30 Nov 2016

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
					LSBU Project methodology & Estates & Facilities Dept project controls, including Governance arrangements applied to all Capex projects.				
305	Student & corporate data not accessed and stored securely or appropriately	Ian Mehrtens	<p><b>Cause:</b> Loss or inappropriate access to data, or breach of digital security; either en masse (e.g. address harvesting) or in specific cases (e.g. loss of sensitive files / data)</p> <p><b>Effect:</b> Reputational damage, regulatory failure, undermining of academic credibility or compromise of competitive advantage.</p>	I = 3 L = 2 High (6)	Responsibility for control over data protection risks at an institutional level allocated to Director of ARR (Academic Related Resources)	I = 3 L = 2 High (6)	Craig Girvan	Deliver project to ensure mandatory training is delivered to staff via ICT log on, to include data security awareness.	29 Jan 2016



	CONFIDENTIAL	
Board/Committee:	Board of Governors	
Date:	24 November 2016	
Paper title:	Annual Conflicts of Interest Declarations	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Jerry Cope, Chair of the Board of Governors	
Purpose:	To authorise declared interests of governors and Executive members	
Recommendation:	That the Board authorises the interests of its members.	
Matter previously considered by:	Annually by the Board	October 2015

## Executive summary

1. Under the Companies Act 2006, governors have a duty to avoid a "situation" in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of LSBU, unless this has previously been authorised by the Board. Following a declaration process during October 2016, the Register of Interests has been updated and is attached for noting by the Board. Declarations have been made by governors and the Executive. Additions to the register are highlighted in red.
2. The Board are requested to review existing interests and authorise new interests. Please note, that any new interests or changes to the authorised interests will need to be approved by unconflicted members of the Board.
3. When authorising interests, unconflicted governors will need to consider whether to attach any conditions to the authorisation, for instance to not disclose confidential LSBU information.

4. Governors will continue to have a duty to inform the University Secretary if their interests change throughout the year.
5. Governors will also continue to have a duty to declare any conflicts of interest with items on the agenda at each meeting.
6. The Board is requested to authorise the declared situational conflicts of its members.

**London South Bank University**

**Register of Interests 2016/7**

*INDEPENDENT GOVERNORS*

<b>Steve Balmont</b>					
<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
The Law Debenture Pension Trust Corporation plc	Pensions	Director (paid)	2000		25/11/2010
<p>Note: The Law Debenture Pension Trust Corporation plc, of which Steve Balmont is a director, and Safecall Ltd, which provides an independent speak up line to the University, are both subsidiary companies of Law Debenture plc. As Chairman of the Audit Committee, Steve Balmont is the independent governor contact for issues raised through the reporting line provided by Safecall. Mr Balmont has confirmed that he has no day-to-day influence, control or contact with Safecall or any of its employees.</p>					
Civil Service Motoring Association		Principal Representative of Pension Scheme			25/11/2010
GSK		Principal Representative of Pension Schemes			25/11/2010
Taylor Wimpey		Principal Representative of Pension Scheme			25/11/2010
Kelda Water		Principal Representative of			25/11/2010

		Pension Scheme			
Lloyds Register		Principal Representative of Pension Scheme			25/11/2010
Low & Bonar Plc		Principal Representative of Pension Scheme			25/11/2010
Syngenta		Principal Representative of Pension Scheme			03/10/2012
DHL		Principal Representative of Pension Scheme			03/10/2012
Mitcham RUFC Limited	Sporting	Director	c1996		25/11/2010
PriceWaterhouseCooper LLP	Financial Services	Principal Representative to Three Trusts			24/11/2011
Western Power Distribution Group	Electricity distribution	Principal Representative of Pension Scheme			21/11/2013
EDF Energy Generation	Electricity generation	Principal Representative of Pension Scheme	2014		08/07/2014
Johnson Service Group Plc	Textile services and facility management	Principal Representative of Pension Scheme	2014		08/07/2014
Superannuation Arrangements of University of London	Pension Scheme for 49 Higher Education	Principal Representative of Pension Scheme	2014		08/07/2014

	Institutions				
UK Power Networks	Electricity distributor	Principal Representative of Pension Scheme	2014		08/07/2014
Mercedes-Benz UK Limited	Manufacture and sale of motor vehicles	Principal Representative of Pension Schemes	2014		20/11/2014
Morgan Advanced Materials PLC	Engineering and ceramics	Principal Representative of Pension Schemes	September 2015		21/10/2015
Law Debenture Governance Services Limited	Governance service	Director	July 2016		

**Shachi Blakemore**

Page 239

Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Date authorised by Board
Buzzacott LLP	Accountancy	Employee (paid)	2005		21/11/2013

**Jerry Cope**

Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Date authorised by Board
t-three Group	Leadership Consultancy	Director (paid) and shareholder	2006		20/11/2014
Postal & Logistics Consulting Worldwide	Logistics Consultancy	Director and shareholder	2008		20/11/2014
NHS Pay Review Body	Government	Chair	2011		20/11/2014

	body				
University and Colleges Employers Association	Higher Education	Board Member	2016		
<b>Michael Cutbill</b>					
Kellen Head	Business Consultancy	Owner (100%)	2015		17/03/2016
Richmond Crescent Flats Ltd	Freehold int. in 21 Richmond Crescent	Owner (25%)			17/03/2016
<b>Douglas Denham St Pinnock</b>					
<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
Owengate Capital Ltd	Financial trading	Owner/director (paid)	1988		19/07/2012
Owengate Ltd	Financial trading	Owner/director	Pre1995	Dormant company	19/07/2012
Council for the Defence of British Universities	Higher Education	Member	2012		21/03/2013
Owengate Green Technology Ltd	Licensing, financing, manufacturing & maintaining green technology	Owner/director	July 2015		21/10/2015
Nanogentech Limited	Licensing,	Owner/director	July 2015		21/10/2015



	financing, manufacturing & maintaining green technology				
AqSorp Ltd	Licensing, financing, manufacturing & maintaining green technology	Owner/director	July 2015	AqSorp Ltd has employed Mercian Ltd to manufacture green technology – Mercian retains LSBU Emeritus Professor Martin Chaplin	21/10/2015
Page 241					
South Bank Academies	Secondary Education	Director	1 <sup>st</sup> June 2016		
West Hoathly Parish Council	Local Authority	Member	July 2016		
<b>Neil Gorman</b>					
<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
HED llp	Higher Education Data	Chairman	July 2014		20/11/2014

Oakham School	School	Trustee	Sept 2013		20/11/2014
<b>Carol Hui</b>					
<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
Heathrow Airport Limited	Airport	Director and employee	March 2009		14/05/2015
Robert Walters plc	International Recruitment Consultancy	Non-Executive Director	January 2012		14/05/2015
<b>Hilary McCallion</b>					
<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
Hilary McCallion Consultancy Limited	Healthcare Consultancy	Owner and director (remunerated)	April 2013	Provision of service to NHS and possibly Educational bodies	18/07/2013
Bucks New University	HE	Visiting Professor			18/07/2013
London South Bank University	HE	Visiting Professor			21/11/2013
Dementia UK	Charity	Trustee	December 2013		20/11/2014

Bethlem Museum of the Mind	Museum, art, archives provision	Trustee	June 2012		20/11/2014
Ashford and St Peter's NHS Foundation Trust	Healthcare	Non-executive director	July 2016		14/07/2016
South Bank University Enterprises Ltd	Commercial arm of LSBU	Director	2016		

**Kevin McGrath**

Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Date authorised by Board
National Education Trust	Charity	Trustee	2005		21/10/2015
Intcas ltd	Education – linking student and educational institutions	Non-executive director	2012		21/10/2015

**Mee Ling Ng**

Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Date authorised by Board
Habinteg Housing Association Ltd	Housing	Director	July 2011		18/07/2013

Page 243

Mulan Foundation Network	Charitable Trust	Trustee	Nov 2011		21/11/2013
Transport for London Board	Transport	Non-Executive director	September 2016		
<p><b>Andrew Owen</b></p> <p><i>No interests to declare</i></p>					

**VICE CHANCELLOR AND CHIEF EXECUTIVE**

Page 24

<b>Professor David Phoenix</b>					
<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
Higher Education Funding Council for England (HEFCE)	HE	Teaching & Quality Committee Member	2013		20/03/2014
Government Equalities Office	Government	Ambassador	2010		20/03/2014
Million+	Think tank	Executive member			20/11/2014
Kings College	NHS Trust	Visiting Professor			20/11/2014
SiChuan University	University	Chair			20/11/2014
University of Central Lancashire	University	Visiting professor			20/11/2014
University Academy of Engineering South Bank	Secondary School	Member			20/11/2014
South Bank Engineering UTC Trust	Secondary School	Member			20/11/2014
Science Museum Group	Museums	Trustee	2015		14/05/2015

British University in Egypt	HE	Trustee	Oct 2015		21/10/2015
Universities UK	HE	Member of Board	2015		21/10/2015
Higher Education Funding Council for England	HE	Member of UK Performance Indicators Steering Group	2015		21/10/2015
South Bank Academies	Secondary education	Director and Member	21/12/2015		17/03/2016
National Centre for Universities and Business	HE	Board member	2015		
Museum of Science and Industry	Educational charity	Board member	2015		

**STUDENT GOVERNORS**

<p><b>Calvin Usuanlele</b> No interests to declare</p>					
<p><b>Temí Ahmadu</b></p>					
Organisation with which connected	Sector	Relationship with organization	As of date	Notes	Date authorised by Board
London South Bank Students' Union	HE	President of the Students' Union	July 2016		

**STAFF GOVERNORS**

<p><b>Jenny Owen</b> No interests to declare</p>
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<b>Tony Roberts</b>					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Date authorised by Board
University Academy of Engineering South Bank	Secondary education	Governor		Sponsored by LSBU	17/03/2016
South Bank Engineering UTC	Secondary education	Governor	1 Sept 2016	Sponsored by LSBU	

EXECUTIVE MEMBERS

Page 2 of 6

<b>Pat Bailey – Deputy Vice Chancellor</b>					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Date authorised by Board
HEFCE	HE	Member of the Teaching Excellence Framework panel	October 2016		
<b>Shân Wareing – Pro Vice Chancellor for Education and Student Experience</b>					
No interests to declare					

**Mandy Eddolls – Interim Executive Director of Human Resources**

<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
Anderson Eddolls HR Services Ltd	HR Consultancy	Director	2013		21/10/2015
Bron Afon Housing Association	Community housing provider	Independent Board member	12 October 2015		21/10/2015
Geoffrey Eddolls	Occasional pro-bono sports coaching of students	Connected person			
Page 247 Gue Braithwaite – Spark projects	Executive coaching	Connected person		Provides executive coaching – not selected by ME and payments not authorized by ME	

**Richard Flatman – Executive Director of Finance**

<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
South Bank University Enterprises Ltd	Commercial arm of LSBU	Director	2002		25/11/2010

London Strategy Ltd	Dormant	Director	2002		25/11/2010
South Bank Academies	Secondary education	Director and Member	21/12/2015		17/03/2016
South Bank Engineering UTC Trust	Secondary education	Director	21/12/2015		
SW London & St. George's Mental Health NHS Trust	NHS Trust	NED & Chair of Audit Committee	1/04/2016		
<b>Paul Ivey – Pro Vice Chancellor (Research and Enterprise)</b>					
<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
Collaborate CIC	Public Sector partnerships	LSBU Board representative	November 2014		21/10/2015
South Bank University Enterprises Limited	Commercial arm of LSBU	Director and Chair	2014		21/10/2015
London Higher Access HE	HE Access	Chair	May 2015		21/10/2015
Emirates Aviation University	Higher Education	Visiting Professor	2010		20/11/2014
London Higher Research Excellence Group	HE research	Chair	Nov 2015		
Greater London Authority	Local Authority	London FE area review steering committee representative	Feb 2016		
Greater London Authority	Local Authority	London European	Nov 2015		



		Structural Investment Fund committee HE representative			
University of London	HE	Member of military education committee	Feb 2016		
Battersea Academy for Skills Excellence CIC	Public sector partnership	Designate Board member	tbc		

**Tan Mehrstens – Chief Operating Officer**  
*No interests to declare*

**James Stevenson – University Secretary**

<b>Organisation with which connected</b>	<b>Sector</b>	<b>Relationship with organisation</b>	<b>As of date</b>	<b>Notes</b>	<b>Date authorised by Board</b>
South Bank University Enterprises Limited	Commercial arm of LSBU	Company Secretary	2011		21/11/2013
South Bank Engineering UTC Trust	Secondary education	Director	Nov 2014		20/11/2014
South Bank Academies	Secondary education	Director	21/12/2015		17/03/2016

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