

Minutes of a Meeting of the Board of Governors
held at 4pm on Thursday, 17 March 2016
in room 1B27, Technopark, London Road, London SE1

Present

Jerry Cope	Chair
Andrew Owen	Vice Chair
David Phoenix	Vice Chancellor and Chief Executive
Steve Balmont	<i>(from minute 8)</i>
Shachi Blakemore	
Michael Cutbill	
Douglas Denham St Pinnock	
Neil Gorman	
Hilary McCallion	
Mee Ling Ng	
Abdi Osman	SU President <i>(from minute 8)</i>
Jenny Owen	
Tony Roberts	
Andrea Smith	Chair of Student Council
James Smith	

Apologies

Carol Hui
Kevin McGrath

In attendance

Pat Bailey	Deputy Vice Chancellor
Mandy Eddolls	Executive Director of Organisational Development and HR <i>(for minutes 18 - 19)</i>
Richard Flatman	Chief Financial Officer
Paul Ivey	Pro Vice Chancellor (Research and External Engagement) <i>(for minutes 23 - 25)</i>
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

Welcome

1. The Chair welcomed Michael Cutbill, independent governor, to his first Board meeting. Apologies had been received from Kevin McGrath and Carol Hui.

Declaration of Interests

2. James Smith declared that as Chair of the Board at the Conservatoire for Dance and Drama he had been making representations to government on the need for special funding for small and specialist institutions (of which the Conservatoire was one). The Board noted that they had previously authorised James Smith's situation as Chair of the Board at the Conservatoire and that any financial impact on LSBU was not material. The Board confirmed that their authorisation continued.
3. No other Board member declared an interest in any item on the agenda.

Minutes of the previous meeting

4. The Board approved the minutes of the meeting of 26 November 2015 (paper **BG.01(16)**) and their publication with the proposed redactions.

Matters Arising

5. The Board noted that Project Maple had not proceeded. A memorandum of understanding was being developed between LSBU and Morley College which set out areas for collaboration between the two institutions including progression pathways, extra mural education and transitions to higher and degree level apprenticeships.
6. The Board noted the recruitment process for two independent governor vacancies. Advertisements for the positions were in the Sunday Times online, Guardian online and LinkedIn. The Nominations Committee would meet to consider applications on 21 April 2016.
7. The Board noted an update on 'Women Count' a report into gender diversity in leadership positions in universities. The Board noted that at 38% female representation on the Board, LSBU was just above the sector mean of 36% but just below the sector target of having between 40% and 60% of either gender. The Chair would consider the recommendations in the report.

Steve Balmont and Abdi Osman joined the meeting

Vice Chancellor's Report

8. The Board discussed the Vice Chancellor's report (paper **BG.02(16)**), which reviewed progress against the three outcomes in the corporate strategy: student success; real world impact; and access to opportunity.

9. The Vice Chancellor reported on the implications of the Chancellor of the Exchequer's budget 2016 for higher education. It was noted that student loans would be made available for part time postgraduates and for doctoral students. The Board noted that if the University meets the requirements of the Teaching Excellence Framework (TEF) it would be allowed to increase undergraduate fees in line with inflation. The Board supported increasing fees in line with inflation in the future, where permitted by TEF and where this was sensible in market terms.
10. The Vice Chancellor reported on provisional results of the Destination of Leavers of Higher Education (DLHE) survey, 2015/16. LSBU had provisionally moved to 76% (69% in 2014 and 49% in 2013) of graduates in graduate level jobs or further study within 6 months of graduating (this was a league table measure). The Board commended the executive on the positive result.
11. The Vice Chancellor reported on recruitment for 2016/17. The focus was on conversion.
12. The Vice Chancellor reported on the Institute of Professional and Technical Education. LSBU was now registered with the Skills Funding Agency. London Borough of Southwark may give capital funding to convert the Thomas Passmore Edwards Library for the Institute. LSBU would be submitting a business case for funding in May 2016 for approval by the Borough.
13. The Board welcomed the constitution of the multi-academy trust which would run the two LSBU sponsored academy schools. The funding agreement for the two schools had now been agreed with the Department for Education.
14. The Board noted plans within the School of Health and Social Care for a "company in residence" and that these were at early stage of consideration, which should include an assessment of reputational risk. Any formal proposal will be considered by the Major Projects and Investment Committee prior to approval.

Chief Financial Officer's Report

15. The Board discussed in detail the Chief Financial Officer's report (paper **BG.03(16)**). Due to the shortfall in recruitment it was reported that income would be £4.8m off target for the year. As a result of cost management, the full year forecast surplus remained £1m. The Board emphasised the

importance of ensuring staff were aware of LSBU's financial position and the necessity of investing for the future.

16. The Chief Financial Officer reported that the Department for Business, Innovation and Skills had issued its funding letter for 2016/17 to HEFCE. LSBU expected its funding letter from HEFCE on 19 April 2016.
17. The Board noted the risk letter from HEFCE which rated LSBU as "not at higher risk", the better of two risk ratings. The Board noted the benchmarking data in the letter.

Health and safety update

Mandy Eddolls joined the meeting

18. The Board discussed an update on health and safety (paper **BG.04(16)**). It was reported that a new occupational healthcare provider had been appointed, stress surveys were being introduced and a well-being strategy developed. It was noted that completion of mandatory health and safety training by staff was 52%. More formal action would be taken against staff who had not completed by July 2016 without good cause.
19. The Executive Director of Organisational Development and Human Resources reported on industrial relations and the progress of negotiations on part B of the South Bank Agreement with UCU.

Mandy Eddolls left the meeting

Chancellor succession

20. The Board noted the proposals on Chancellor succession planning (paper **BG.05(16)**). The Board noted that Richard Farleigh's four year term as Chancellor ended on 31 March 2016. Mr Farleigh had agreed to continue as Chancellor until a successor was appointed. The Board thanked Mr Farleigh for the time and commitment in the role and the invaluable work he had done for students and LSBU so far.
21. The Board ratified the establishment of the Nomination Committee (Chancellor) and its terms of reference and membership, with the addition of Pat Bailey, Deputy Vice Chancellor as a member.
22. The Board noted that the Nomination Committee (Chancellor) had met and agreed the selection criteria and method for the new Chancellor. Nominations

for Chancellor would be sought from students, staff, alumni and governors. The Committee was next meeting on 21 April 2016 to consider the longlist from these nominations. The Board noted that the final decision to appoint a Chancellor was a matter reserved to the Board.

South Bank University Enterprises Ltd governance

Paul Ivey entered the meeting

23. The Board discussed proposed amendments to the governance of South Bank University Enterprises Ltd (SBUEL), LSBU's subsidiary company (paper **BG.06(16)**). The Pro Vice Chancellor (Research and External Engagement) would chair the Board of SBUEL, with an independent governor remaining on the Board of Directors. Deans and independent directors would be appointed to the Board of Directors.
24. The Board requested that it should have visibility of activities in the company and that matters of significant expenditure, risk or reputation should be referred to the Executive, the Major Projects and Investment Committee and the Board of Governors as appropriate.
25. The Board approved the amendments to the governance of SBUEL.

Paul Ivey left the meeting

Reports on decisions of committees

26. The Board noted the reports of decisions of committees (paper **BG.07(16)**).

Corporate risk register

27. The Board noted the corporate risk register (paper **BG.08(16)**).

Declarations of interest update

28. The Board authorised the declared interests of Michael Cutbill, Tony Roberts, David Phoenix, Richard Flatman and James Stevenson (paper **BG.09(16)**).

Any other business

29. The Chair reported that there were two vacancies for governors on the SBUEL Board and the South Bank Academies Board.

- 30. The Chair reported that this was the final Board meeting for James Smith, whose term of office ended on 30 April 2016. The Board thanked James for his dedication and wise counsel to LSBU and SBUEL.
- 31. The Chair reported that the annual Court event followed the meeting, this year at the Confucius Institute.

Date of next meeting

- 32. The Board strategy day will take place from 10am on Thursday 21 April 2016.
- 33. The next Board meeting will be at 4pm on Thursday 19 May 2016 preceded by a tour of DARlab and virtual engineering laboratory.

The Chair closed the meeting.

Confirmed as a true record:

..... (Chair)

4 March 2016

HIGHER EDUCATION

FUNDING COUNCIL



Professor David Phoenix OBE
Vice Chancellor and Chief Executive
London South Bank University
103 Borough Road
London
SE1 0AA

Nicholson House
Lime Kiln Close
Stoke Gifford
BRISTOL
BS34 8SA
Telephone 0117 931 7317
Facsimile 0117 931 7203
www.hefce.ac.uk

Direct Line 0117 931 7455

E-mail m.atkins@hefce.ac.uk

Dear Professor Phoenix OBE

HEFCE's annual assessment of institutional risk: London South Bank University

1. The purpose of this letter is to inform you of the risk status of London South Bank University, as determined by HEFCE, and of any failure to comply with the institution's accountability obligations. We have copied this letter to Mr Jeremy Cope, Chair of the Board of Governors, and request that you formally submit this letter to the next meeting of the governing body.
2. Based on the accountability returns submitted for 2014-15 our overall assessment at this time is that London South Bank University is **not at higher risk**. In making this assessment we also conclude that the institution is meeting the accountability obligations set out in the Memorandum of Assurance and Accountability and other HEFCE guidance.

Future context, and feedback on financial performance and on quality matters

3. Whilst the financial health of the sector is sound, at institutional level the picture is mixed, and future projections of reducing surpluses and cash levels and a rise in borrowing signal a trajectory that is not sustainable in the long term. Institutions face significant challenges including increased uncertainty over future government funding, overseas student recruitment and cost pressures such as rising pension costs, as well as the need to sustain higher levels of investment to respond to growing competition and meet student expectations. These challenges are likely to lead to continued volatility and growing variability in the financial performance of institutions.
4. We therefore encourage all institutions to monitor the wider changes in the sector, and continue to assess the risks and opportunities that these present, implementing mitigating actions where necessary. Your scenario planning with your governing body will need to consider the financial and non-financial impact of possible future changes in student recruitment and

retention, and staff pay and pensions pressures. We are happy to discuss this and other issues with you as part of our regular engagements with the institution.

5. Annexes A and B provide feedback on the relative financial performance of your institution compared to the rest of the higher education sector which we fund. Inclusion of this information is intended to be helpful, rather than flagging areas of significant concern to us. To provide context, additional financial benchmarking data has been made available to the institution's head of finance.

6. You will be aware that the Government asked HEFCE to put in place arrangements to identify and address any concerns about the quality of the student academic experience that may have resulted from growth or contraction in student numbers in an institution following the removal of student number controls. The HEFCE Board approved a low-burden approach to this issue that built on existing accountability mechanisms used by the Council and recognised the importance of providers' own systems for planning for and managing (potential) changes in student numbers. Our approach this year has been twofold:

- a. we are using recruitment and student progression and achievement data in a more structured and consistent manner for all institutions we fund to identify any areas for further discussion and to prompt improving actions where necessary,
- b. we used this year's Annual Accountability Return to collect assurances from all providers we fund to confirm that institutions are able to identify and address any early signs of concern about the quality of the student experience.

7. We will continue to develop these activities and in future years we will provide you with relevant benchmarking data and our view of your performance in this important area.

Risk assessment process

8. The annual accountability returns submitted to HEFCE by the higher education institutions (HEIs) we fund are the primary means by which HEFCE assesses the accountability, risk and sustainability of institutions. These annual risk assessments are based on current information in a number of areas of activity, including: financial performance, student recruitment and retention, audit findings, and compliance with HEFCE accountability requirements.

9. We may issue a further risk letter to some institutions following the assessment of July 2016 forecasts, but only if that assessment makes a material change to the earlier risk assessment. Although the risk assessment is an annual process, emerging issues can lead to a review of an institution's risk status and a change to its risk assessment at any point in the year. We currently assess a small number of institutions as being 'at higher risk', with the vast majority 'not at higher risk'. In addition some institutions 'not at higher risk' may have specific risk or compliance issues highlighted for their attention. It is the responsibility of the governing body of the institution to ensure that risks are being managed effectively.

Adverse changes in circumstances

10. We require institutions to report material adverse changes in the institution's circumstances, such as a significant and immediate threat to the financial position, significant fraud or major accounting breakdown. The Memorandum of Assurance and Accountability (HEFCE 2014/12, paragraph 57) provides more detail on the specific requirement. While we fully respect the autonomy of institutions, we remind you of this requirement and that timely reporting of material adverse changes is an important element of the accountability framework for higher education.

11. We find it helpful if institutions notify HEFCE as soon as possible if they plan to enter into material financial commitments, so that HEFCE has up-to-date knowledge of institutions' circumstances. Furthermore an institution must have written permission from HEFCE before it agrees to a new financial commitment which would exceed its earnings before interest tax depreciation and amortisation (EBITDA)-based threshold. The Memorandum of Assurance and Accountability (Annex C) sets out the requirements which institutions must follow when entering into such financial commitments.

12. Given the implications of the new HE SORP on financial reporting and in particular earnings before interest tax depreciation and amortisation (EBITDA) on which our financial commitment process is based, a proposed a new approach to HEFCE's financial commitment threshold based on adjusted operating cash flow will be tested in April following the submission of financial information in the new SORP format by institutions in March. The HEFCE Board will then consider the analysis of the information submitted by institutions at its May meeting and we will announce the revised approach and threshold shortly after this meeting to become effective from the 1 August 2016 as part of the Memorandum of Assurance and Accountability.

Who to contact

13. For further feedback from the annual accountability process, or if you would like to discuss any issues relating to risk assessment or accountability, contact the HEFCE Assurance Consultant, Jacqui Brasted (0117 931 7389, j.brasted@hefce.ac.uk) in the first instance, or Regional Consultant, Derek Hicks (0117 931 7460, d.hicks@hefce.ac.uk).

Freedom of information

14. This letter is provided in confidence to London South Bank University. While we have no objection to it being made available to third parties, we do not accept responsibility for any reliance they may place upon it. Though we have no plans to release this information proactively, we ask you to consider carefully the implications of any public disclosure you may wish to make or are asked to make. As you know we are subject to the Freedom of Information Act 2000, and the content of this letter may ultimately be disclosable if a request is made to us under that Act.

Yours sincerely,

A handwritten signature in black ink that reads "Madeleine S. Atkins". The signature is written in a cursive style with a large initial 'M' and a stylized 'A'.

Professor Madeleine Atkins

Chief Executive

cc: Mr Jeremy Cope, Chair of the Board of Governors.

Annex A – Table of benchmarking of key financial indicators

Institution: London South Bank University

Indicators:		2013-14 Actual	2014-15 Actual
1. Historical cost surplus / (deficit) as % of total income	Institution	2.9	1.4
	Overall sector mean	5.0	6.6
	1 st quartile	2.8	3.3
	Median Value	5.4	5.6
	3 rd quartile	8.0	8.9
2. Net liquidity / (total expenditure – depreciation) (days)	Institution	157	140
	Overall sector mean	122	126
	1 st quartile	81	83
	Median Value	118	115
	3 rd quartile	168	175
3. External borrowing (on balance sheet) as % of total income	Institution	22.0	20.1
	Overall sector mean	26.3	28.1
	1 st quartile	8.1	9.0
	Median Value	24.8	24.5
	3 rd quartile	35.0	39.1
4. Discretionary reserves (excl. pension asset/(liability)) as % of total income	Institution	89.4	87.8
	Overall sector mean	64.5	67.0
	1 st quartile	45.6	46.8
	Median Value	60.8	62.1
	3 rd quartile	83.4	87.8
5. Net cash flow as % of total income	Institution	4.5	4.3
	Overall sector mean	8.4	8.4
	1 st quartile	5.8	5.6
	Median Value	9.3	10.2
	3 rd quartile	12.9	13.6
6. Staff costs as % of total income	Institution	53.2	52.8
	Overall sector mean	52.6	51.1
	1 st quartile	49.9	48.8
	Median Value	52.6	51.7
	3 rd quartile	55.5	54.6
7. Estates: percentage of estate classified in condition categories C and D in 2013-14	Institution	75.5	
	Overall sector mean	21.8	
	1 st quartile	7.8	
	Median Value	15.7	
	3 rd quartile	26.7	

Source of data: Indicators 1 to 6 are calculated from the 2015 financial results data as submitted to HEFCE in December 2015. Further details on this and on how the indicators are calculated are available on the HEFCE extranet under '2015 financial results – summary statistics'. Details on how to access this benchmarking information will be sent to Directors of Finance.

Indicator 7: 2013-14 Estates data provided from Estates Management Record. For further information see:

https://www.hesa.ac.uk/index.php?option=com_studrec&Itemid=232&menu=13042

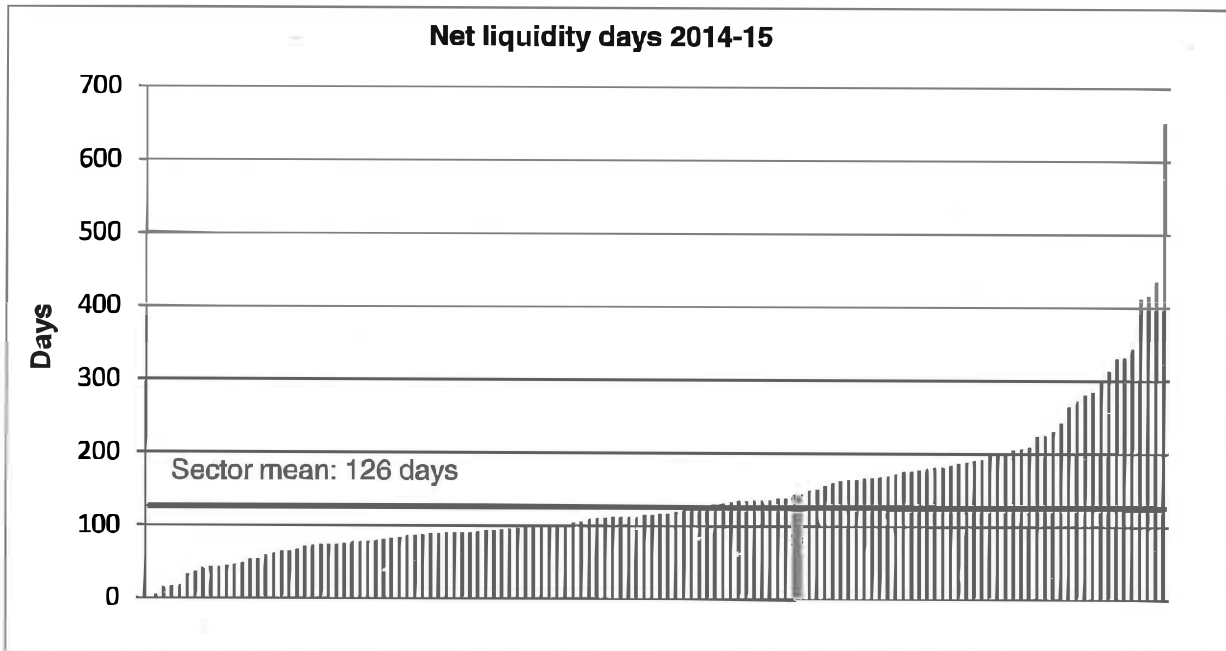
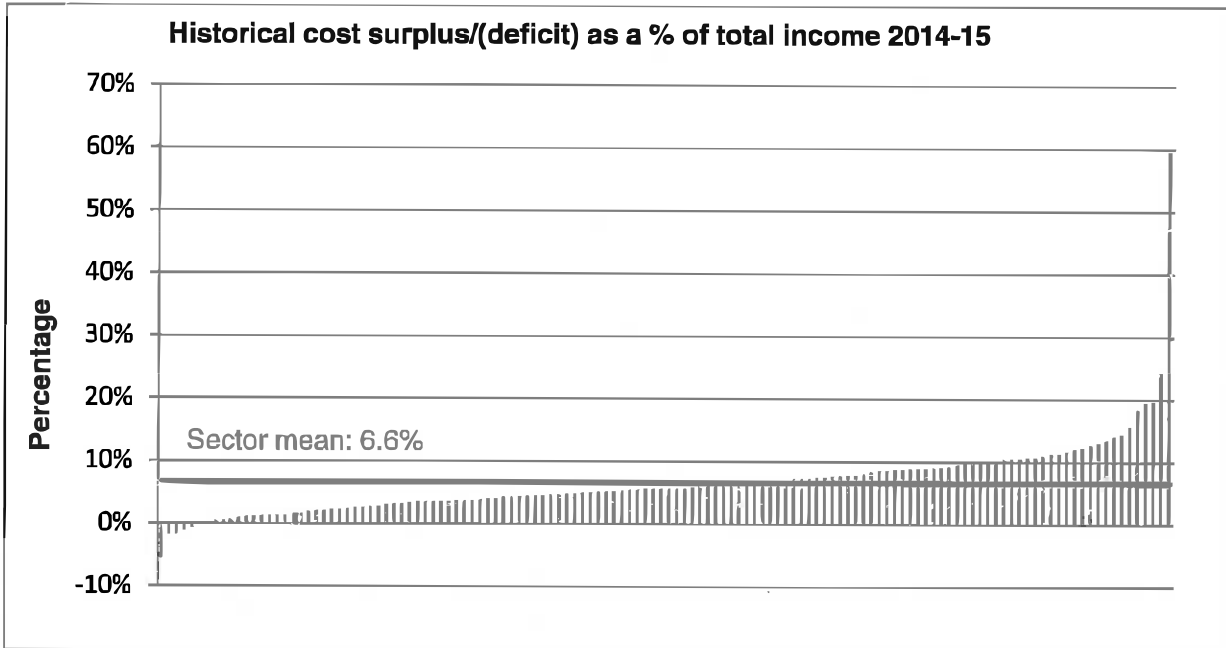
Although not comprehensive, these indicators were chosen to provide an overall view of financial performance:

- Historical cost surplus: generation of surplus for investment
- Net liquidity: coverage of, and ability to respond quickly to, short-term financial pressures
- External borrowing (on-balance sheet): reliance on borrowings for development, balancing need for growth/development with increased costs of borrowing
- Discretionary reserves (excluding pension asset/(liability)): provision of a buffer against large unexpected financial pressures
- Net cash flow from operating activities: financial sustainability of the institution's core business
- Staff costs: appropriateness and significance of the staff cost structure for the institution
- Estates: indication of possible future estates costs

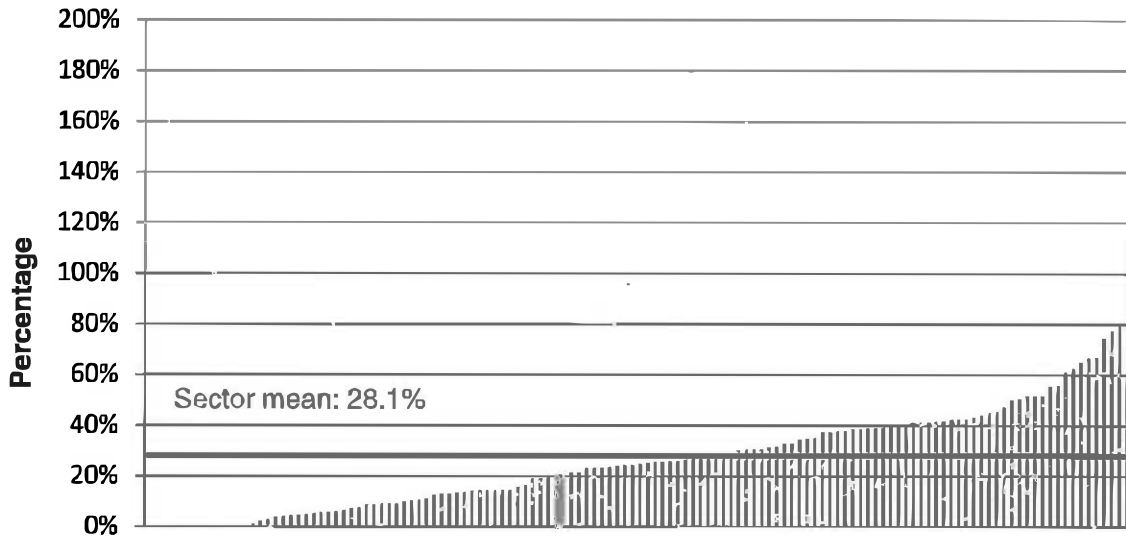
Annex B - Benchmarking of key financial indicators for 2014-15

Institution: London South Bank University

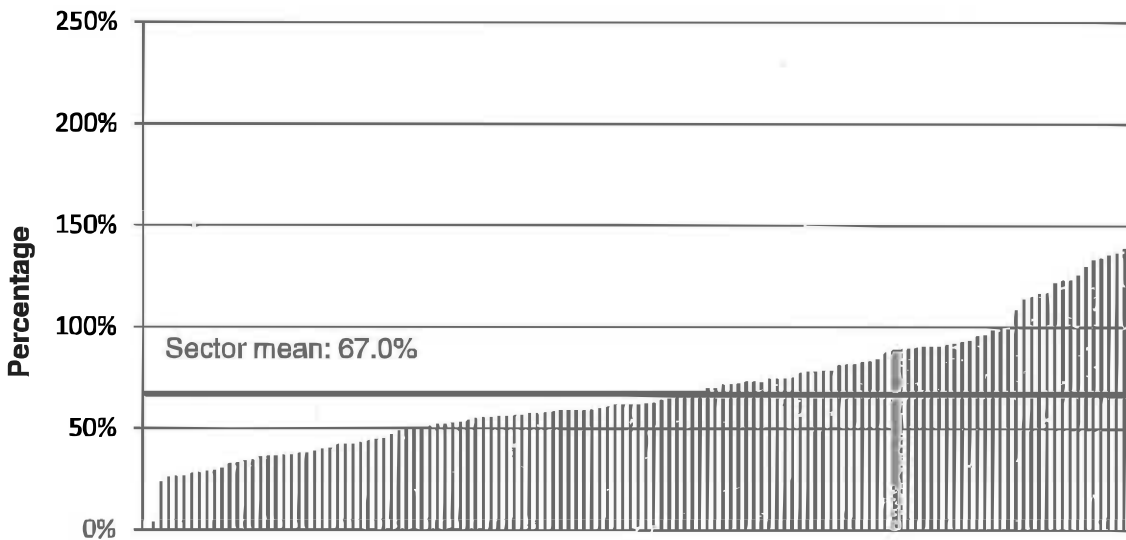
The figures below show the institution's key financial indicators for 2014-15 relative to the sector. The data for London South Bank University are highlighted in red.

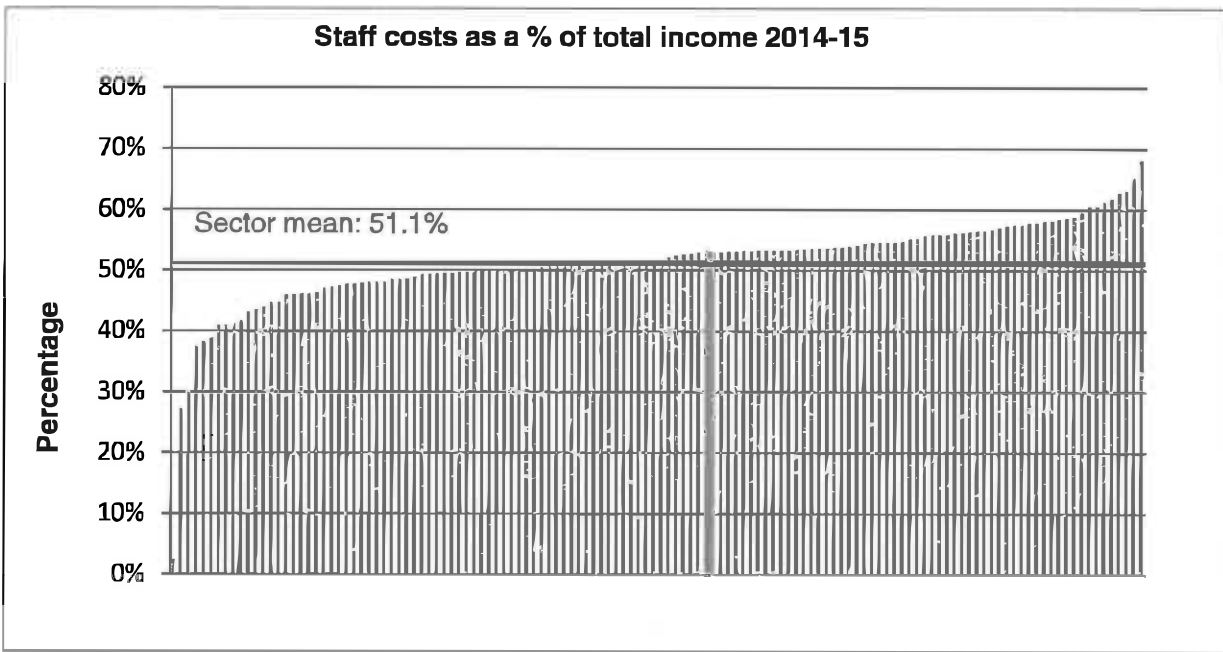
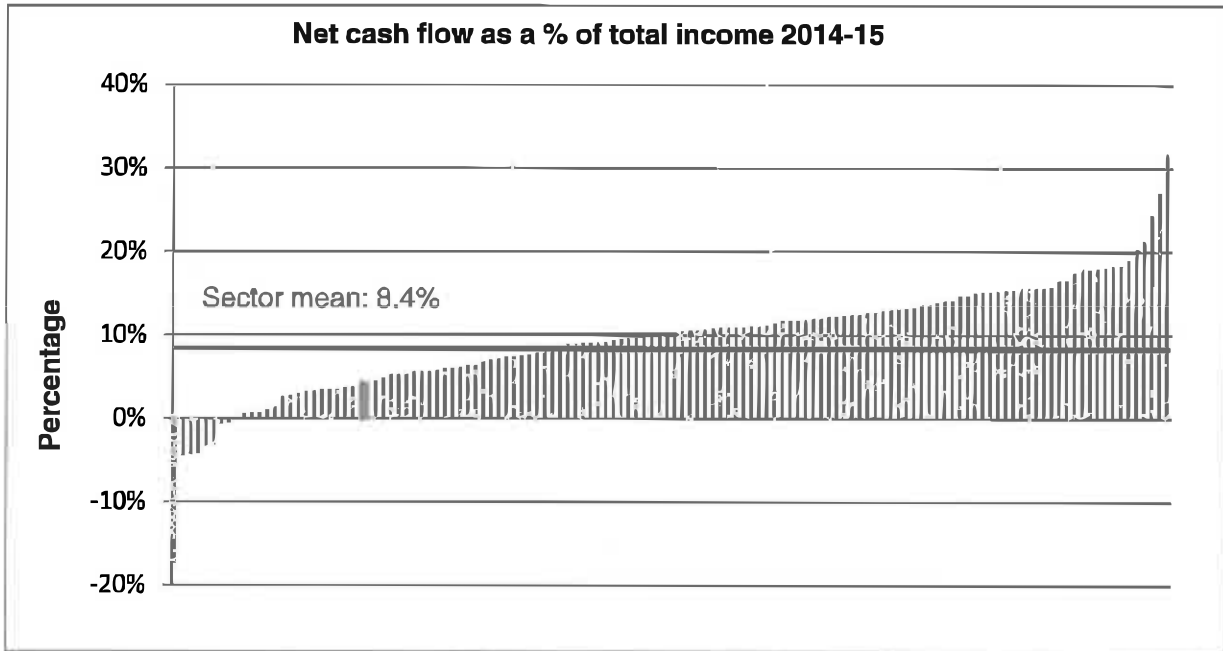


External borrowing as a % of total income 2014-15



Discretionary reserves (excl. pension asset/(liability)) as a % of total income 2014-15





Source of data: Financial indicators are calculated from the 2015 financial results data as submitted to HEFCE in December 2015. Further details on this and on how the indicators are calculated are available on the HEFCE extranet under 'Financial results summary statistics (December 2015 submission)'. Details on how to access this benchmarking information will be sent to Directors of Finance.