

Meeting of the Audit Committee

4.00 pm on Tuesday, 5 February 2019
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
12.	TRAC return to the OfS (to ratify)	231 - 248	RF
a)	Lambeth College Audit Arrangements	249 - 266	RF

Date of next meeting
4.00 pm on Thursday, 13 June 2019

Members: Duncan Brown (Chair), Steve Balmont, Shachi Blakemore, Mee Ling Ng and Rob Orr

Apologies:

In attendance: David Phoenix, Natalie Ferer, Richard Flatman, James Stevenson, Justin Martin, Lucy Gresswell, Amy Chiu, Fleur Nieboer, Jack Stapleton and Askari Jafri

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	Confidential
Paper title:	Transparent approach to costing (TRAC) return
Board/Committee	Audit Committee
Date of meeting:	05 February 2019
Author:	David Kotula, Reporting Analyst
Sponsor:	Richard Flatman, Group CFO
Purpose:	<p>To obtain retrospective approval of the TRAC return, which is a mandatory return made to OfS annually in January. The purpose of the Transparency Review is to demonstrate the full costs of research and other publicly funded activities in higher education to improve the accountability for the use of public funds.</p> <p>Our return was prepared in accordance with the regulations set down by OfS for the preparation of the TRAC return.</p> <p>The completed return was reviewed by Ralph Sanders, Director of Financial Planning and Reporting, and Richard Duke, Director of Planning, Performance and Assurance, and Shachi Blakemore, member of the Audit Committee.</p> <p>The report was submitted within the deadline set by OfS.</p>
Recommendation:	The committee is requested to approve the report.

Introduction

The Transparent Approach to Costing return (TRAC) is a mandatory return made annually in January.

The key purpose of the TRAC analysis is to provide an analysis of the costs and income allocated by Teaching, Research and Other activity.

The key risk is incorrect data analysis leading to erroneous results.

OfS guidance requires that the return is approved by a Committee of the Board of Governors. The purpose of this report is to provide assurance and request retrospective approval of the return for 2017/18.

Assurances regarding process

The following assurances are provided to Committee with regard to process:

1. Reconciliation to accounts

- The TRAC return is an annual return completed every January. The basis for the 2017/18 return was the financial accounts for year ending 31/07/2018. The return has been checked and reconciles to the published financial accounts
- This information includes costs down to individual staff level for teaching staff and to cost centre level for support staff. The individual staff costs are extracted from payroll data used in the Management Accounts and the staff cost data in Agresso. All figures have been reconciled back to the published accounts.

2. Compliance with guidelines/regulations

- The return has been prepared in accordance with the regulations set down by OfS for the preparation of the TRAC return (Ref. 2.3.1 – Oct 2018). This includes any updated regulations or issues raised at the TRAC self-help groups organised by the TRAC Development Group and the British Universities Finance Director's Group (BUFDG).
- Additional cost adjustments have made to the published accounts based on the Margin for Sustainability and Investment (MSI). This has been calculated based on the TRAC regulations, using a 6 year average of the EBITDA, and are designed to reflect the true cost of running LSBU.
- Cost drivers are based on Workload Planning datasets, student FTE derived from the HESES17 dataset, staff FTE's derived from Payroll and HESA staff return datasets, space allocation from the EAF Tribal K2 System, and library usage data from LLR.
- All cost data is derived from the Agresso finance system at a cost centre and source code level. This data is reconciled against the source files used by the Financial Accountant to produce the published accounts.
- The robustness and accuracy of the data was verified during a review process by Ralph Sanders, Director of Financial Planning & Reporting.

3. Prior Discussions and review

- The completed return has been reviewed by Ralph Sanders, Director of Financial Planning & Reporting; Richard Duke, Director of Performance, Planning and Assurance; and shared with Shachi Blakemore, member of the Audit Committee.
- The final sign-off by the Vice Chancellor was on 31/01/2019.
- The report was submitted within the deadline set by OfS.

4. Variances

- The 2017/18 FEC Indirect rate is £45,925 this is 2.5% higher than the prior year's figure of £44,786, due to increased staff costs.
- LSBU's target surplus for sustainable operations was £17.694m; this is now based on the Margin for Sustainability and Investment (MSI).

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Annual TRAC return reporting for AY 2017-18

Institution: London South Bank University UKPRN: 10004078 TRAC Peer Group: E
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Declaration by Head of Institution*

I confirm that the costs, income and charge-out rate information reported in the attached return have been prepared in accordance with the TRAC requirements as set out in the TRAC guidance (Version 2.3.1 October 2018, <http://www.trac.ac.uk/tracguidance/>).


I confirm that a full self-assessment of compliance against each requirement listed in the guidance has been carried out in the last twelve months. I also confirm that a Board Committee has specifically reviewed the results of the tests for reasonableness and has either confirmed compliance or has drawn up an action plan for any areas where the institution is not fully compliant. I confirm that the Board Committee has lay membership (TRAC guidance section 2.1.5.18).

With reference to the TRAC data loaded on: 31/01/2019 15:38

Name of Board committee which confirmed compliance with the TRAC requirements. Audit Committee	Date of meeting at which compliance was confirmed (Please enter in the format of dd/mm/yyyy) 13/02/2019
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If the Board Committee is meeting after the date of this return, please also state in the box below who provided the confirmation for this return, and the date (e.g. Chair's Action). Please note that responsibility still lies with the Board Committee for this confirmation.

Name of person/committee who provided confirmation for this return. Natalie Ferer - Financial Controller	Date of confirmation (Please enter in the format of dd/mm/yyyy) 31/01/2019
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Signed: (Head of Institution*) 
 Name: David Phoenix
 Title: Chief Executive and Vice Chancellor
 Date: 31/1/2019

To be returned no later than 31st January 2019. Earlier submissions are encouraged.

The name and title of the Head of Institution* must be completed before the return is uploaded to the OfS portal. The results file should then be printed and signed by the Head of Institution*. Please scan the signed hard copy and upload electronically to the OfS/Funding councils via the OfS portal. The OfS/Funding Councils do not require a paper copy.

* Accountable Officer where this is not the Head of the Institution

Annual TRAC return reporting for AY 2017-18

Institution: London South Bank University
UKPRN: 10004078
TRAC Peer Group: E

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To be returned no later than 31st January 2019. Earlier submissions are encouraged.

Institutional results

Data collected for use by the OfS, HE Funding Councils and UKRI

	2017-18	
	£000	As a % of expenditure
<i>Actual Operating Surplus</i>		
Total income* (derived from audited financial statements)	145,316	
Total expenditure* (derived from audited financial statements)	143,688	
Operating surplus/(deficit)	1,628	1.1%
Sustainability adjustment (EBITDA for MSI)	17,694	12.3%
Full economic cost (total expenditure + sustainability adjustments)	161,382	112.3%
TRAC surplus/deficit	-16,066	

* The income and expenditure lines as reported in the Consolidated Statement of Comprehensive Income should be adjusted, where appropriate, in respect of pension costs, gains or losses on disposal of fixed assets, gains or losses on investments, the share of surpluses/deficits in joint ventures and associates, taxation charges or credits and non-controlling interests in line with section 3.1.4.8 of the TRAC guidance.

Is your institution eligible for and applying dispensation from 1 April 2019? Please select Yes/No from the drop-down box

No

(Eligibility is defined as institutions with less than £3,000,000 annual research income from public sources. A rolling average of research income (over five years) is used to assess whether £3,000,000 has been reached or not. More information on dispensation can be found in annex 1.2b of the TRAC guidance (October 2018, <http://www.trac.ac.uk/tracguidance/>))

Analysis of TRAC results

(A) TRAC income and full economic costs by activity

Data collected for use by the OfS, HE Funding Councils and UKRI

2017-18

	Teaching Publicly funded £000	Non-publicly funded £000	Research £000	Other Income generating activity £000	Non- commercial activity £000	Total £000
Income	107,873	9,014	7,158	20,756	516	145,316
TRAC full economic costs	116,907	9,005	16,359	19,035	76	161,382
TRAC surplus/deficit	-9,034	9	-9,201	1,721	439	-16,066
Recovery of full economic costs (income as a % of full economic costs)	92.3%	100.1%	43.8%	109.0%	675.2%	90.0%

Note: Income allocation guidance is contained in Annex 3.5a and 3.5b of the TRAC guidance and can be found here: <http://www.trac.ac.uk/tracguidance/>

(B) Research income and full economic costs by research sponsor type

Data collected for use by the OfS, HE Funding Councils and UKRI

2017-18

	Recurrent research funding from the funding councils/ Research England £000	Institution- own funded £000	Postgraduate research £000	Research Councils £000	Other govt departments £000	European Union ¹ £000	UK-based Charities £000	Industry ² £000	Total Research £000
Income	1,768	293	1,358	700	897	1,442	333	367	7,158
TRAC full economic costs		1,001	9,941	878	1,120	2,482	448	488	16,359
TRAC surplus/deficit		-708	-8,584	-178	-223	-1,040	-115	-121	-9,201
Recovery of full economic costs (income as a % of full economic costs)		29.3%	13.7%	79.7%	80.1%	58.1%	74.3%	75.2%	43.8%

¹ European Union covers EU government bodies including the Commission. This is the same as that defined under 3(h) in Table 7 of the HESA Finance record.

² Industry should include all other organisations such as UK industry, commerce and public corporations, UK Other, EU non-government organisations (i.e. EU-based charities, EU industry and EU other) and Overseas organisations (Non-EU based charities, Non-EU industry and Non-EU other).

For further details of definitions please see sections 3.1.4.1 and 1.3.2 of the TRAC guidance (<http://www.trac.ac.uk/tracguidance/>).

It is not currently a TRAC requirement to reallocate income and costs relating to PGR activity away from the external research sponsor type to the PGR category. However it is possible this could become mandatory, at least for research intensive institutions in the future. Please indicate in the box on the right whether your institution already reallocates income and costs to the PGR category. If you do not have any PGR income or costs please select "N/A".

Yes, we reallocate income and costs away from the external research sponsor type to the PGR category.

Annual TRAC return reporting for AY 2017-18

Institution: London South Bank University
UKPRN: 10004078
TRAC Peer Group: E

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Further analysis of TRAC results

(A1) Derivation of TRAC income and expenditure figures

Data collected for use by the OFS and HE Funding Councils

	2017-18 £000
Total income ¹	145,299
+ gain on disposal of fixed assets	0
+ gain on investments	17
+ share of operating surplus in joint ventures	0
+ share of operating surplus in associates	0
+ taxation credit	0
TRAC income	145,316
Total expenditure ²	143,688
minus cost or plus credit attributable to the periodic revaluation of [USS and SAUL] pension scheme liabilities	0
+ [USS and SAUL] employer pension deficit contributions excluded from expenditure in financial statements	0
+ loss on disposal of fixed assets	0
+ loss on investments	0
+ share of operating deficit in joint ventures	0
+ share of operating deficit in associates	0
+ taxation charges ³	0
plus surplus or minus deficit attributable to non-controlling interests	0
TRAC expenditure	143,688

¹ From FRS 102 accounts - income as reported in the Consolidated Statement of Comprehensive Income

² From FRS 102 accounts - expenditure as reported in the Consolidated Statement of Comprehensive Income

³ Taxation charges should include all charges reported in the Consolidated Statement of Comprehensive Income, including taxation on research and development expenditure credit (RDEC)

(A2) TRAC income and full economic costs by activity - Further analysis

Please select which model has been applied to account for government grants:

Government revenue grants Accrual model
Government capital grants (excluding grants for land) Accrual model

2017-18

	Teaching		Research	Other		Total
	Publicly funded £000	Non-publicly funded £000		Income generating activity £000	Non-commercial activity £000	
Items included in income						
TRAC income	107,873	9,014	7,158	20,756	516	145,316
Donations and Endowments (note 1)						
New Endowments received and included in total income	17	0	0	0	0	17
New Donations included in total income	0	0	0	0	0	0
New capital grants received in the year (note 2)						
New Government Capital Grants included in total income	0	0	0	0	0	0
New Non Government Capital Grants included in total income	0	0	0	0	0	0
Material (Exceptional) income (note 3)						
Other material items (included in total income)***	0	0	0	0	0	0
Total income after adjusting for the above items	107,856	9,014	7,158	20,756	516	145,299
Items included in full economic costs						
TRAC full economic costs (from Section A)	116,907	9,005	16,359	19,035	76	161,382
Material (Exceptional) expenditure (note 3)						
Staff restructuring costs (included in total expenditure)	1,935	66	0	0	0	2,001
Costs of fundamental reorganisation or restructuring (included in total expenditure)	0	0	0	0	0	0
(Gain) or loss on sale or termination of an operation (included in total income or total expenditure as appropriate)	0	0	0	0	0	0
Other material items (included in total expenditure)***	0	0	0	0	0	0
Total full economic costs after adjusting for the above items	114,972	8,939	16,359	19,035	76	159,381

***To include where separately analysed on the face of the Consolidated Statement of Comprehensive Income

Note: Income allocation guidance is contained in Annex 3.5a and 3.5b of the TRAC guidance and can be found here: <http://www.trac.ac.uk/tracguidance/>

Annual TRAC return reporting for AY 2017-18

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 UKPRN: 10004078
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(B1) Research income and full economic costs by research sponsor type - Further analysis

2017-18

	Recurrent research funding from the funding councils £000	Institution-own funded £000	Postgraduate research £000	Research Councils £000	Other govt departments £000	European Union* £000	UK-based Charities £000	Industry** £000	Total Research £000
Items included in Income									
TRAC income	1,768	293	1,358	700	897	1,442	333	367	7,158
<i>Donations and Endowments (note 1)</i>									
New Endowments received and included in total income	0	0	0	0	0	0	0	0	0
New Donations included in total income	0	0	0	0	0	0	0	0	0
<i>New capital grants received in the year (note 2)</i>									
New Government Capital Grants included in total income	0	0	0	0	0	0	0	0	0
New Non Government Capital Grants included in total income	0	0	0	0	0	0	0	0	0
<i>Material (Exceptional) income (note 3)</i>									
Other material items (included in total income)***	0	0	0	0	0	0	0	0	0
Total income after adjusting for the above items	1,768	293	1,358	700	897	1,442	333	367	7,158
Items included in full economic costs									
TRAC full economic costs (from Section A)		1,001	9,941	878	1,120	2,482	448	488	16,359
<i>Material (Exceptional) expenditure (note 3)</i>									
Staff restructuring costs (included in total expenditure)		0	0	0	0	0	0	0	0
Costs of fundamental reorganisation or restructuring (included in total expenditure)		0	0	0	0	0	0	0	0
(Gain) or loss on sale or termination of an operation (included in total income or total expenditure as appropriate)		0	0	0	0	0	0	0	0
Other material items (included in total expenditure)***		0	0	0	0	0	0	0	0
Total full economic costs after adjusting for the above items		1,001	9,941	878	1,120	2,482	448	488	16,359

***To include where separately analysed on the face of the Consolidated Statement of Comprehensive Income

Notes for A2 and B1:

1. Both unrestricted donations and restricted donations (endowments) are typically recorded in income when received and form part of the TRAC data income in the year the income is received (associated expenditure is recorded in the year it is made).

2. The total income figure reported in the consolidated financial statements will include income from capital grants as well as from revenue grants.

If the accrual model is adopted for government capital grants, on recognition the capital grant element will be shown as deferred income and then released as funding body, research or other income as appropriate; whereas if the performance model is adopted for government capital grants the capital grant will be recognised as funding body, research, or other income, as appropriate, when performance conditions are met.

The total income figure reported under TRAC does not adjust the total income figure reported in the consolidated financial statements for the government capital grant accounting policy adopted by the institution. There is no such accounting policy choice for non-government capital grants which are recognised as income when performance conditions are met.

3. Exceptional items are not defined by FRS 102. Under FRS 102 items previously classified as exceptional items (as defined by FRS 3 in previous UKGAAP) are known as material items and are included in the main income and expenditure headings. Such items should be included in TRAC income or cost but may be separately analysed in the Annual TRAC return other than those previously analysed "below the line": fundamental restructuring costs and losses on sale or termination of an operation.

Annual TRAC return reporting for AY 2017-18

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(C) Calculation of the Margin for Sustainability and Investment

Data collected for use by the OfS, HE Funding Councils and UKRI

The MSI is given by the institution's average required level of cash generation (EBITDA) over six years, divided by the adjusted income for the current year. All numbers used in the table below should be taken from either the audited financial statements or the financial forecast as approved by your Governing Body.

C.1 Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for MSI

	Actual 2015-16 £000	Actual 2016-17 £000	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	6 year average £000	
Surplus/(deficit) ¹	3,270	1,842	1,500	1,500	2,500	4,000	2,435	Enter surpluses as positive values and deficits as negative values
Research Development Expenditure Credit	0						0	Enter as a negative value
Share of surplus/(deficit) in joint venture(s) and associates	0						0	Enter surpluses as positive values and deficits as negative values
Finance charges ²	4,755	4,369	4,372	5,300	5,300	5,300	4,899	Enter as a positive value
Depreciation	9,749	9,620	9,663	10,500	11,500	12,500	10,589	Enter as a positive value
Amortisation (including impairment charges)	0						0	Enter as a positive value
Capital grants received/receivable (for non-government capital grants and for government capital grants where the performance model is adopted) ³	0	0	0	0	0	0	0	Enter as a negative value
Release of deferred capital grants from all sources (accruals model only)	-1,379	0	0	0	0	0	-230	Enter as a negative value
New permanent endowments	0	0	0	0	0	0	0	Enter as a negative value
Staff charges/(credits) arising from pension provisions (including both self-administered trust defined benefit schemes and deficit recovery provisions on multi-employer schemes)	0	0	0	0	0	0	0	Enter charges as a positive value and credits as a negative value
Fair value changes to financial instruments (where hedge accounting policy choice is NOT applied)	0	0	0	0	0	0	0	Enter gains as a negative value and reductions as a positive value
EBITDA for MSI	16,395	15,831	15,535	17,300	19,300	21,800	17,694	

¹ This should be taken from the statement of comprehensive income and is the surplus/(deficit) before other gains/losses and share of surplus/(deficit) in joint ventures and associates.

² This should include interest payable on debt, finance leases and service concessions, pension deficits and the unwinder of discount rates with respect to the valuation of provisions (eg provisions for multi-employer pension schemes).

³ Capital grants taken to income (for all non government capital grants, and government capital grants where the performance model is adopted) (please enter as negative)

C.2 Margin for Sustainability and Investment (MSI)

	£000
Total income (per audited financial statements 2017-18)	145,299
Research and Development Expenditure Credit 2017-18 (Gross Income) ⁵	0
Release of deferred capital grants 2017-18 (accrual model only)	0
Capital grants included in income 2017-18	0
New permanent endowments 2017-18 ⁴	0
Adjusted total income 2017-18	145,299
MSI	12.2%

⁴ New permanent endowments included in income should be deducted. New expendable endowments or other donations should not be adjusted for here

⁵ All Research and Development Expenditure Credits included in research grants and contracts income (or other income lines) in 2017-18 – gross of any tax deduction

C.3 Apportionment of the 'EBITDA for MSI' between TRAC categories

The MSI should be allocated between the TRAC categories (T, R and O) on the basis of apportionment of TRAC expenditure between T, R and O.

	Teaching	Research	Other	Total
TRAC expenditure (£000s)	110,934	15,235	17,519	143,688
EBITDA for MSI (£000s)	13,660	1,876	2,157	17,694

C.4 Analysis of the annual sustainability gap

	£000	As a % of expenditure
Sustainability adjustment (EBITDA for MSI)	17,694	
Actual EBITDA for MSI 2017-18	15,535	
Annual sustainability gap (difference between EBITDA for MSI and Actual EBITDA for MSI 2017-18)	2,159	1.5%

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(D) Calculation of indirect and estates cost charge-out rates for Research

Data collected for use by UKRI

Please select box (shown on the right) if you do not calculate an estates laboratory rate or an estates non-laboratory rate

2017-18 charge-out rate indexed two years

			Indirect	Estates non-laboratory	Estates laboratory
Cost per TRAC allocated to research ¹			7,306	750	1,524
Academic staff	FTEs	(i)	631.0	152.2	478.8
% research time of academic staff		(ii)	10.4%	10.4%	10.4%
Resulting in direct time of academic staff		(i) * (ii)	65.6	15.8	49.8
Research assistants and fellows	FTEs		45.0	12.0	33.0
PGRs	FTEs		266.2	87.5	178.7
	weighted by		0.2	0.5	0.8
	weighted FTEs		53.2	43.8	142.9
Total FTEs			163.0	71.6	225.7
Rate (£)			44,588	10,478	6,751
Indexation (two years) %			3.0%	3.0%	3.0%
Indexed year 1 rate (£)			45,925	10,792	6,954

¹ Indirect cost pools should include staff restructuring costs other than the costs of a fundamental reorganisation or restructuring. See TRAC guidance 3.2.5.7. The laboratory estates costs should exclude all costs of laboratory technicians and research facilities (which are reported under E.1 below). The non-laboratory estates costs should include relevant elements of these costs, unless you are charging them separately (when again they would then be reported under E.1). The cost in the numerator of the Research indirect cost charge-out rate should be reduced by any income received from the Apprenticeship Service Account for research staff (see TRAC guidance 4.2.4.3).

Do you calculate and apply different indirect rates for each department? Please select Yes/No from the drop-down box
 If Yes please list the departments and the rates in table D(a) in the worksheet "RCUK_Departmental_rates"

Do you calculate and apply different estates rates for each department? Please select Yes/No from the drop-down box
 If Yes please list the departments and the rates in table D(a) in the worksheet "RCUK_Departmental_rates"

(E) Calculation of laboratory technician and research facility charge-out rates for Research

Institution: London South Bank University
 UKPRN: 10004078
 TRAC Peer Group: E

Data collected for use by the Research Councils and any successor bodies

In section E, it is not a TRAC requirement to identify laboratory technician costs in non-laboratory departments separately from estates costs. If you do identify laboratory technician costs separately, please respond using the drop-down box (this will provide you with cells to enter data in the tables below).

Please choose an option from the drop-down box to inform us if you have no lab technicians and/or no research facilities

	Research		
	Non-laboratory ¹ £000	Laboratory £000	Total £000
E.1 Total costs allocated to Research			
1. Research facilities ²			
2. Laboratory technicians			
a. DI ³		150	150
b. Pool		0	0
c. Infrastructure		0	0
Total		150	150
Total costs		150	150

Note:
¹ Many institutions will not have identified these costs separately from estates costs in non-laboratory research disciplines. It is not a TRAC requirement.
² The row titled Research facilities should include all costs included in the calculations of the charge-out rates for research facilities, whether charged as DI or DA.
³ Please enter the costs of all DI technicians allocated to research irrespective of whether their salary was allocated wholly to DI, or partly to Support and partly to DI.

Please describe the rates that you calculate and apply on research facilities on table E(a) in the worksheet "RCUK_Departmental_rates"

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E.2 Analysis of total estates costs allocated to Research (this table will automatically be completed with information from sections D and E.1.)	Non-laboratory ¹ £000	Laboratory £000	Total £000
1. Estates costs included in the estates cost rate calculation	750	1,524	2,274
2. Gross estates costs (i.e. estates plus all technicians and all research facilities.)	750	1,674	2,424
3. % of gross estates costs			
a. Research facilities			
b. Laboratory technicians			
i. DI		9.0%	6.2%
ii. Pool		0.0%	0.0%
iii. Infrastructure		0.0%	0.0%
Total		9.0%	6.2%
Total	0.0%	9.0%	6.2%

Note - It is assumed here, for benchmarking purposes only, that all research facility and laboratory technician costs were originally part of a gross estates cost (even though in practice some of these costs would have been DI and not in the estates cost total at all and some of these costs may have been in indirect costs). The gross estates cost is calculated for you on row E.2.2. No research facility or laboratory technician cost (whether DI or DA) are in the estates cost total that is used for the estates cost rate calculation - row E.2.1.

E.3 Calculation of laboratory technician infrastructure rate

2017-18 charge-out rate indexed two years

	Non-laboratory ¹	Laboratory	Total
Total laboratory technician infrastructure costs (£000)	0	0	0
Academic/researcher/PGR FTEs	0.0	0.0	0.0
Laboratory technician infrastructure rate per FTE (£)	0	0	0
Indexation (Two years) %	0.0%	0.0%	0.0%
Indexed year 1 rate (£)	0	0	0

Do you calculate and apply laboratory technician infrastructure rates separately for each department?

If Yes please list the departments and the rates in table D(a) in the worksheet "RCUK_Departmental_rates"

No

(F) Analysis

Data collected for use by the Research Councils and any successor bodies

F.1 Analysis of Support costs

Estates costs and indirect costs

	Teaching £000	Research £000	Other - academic department activities £000	Other - standalone enterprise activities such as residences, catering and (most) trading companies ¹ £000	Total £000
Estates costs					
Estates costs (excluding research facilities and lab technicians)	2,423	924	700	1,002	5,049
EBITDA for MSI	16,203	1,350	411	3,821	21,785
Indirect costs ²					
Support time of academic staff	14,501	1,478	354	0	16,333
Central services	56,219	4,702	249	0	61,170
Support staff in academic departments	1,603	705	93	0	2,401
Non-staff costs in academic departments	0	0	0	0	0
EBITDA for MSI	3,985	421	501	0	4,907
Total indirect costs	76,308	7,306	1,197	0	84,811
Total Estates and Indirect costs	94,934	9,580	2,308	4,823	111,645

¹ Please refer to section 1.3.3 of the TRAC guidance (<http://www.trac.ac.uk/tracguidance/>)

² Indirect cost pools should include staff restructuring costs other than the costs of a fundamental reorganisation or restructuring. See TRAC guidance 3.2.5.7. The indirect cost pool should also be reduced by any income received from the Apprenticeship Service Account for research staff (see TRAC guidance 4.2.4.3).

F.2 Analysis of staff time

Number of academic and research staff in the year (FTEs)

Academic staff covered by Time Allocation Survey ³	631.0
Research assistants & fellows (wholly charged to R)	45.0
Other academic staff (wholly charged to T or O)	36.0
Total academic and research staff FTEs	712.0

³ Academic staff covered by the time allocation survey reported in the table above should be the total number of academic staff who are covered by the current AST percentages, irrespective of whether they provided time estimates this year or in either of the two prior years, or whether they were actually part of the sample selected to provide data or not.

Academic staff covered by Time Allocation Surveys for the whole institution

	Teaching	Research	Other	Support	Total
% time unweighted for salaries ⁴	74.8%	8.2%	2.8%	14.2%	100.0%
% time weighted for salaries	66.8%	10.1%	1.9%	21.2%	100.0%
Academic staff costs (£000s)	23,411	3,621	967	16,333	44,332

⁴ See section 4.2.4.4 of the TRAC guidance (<http://www.hefce.ac.uk/funding/finsustain/trac>).

This table shows the institutional total of the department percentages that have been used to allocate academic staff costs.

Support for Teaching, Support for Research, Support for Other should all be shown under Support.

Annual TRAC return reporting for AY 2017-18

Institution: London South Bank University
UKPRN: 10004078
TRAC Peer Group: E

Data collected for use by the Research Councils and any successor bodies

Please fill in table D(a) only if you calculate and apply rates by departmental level, as described in tables D and E.

All institutions charging research facilities need to complete table E(a) (located beneath table D(a))

Table D(a): Rates calculated separately by Department

Please fill in consecutive rows in the table

Department	Indexed year 1 rate (£)				
	Indirect	Estates non-lab	Estates lab	Lab technician infrastructure in lab departments	Lab technician infrastructure in non-lab departments

Table E(a) Research facility rates (Indexed to current year i.e. 2019 prices)¹

Please enter your 5 largest research facilities by value.
Please fill in consecutive rows in the table

Name of facility	Rate charged (£) per unit of output*	Unit of output

*day, hour, run, unit of volume etc.

¹ See sections 4.2.5.15 and 3.1.5.28 of the TRAC guidance (Version 2.3.1, October 2018).

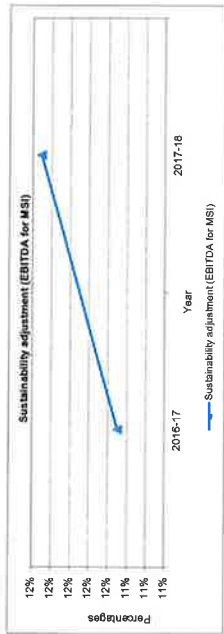
Annual TRAC return reporting for AY 2017-18

Institution: London South Bank University
 UKPRN: 10004078
 TRAC Peer Group: E

The data in this worksheet will be automatically completed as the data in the other sheets of this workbook are completed. Please review the summary analysis after completion of the workbook and prior to submission as part of your reasonableness checks. Note: data may not be displayed in the charts in the summary worksheet until the workbook has been saved, closed and re-opened. In addition to the data in this summary sheet, you are reminded that benchmarking analysis comparing your 2016-17 data to that of other TRAC peer groups and the UK sector is available to download from the CIS portal. Benchmarking of 2017-18 data will be made available after publication of the 2017-18 sector and peer group results (official statistics).

Institutional results

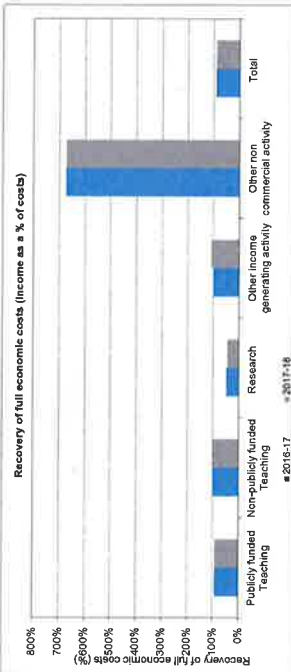
	2016-17	2017-18	% difference 2016-17 to 2017-18
Total expenditure	142,636	143,688	0.7%
Sustainability adjustment (EBITDA for MSI)	16,405	17,694	7.8%
As a % of total expenditure			
Sustainability adjustment (EBITDA for MSI)	11.5%	12.3%	



TRAC income and full economic costs by activity

Source: Section A

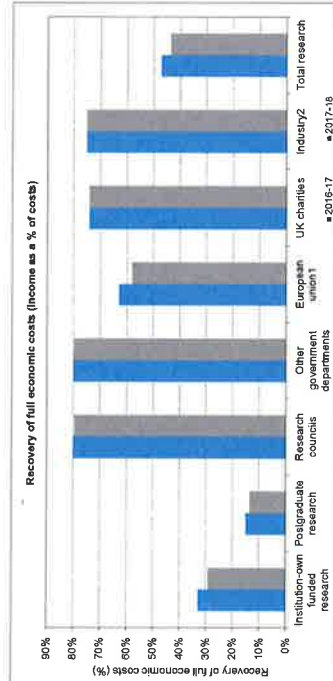
	2016-17	2017-18
Recovery of full economic costs (income as a % of costs)		
Publicly funded Teaching	93.0%	92.3%
Non-publicly funded Teaching	101.5%	100.1%
Research	47.3%	43.8%
Other income generating activity	100.4%	109.0%
Other non commercial activity	675.4%	675.2%
Total	90.8%	90.0%



Research income and full economic costs by research sponsor type

Source: Section B

	2016-17	2017-18
Recovery of full economic costs (income as a % of costs)		
Government research funding from the funding councils/Research England	32.9%	29.3%
Institution-own funded research	15.1%	13.7%
Postgraduate research	79.9%	79.7%
Research councils	80.1%	80.1%
Other government departments	63.1%	56.1%
European union ¹	74.3%	74.3%
UK charities	75.2%	75.2%
Industry ²	47.3%	43.8%
Total research		



¹ European Union covers EU government bodies including the Commission. This is the same as that defined under 3(n) in Table 7 of the HESA Finance record.

² Industry should include all other organisations such as UK industry, commerce and public corporations, UK Other, EU non-government organisations (i.e. EU-based charities, EU industry and EU other) and Overseas organisations (Non-EU based charities, Non-EU industry and Non-EU other).

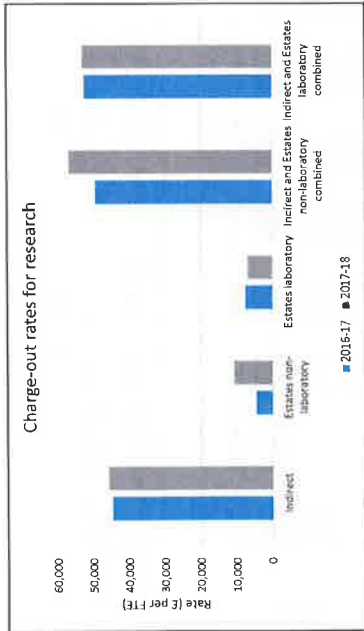
For further details of definitions please see sections 3.1.4.1 and 1.3.2.4 of the TRAC guidance (<http://www.trac.ac.uk/tracguidance/>)

Annual TRAC return reporting for AY 2017-18

Institution: London South Bank University
 UKPRN: 10004078
 TRAC Peer Group: E

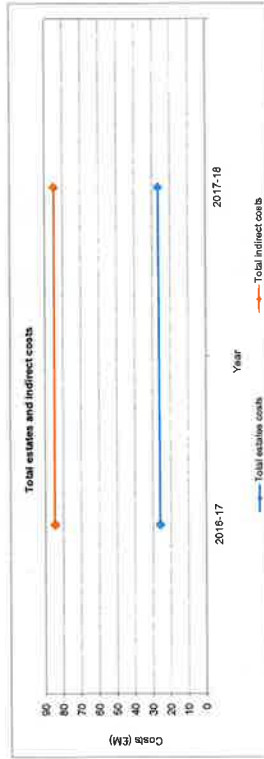
Charge-out rates for research (indexed year 1 rate)

	2016-17	2017-18	% difference 2016-17 to 2017-18
Indirect	44,786	45,925	2.5%
Estates non-laboratory	4,607	10,792	134.3%
Estates laboratory	7,583	6,954	-8.3%
Indirect and Estates non-laboratory combined	49,393	56,717	14.8%
Indirect and Estates laboratory combined	52,369	52,879	1.0%

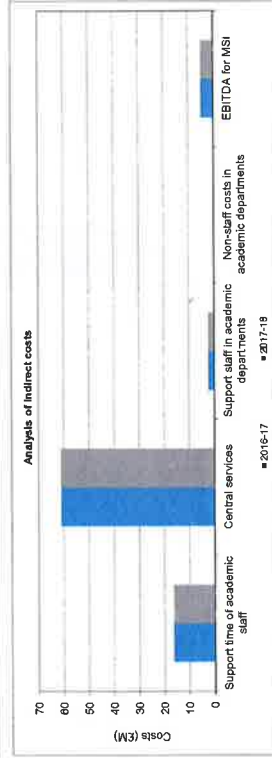


Analysis of support costs, indirect costs and estates costs

	2016-17	2017-18	% difference 2016-17 to 2017-18
Total estates costs	26,146	26,834	2.6%
of estates costs allocated to research	6.1%	8.5%	
Total indirect costs	84,789	84,811	0.0%
of indirect costs allocated to research	7.4%	8.6%	



	2016-17	2017-18	% difference 2016-17 to 2017-18
Support time of academic staff	16,333	16,333	0.0%
Central services	61,148	61,170	0.0%
Support staff in academic departments	2,401	2,401	0.0%
Non-staff costs in academic departments	0	0	0.0%
EBITDA for MSI	4,907	4,907	0.0%
Total indirect costs	84,789	84,811	0.0%



Annual TRAC return reporting for AY 2017-18

Your workbook has passed all validation checks

Checklist

Validation passed

Please ensure all aspects of the TRAC return have been completed in accordance with this checklist.
Select Yes, No or N/A from the drop-down boxes

1. Has your institution used version 2.3.1 of the TRAC guidance published in October 2018 (http://www.trac.ac.uk/tracguidance/) in the preparation of this return and read the change log at Annex 1.1a?	Yes
2. Do academic and research assistant/fellow staff numbers reconcile with those used as cost drivers?	Yes
3. Do PGR numbers reconcile with those included in student number cost drivers?	Yes
4. Have research facility and laboratory technician costs been allocated to Teaching and Other activities where appropriate and excluded from the research facility or laboratory technician rates?	Yes
5. Have PGR scholarships, bursaries etc been excluded from the indirect costs for Research?	Yes
6. Have Teaching costs been taken into the TRAC(T) model? (select N/A if you are an institution in Wales)	Yes
7. Are total income and total expenditure (reported in section A1) consistent with the data reported in the financial statements and the HESA finance record?	Yes
8. Has a Board Committee confirmed the results have been prepared in accordance with the TRAC requirements based on a full self-assessment of compliance (TRAC guidance section 2.1.4.3, http://www.trac.ac.uk/tracguidance/)?	Yes
9. Do you currently use TRAC data for internal management purposes? If so, please provide examples in the comment box at the end of the checklist section.	Yes
10. Does your institution use a workload planning/management approach to time allocation data (see section 3.1.4.26 of the TRAC guidance, http://www.trac.ac.uk/tracguidance/)?	Yes
11. Do you consider that your time allocation data and TRAC cost data are robust and provide utility to your institution?	Yes
12. Has the MSI been calculated in accordance with the guidance provided at section 3.2 of the TRAC guidance (http://www.trac.ac.uk/tracguidance/)?	Yes

Comment box to provide examples of internal uses of TRAC data.

We use TRAC for space Usage Utilisation analysis.

Please type directly into this comment box rather than copying and pasting text. Pasting text may cause errors when you upload your return

Commentary Section

Please upload an electronic commentary document along with your completed return to explain any of the following (if highlighted in purple):

Commentary documents should be submitted as a Word or PDF document via OFS portal

1. Recovery of full economic costs on PFT is more than 105%	
2. Recovery of full economic costs on NPFT is less than 100%	
3. Recovery of Other -income generating activity is less than 100%	
4. Recovery of Other -Non-commercial activity is less than 100%	
5. Recovery of full economic costs on industry ¹ activity is less than 75%	
6. Recovery of full economic costs on Research Councils activity is less than 30% or more than 80%	
7. Recovery of full economic costs on Research Council activity is less than the recovery of full economic costs on charities activity.	
8. Recovery of full economic costs on Research Council activity is less than the recovery of full economic costs on European Union activity.	
9. Recovery of full economic costs on Other Government Department activity is less than recovery of full economic costs on Research Council activity.	
10. Recovery of full economic costs on Research Council activity, Charities activity, European Union activity and/or Other Government Department activity is more than 100%.	
11. MSI is less than 4.5% or greater than 15.2%	

¹ Industry includes all other organisations such as UK industry, commerce and public corporations, UK Other, EU non-government organisations (i.e. EU-based charities, EU industry and EU other) and Overseas organisations (Non-EU based charities, Non-EU industry and Non-EU other).

Annual TRAC return reporting for AY 2017-18

Your workbook has passed all validation checks

Workbook validation checks

Please review the validation failures/warnings below to ensure that your data have been completed correctly before submitting your return to the OFS. If you have a genuine reason for a validation failure/warning, please provide a brief explanation in the box at the bottom of this page. Further detail can be provided in your commentary document if required.

Commentary documents should be submitted as a Word or PDF document via the OFS portal.

Declaration

1. The name of a Board Committee and a date of the meeting at which compliance with the TRAC requirements was confirmed should be entered in the "Signoff_Sheet" worksheet.

Validation passed

2. The name and title of the Head of Institution should be entered on the "Signoff_Sheet" worksheet.

Validation passed

Institutional Results

3. Only those institutions who have selected that they are not eligible for or applying dispensation should complete section D, E and F.

Validation passed

4. EBITDA for MSI would usually be greater than zero.

Validation passed

5. The question on whether your institution is eligible for and applying dispensation should be completed.

Validation passed

Section A

6. Total income recorded in section A should equal total income recorded in the institutional results section for each year.

Validation passed

7. Total full economic costs recorded in section A should equal the full economic cost recorded in the institutional results section for each year.

Validation passed

8. Both categories of 'Other' activities should be completed.

Other: Income-generating	Validation passed
Other: Non-commercial	Validation passed

Section A2

9. Please enter information on which model has been applied to account for government grants

Validation passed

10. Please ensure you have completed Table A2.

Validation passed

Section B

11. Recurrent research funding from the funding council should be recorded in the income line of the first column in section B, and should reconcile to the funding you were allocated.

Validation passed

Comment box to explain discrepancies

12. Total research income recorded in section B should equal total research income recorded in section A.

Validation passed

13. Total research costs recorded in section B should equal total research costs recorded in section A.

Validation passed

14. The question on the reallocation of income and costs relating to PGR activity away from the external research sponsor type should be completed.

Validation passed

Section B1

15. Total research income recorded in section B1 should equal total research income recorded in section A2.

Validation passed

16. Total research costs recorded in section B1 should equal total research costs recorded in section A2.

Validation passed

17. If the "Accrual model" has been selected for government capital grants then 'New Government Capital Grants included in total income' in Tables A2 and B1 should be zero. Please put in a comment below to explain any discrepancies.

Validation passed

Comment box:

18. Please ensure you have completed Table B1.

Confirmation provided If you have no figures to enter into Table B1, please select 'Confirm'.

Section C

19. All years of data (actual and forecast) should be completed in Table C1.

Validation passed

20. The total TRAC expenditure in Table C3 should be equal to the TRAC expenditure recorded in the institutional results section.

Validation passed

21. If the "Performance model" has been selected for the model applied to account for Government capital grants in Table A2, then the 'Release of deferred capital grants from all sources (accruals model only)' in Table C1 would usually be zero.

Validation passed

22. If there are new government capital grants in Table A2 and B1, then the 'Release of deferred capital grants from all sources (accruals model only)' in Table C1 would usually be zero.

Validation passed

Annual TRAC return reporting for AY 2017-18

Your workbook has passed all validation checks

Section D

23. If you have identified that you do not calculate an estates laboratory rate or an estates non-laboratory rate in the drop-down box in section D, then the relevant columns should be left blank.

Validation passed

24. Academic staff numbers allocated to estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

25. The % research time of academic staff (any column in row ii) would usually be less than 50%.

Validation passed

26. The % research time of academic staff in the indirect column should not be greater than both of the % research time returned in the two estates columns or less than both of the % research time returned in the two estates columns.

Validation passed

27. Direct time of academic staff in estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

28. If academic staff numbers (estates) equals indirect staff numbers (row (i)), then the direct time of academic staff (indirect) should equal the direct time of academic staff in the estates columns (row (i)*(ii)).

Validation passed

29. Research assistant/fellows numbers allocated to estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

30. PGR student numbers allocated to estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

31. Indexation should not be negative or 0 and would usually be less than 10%.

Validation passed

Section E

32. If you do not identify laboratory technician costs in non-laboratory departments (i.e. you have left the first drop-down box at the top of section E blank), then the relevant column in all of section E should be left blank.

Validation passed

33. Please ensure you have recorded whether you have lab technicians and/or research facilities consistently in table E.1. and the second drop-down box at the top of section E.

Validation passed

34. Institutions recording laboratory estates costs in section D should identify some laboratory costs in table E.1.

Validation passed

35. Laboratory technician infrastructure rate per FTE (£) in table E.3 should be completed.

Validation passed

36. Academic/researcher/PGR FTEs in table E.3 should be equal to the total FTEs in section D (for both laboratory and non-laboratory columns).

Validation passed

37. Research-intensive institutions (those in TRAC peer groups A or B) would usually report laboratory technician infrastructure rates in table E.3.

Validation passed

38. Research-intensive institutions (those in TRAC peer groups A or B) would usually report research facilities in table E.1.

Validation passed

39. If you calculate a laboratory technician infrastructure rate, please enter an indexed rate i.e. indexation should not be negative or 0 and would usually be less than 10%.

Validation passed

Section F

40. Research indirect costs in table F.1 should equal those recorded in the first line of section D.

Validation passed

41. Research estates costs in table F.1 should equal those recorded in the first line of section D.

Validation passed

42. Total support time for academic staff from table F.1 should be equal to the academic staff costs for support reported in table F.2.

Validation passed

43. Academic staff FTEs allocated to indirect costs in section D should be within 10% of Academic staff covered by Time Allocation Survey in table F.2.

Validation passed

44. Research assistants and fellows in table F.2 should equal those in section D.

Validation passed

45. Percentage time unweighted for salaries for research in table F.2 should be equal to the percentage research time for academic staff recorded in section D.

Validation passed

46. Percentage time weighted for salaries should be completed in table F.2.

Validation passed

47. The total % time of academic staff (both weighted and unweighted for salaries) in table F.2 should equal 100%

Validation passed

48. Please check that costs in table F.1 have been correctly split between 'Other - academic department activities' and 'Other - standalone enterprise activities such as residences, catering and (most) trading companies'.

Validation passed

Confirm

Other

49. Contact details for at least one person who can respond to any questions regarding your return should be entered in the box at the top of this page.

N/A in results file

50. Monetary values in the workbook should be entered in pounds thousands (£000).

Validation passed

Annual TRAC return reporting for AY 2017-18

Your workbook has passed all validation checks

Post submission Validation Section
 Data will be subject to some additional validation checks on submitting the data to the OFS. The results of these will appear below in the results package.

If, for any reason, you get any validation failures/warnings, you should review your figures to ensure they have been completed correctly. If this is a data error then please correct your figures in the annual TRAC return and resubmit your workbook to the OFS.

51. Total income reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

52. Total expenditure reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

53. The net of gains and losses on disposal of fixed assets reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

54. The net of gains and losses on investments reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

55. The net of surpluses and deficits in joint venture(s) reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

56. The net of surpluses and deficits in associates reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

57. The net of taxation credits and taxation charges reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

58. The surplus/deficit attributable to non-controlling interests reported in the Annual TRAC return (Section A1) should be consistent with data in table 1 of the HESA Finance record returned in December 2018.

Validation passed

59. The 2017-18 RDEC figure reported in the Annual TRAC return (Section C1) should be consistent with data in table 7 of the HESA Finance record returned in December 2018.

Validation passed

If you have a genuine reason for failing any of the above validation checks, please enter a brief explanation of this in the table below.

Validation check	Reason for failure

	CONFIDENTIAL
Paper title:	Lambeth College Audit Arrangements
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Approval
Recommendation:	The committee are asked to approve the appointment of KPMG for the audit of the accounts of Lambeth College at 31/1/19.

Executive Summary

There is a requirement to produce accounts for Lambeth College up to 31 January 2019. These will serve both as the closure accounts for the legal entity of Lambeth College and, subject to aligning accounting policies, opening balances of South Bank Colleges (SBC).

Lambeth College have previously used Buzzacott as their financial statements auditor and Buzzacott completed the audit of Lambeth's accounts up to 31/7/18. However, it is preferred that the university's auditors, KPMG, be engaged to audit the closure accounts at 31/1/19. This will enable the university to gain early assurance over the opening balances of SBC from its own auditors and enable a smooth transition to a group external audit function at 31/7/19.

KPMG have agreed to undertake this work at an estimated cost of £45,000 plus VAT. This will be charged to Lambeth College and will be included in their closure accounts. The appointment of KPMG has been agreed by the SBC Board and KPMG have issued a draft letter of engagement.

We are awaiting a KPMG detailed audit plan which will be shared with the committee in due course.

Recommendation

On behalf of LSBU (the member of SBC), the committee is asked to approve the appointment of KPMG for the audit of the accounts of Lambeth College at 31/1/19.

Appendix A - letter from KPMG and draft terms of engagement.

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KPMG LLP
Audit
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 7768485532
Fax +44 (0) 20 7311 1897
fleur.nieboer@kpmg.co.uk

Private & confidential

Richard Flatman
London South Bank University
103 Borough Road
London
SE1 0AA

Your ref LC/1

1 February 2019

Dear Richard

Re: Proposal for the audit of Lambeth College and associated subsidiaries for the six months ended 31 January 2019

Congratulations on the acquisition of Lambeth College ('the College'). We know that this has been in the University's plans since we have started working with you, and presents South Bank with significant opportunities for the future.

As external auditor to London South Bank University, we would be pleased to offer our services to complete the audit of the College's accounts for the six months ending 31 January 2019. We have pulled together the attached documents for your consideration, which I recommend you read in detail:

- Annex One: A proposed engagement letter for the audit of the College for the 6 months to 31 January 2018. These detail the scope of the audit we would perform and associated fees;
- Annex Two: Our General Terms of Business, which govern how we will undertake this engagement. These are standard terms and conditions issued for all engagements undertaken by KPMG; and
- Annex Three: Our Additional Terms: Audits of financial statements (general), which govern how we will undertake the audit. These are standard KPMG terms for financial statement audit engagements.

We have included a breakdown of the proposed fee for this work in Appendix A. The total fee for this engagement will be £45,000 (ex. VAT). If we are required to perform work above and beyond that which is anticipated, we will charge in line with the rates outlined in Appendix A.

As always, if you would like to discuss anything in further detail please do not hesitate to give me a call.

Yours sincerely,

Fleur Nieboer
Partner, KPMG LLP



Appendix A: Pricing Schedule

We have used the same rates that are consistent with those used on the London South Bank University audit.

Resource Category	Day Rate	Number of days	Total cost
Engagement Partner	£1,000	7	£7,000
Manager	£750	14	£10,500
Assistant Manager	£500	20	£10,000
Audit Assistant	£400	25	£10,000
Audit Assistant	£300	25	£7,500
Other (D&A specialist)	£750	0	£0
Total			£45,000

ANNEX ONE
INDICATIVE EXAMPLE

KPMG LLP
Audit
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 7768485532
Fax +44 (0) 20 7311 1897
fleur.nieboer@kpmg.co.uk

Private & confidential

The Board of Governors
Lambeth College
45 Clapham Common South Side,
London
SW4 9BL

Your ref LC/2

1 February 2019

Dear Board of Governors

Letter of engagement for the audit of financial statements and reporting on regularity

1. Following the appointment of KPMG LLP (“KPMG” or “we”) by Lambeth College (“the College” or “you”) as external auditors of the financial statements of the College and certain of its subsidiaries for the period ending 31 January 2019, this letter establishes an agreement between KPMG LLP and the College in relation to the audit of, and reporting on, the College’s financial statements, and an agreement between the College, the Secretary of State for Education acting through the Department for Education (in that capacity, “the Department”) and KPMG LLP for the sole purpose of reporting on the regularity audit.
2. This engagement letter will apply to audit and reporting work for the period ended 31 January 2019, and to any subsequent reappointments unless otherwise agreed in writing and to other work associated with or incidental to the audit as performed under this letter. The letter reflects the requirements of the Post-16 Audit Code of Practice 2016 to 2017 (“the Audit Code”) which applies to accounting periods ending on or after 31 July 2017.
3. Any work already performed in connection with this engagement before the date of this letter will also be governed by the terms and conditions of this letter.

Audit Scope

4. We shall conduct our audit of the College’s financial statements in accordance with the approved International Standards of Auditing (UK) issued by the Auditing Practices Board (“ISA”) and in full compliance with any instructions, guidance or frameworks issued by the funding bodies, including those within the annual College Accounts Direction.

5. We have a professional responsibility to report if the financial statements do not comply in any material respect with applicable accounting standards and the requirements of the College Accounts Direction, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified, we will consider whether:
 - the departure is required for the financial statements to give a true and fair view and
 - adequate disclosure has been made concerning the departure.
6. We shall report to the Department, as soon as practically possible, any significant fraud or major weakness or breakdown in the accounting or other control framework, of which we become aware, subject only to the requirements of the Proceeds of Crime Act 2002.
7. Where we cease to hold office for any reason, we will provide the Governing Body with either a statement of circumstances connected with the removal or resignation that we consider should be brought to the corporation's attention, or a statement that there are no such circumstances. The College must copy this statement to the Department, as soon as practically possible following receipt.
8. We set out in the appendices accompanying this letter further terms applicable to our audit of the financial statements of the College.

Regularity reporting scope

9. The Department has adopted the standard terms of reference included within the Audit Code.
10. We will report to the Department in accordance with those terms of reference.
11. The Department will not be required to sign this engagement letter.

Access

12. We expect unrestricted access to the files and working papers of the College's internal audit service, and to have regular meetings with internal audit personnel. The working papers referable to our financial statements audit work and those referable to our regularity reporting are the property of KPMG LLP. In the event of a request from the Department or the National Audit Office for access to regularity reporting working papers, our prior written consent will be required before access will be provided and such consent will be conditional on the exchange of appropriate 'hold harmless' letters in a form acceptable to us.

13. We will have the right of access to the chair of the College's audit committee and also the right to require the chair of the audit committee to convene a meeting of the audit committee, if necessary, with, or without other participants.

Meetings of the Governing Body

14. We shall be entitled to attend any general meetings of the Governing Body and to receive all notices or any other communications relating to any general meeting which any member of the Governing Body is entitled to receive, and to be heard at any general meeting which we attend, or any part of the business of the meeting which concerns us as the College's financial statements auditors and regularity reporting accountants.

Fees

15. Our normal hourly rates in operation when the work is performed will apply to this engagement. Details will be notified to you separately. We shall charge in addition VAT.
16. We will agree our fee with you each period before we start our audit.
17. Invoices will be presented on a periodic basis as milestones are reached and will be payable on presentation.
18. In the event of early termination (through our removal or resignation as auditors), work performed to that date will be charged at our hourly rates operating when the work was done.
19. If the timetable slips because of delays in making information or documentation or personnel available to us, we may charge additional fees for any work performed outside of the original timetable on the basis of our normal hourly rates in force when the relevant work is done.

Agreement of Terms

20. We accept this engagement on the basis that our General Terms of Business, as set out in Appendix 1, will apply to this work and govern our relationship with you, together with the Additional Terms in Appendix 2 (Audits of financial statements (general), in which references to the Directors apply to the Governing Body). Any advisory or other work associated with or incidental to the Services which may at our discretion or on request be performed will be supplied under our General Terms.

This letter is the “Engagement Letter” mentioned in our General Terms. Please read these Terms carefully, as they include various exclusions and limitations on our liability which will apply to all our work. Through our contract with you we aim to clarify your and our obligations and responsibilities. We draw your attention in particular to the following clauses of our General Terms:

Clause 4: We set out here the obligations imposed on us in respect of your Confidential Information. For our marketing or publicity purposes we are permitted to make general references to our relationship with you and to work performed for you.

Clause 7: We confirm here that our work is performed for you alone and we set out various restrictions on the extent to which you may share with others the product of our work or refer to our name. This clause is disapplied in relation to the audit report and any reports or other written communications from us that are required by legislation to be made public, but the restrictions apply to any private reporting or other private communications in writing presented by us in connection with the Services. Please note that clause 7 makes the product of our work confidential and that this letter is also confidential between you and us. Any disclosure of the product of our work beyond what is permitted under clause 7, and any disclosure of this letter beyond you and us, will damage this firm’s commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If you receive a request for disclosure of the product of our work or this letter under the Freedom of Information Act 2000, having regard to these actionable disclosure restrictions you should let us know and you should not make a disclosure in response to any such request without first consulting us and taking into account any representations that we might make.

Clauses 18 to 24: These set out our position where your interests may conflict with our other clients’ interests and clarify our responsibilities in relation to Confidential Information (as defined in clause 4) in the circumstances identified.

Clauses 31 to 35: We set out here the principal exclusions and limitations on our liability to you. The following clauses of our General Terms shall not apply to our work in relation to the financial statements audit report and report on regularity: 7, 17, 31, 32, 33, the first paragraph of clause 34, 36 and 37.

Our liability to the Governing Body and the College in connection with our financial statements audit for losses shall be unlimited. If the Governing Body or the College wishes to bring a claim against us in respect of our financial statements audit work, it must do so within 6 years on the basis set out in clause 35.2 of our General Terms of Business (which for this engagement shall be treated as having been amended to replace all references to “four years” with

references to “six years”). In accordance with the Audit Code and the standard terms of reference included therein, to the fullest extent permitted by law we shall have no responsibility or liability to the Secretary of State acting through the Department for our financial statements audit.

Our liability to the College and, in accordance with the Audit Code and the standard terms of reference included therein, our liability to the Secretary of State for Education acting through the Department in connection with our regularity reporting for losses shall be limited, on the basis set out in our General Terms, to a maximum aggregate, which is applicable to each and all of them, of £1,000,000 (one million pounds). If the College wishes to bring a claim against us in respect of our regularity reporting, it must do so within 6 years on the basis set out in clause 35.2 of our General Terms of Business (as amended above). If the Secretary of State for Education acting through the Department wishes to bring a claim against us in respect of our regularity reporting, the timeframe for doing so is specified in the standard terms of reference included in the Audit Code.

For other work under the terms of this Engagement Letter, comprising any reports to the College (other than our audit Report and report on regularity) and any work that is associated with or incidental to the Services, the principal exclusions and limitations on our liability (which are set out in clauses 31 to 35 of our General Terms) will apply. Our liability to you, where limitations apply, in connection with this engagement for losses shall be limited, on the basis set out in our General Terms, to a maximum aggregate of £1,000,000. If you wish to bring a claim against us in relation to any such matters, you must do so within 4 years.

Confirmation

22. Please confirm your agreement to and acceptance of the terms of this letter and the attachments by signing and returning to me the enclosed copies. If there are any aspects that you wish to discuss, please let me know.

Yours faithfully

Fleur Nieboer
Partner, *KPMG LLP*



Attached:

- 1 General Terms of Business
- 2 Additional Terms: Audits of financial statements (general)

I have read and understood the terms and conditions of this letter and attachments and I agree to and accept them.

Signed:

Name:

Position:

Date:

Duly authorised, for and on behalf of Lambeth College.

General Terms of Business

These General Terms of Business (“**General Terms**”) apply to the delivery of services by KPMG to a client pursuant to a letter enclosing these General Terms and recording the engagement (“**the Engagement Letter**”).

Definitions

Services means the services to be delivered by us under the Engagement Letter.

KPMG or **we** (or derivatives) means the KPMG contracting party as identified by the Engagement Letter.

Engagement Team means KPMG Persons (excluding corporate bodies) involved in delivering the Services.

you (and derivatives) means the addressee (or addressees) of the Engagement Letter.

Services Contract means the contract formed by the Engagement Letter and these General Terms, together with any appended other terms applicable to the Services (“**Additional Terms**”).

KPMG Persons means the KPMG contracting party, each and all of our partners or directors, employees and agents, together with any other body associated with us and each and all of its partners, directors, employees and agents and “**KPMG Person**” shall mean any one of them.

Other KPMG Person(s) means, collectively or individually, KPMG Persons who are not members of the Engagement Team.

agents (when referable to KPMG) means persons whom we authorise to act on our behalf or whom we treat as our employees, and for whose conduct we accept responsibility, in connection with the Services.

Other Beneficiaries means any person or organisation identified in and for whom you sign the Engagement Letter (other than you) as a beneficiary of the Services or any product thereof.

Our responsibilities

1. The Engagement Letter shall set out the Services to be delivered by us and associated matters and may vary these General Terms.
2. The Services shall be delivered with reasonable skill and care.
3. We shall form an Engagement Team, to include individuals (if any) named in the Engagement Letter. We may substitute any who are named for others of equal or similar skills but we shall consult you before doing so.
4. We may acquire sensitive information concerning your business or affairs while delivering the Services (“**Confidential Information**”). We shall preserve the confidentiality of Confidential Information and we shall not disclose it beyond the Engagement Team unless permitted by you or by this clause. We shall comply with the

confidentiality standards of the ICAEW and we shall adhere to the confidentiality restrictions of any other UK authority with powers over us, as well as any obligations imposed on us by English law. We shall be entitled to comply with any requirement of English law, the ICAEW, or any other UK regulatory body with powers over us, to disclose Confidential Information. Information relating to you, to our relationship with you, and to the Services, including Confidential Information, may be shared by us with Other KPMG Persons, and may be accessed by other parties who facilitate the administration of our business or support our infrastructure. We shall remain responsible for preserving confidentiality if Confidential Information is shared with Other KPMG Persons or accessed by such other parties. We may remove, or arrange for the removal of, names and any other identifiers from Confidential Information and then use such anonymised information for lawful purposes chosen at our discretion. This clause shall not apply where Confidential Information properly enters the public domain. This clause shall not prohibit our disclosure of Confidential Information, in confidence, to our professional indemnity insurers or advisers.

For the purposes of marketing or publicising or selling our services we may wish to disclose that we have performed work (including the Services) for you, in which event we may identify you by your name and we may indicate only the general nature or category of such work (or of the Services) and any details which have properly entered the public domain.

5. We may supply written advice or confirm oral advice in writing or deliver a final written report or make a final oral presentation. We may also supply oral, draft or interim advice or reports or presentations but in such circumstances our written advice or our final written report shall prevail. No reliance shall be placed by you on anything draft or interim. Where you wish to rely on anything provided orally, you shall inform us and we shall supply final documentary confirmation.
6. We shall not be obliged to update any advice, report or other product of the Services, oral or written, for events occurring after the advice, report or product concerned has been issued in final form.
7. Any product of the Services in any form or medium shall be supplied for your benefit and information only. Save as may be required by law or by a competent regulatory authority (in which case you shall, unless prohibited by law, inform us in advance), it shall not be copied, referred to or disclosed by you, in whole (save for your own internal purposes) or in part, without our prior written consent. You shall not quote our name or reproduce our logo in any form or medium without our prior written consent. You may disclose in whole any product of the Services to your legal and other professional advisers if seeking advice in relation to the Services, provided that when doing so you inform them that (i)

disclosure by them (save for their own internal purposes or where compelled) is not permitted without our prior written consent, and that (ii) to the fullest extent permitted by law we accept no responsibility or liability to them in connection with the Services.

8. Any advice, opinion, statement of expectation, forecast or recommendation supplied by us shall not amount to any form of guarantee that we have determined or predicted future events or circumstances.

Ownership

9. We shall retain ownership of the copyright and all other intellectual property rights in the product of the Services, whether oral or tangible, and ownership of our working papers. You shall acquire ownership of any product of the Services in its tangible form on payment of our Charges. For the purposes of delivering services to you or other clients, KPMG, the Engagement Team and Other KPMG Persons shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the Services.

Our charges

10. We shall render invoices in respect of the Services comprising fees, outlays and VAT thereon (where appropriate), plus any overseas taxes that might be payable thereon or deductible therefrom (“our Charges”). Details of our Charges and any special payment terms shall be set out in the Engagement Letter. Our fees shall be based on the degree of responsibility of Engagement Team members involved in delivering the Services, their skill and time spent by them and the nature and complexity of the Services. Outlays include both directly incurred costs and an amount, equal to 2.5% of the value of time, to cover incidental expenses. Our Charges may differ from any prior estimates or quotations.
11. In return for the delivery of the Services by us, you shall pay our Charges (without any right of set-off), on presentation of our invoice or at such other time as may be specified in the Engagement Letter.

11.1 Not used.

11.2 If the Services Contract is terminated or suspended, we shall be entitled to payment for outlays incurred and to payment of fees for Services performed, plus VAT thereon (where appropriate). Our fees shall in this event be calculated by reference to our hourly rates at the time of performance of the Services.

11.3 Where there is more than one addressee of the Engagement Letter, unless the Engagement Letter provides otherwise, all of you shall be liable to pay our Charges in full separately and together as a group.

11.4 If we are required by any court or regulatory body in any proceedings or forum in which we are not a party or participant but you are, or if we are required by a parliamentary select committee or body, to provide

information or to produce documents relating in any way to the Services, you shall pay our costs incurred in preparing for and responding to any such requirement at our standard rates applicable at the time of responding, together with outlays including legal expenses, and VAT thereon (where appropriate).

Your responsibilities

12. Where there is more than one of you, this clause applies to each of you separately and not collectively. Notwithstanding our duties and responsibilities in relation to the Services, you shall retain responsibility and accountability for managing your affairs, deciding on what to do after receiving any product of the Services, implementing any advice or recommendations provided by us, and realising any benefits requiring activity by you.
13. Where you require us or the nature of the Services is such that it is likely to be more efficient for us to perform Services at your premises or using your computer systems or telephone networks, you shall ensure that all necessary arrangements are made for access, security procedures, virus checks, facilities, licences or consents (without cost to us).
14. You shall not, directly or indirectly, solicit the employment of any of our partners, directors or employees, involved in performing the Services, during performance or for a period of 3 months following their completion or following termination of the Services Contract, without our prior written consent. This prohibition shall not prevent you at any time from running recruitment advertising campaigns nor from offering employment to any of our partners, directors or employees who may respond to any such campaign.

Information

15. To enable us to perform the Services, you shall supply promptly all information and assistance and all access to documentation in your possession, custody or under your control and to personnel under your control where required by us. You shall use your best endeavours to procure these supplies where not in your possession or custody or under your control. You shall inform us of any information or developments which may come to your notice and which might have a bearing on the Services. You shall supply information in response to our enquiries (if any) to enable us to comply with our statutory responsibilities to make disclosures to relevant authorities in respect of money laundering and any other criminal activity that we may encounter during performance of the Services and any such disclosures may include Confidential Information.
16. We may rely on any instructions, requests or information supplied, orally or in writing, by any person whom we believe to be authorised by you to communicate with us for such purposes. We may communicate with you by electronic mail where any such person wishes us to do so, on the basis that in consenting to this method of communication you accept the inherent risks, that to the extent permitted by law we may intercept such communications in order to monitor them for

internal compliance or other statutory purposes, and that you shall perform virus checks. We may at your request send documents to an electronic storage facility hosted or controlled by you or at your direction, in which event you shall be responsible for security and confidentiality at such facility.

17. We may receive information from you or from other sources in the course of delivering the Services. To the fullest extent permitted by law, we shall not be liable to you for any loss or damage suffered by you arising from fraud, misrepresentation, withholding of information material or relevant to the Services or required by us, or other default relating to such information, whether on your part or that of the other information sources, unless such fraud, misrepresentation, withholding or such other default is evident to us without further enquiry.

Knowledge and conflicts

18. In clauses 18 to 24 "**Barriers**" means safeguards designed to facilitate the protection of each client's interests and may include (for example): separate teams, their geographical and operational separation and/or access controls over data, computer servers and electronic mail systems.
19. The Engagement Team shall not be required, expected or deemed to have knowledge of any information known to Other KPMG Persons which is not known to the Engagement Team.
20. The Engagement Team shall not be required to make use of or to disclose to you any information, whether known to them personally or known to Other KPMG Persons, which is confidential to another client.
21. KPMG Persons may be delivering services to, or be approached to deliver services to, another party or parties who has or have interests which compete or conflict with yours (a "**Conflicting Party**" or "**Conflicting Parties**").
22. KPMG Persons are and shall remain free to deliver services to Conflicting Parties, except that where the interests of the Conflicting Party conflict with yours specifically and directly in relation to the subject matter of the Services: the Engagement Team shall not deliver services to the Conflicting Party; and Other KPMG Persons may only deliver services to the Conflicting Party where appropriate Barriers are put in place. The effective operation of such Barriers shall constitute sufficient steps to avoid any real risk of a breach of our duty of confidence to you.
23. We seek to identify Conflicting Parties in the circumstances set out in clause 22. If you know or become aware that a KPMG Person is advising or proposing to advise such a Conflicting Party, you shall inform us promptly.
24. Where a party has engaged us to deliver services before you have done so and subsequently circumstances change, we may consider that, even with Barriers operating, your interests are likely to be prejudiced and we may not be satisfied that the situation can be managed. In that event we may have to terminate the Services Contract and we shall

be entitled to do so on notice taking effect immediately on delivery but we shall consult you before we take that step.

The Services Contract

25. The Services Contract sets out the entire agreement and understanding between you and us in connection with the Services. Without affecting KPMG's responsibilities for other services it is engaged to perform on terms agreed separately in writing, the Services Contract supersedes and relieves you and KPMG from liability (if any) that might otherwise arise for any prior agreements, understandings, arrangements, statements or representations (unless made fraudulently) as to any facts or matters relating to you or to KPMG or the Services. Any modifications or variations to the Services Contract must be in writing and signed by each of us. If there is any inconsistency between the Engagement Letter and any other elements of the Services Contract, the Engagement Letter shall prevail. If there is any inconsistency between these General Terms and Additional Terms that may apply, the Additional Terms shall prevail.

Third party rights

26. Save where the Services Contract confers benefits on KPMG Persons who are not the KPMG contracting party, no-one shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any part of the Services Contract. We and you may rescind or vary the Services Contract without anyone else's consent. Other Beneficiaries (if any) shall acquire rights under the Services Contract through signature by the addressee of the Engagement Letter on their behalf.

Circumstances beyond your or our control

27. Neither we nor you shall be in breach of our contractual obligations or incur any liability to the other if we or you are unable to comply with the Services Contract as a result of any cause beyond our or your reasonable control. In the event of any such occurrence affecting one of us, that one shall be obliged as soon as reasonably practicable to notify the other, who shall have the option of suspending or terminating the operation of the Services Contract on notice taking effect immediately on delivery.

Waiver, assignment and sub-contractors

28. Failure to exercise or enforce any rights shall not amount to a waiver of such rights.
29. No-one shall have the right to assign the benefit (or transfer the burden) of the Services Contract to another party.
30. Subject to clauses 4 and 39, we shall have the right to appoint sub-contractors to assist us in delivering the Services but where any such sub-contractors are not KPMG Persons we shall consult you before doing so. Where we appoint sub-contractors under this clause, we may share Confidential Information with them and for all purposes in connection with the Services Contract we shall accept responsibility for their activities which shall form part of the Services.

Limitations on our liability

31. Our liability in connection with the Services Contract and the Services shall be limited in accordance with this clause.

- In the particular circumstances of the Services set out in the Engagement Letter and subject to clause 33 and clause 34 below,
- the aggregate liability to you and to Other Beneficiaries of each and all KPMG Persons,
- in contract or tort or under statute or otherwise,
- for any loss or damage suffered by you (or by any such other party) arising from or in connection with the Services or the Services Contract,
- however the loss or damage is caused, including if caused by our negligence but not if caused by our fraud or other deliberate breach of duty,

shall be limited to the amount specified in the Engagement Letter.

32. Where there is more than one beneficiary of the Services (“**Beneficiary**”) the limitation on our liability agreed under clause 31 to each Beneficiary shall be apportioned by them amongst them. No Beneficiary shall dispute or challenge the validity, enforceability or operation of clause 31 on the ground that no such apportionment has been so agreed or that the agreed share of the limitation amount apportioned to any Beneficiary is unreasonably low. In this clause, “Beneficiary” shall include you and Other Beneficiaries.

33. Subject always to the aggregate limitation on our liability in clause 31 above, our liability shall in aggregate be limited to that proportion of the total loss or damage, after taking into account contributory negligence (if any), which is just and equitable having regard to the extent of our responsibility for the loss or damage concerned, and the extent of responsibility of any other person also responsible or potentially responsible (“**Other Person**”). In order to calculate the proportionate share of our liability, no account shall be taken of any matter affecting the possibility of recovering compensation from any Other Person, including the Other Person having ceased to exist, having ceased to be liable, having an agreed limit on its liability or being impecunious or for other reasons unable to pay, and full account shall be taken of the responsibility to be attributed to any Other Person whether or not it is before the competent court as a party to the proceedings or as a witness.

34. We accept the benefit of the limitations in clauses 31, 32 and 33 above on our own behalf and in so doing we confer benefits on all KPMG Persons involved in delivering the Services.

Any parts of the Services Contract which do or may exclude or limit our liability in any respects shall not apply beyond the extent permitted by law.

35. This clause shall apply to claims arising from or under the Services Contract.

35.1 You and Other Beneficiaries shall not bring any claim against any KPMG Person or anyone else except the KPMG contracting party in respect of loss or damage suffered by you or by Other Beneficiaries arising out of or in connection with the Services. This restriction shall not operate to limit or exclude the liability of the KPMG contracting party for the acts or omissions of anyone involved in delivering the Services.

35.2 Any claim from you or Other Beneficiaries in respect of loss or damage suffered as a result of, arising from or in connection with the Services Contract, whether in contract or tort or under statute or otherwise, must be made

- if Services have been delivered, within four years of the date of the activity giving rise to the claim
- if the Services Contract has been terminated, within four years of the date of termination (subject to the bullet above)
- if the claim relates to our unauthorised disclosure of Confidential Information, within four years of the date on which the unauthorised disclosure took place

and in any of these cases that shall be the date when the earliest cause of action (in contract or tort or under statute or otherwise) shall be deemed to have accrued in respect of the relevant claim. For the purposes of this clause a claim shall be made when court proceedings are commenced.

Third parties

36. If you breach any of your obligations under the Services Contract and there is any claim made or threatened against us by a third party, you shall compensate us and reimburse us for and protect us against any loss, damage, expense or liability incurred by us which results from or arises from or is connected with any such breach and any such claim. If any payment is made by you under this clause you shall not seek recovery of that payment from us at any time. In this clause “us” shall include all KPMG Persons and “you” shall include Other Beneficiaries.

Termination

37. Each of us can terminate the Services Contract or suspend its operation by giving 30 days’ prior notice in writing to the other at any time. Termination or suspension under this clause shall not affect any rights that may have accrued for either of us before termination or suspension and all sums due to us shall become payable in full when termination or suspension takes effect.

38. Any part of these General Terms which by its nature or implicitly or to give effect to its purpose is to continue in force after expiry or termination of the Services Contract shall survive, such as (for example) restrictions on use or confidentiality or terms protecting against liability.

Data protection

39.1 “**DP Legislation**” means, before 25 May 2018, the Data Protection Act 1998 and from 25 May 2018, the General

Data Protection Regulation (EU 2016/679) and any legislation which amends, re-enacts or replaces it in England and Wales. The definitions and interpretations in the DP Legislation apply to this clause.

- 39.2 This clause 39 applies to personal data provided to us by you or on your behalf in connection with the Services (“**Personal Data**”).
- 39.3 You warrant and represent that you have any necessary consent, provided any necessary notice and done all other things required under the DP Legislation to disclose Personal Data to us in connection with the Services. We shall act as a Controller and perform the Services in accordance with the DP Legislation.
- 39.4 We will take appropriate technical and organisational steps to protect against unauthorised or unlawful processing of Personal Data and accidental loss or destruction of, or damage to, Personal Data.
- 39.5 We shall process the Personal Data as reasonably required (i) to provide the Services; (ii) for our reasonable business purposes including facilitation and support of our business and quality control; and (iii) to meet our legal and regulatory obligations. We may share Personal Data with Other KPMG Persons or other parties who facilitate or support our business. We will only make such a disclosure where it is required in connection with such purposes and in compliance with applicable DP Legislation.
- 39.6 We shall notify you promptly: (i) upon receiving a request for Personal Data or other request from a data subject, or if we receive any claim, complaint or allegation relating to the processing of the Personal Data; (ii) upon becoming aware of any breach of security leading to the destruction, loss or unlawful disclosure of the Personal Data in KPMG’s possession or control.
- 39.7 Upon request, each Party shall provide the other with information relating to its processing of Personal Data as reasonably required for the other to satisfy its obligations under DP Legislation.

Notices

40. Any notice under the Services Contract shall be given in writing and delivered by pre-paid first class post (or pre-paid overseas equivalent) to or left at our respective addresses appearing in the Engagement Letter (or such other address as may be notified in writing). Notices delivered by post shall be deemed to have arrived, where posted from and to addresses in the UK, on the second working day and where posted from or to addresses overseas, on the tenth working day, following the date of posting.

Severability

41. Each clause or term of the Services Contract constitutes a separate and independent provision. If any provisions of the

Services Contract are judged by any court or authority of competent jurisdiction to be void or unenforceable, the remaining provisions shall continue in full force and effect.

Capacity

42. You agree to and accept the provisions of the Services Contract on your own behalf and as agent for Other Beneficiaries. You shall procure that any Other Beneficiaries shall act as if they had each signed a copy of the Engagement Letter and agreed to be bound by the Services Contract. However, you alone shall be responsible for payment of our Charges.
43. We accept your agreement to and acceptance of the terms of the Services Contract (save for clauses 31, 32 and 33 above) on our own behalf and in so doing we confer benefits on all KPMG Persons.

Regulated activities

44. Where the Services (or part of the Services) amount to “regulated activities” under the Financial Services and Markets Act 2000, or activity that is regulated by the Solicitors Regulation Authority, we shall inform you and set out the implications in the Engagement Letter or elsewhere in writing and Additional Terms shall apply.

Law and jurisdiction

45. The Services Contract shall in all respects be subject to and governed by English law and all disputes arising on any basis from or under the Services Contract shall be subject to the exclusive jurisdiction of the English courts.

Feedback on our performance

46. We aspire to embed in our culture the attributes that we feel distinguish our brand and contribute to the difference that you experience when you engage KPMG. We may invite you to provide feedback on our performance so that we can measure to what extent we meet our goals. If you wish to discuss the Services or complain about them, you are invited to contact any partner or director named in the Engagement Letter. If your problem is not resolved, you should contact David Matthews, our UK Head of Quality & Risk Management, by e-mail to david.matthews@kpmg.co.uk or by writing to him at 15 Canada Square, London E14 5GL or through our website at <https://home.kpmg.com/uk/en/home/misc/complaints.html>. We investigate any complaints promptly and do what we can to resolve difficulties. If you are still not satisfied, you can refer the matter to the ICAEW and (in respect of “regulated activities” and ancillary services) to the Financial Ombudsman Service and to the Legal Ombudsman in respect of activity that is “reserved legal activity” or “legal activity” under the Legal Services Act 2007, or any complaint that the Legal Ombudsman considers to be about a legal service.

Additional Terms: Audits of financial statements (general)

Where the Services involve the audit of financial statements (“**Financial Statements**”), the terms and conditions set out below shall apply.

Duties and responsibilities of directors

1. The directors or other senior management (“**the Directors**”) of the entity whose Financial Statements are to be audited (“**the Entity**”) are and shall be responsible for ensuring that the Entity maintains adequate accounting records, for preparing Financial Statements which comply with any specified accounting principles and for the preparation and approval of information presented with those Financial Statements. The Directors are responsible for preparing Financial Statements that are properly prepared in compliance with any regulatory or other requirements. The Directors shall be responsible for making available to us all the Entity’s accounting records and all other records and information.

Duties and responsibilities of auditors

2. As auditors we shall have a responsibility to report our opinion on the Financial Statements, in the form, and to the person or persons, specified in the Engagement Letter (“**our Report**”).
3. We shall address in our Report such other matters as may be required by auditing standards, statute or other regulations governing our audit.
4. We shall have a professional responsibility to state in our Report if the Financial Statements do not comply in any material respect with applicable accounting standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we shall consider:
 - whether the departure is required in order for the Financial Statements to give a true and fair view; and
 - whether adequate disclosure has been made concerning the departure.
5. Our responsibility shall be to address in our Report the Financial Statements of the Entity as a whole, rather than those of individual units or divisions. We shall vary the nature and extent of our tests and enquiries at each unit or division according to our assessment of its circumstances. Work (if any) that we shall carry out at certain units or divisions may be less than the full audit that would be necessary if we were to address in our Report the separate financial statements of the unit or division concerned.
6. Our professional responsibilities shall also include considering whether the information in documents containing audited Financial Statements is materially consistent with those Financial Statements.

Scope of audit

7. Our audit shall be conducted in accordance with International Standards on Auditing (UK). In addition, we may follow regulations, guidelines and recommendations issued by the Financial Reporting Council, or other regulatory or professional bodies, the UK Listing Authority or similar bodies to the extent relevant. We are required by International Standards on Auditing (UK) to communicate audit matters of governance interest arising from our audit with those charged with governance. In the UK, those charged with governance include the directors of a company, or the members of an audit committee where one exists. If the Entity has an audit committee, we shall communicate such matters with that committee. If the Entity does not have an audit committee, we shall determine the relevant persons who are charged with governance and with whom audit matters of governance interest are to be communicated by us. We shall then communicate such matters with any such person or persons, who may include any of the Directors.
8. Our audit shall be conducted in such a manner as we consider necessary to fulfil our responsibilities as described above and shall include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary. We shall obtain an understanding of the accounting system of the Entity in order to assess its adequacy as a basis for the preparation of the Financial Statements and to establish whether adequate accounting records have been maintained by the Entity. We shall expect to obtain such appropriate evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom.
9. The nature and extent of our tests shall vary according to our assessment of the Entity’s accounting system and the system of internal control, where we wish to place reliance on it, and may cover any aspect of the operations that we consider appropriate. Our audit shall not be designed to identify all significant weaknesses in the Entity’s systems.

Representations and assistance from management

10. As part of our normal audit procedures we may ask the Directors to confirm formally in writing certain matters affecting the Financial Statements, such as those which are significantly dependent on the judgement of the Directors. We may also rely on information or advice given by persons suitably professionally qualified (whether or not employed by the Entity), banks and other regulated entities.
11. In order to assist with the examination of the Financial Statements, we shall request sight of all documents or statements which are due to be issued with the Financial Statements.

Safeguarding the Entity's assets

12. The responsibility for safeguarding the assets of the Entity and for the prevention and detection of fraud, error and non-compliance with law or regulations rests and shall rest with the Directors. We shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the Financial Statements (including those resulting from fraud, error or non-compliance with law or regulations), but our examination cannot be relied on to disclose all such material misstatements or frauds, errors or instances of non-compliance as may exist.

Group accounts

13. Where we address in our Report the Financial Statements of a group of entities headed by the Entity ("**Group Accounts**"), we shall make such enquiries of the auditors of other entities within the group concerned and review their work to the extent necessary to form our opinion on the Group Accounts. Responsibility for the audits of such other entities shall remain with the auditors of the entities concerned. In accordance with International Standards on Auditing (UK), we shall accept full responsibility for our opinion on the Group Accounts. Our work papers and other internal documentation created for the purpose of carrying out our duties as auditors belong solely to this firm (that is, the KPMG Person appointed as the Entity's auditor) and shall not be provided to you. We may be required to give access to our audit work papers for regulatory purposes or because of other statutory obligations. The UK Professional Oversight Board's Audit Inspection Unit and the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales may request access through this firm to audit work papers in relation to other component parts of the Entity's group prepared by overseas audit firms outside the European Economic Area (including other member firms of our international network). You shall take all reasonable steps to procure that the Entity's overseas components grant consent, wherever necessary, to enable overseas auditors to comply with such requests from this firm.

Miscellaneous

14. You shall not quote our name in any material other than Financial Statements (which we have audited) or pursuant to any statutory or regulatory requirement, without our prior written consent. The definitive version of the Financial Statements which we have audited shall be that bearing our original manuscript signature and we shall not be

responsible or liable for any errors or inaccuracies appearing in any reproduction in any form or medium.

15. In the event of termination of the Services Contract, we shall have your authority to discuss your affairs with our successors, in accordance with professional standards and guidance.
16. The Directors may wish the Entity to distribute the Financial Statements and our Report to the addressee or addressees of our Report by electronic means, such as e-mail.

The Directors shall not carry out any electronic distribution without first obtaining our consent. We may withhold our consent to the electronic distribution of our Report if the audited Financial Statements or our Report are to be distributed in an inappropriate manner. Where we consent we shall, if appropriate, supply an electronic version of our Report suitable for such distribution.

It is and shall remain the responsibility of the Directors to ensure that any such electronic distribution properly presents the financial information and our Report. The Directors shall ensure that financial information distributed by the Entity distinguishes clearly between financial information that we have audited and other information and avoids any inappropriate association.

The Directors shall retain responsibility for the controls over and the security of the Entity's e-mail service and any other means of distribution. Our work shall not extend to any consideration or examination of such matters, which shall be beyond the scope of our audit of the Financial Statements.

Other auditors

17. In order to facilitate our work it may be necessary to arrange for divisions and subsidiary and associated or joint undertakings to engage their auditors to perform such work as we consider necessary. As part of this process, we may request you to communicate with directors of divisions, subsidiary and associated or joint undertakings, particularly where they are resident or operate outside the United Kingdom, in order to explain and expedite the necessary procedures and engagement by them of local auditors.

Survival on termination

18. The following clauses of these Additional Terms shall survive expiry or termination of the Services Contract: clauses 12, 13, 14, 15, 16, 17 and 18.

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