

## Meeting of the Finance, Planning and Resources Committee

4.00 pm on Tuesday, 26 June 2018  
in 1B16 - Technopark, SE1 6LN

### Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and Apologies		HM
2.	Declarations of Interest		HM
3.	Minutes from the last meeting	3 - 10	HM
4.	Matters Arising	11 - 12	HM
<b>Finance</b>			
5.	Student Recruitment Update	13 - 24	NL
6.	Management accounts to April 2018	25 - 32	RF
7.	Draft Budget 2018/19	33 - 38	RF
8.	Draft Five-year forecasts	39 - 44	RF
9.	Larch consolidation forecast	45 - 54	RF
10.	Lambeth College commercial debt	55 - 58	RF
<b>People and Organisation</b>			
11.	Strategic HR Report	59 - 62	PB
<b>Items to note</b>			
12.	Fundraising Compliance Update	63 - 68	OR
13.	KPI - strategic enablers	69 - 72	RF
14.	Insurance Programme 2018/19	73 - 74	RF

**Date of next meeting**  
**4.00 pm on Tuesday, 25 September 2018**

**Members:** Hilary McCallion (Chair), Sodiq Akinbade, Michael Cutbill, Peter Fidler, Mee Ling Ng, Jenny Owen and David Phoenix

**Apologies:** Jerry Cope

*No. Item*

*Pages*

*Presenter*

**In attendance:** Pat Bailey, Richard Flatman, Nicole Louis, James Stevenson, Ralph Sanders, Alexander Enibe and Olivia Rainford (item 12)

# Agenda Item 3

	CONFIDENTIAL
Paper title:	Minutes and Proposed redactions
Board/Committee	Finance, Planning and Resources Committee
Date of meeting:	26 June 2018
Author:	Alexander Enibe, Governance Assistant
Board Sponsor:	Hilary McCallion, Chair of Committee
Purpose:	Information
Recommendation:	The meeting is requested to approve the minutes and proposed redactions, marked grey

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**Minutes of the meeting of the Finance, Planning and Resources Committee  
held at 4.00 pm on Tuesday, 1 May 2018  
1B16 - Technopark, SE1 6LN**

**Present**

Hilary McCallion (Chair)  
Sodiq Akinbade  
Jerry Cope  
Michael Cutbill  
Peter Fidler  
Jenny Owen  
David Phoenix

**Apologies**

Mee Ling Ng  
Mandy Eddolls

**In attendance**

Pat Bailey  
Richard Flatman  
Nicole Louis  
Ian Mehrtens  
James Stevenson  
Ralph Sanders  
Alexander Enibe  
Olivia Rainford (item 7)  
Markos Koumaditis (item 10)

**1. Welcome and Apologies**

The above apologies were noted.

**2. Declarations of Interest**

No governors declared a conflict of interest in any item on the agenda.

**3. Minutes from the last meeting**

The committee approved the minutes of the previous meeting and the redactions, subject to minor changes.

**4. Matters Arising**

The committee reviewed the uncompleted actions arising from the previous meeting. The action sheet will be updated.

## 5. **Management Accounts to March 2018**

The committee noted the management accounts to 31 March 2018. The full year forecast surplus is expected to be £1.5m, in line with budget.

The committee discussed the numbers of student withdrawals as at 31 March 2018, which stood at 757 students, compared to 575 students in February 2018. The committee noted that compared with the same point in 2017, both withdrawals and interruption are down. The committee requested an update on student withdrawals for the next meeting of 26 June 2018.

In relation to refunds being paid by LSBU to students who withdrew or interrupted their studies, the committee noted that decisions follow the published fee regulations.

## 6. **Student Recruitment Update**

The Chief Marketing Officer introduced the student recruitment 2018/19 semester 1 report. Some of the figures in the report have changed since the report was produced.

Firm acceptance are up by 15.4% year on year. All schools are up with the exception of Arts and Creative Industries, which was experiencing strong competition.

The committee discussed the School of Health and Social Care in detail, noting the national shortage of nurses. The marketing message had been reviewed. In addition, the Health and Social Care courses offer was under review, which may result in closure of a small number of under-subscribed courses, subject to the outcome of consultation.

## 7. **Draft fundraising strategy**

*Olivia Rainford joined the meeting.*

The Head of Alumni and Development presented the draft fundraising strategy. The vision is to have a fundraising programme that can achieve a sustainable and substantial flow of philanthropic income over the next 10 years to help support the University's financial model.

The committee discussed targeting Trusts and Foundations as well as alumni. An advisory panel would be established to include influential people.

The committee noted the importance of communicating clearly to the potential donors on what their donations will be spent on.

The committee suggested that KPIs should be used to measure performance in this area.

The committee supported the strategy and recommended it to the Board for approval.

The Head of Alumni and Development confirmed that a paper on compliance with CC20 “charity fundraising: a guide to trustee duties” would come back to the next meeting. The fundraising strategy and CC20 compliance would be reported to the July 2018 Board meeting.

*Olivia Rainford left the meeting.*

## **8. Capital expenditure funding proposal**

The committee discussed the capital expenditure funding proposal.

The recently approved estates development plans and the student journey transformation project (LEAP), required £80M of capital expenditure over the next four years. These projects will be funded from a mixture of existing cash reserves and operating cash flows. Based on an analysis of cash flows, short term financing would be required for working capital.

The committee authorised the Chief Financial Officer to issue a request for proposal for a £25m five-year liquidity contingency line, which can be drawn on as and when required.

The Chief Financial Officer confirmed that the University has sufficient headroom to borrow up to the proposed additional £25m.

Rates and terms would be brought back to the committee and Board for approval.

## **9. Lambeth College commercial debt**

The Chief Financial Officer introduced a proposal in relation to Lambeth College’s commercial debt of £14m with Barclays Bank. The proposal is for Barclays to novate this debt to LSBU on completion of the transfer of Lambeth College to a newly created subsidiary of LSBU, South Bank Colleges (SBC). Transaction Unit funds would flow to LSBU via SBC and the £5m early repayment charge to Barclays would be avoided.

The proposal is subject to discussion with the Transaction Unit and Barclays Bank.

The committee noted that on novation it is likely that Barclays will require new security over LSBU’s assets. Board approval would be required.

## **10. Strategic HR report**

*Markos Koumaditis joined the meeting.*

The committee noted the Strategic HR report.

The committee requested an update on the Universities and Colleges Employers' Association consultation (minute 9 of the previous meeting).

The committee noted that staff cost savings of between £5M and £8M were expected as part of planning for the 2018/19 budget. The approach will be to look at each area of activity in terms of staff cost, shape and skills requirements. In addition, a voluntary severance scheme would be launched. Consultation with the unions and staff communications had started.

The committee noted that the Deputy Vice Chancellor would be the Executive lead for the Human Resources following the departure in June 2018 of the current Executive Director of Human Resources.

The committee requested to see an overview of the workforce plan at the next meeting, which would form part of the budget proposals.

*Markos Koumaditis left the meeting.*

#### **11. Chief Operating Officer's report**

The committee noted the Chief Operating Officer's report.

The Chief Operating Officer reported that the Academic Resources PSG had transferred to PVC (Education & Student Experience) and the Chief Operating Officer's focus would be phase 1 of the estate development, part-time secondment to Lambeth College and organisational effectiveness.

The committee noted the progress towards submitting an application for the Race Charter Mark in November 2018.

The Chief Operating Officer noted the newly created Organisational Effectiveness Group (OE Group), to help drive organisation effectiveness projects.

#### **12. Treasury management report**

The committee noted the Treasury management report.

#### **13. Key performance indicators - strategic enablers**

The committee noted the Key Performance Indicators report.

The committee applauded the improvement in the Complete University Guide (CUG) league table recently published. LSBU's rating has risen from last year from 108 to 93.

#### **14. Corporate roadmaps**

The committee noted the Corporate Road maps for 2018/19.



15. **Travel, subsistence and expenses policy**

The committee approved the revised travel, subsistence and expenses policy.

The committee noted “a high risk area” was based on FCO advice. The organisational effectiveness group is clarifying class of travel.

The University Secretary confirmed that the policy met the draft CUC Remuneration code requirement to have a single published travel and expenses policy applying to all staff. A report of aggregate expenses for members of the Executive will be brought to the Remuneration Committee.

**Date of next meeting  
4.00 pm, on Tuesday, 26 June 2018**

**Confirmed as a true record**

..... (Chair)

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**FINANCE, PLANNING AND RESOURCES COMMITTEE - TUESDAY, 1 MAY 2018  
ACTION SHEET**

<b>Agenda No</b>	<b>Agenda/Decision Item</b>	<b>Action</b>	<b>Officer</b>	<b>Action Status</b>
5.	Management Accounts to March 2018	The committee requested an update on student withdrawals for the next meeting of 26 June 2018.	Richard Flatman	see management accounts
7.	Draft fundraising strategy	The committee requested that the CC20 Compliance should be presented at the next meeting of 26 June 2018. The fundraising strategy and CC20 compliance would be reported to the July 2018 Board meeting.	Olivia Rainford	on agenda
8.	Capital expenditure funding proposal	The committee requested that the rates and terms with regards to the capital expenditure funding proposal should be brought back to the meeting and also go to the Board for approval.	Richard Flatman	on committee business plan
9.	Lambeth College commercial debt	The committee requested that on the proposed novation, it is likely that new security will be required over LSBU's assets, therefore, Board approval would be required.	Richard Flatman	on agenda
10.	Strategic HR report	The committee requested an update on the Universities and Colleges Employers' Association consultation.  The committee requested to see an overview of the workforce plan at the next meeting of 26 June 2018, which will form part of the budget proposals.	Pat Bailey  Pat Bailey	see HR report  see draft budget

<b>Agenda No</b>	<b>Agenda/Decision Item</b>	<b>Action</b>	<b>Officer</b>	<b>Action Status</b>
15.	Travel, subsistence and expenses policy	The committee requested that a report of aggregate expenses for members of the Executive should be presented to the Remuneration committee.	Pat Bailey	on remuneration committee agenda

CONFIDENTIAL	
Paper title:	Semester 1 2018/19 Recruitment Update
Board/Committee	Finance, Planning and Resources
Date of meeting:	26 June 2018
Author:	Steven Brabenec, Director of Marketing and Recruitment
Executive/Operations sponsor:	Nicole Louis, Chief Marketing Officer
Purpose:	Information
Recommendation:	The committee is requested to note

## Executive Summary

- Sector UCAS applications remain down (-66k) mainly driven by the Home market.
- Collectively London Moderns have received -22,800 fewer applications versus the same point in 2016.
- The UGFT LSBU position is much stronger versus last year to date (+410 FAs), achieved by a quicker turnaround for applications, improved Offer Making and conversion.
- In HSC, while we have received -1.5K fewer applications this year, we have converted an additional +265 FA's.
- Post-Graduate Firm Accepts remain broadly in-line with last year (+35 in both Home and EU, but a decline -70 in OS).
- We have achieved 54.6% of our recruitment target, this equates to an enrolled new student revenue of £25.8m (with an additional £18.2m to be secured in the coming months).

**Financial Planning and Resources Committee:  
Recruitment Update**

**JUNE 2018**

INTERNAL USE ONLY: NOT FOR PUBLICATION

**AUTHOR: Steven Brabenec – Director of Marketing and Admissions**

**EXECUTIVE SPONSOR: Nicole Louis – Chief Marketing Officer**

**Contents: Semester 1 2018/19 – as at 11 June 2018 (Week 39 of Cycle Year)**

**Part A: The Sector – UGFT Only**

**Wider Market Context** 1

**LSBU Perspective** 2

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**UGFT Conversion Performance – UGFT Only** 4

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**Postgraduate LSBU Pipeline – Overall Postgraduate** 6

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**Wider Market Context** (Sector UGFT: 11<sup>th</sup> June 2018)

**The sector remains -2.4% (or -66K applications) below last year to date (LYTD).**

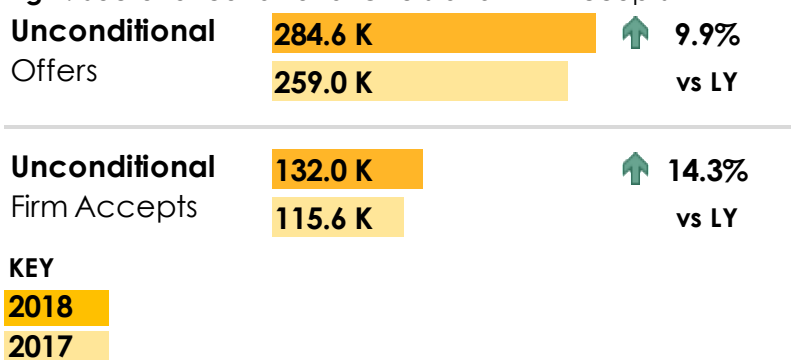
- Driven by a -89K (or -4%) decline in Home applications, principally in Allied Health, Business and Arts subjects.
- OS/EU grew (mainly in Biological Science, Computer Science and Business) to offset the domestic decline.

**Fig 1.** Sector Applications (and by Domicile)

Applications	2017	2018	% vs LY	+/- vs LY
OS	294.8 K	315.5 K	▲ 7.00%	▲ 20.6 K
EU	209.8 K	212.3 K	▲ 1.21%	▲ 2.5 K
UK	2,242 M	2,152 M	▼ -3.99%	▼ -89.4 K
<b>Total</b>	<b>2,746 M</b>	<b>2,680 M</b>	<b>▼ -2.41%</b>	<b>▼ -66.2 K</b>

**Against the backdrop of a shrinking market, universities have increased Unconditional Offer making year on year in a bid to sustain recruitment.**

**Fig 2.** Sector Unconditional Offers and Firm Accepts



An extra 25K (+9.9%) of Unconditional Offers have been made versus last year.

This has driven conversion: Firm Accepts rose by +14% (or ~17K), despite the sector operating on a much smaller base of applications (-66.2K, as above).

**The winner in this situation is the applicant.**

**The escalation of Unconditional Offers in the Main Cycle reduces the supply of students available to recruit in Clearing.**



**LSBU Perspective (LSBU UGFT: 11<sup>th</sup> June 2018)**

**LSBU is down -5.57% in applications compared to last year to date (19.2K versus 18.2K).**

Excluding HSC there is +4.27% growth, driven by an increase of ~500 applications in Business (up +21.3% year on year). Applications for the remaining Schools are varied, ranging between +3.79% to -6.41% compared to last year to date.

**Figs 3, 4 and 5.** LSBU Applications Overall, by School, and by Domicile

Apps Overall	2017	2018	% Δ vs LY	+/- Δ vs LY
LSBU exc. HSC	10.6 K	▲ 11.1 K	4.27%	453
LSBU Overall	19.2 K	▼ 18.2 K	-5.57%	-1070

Apps School	2017	2018	% Δ vs LY	+/- Δ vs LY
BUS	2.3 K	▲ 2.8 K	21.33%	494
BEA	1.0 K	▲ 1.0 K	3.79%	38
LSS	2.4 K	▲ 2.5 K	2.80%	67
APS	1.6 K	▲ 1.6 K	2.15%	34
ENG	1.5 K	▼ 1.5 K	-4.34%	-67
ACI	1.8 K	▼ 1.7 K	-6.41%	-113
HSC	8.6 K	▼ 7.1 K	-17.65%	-1523

Apps Domicile	2017	2018	% Δ vs LY	+/- Δ vs LY
OS	0.9 K	1.0 K	14.25%	▲ 0.1 K
EU	1.2 K	1.3 K	11.03%	▲ 0.1 K
UK	17.2 K	15.9 K	-7.51%	▼ -1.3 K

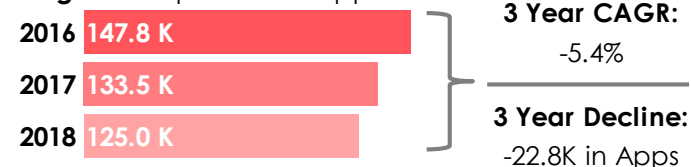
The Competitor Set decline in Home applications stands at -8.31%.

**Competitor Focus:**

**Applications to London Moderns diminishing year on year.**

Collectively, London Moderns have received 22.8K fewer applications versus the same point in 2016. This decline is comparable to an institution the size of Middlesex (by applications).

**Fig 6.** Competitor Set Applications



## Clearing Insight

**A Level results day kicks off the most critical recruitment period of Clearing. The subsequent 2 weeks account for two thirds (66%) of total university recruitment in the UK.**

We've analysed past Clearing acceptances across London Moderns, and mapped subjects to LSBU structure, demonstrating the potential pool of students available during Clearing.

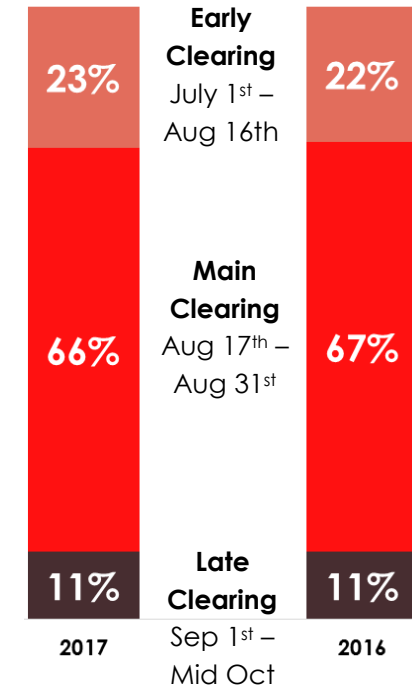
BUS and LSS have the largest availability of students - but these areas are highly competitive and widely offered during Clearing. ACI and BEA courses have the lowest student supply.

Subject Area	2016	2017	+/-
BUS	1785	1695	▼ -90
LSS	1655	1390	▼ -265
HSC	1090	1200	▲ 110
APS	1175	1005	▼ -170
ENG	935	845	▼ -90
ACI	510	465	▼ -45
BEA	260	320	▲ 60
<b>Competitor Intake</b>	<b>7410</b>	<b>6920</b>	<b>-490</b>

**Fig 7.** Total Competitor Clearing Firm Acceptances, mapped to LSBU Schools.

(NB: not LSBU Intake - this is to give an indication of the potential pool of students available during Clearing, to London Modern Competitor Set, mapped to LSBU structure.)

**Fig 8.** UK Sector Clearing Recruitment Timeline



Two thirds of UK Sector Clearing recruitment occurs over two weeks.

**A limited and shrinking supply of students for London Moderns; greater competitor activity and presence, and the majority of recruitment taking place over two weeks.**

**All reasons emphasising the necessity of a proactive approach to conversion and follow up activity from day one of Clearing, with the need to be clear on tariff.**

## UGFT Conversion Performance (LSBU UGFT: 11<sup>th</sup> June 2018)

Driven by a proportionate increase in Offer Making, and quicker turnaround for applications, our recruitment position is much stronger versus last year to date.

### Offers

- Up by volume (from 10.4K to 11.4K)
- Up by proportion (now 62.8% of applicants are being offered, versus 54.1% LYTD)

### Flexible Tariff Arrangements

- Fewer rejections, and more offers to encourage acceptances

### Process

- More follow-ups, shortening of processing time and same day tests/interviews for HSC applicants.

Fig 9. UGFT Conversion Performance

Undergraduate FT Only	2017	2018	%	+/-
<b>Applications</b>	19.2 K	18.2 K	▼ -5.57%	-1.1 K
▶ <b>Offers</b>	10.4 K	11.4 K	▲ 9.8%	1.0 K
▶ <b>Firm Accepts</b>	2.1 K	2.5 K	▲ 20.0%	0.4 K
▶ <b>Rejections</b>	6.4 K	4.2 K	▼ -34.7%	-2.2 K
<b>Offer Making Performance</b> (Proportion of Applicants vs Offers)	54.1%	62.8%	▲ 8.7%	
<b>University Conversion Rate</b> (Proportion of FA's vs Offers)	19.8%	21.6%	▲ 1.8%	

**LSBU has gained +410 additional UGFT Firm Accepts versus last year to date.**

- Firm Accepts up 20%.
- Conversion Rate from Offer to FA improved by 1.8%.

Increased offer making capacity, quicker turnaround and continual improvements to conversion are all of equal importance for long term and sustainable growth in Firm Accepts.

## Undergraduate LSBU Pipeline (Overall Undergraduate Provision: 11<sup>th</sup> June 2018)

Across Undergraduate (Full-Time and Part-Time), Firm Accepts are up +500 (or 23.7%) Overall, and in each School except ACI (minimally down -13FAs despite lower applications)

The majority of the growth is in the Full-Time cohort, and in particular HSC & BUS.

KEY

2018

2017

Fig. 10 Undergraduate Firm Accepts

HSC	881	▲	43.0%
	616		+265 FA's
BUS	335	▲	42.6%
	235		+100 FA's
ENG	290	▲	20.3%
	241		+49 FA's
LSS	313	▲	17.2%
	267		+46 FA's
APS	232	▲	17.2%
	198		+34 FA's
BEA	235	▲	9.8%
	214		+21 FA's
ACI	333	▼	-3.8%
	346		-13 FA's
LSBU	2,619	▲	23.7%
	2,117		+502 FA's

### Firm Accepts

HSC & BUS, with polarising application inflows, both have made significant gains: gaining +40% on last years accepts each.

Positively, Schools without substantial gains in applications are seeing material gains as well.

While there was a decline of ~110 applications in ACI, conversion has been stronger.

### Active Offers

Despite operating on a much smaller base of applicants (down 1,500 versus last year), proactive approach to HSC Admissions has seen us make +50 Offers this year.

Across UG, we have made nearly 200 more offers versus last year to date.

Fig. 11 Undergraduate Offers

HSC	109	▲	91.2%
	57		+52 Offers
BUS	268	▲	30.7%
	205		+63 Offers
ENG	186	▲	29.2%
	144		+42 Offers
LSS	158	▲	18.8%
	133		+25 Offers
APS	75	▲	15.4%
	65		+10 Offers
ACI	68	▲	1.5%
	67		+1 Offers
BEA	126	▼	-11.3%
	142		-16 Offers
LSBU	990	▲	21.8%
	813		+177 Offers

NB: Total of Firm Accepts for Home/EU + Unconditional Firm Accepts for Overseas.

Postgraduate LSBU Pipeline (Overall Postgraduate Provision: 11<sup>th</sup> June 2018)

Overall growth in Postgraduate is offset by declines in specific areas.  
LSS & BEA in particular both below on Offers and Firm Accepts versus last year to date.

KEY

2018

2017

Fig. 12 Postgraduate Firm Accepts

ACI	24	▲ 84.6%
	13	+11 FA's
APS	81	▲ 42.1%
	57	+24 FA's
HSC	248	▲ 29.2%
	192	+56 FA's
ENG	64	▼ -1.5%
	65	-1 FA's
BEA	145	▼ -11.6%
	164	-19 FA's
BUS	127	▼ -17.0%
	153	-26 FA's
LSS	188	▼ -20.0%
	235	-47 FA's
LSBU	877	↓ -0.2%
	879	-2 FA's

**Firm Accepts**

FAs remain broadly in line with last year at an overall level (-2 FAs).

However, the make-up of FA is very different: up +35 FA each in Home and EU accepts with a decline of -70 in Overseas.

**Active Offers**

At an overall level there are 7% more offers in the pipeline versus last year to date.

However BEA, LSS and ENG are seeing in the range of 10-15% fewer offers being made compared to last year.

NB: Total of Firm Accepts for Home/EU +

Unconditional Firm Accepts for Overseas

Fig. 13 Postgraduate Offers

HSC	93	▲ 144.7%
	38	+55 Offers
APS	103	▲ 28.8%
	80	+23 Offers
ACI	15	▲ 25.0%
	12	+3 Offers
BUS	355	▲ 20.7%
	294	+61 Offers
ENG	148	▼ -9.8%
	164	-16 Offers
BEA	145	▼ -13.7%
	168	-23 Offers
LSS	193	▼ -15.0%
	227	-34 Offers
LSBU	1,052	▲ 7.0%
	983	+69 Offers

## University Recruitment & Revenue Update

LSBU has achieved 54.6% of its target Firm Accepts<sup>1</sup>. Based on potential conversion acceptance to enrolment stage, this translates into current revenue<sup>2</sup> of £25.8m, with £18.2m to achieve to hit the overall LSBU target income<sup>3</sup>.

**Fig 14.** Current Firm Accept and Revenue Position as at 11<sup>th</sup> June 2018 for **September 2018, Semester 1 new starters.**

FAs counted for Home/EU and UF for Overseas. Excluding 69 Study Abroad enrolments.

Assuming 90% of Home/EU FAs enrol and 63% of OS UFs enrol.

Mode Domicile	Firm Accepts Target	Firm Accepts at 11/06/2018	FAs vs Target %	FAs vs Target +/-	Current Revenue (from Current FAs)	Target Income (from Enrolments)	Revenue Difference
UGFT	3817	2419	63.4%	-1398	£19,789,662	£30,731,230	-£10,941,568
UGPT	790	181	22.9%	-609	£785,808	£3,359,392	-£2,573,584
PGFT	1216	719	59.1%	-497	£4,835,845	£8,316,889	-£3,481,044
PGPT	551	158	28.7%	-393	£461,942	£1,650,516	-£1,188,574
-----							
<b>University</b>	<b>6374</b>	<b>3477</b>	<b>54.6%</b>	<b>-2897</b>	<b>£25,873,258</b>	<b>£44,058,027</b>	<b>-£18,184,769</b>
Home	5205	2634	50.6%	-2571	£19,828,948	£36,154,274	-£16,325,325
EU	447	593	132.7%	146	£4,566,603	£3,431,416	£1,135,187
OS	722	250	34.6%	-472	£1,477,707	£4,472,338	-£2,994,631

**Note:** EU segment includes UK based EU nationals as well as EU nationals based abroad.

### Footnotes:

1: Recruitment Target of 'Firm Accepts'. Counting FAs for Home/EU; and 'Unconditional Firm Accepts' are counted for Overseas.

**2: Conversion to revenue: Based on 90% of Home/EU of Firm Accepts enrolling, and 63% of Overseas of Unconditional Firm Accepts enrolling.**

**3: Income Target: Based on 5,601 Full Enrolments across LSBU as September 2018 Semester 1 New-Students. Excludes 69 Study Abroad students**

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	CONFIDENTIAL
Paper title:	Management Accounts to April 2018
Board/Committee	Finance, Planning and Resources Committee
Date of meeting:	26 June 2018
Author:	Ralph Sanders Director of Financial Planning, Reporting & Registry
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To update FPR on the current financial position of the University and any risks to our future financial performance.
Recommendation:	The Committee is requested to note the April position

## Executive Summary

The full year forecast as at 30 April 2018 is trending towards a surplus of £1.5M, this would deliver the University on budget.

In order to deliver to surplus, the Executive have been charged with reviewing the levels of remaining discretionary spending within their portfolio in order to deliver the required level of Opex savings. The forecast includes £400K of savings which have still to be identified and Finance Business Partners continue to work with budget holders with the intention of identifying and releasing these savings by year end.

In terms of staffing, we are currently underspent against budget and have so far recognised £668K of savings against budget. We expect there to be more staff savings released over the last few months of the year. Any additional savings will be used to increase restructure funds to meet expected costs of organisational change proposals and the voluntary severance programme.

There are still risks in terms of delivering to budget including FRS 102 holiday adjustments, the cost of our bad debt provision and year end pension adjustments. To counter these risks, the University remains focused on cost control and is introducing new procedures to control staff costs.

The University is currently holding cash and cash equivalents of £43.4M. This is ahead of budget, primarily due to reduced capital expenditure and is £3.1M more than the comparable position in 16/17.

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## April Executive Summary

1) This Executive Summary reports on the draft financial position of London South Bank University as at 30 April 2018.

### 2) RAG Status

Income Growth	-0.1%	Staff Cost Growth	6.1%	Staff Cost %	58.1%	Opex Growth	-14.1%	FYF Surplus	1.0%	EBITDA	10.8%
	<i>adjusted for Catering</i>		<i>excluding restructuring</i>		<i>excluding restructuring</i>		<i>adjusted for Catering</i>				

### 3) Summary

The full year forecast as at 30 April 2018 is trending towards a surplus of £1.5M, this would deliver the University on budget.

In order to deliver to surplus, the Executive have been charged with reviewing the levels of remaining discretionary spending within their portfolio in order to deliver the required level of Opex savings. The forecast includes £400K of savings which have still to be identified and Finance Business Partners continue to work with budget holders with the intention of identifying and releasing these savings by year end. In terms of staffing, we are currently underspent against budget and have so far recognised £668K of savings against budget. We expect there to be more staff savings released over the last few months of the year. There are still risks in terms of delivering to budget including FRS 102 holiday adjustments, the cost of our bad debt provision and year end pension adjustments. To counter these risks the University remains focused on cost control and is introducing new procedures to control staff costs.

The University is currently holding cash and cash equivalents of £43.4M. This is ahead of budget, primarily due to reduced capital expenditure and is £3.1M more than the comparable position in 16/17.

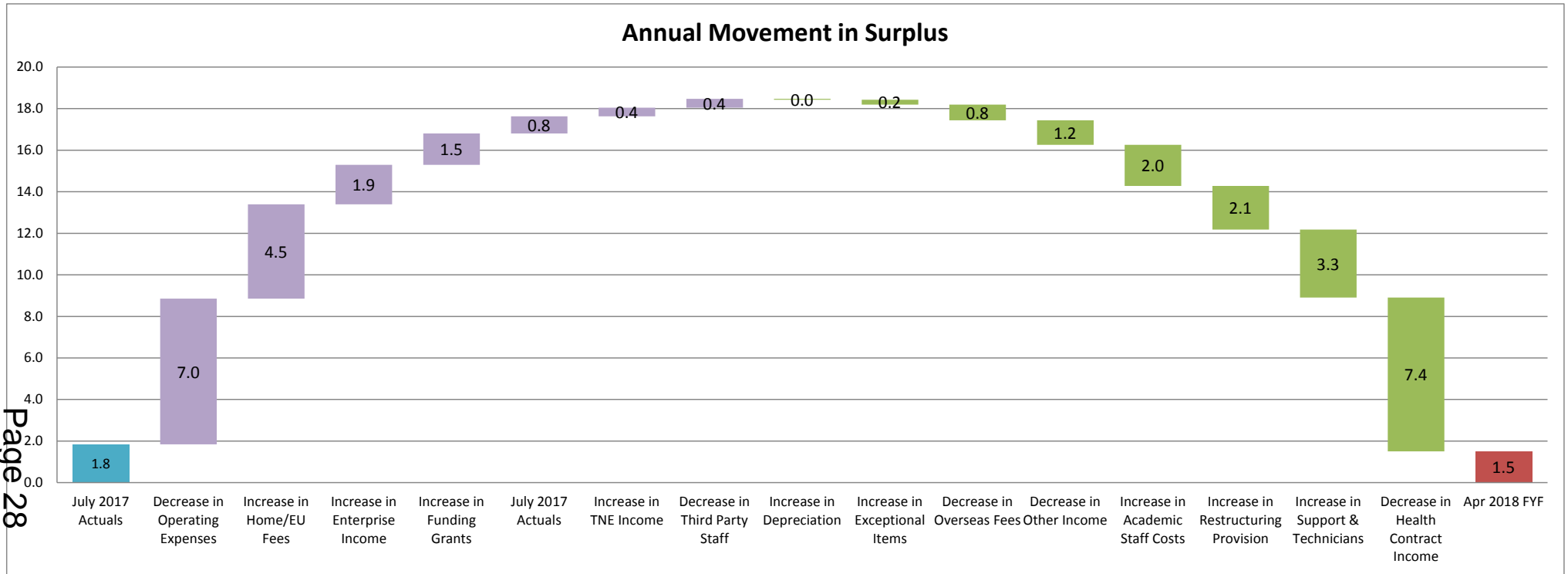
The current forecast will deliver EBITDA at 10.8% which is below the 17/18 target of 13.% and our recurring staff cost expressed as a % of income is currently forecast to be 58.1% which is above the 55% target set by the Board of Governors. After adjusting the 16/17 income figure for the catering adjustment, our comparable income is 0.1% lower than last year although this does not yet include the release of any grant income to cover the capital costs associated with the Passmore Centre.

### 4) Table 1: Full Year Forecast vs. Budget

Financial Summary in £'m	Budget				Year to Date Position				Full Year Forecast Position				
	16/17 Actuals	17/18 Budget	Change to 16/17	Change %	16/17 YTD	17/18 YTD	Change to 16/17	Change %	Mar 17/18 Forecast	Monthly Move	Apr 17/18 Forecast	variance to Budget	Budget variance
Funding Grants	12.6	13.3	0.7	5%	9.8	10.4	0.6	6%	13.7	0.4	14.1	0.8	6%
Health - Contract	26.0	18.6	-7.4	-28%	19.2	14.1	-5.0	-26%	18.6	0.0	18.6	-0.1	-0%
Home / EU UG Fees	59.4	67.8	8.4	14%	59.8	64.5	4.7	8%	65.0	-0.2	64.8	-3.0	-4%
Home / EU PG Fees	9.3	10.2	0.9	10%	9.3	8.3	-1.0	-10%	8.4	-0.0	8.4	-1.8	-18%
Overseas Tuition Fees	9.6	11.0	1.4	15%	9.5	8.9	-0.6	-6%	8.8	0.0	8.8	-2.2	-20%
TNE Income	1.6	2.1	0.5	32%	0.5	1.7	1.2	238%	2.0	-0.0	2.0	-0.1	-4%
Research Activities	4.5	5.3	0.8	18%	3.4	3.8	0.3	10%	5.0	0.3	5.3	0.0	0%
Enterprise Activities	8.7	10.6	1.9	22%	5.9	6.8	0.8	14%	10.7	-0.0	10.6	0.0	0%
Student Related Income	10.6	11.3	0.8	7%	8.5	8.1	-0.4	-5%	10.3	0.0	10.3	-1.0	-9%
Other Operating Income	1.1	0.1	-1.0	-90%	0.9	0.4	-0.5	-52%	0.5	-0.3	0.3	0.1	126%
Endowments & Interest	0.2	0.1	-0.0	-26%	0.1	0.1	-0.0	-26%	0.1	0.0	0.1	-0.0	-18%
<b>Income</b>	<b>143.5</b>	<b>150.5</b>	<b>7.0</b>	<b>5%</b>	<b>126.9</b>	<b>127.1</b>	<b>0.2</b>	<b>0%</b>	<b>143.2</b>	<b>0.1</b>	<b>143.3</b>	<b>-7.1</b>	<b>-5%</b>
<b>in £'m</b>													
Academic Staff Costs	39.4	42.7	3.3	8%	29.2	30.3	1.2	4%	41.3	0.1	41.4	-1.3	-3%
Support & Technicians	36.4	39.7	3.3	9%	27.0	29.3	2.3	9%	39.5	0.1	39.7	-0.1	0%
Third Party Staff	2.7	1.6	-1.1	-41%	1.9	2.1	0.2	11%	2.3	-0.0	2.3	0.7	43%
Restructuring Provision	-0.6	1.5	2.1	-336%	0.2	0.6	0.4	224%	1.5	-0.0	1.5	0.0	0%
Depreciation	9.6	10.0	0.3	4%	7.2	7.3	0.0	1%	9.7	0.0	9.7	-0.3	-3%
Operating Expenses	49.8	45.9	-3.8	-8%	29.6	31.0	1.4	5%	42.7	0.0	42.7	-3.2	-7%
Interest Payable	4.4	4.4	-0.0	0%	3.3	3.3	-0.0	0%	4.4	0.0	4.4	0.0	0%
Exceptional Items	0.0	3.2	3.2	0%	0.0	0.0	0.0	0%	0.3	-0.0	0.2	-3.0	-93%
<b>Expenditure</b>	<b>141.6</b>	<b>149.0</b>	<b>7.3</b>	<b>5%</b>	<b>98.3</b>	<b>103.8</b>	<b>5.5</b>	<b>6%</b>	<b>141.7</b>	<b>0.1</b>	<b>141.8</b>	<b>-7.1</b>	<b>-5%</b>
<b>Surplus for the year</b>	<b>1.8</b>	<b>1.5</b>	<b>-0.4</b>	<b>-19%</b>	<b>28.6</b>	<b>23.3</b>	<b>-5.3</b>	<b>-18%</b>	<b>1.5</b>	<b>0.0</b>	<b>1.5</b>	<b>0.0</b>	<b>1%</b>
<b>Surplus as % of income</b>	<b>1.3%</b>	<b>1.0%</b>							<b>1.0%</b>		<b>1.0%</b>		
<b>Surplus per student FTE</b>	<b>£135.7</b>	<b>£114.2</b>							<b>£117.9</b>		<b>£117.9</b>		

## 5) Forecast Summary

As compared to 16/17 we are now forecasting a £0.2M decrease in like for like Income, a £4.8M increase in Staffing Costs, an £7.0M reduction in Operating Expenses, an increase of £0.1M in Depreciation and an increase of £0.2M in Exceptional Items to fund our Investment Pots, leading to a reduction of £1.3M in our annual surplus.



The key movement in the year on year position of the University is the reduction of £7.4M in Health Contract income. This is not all due to a reduction in activity but is because New students have transferred to the same funding regime as UG and PG students in the other 6 schools. There is however a net reduction in our forecast of £2.8M for Home / EU students. This is in line with the reduction in student FTEs of 6%. The decrease in year on year operating expenses of £7.0M looks challenging, however last year we wrote off £5M of expenditure in the last 2 months of the year and so the 'real' required reduction is £2.0M which is equivalent to a 4% year on year reduction. The other major investment is in staffing, this was budgeted at 55.6% of our income which was in line with the expectations of the Board of Governors, however our income shortfall has pushed this percentage up to 58.1% of our income. The university remains focused on staff cost control to ensure that staffing levels do not become unsustainable. The other key change is that the University put aside £3M for step change projects but we have had to delay these investments in order to manage our income shortfall.

## 6) Contribution Analysis

Following the £7M reduction in Tuition Fee income we are now no longer expecting the School portfolio to grow their income as compared to 16/17 but rather to decline by £1.1M. We are investing an additional £1.7M in the schools and so the net contribution from the Schools is £2.8M less than in 16/17. Two Schools; Arts & Creative Industries and Health & Social Care are forecast to grow in terms of Income, the Schools of Engineering, is broadly flat whilst Applied Sciences, Built Environment & Architecture and Law & Social Sciences are forecast to decline.

### Contribution per School across Teaching, Research and Enterprise activities

	Applied Sciences		Arts and Creative Industries		Built Environment & Architecture		Business		Engineering		Health & Social Care		Law & Social Sciences		Total All Schools	
	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF
Income (M)	£11.2	£10.7	£10.5	£11.3	£18.4	£17.8	£17.4	£16.9	£18.5	£18.5	£34.0	£34.5	£15.0	£14.4	£125.1	£124.0
Expenditure (M)	£5.4	£5.5	£5.1	£5.2	£7.1	£7.4	£8.0	£7.3	£9.8	£11.1	£19.5	£19.7	£6.6	£7.1	£61.6	£63.3
Contribution (M)	£5.9	£5.2	£5.4	£6.1	£11.3	£10.4	£9.4	£9.6	£8.7	£7.4	£14.5	£14.8	£8.4	£7.3	£63.5	£60.8
Contribution %	52%	49%	51%	54%	61%	58%	54%	57%	47%	40%	43%	43%	56%	51%	51%	49%

The 7 Schools have different levels of Research and Enterprise activities which can mask differences in Staff / Students ratios and contribution and so the teaching only levels of contribution is shown below.

### Contribution per School across Teaching activity only (excluding TNE)

	Applied Sciences		Arts and Creative Industries		Built Environment & Architecture		Business		Engineering		Health & Social Care		Law & Social Sciences		Total All Schools	
	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF	16 / 17 Actual	Apr 17/18 FYF
Teaching Income (M)	£10.5	£10.1	£10.2	£10.9	£17.1	£17.0	£17.1	£16.5	£16.0	£15.0	£29.8	£29.3	£14.5	£14.0	£115.3	£112.7
Teaching Staff (M)	£3.0	£3.1	£2.8	£2.9	£3.8	£4.9	£4.9	£4.4	£4.6	£4.4	£12.7	£12.8	£4.5	£4.8	£36.3	£37.3
Teaching Expenditure (M)	£1.7	£1.6	£1.8	£1.8	£1.9	£2.0	£3.0	£2.6	£2.7	£2.7	£4.6	£4.6	£1.9	£2.0	£17.7	£17.2
Teaching Contribution (M)	£5.8	£5.3	£5.6	£6.2	£11.3	£10.1	£9.3	£9.5	£8.7	£7.9	£12.5	£11.9	£8.2	£7.2	£61.3	£58.2
Contribution %	55%	53%	55%	57%	66%	60%	54%	58%	54%	53%	42%	41%	56%	52%	53%	52%
Full Year Student FTE	1,119	1,042	1,108	1,125	1,845	1,776	2,171	2,014	1,600	1,408	4,107	3,826	1,623	1,531	13,573	12,722
Contribution per Stud FTE	£5,200	£5,100	£5,000	£5,500	£6,100	£5,700	£4,300	£4,700	£5,400	£5,600	£3,000	£3,100	£5,100	£4,700	£4,500	£4,600
Return on Academic Investment	191%	170%	201%	210%	295%	208%	189%	218%	189%	180%	99%	93%	184%	152%	169%	156%

In terms of contribution per student, the Schools of the Built Environment & Architecture, Engineering and Arts & Creative Industries remain significantly ahead of the average School position although their costs do not include the cost of centrally funded Labs and Technicians. The Teaching staffing costs exclude any technicians, administration or research staff and demonstrate that the Schools of Business, Arts & Creative Industries and the Built Environment & Architecture remain significantly ahead of the School's average when measured in Return on Academic Investment. The School of Health and Social Care is the only School that is currently forecast to deliver better than budget.

### 7) Student Number Analysis

In terms of Student numbers, at the comparable position in 16/17 had 13,573 FTE. We currently have 12,722 enrolled FTE and so are over 6% down year on year. The biggest drop following Semester 2 enrolment is in New students which are now 14% down. We also had a large recruitment of HSC students in March 2017 which was not replicated in March 2018

New School	FTE Apr				Continuing School	FTE Apr				Total School	FTE Apr			
	16/17	17/18	Change	% Change		16/17	17/18	Change	% Change		16/17	17/18	Change	% Change
ACI	508	514	6	1%	ACI	600	611	11	2%	ACI	1,108	1,125	17	2%
ASC	455	435	-20	-4%	ASC	664	607	-57	-9%	ASC	1,119	1,042	-77	-7%
BEA	813	733	-80	-10%	BEA	1,032	1,043	11	1%	BEA	1,845	1,776	-69	-4%
BCM	1,108	937	-171	-15%	BCM	1,063	1,077	14	1%	BCM	2,171	2,014	-157	-7%
ENG	684	522	-162	-24%	ENG	916	886	-30	-3%	ENG	1,600	1,408	-192	-12%
HSC	2,017	1,645	-372	-18%	HSC	2,090	2,181	91	4%	HSC	4,107	3,826	-281	-7%
LSS	755	674	-81	-11%	LSS	868	857	-11	-1%	LSS	1,623	1,531	-92	-6%
<b>Total</b>	<b>6,340</b>	<b>5,460</b>	<b>-880</b>	<b>-14%</b>	<b>Total</b>	<b>7,233</b>	<b>7,262</b>	<b>29</b>	<b>0%</b>	<b>Total</b>	<b>13,573</b>	<b>12,722</b>	<b>-851</b>	<b>-6%</b>

## **8) Student Withdrawal Analysis**

In 16/17 we refunded £4.2M in income to students who Withdrew or Interrupted representing 5.4% of Tuition Fee Income. In 17/18 we were budgeting £5.4M in refunds representing 6% of the total Tuition Fee Budget. In line with the decline in recruitment we have reduced this forecast to £3.9M and this has been factored into our income forecast. At 30 April we now have 882 students that have dropped out from the University, this is up from 757 at 31 March, or by 16% compared to last month. This compares to 944 students at the equivalent time in 2016/17.

## **9) Income Analysis**

Year to date income is broadly flat, although there have been large rises in Research income which is up 10% year on year and Enterprise income which is up 14% as compared to 16/17. Home and EU tuition fees are up by 8% although this is due to the rise in Health students funded under the new regime. Postgraduate income is 10% down as compared to 16/17. This may be due to the surge in PG students taking advantage of the new PG loans that were introduced in 16/17 which released a level of pent up demand

## **10) Staff Cost Analysis**

In terms of staffing, we have taken steps to improve the accuracy of our staffing forecast by applying a vacancy factor across the University. In terms of our YTD spend we are currently underspent against budget by £0.8M excluding the variance on the restructuring provision. This underspend is primarily driven by savings in Academic Staff against budget. There is a significant overspend against budget due to Third Party staff costs which are 11% higher than the equivalent period in 16/17 and the University is taking steps to manage this expenditure down in 18/19.

## **11) Operating Expense Analysis**

In terms of Operating Expenses, the University is currently underspent by £2.6M YTD against budget and that has given us some confidence that we will be able to generate the remaining £0.4M savings required from Opex without impacting the day to day student experience

## **12) Budget Analysis**

There are 32 distinct areas of the University that have separate budgets and each area is expected to deliver to their Budget. Due to the shortfall in recruitment, only the School of Health and Social Care is forecast to deliver to budget. Marketing, Innovation, the Academy of Sport and the Confucius Institute are also currently forecasting a deficit against budget .

Full Year Outturn Last Year (£)	YTD Actuals Last Year (£)	Description	Code	Client	FULL YEAR				YEAR TO DATE				Full year Forecast less Actual YTD (£)		
					2017 Forecast (£)	2017 Budget (£)	Variance - Forecast to Budget (£) %		Note	2017 Actuals (£)	2017 Budget (£)	Variance - Actuals to Budget (£) %		Note	
-143,478,035	-126,946,452	<b>Total Income</b>			-143,330,030	-150,459,411	(7,129,381)	(5%)		-127,138,102	-131,315,422	(4,177,320)	(3%)		-16,191,928
77,889,377	58,175,928	<b>Total Staff Costs</b>			84,811,233	85,479,692	668,459	1%		62,254,987	62,731,230	476,243	1%		22,556,246
9,619,774	7,226,709	<b>Total Depreciation</b>			9,663,328	9,963,303	299,975	3%		7,262,894	7,280,885	17,992	%		2,400,435
49,758,553	29,612,241	<b>Total Other Operating Expenses</b>			42,748,807	45,935,975	3,187,167	7%		30,972,751	33,604,759	2,632,008	8%		11,776,057
4,368,590	3,332,115	<b>Total Interest Payable</b>			4,372,027	4,358,157	(13,870)	(%)		3,322,091	3,310,617	(11,473)	(%)		1,049,936
		<b>Total Exceptional Items</b>			234,635	3,234,635	3,000,000	93%			-12,798	(12,798)	(100%)		234,635
-1,841,740	-28,599,459	<b>Contribution</b>			-1,500,000	-1,487,650	12,350	1%		-23,325,380	-24,400,728	(1,075,349)	(4%)		21,825,380
54.7%	45.7%	Recurring Staff costs as % of income			58.1%	55.8%				48.5%	47.6%				
1.3%		Contribution %			1.0%	1.0%				18.3%	18.6%				

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	CONFIDENTIAL
Paper title:	2018/19 Draft Budget
Board/Committee	Finance, Planning and Resources Committee
Date of meeting:	26 June 2018
Author:	Ralph Sanders, Director of Financial Planning, Reporting & Registry
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To approve the group budget for 2018/19
Recommendation:	The Committee is requested to review and recommend approval of the consolidated (incorporating both LSBU and SBUEL) 2018/19 budget submission.

## Executive Summary

Budget targets for Income, Staff costs and Operating Expenditure were discussed at various Executive and Board of Governor Strategy days in February and April and at the Operations Board briefing in March. A number of scenarios were developed and the Finance team have been working with Deans and Directors to model the recruitment targets agreed with the Chief Marketing Officer and the staff savings agreed by the Executive within a £145M income cap.

The proposed budget has income of £145M, recurring Staff costs of £83M, a Restructuring fund of £1.5M, Depreciation of £10.5M, Operating expenses of £41.5M including £0.5M contingency, Interest payable of £5.3M and an Investment Pot of £1.2M. This delivers a surplus of £1.5M, consistent with 2017/18.

The revenue costs of the Leap programme and the development of the Estate will be funded from the Investment Pot and may require all of the 2018/19 funds available.

The Committee is requested to approve the proposed 2018/19 budget which will then form part of the 5 year forecast.

## 2018/19 Income targets

The first draft of the updated five- year forecast presented to the Executive in February had an income target of £149.1M for 2018/19. This compared to a February Full Year Forecast of £143.3M for 2017/18.

Given the level of volatility surrounding recruitment the Executive agreed to reduce the income target for 2018/19 to £145M by reducing Home / EU Tuition fee income and Overseas Tuition fee income. The University still aspires to grow income in these areas and our recruitment targets remain unchanged.

The University subsequently received the Grant letter from the OFS on May 12. Assuming we meet our recruitment targets the grant in 2018/19 could rise to £13M. Given the risk in terms of recruitment, our proposal is to recognise £12M of grant income in the 2018/19 Budget and release the additional £1M if appropriate when we submit our HESES return in December 2018. We are also proposing to increase the target for Overseas Tuition Fee income following signals from that team while TNE and Health Contract income has been slightly reduced. This would leave us with the same total income target of £145M but with a reduced risk profile.

2017/18 February	Description	2018/19 February Target	April Executive Strategy day	Proposed Income target
£13.7	HEFCE/OFS Grant	£11.3	£11.3	£12.0
£18.6	Health Contract	£10.9	£10.9	£9.7
£64.9	Home / EU UG	£71.7	£70.5	£70.5
£8.4	Home / EU PG	£10.1	£10.1	£10.1
£8.8	Overseas Tuition Fee	£12.0	£9.0	£10.0
£2.1	TNE	£3.0	£3.0	£2.7
£5.1	Research / QR	£5.1	£5.1	£5.1
£10.7	Enterprise / HEIF	£13.0	£13.0	£13.0
£10.9	Other	£11.9	£11.9	£11.9
<b>£143.3</b>	<b>Total</b>	<b>£149.1</b>	<b>£145.0</b>	<b>£145.0</b>

*All figures in £M*

The budgeted income target of £145M represents growth of 1% as compared to 2017/18. However, there remain a number of risks. The target assumes that we will recruit 2,469 Full Time Undergraduate students (SNC equivalent) an increase of 6% against the 2,335 recruited in 2017/18. It also assumes growth in Home/EU Postgraduate income of 20%, growth of 14% in Overseas Tuition Fee income and growth of 21% in Enterprise income.

## Staffing budget

As our income is forecast to be broadly flat in 2018/19 there was a recognition that the growth in staffing costs could push the university into a deficit position. A number of scenarios were discussed at the recent strategy days and staff cost savings of between £5M and £8M were proposed.

Feb 17/18 Forecast	Description	18/19 Scenario 1 of current staff + investment in REI	18/19 Scenario 2	18/19 Scenario 3
£143.2	Income	£145.0	£145.0	£140.0
£83.2	Staff Costs	£88.6	£80.0	£80.0
£1.5	restructuring	£1.5	£1.5	£1.5
£9.7	Depreciation	£11.0	£11.0	£11.0
£42.7	OPEX	£42.6	£41.2	£41.2
£4.4	Interest	£5.3	£5.3	£5.3
£0.3	Investment Pot	£1.0	£1.0	£1.0
£141.7	Total Costs	£150.3	£140.0	£140.0
£1.5	Surplus / deficit	(£5.0)	£5.0	£0.0
58.3	Staff Cost	61.1%	55.1%	57.1%

*All figures in £M*

This cost containment programme has now been widely communicated across the University, although the focus has been on minimum £5M savings. £8M savings would provide a higher level of surplus assuming income of £145M (scenario 2) or at worst a breakeven position assuming income risks materialise and income falls to say £140M.

The increase in depreciation is due to the investments in ICT and technical infrastructure in 2016/17 and 2017/18 and larger capital including renovations to McLaren House and lift capacity within K2. The increase in interest payments is due to the cost of a revolving credit facility to fund the London Road redevelopment.

## Proposed Budget

The proposed budget is set out below. Income remains unchanged at £145M.

Feb 17/18 Forecast	Description	18/19 Proposed Budget
£143.2	Income	£145.0
£83.2	Staff Costs	£83.5
£1.5	restructuring	£1.5
£9.7	Depreciation	£10.5
£42.7	OPEX	£41.5
£4.4	Interest	£5.3
£0.3	Investment Pot	£1.2
£141.7	Total Costs	£143.5
£1.5	Surplus / deficit	£1.5
58.3%	Staff Cost	57.6%

In the final analysis, a staff cost reduction of £8M for 2018/19 was considered too challenging and a minimum of £5M is proposed/assumed for budgeting purposes.

Deans and Directors have been tasked with identifying staff savings in order to deliver to a staffing budget of £83.5M. This still provides headroom for new staff appointments as required to drive assumed revenue growth in research and enterprise as follows:

	£m
Feb 17/18 forecast	83.2*
Cost reduction	<u>(5.0)</u>
	78.2
3.5% increase	<u>2.8</u>
	81.0
New staff cost associated with growth in R&E	<u>2.5</u>
	<u>83.5</u>

\*FYF at 30/4 £83.4M

Following a review of activity, the depreciation forecast has been reduced and this has increased the total Opex available in 2018/19 to £41.7M. This would be a reduction of 2% as compared to the February 2017/18 full year forecast position.

It is this budget that the Committee are asked to approve. There remain risks around income but there is also some flexibility around new staff appointments and a further £1M potential upside on grant income.

### **2018/19 Budget Summary**

- 1) Income in the 2018/19 budget is forecast at £145M and assumes SNC equivalent Full Time Undergraduate recruitment of 2,469.
- 2) Although the net income rise is £1.8M, we are forecasting a reduction in HEFCE/OFS grant of £1.7M and so the actual growth in income is £3.5M. This would represent total growth of 2.4% and is primarily driven by growth in TNE, Overseas tuition fee and Enterprise income.
- 3) The staff cost forecast of £83.5M assumes a £5m reduction to our 2017/18 staffing cohort and then additional investment of £2.5M in staff to deliver new Research and Enterprise projects.
- 4) We have assumed OFS grant of £12M in the 2018/19 budget. The actual grant letter indicated an OFS grant of £13M should we deliver to recruitment targets. The potential upside of £1M mitigates some of the risk surrounding Overseas and enterprise income growth.
- 5) The increase in interest costs is due to the cost of a revolving credit facility to fund the London Road redevelopment. The increase in depreciation is a result of the £2M annual investment in ICT and the £0.5M Teaching and Learning fund.
- 6) The budget assumes no revenue costs for the Leap Project. The initial business case, which is currently being reviewed by the Programme Manager had indicative costs of up to £1.5M in 2018/19. There is £1.2M of funds available in our investment pots and so OPEX may need to be reviewed during the year if additional funds are required to support Leap.
- 7) The key challenge to closing the budget was the allocation of OPEX to SMT areas. In order to determine the Operating expense allocation in 2018/19 we used the 2017/18 operating expense budget as a guide. This allocation was made with reference to benchmarks provided by Tribal and would mean that SMT areas that made savings in 2017/18 would not be penalised.

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	CONFIDENTIAL
Paper title:	2018/19 Five Year Forecast
Board/Committee	Finance, Planning and Resources
Date of meeting:	26 June 2018
Author:	Ralph Sanders Director of Financial Planning, Reporting & Registry
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To brief the Committee on the updated Five Year Forecast
Recommendation:	The Committee is requested to review and recommend approval of the five-year forecast.

## Executive Summary

The updated five-year forecast is attached as Appendix 1. This is a consolidated forecast for LSBU and SBUEL but excludes any major adjustments required for the merger with Lambeth College.

The forecast includes the latest and best estimates of income and tapered staff cost reductions that meet the longer term target for staff costs to be no more than 55% of income. The forecast includes the 2018/19 budget submission with Staff costs of £83.5M after the planned reduction of £5M. The surpluses are broadly in line with previous submissions to HEFCE and the recent consolidation to TU.

Three-year recruitment targets have been agreed between the Chief Marketing Officer and Deans of Schools. These have been used as the starting basis for the five-year forecast although, to be prudent, Home/EU FTUG numbers have been capped at 2500 throughout with the exception of 2018/19 where a reduced figure of 2,469 has been used. Income targets for Research, Enterprise, TNE and Overseas Tuition Fee income are aligned with agreed targets in the corporate road map. This would will deliver income of £145M in 2018/19 rising to £175M by 2021/22.

Staff costs include the £5M savings identified in 2017/18 and fall to 55% of income by 2021/22 from the current level of 58.1%.

Opex is held at 28% of income from 2019, which allows for an increase from £41.5M in 2018/19 to £49M in 2021/22; an increase of 18% linked to assumed growth in income. This would deliver a surplus of £1.5M in 2018/19, rising to £5M by 2021/22.

EDITDA, which is an approximation for cash generation, is £17.3M (12%) in 2018/19 and rises to £23.8M (14%) by 2021/22

The revenue costs of the Leap programme and the development of the Estate have been added to the Investment Pot in future years and may require all of the 2018/19 funds available.

The Committee is asked to recommend approval of the five-year forecast.

We understand that a new September deadline has been issued for submission of the forecasts to OfS although detailed guidance and templates have not yet been received. Assuming approved by the Board in July we will complete documentation and submit to the OfS in accordance with guidance when issued.

### **Income targets**

- **Funding Grants**

We have recognised Grant income of £12M in 2018/19 rising to £13.6M in 2021/22. The rise is primarily due to increased numbers of Health students as they transfer off the Health Contract and become eligible for Band B Funding. We have assumed a reduction in student opportunity funding but no change in the release of deferred capital Grants.

- **Student Recruitment**

As part of the 2018/19 planning round Deans met with the Chief Marketing Officer and agreed outline recruitment targets for the next 3 years. These underpin the forecasts with the exception of the assumed cap of 2500 on new Home/EU FTUG recruitment each year.

- **Other Income**

Research, Enterprise, TNE and Overseas Tuition Fee income are as per the corporate road map.

These assumptions would deliver £145M of income in 2018/19 rising to £175M by 2022/23.

### **Staffing targets**

The staffing budget for 2018/19 assumes that we will make £5M of savings as compared to the cost of our current staffing cohort. Staffing costs in the 5 year forecast then grow slower than income rising by an average of 5% a year as income grows by 6%. This would deliver staff costs at 55% of income by 2020/21.

We have assumed a restructuring provision of £1.5M each year.

### **Other Expenses**

- **Operating Expenses**

OPEX has been capped at 28.2% of income from 2019/20. This would represent savings of 5% as compared to the 2017/18 April forecast of 29.8%



but provides for increases thereafter linked to assumed growth in income.

- **Depreciation**

Depreciation is forecast to rise from £9.7M in 2017/18 to 13.5M in 2021/22.

This rise is primarily due to capital expenditure on IT Infrastructure, the LEAP programme and the development of London Road.

- **Interest payable**

The key change in interest costs is the potential cost of a revolving credit facility to fund the development of London Road. This is forecast to increase interest costs from £4.4M in 2017/18 to £5.3M in 2021/22.

- **Exceptional Items**

the University has put aside £1.2M in the Investment Pot in 2018/19 rising to £4.1M in 2021/22. These funds will be used for the 'normal' £1M Investment pot as well as to support the revenue costs of the Leap programme (which will replace the student record system) and to fund developments in the Estate.

The Committee is asked to recommend approval of the five-year forecast.

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Summary / TM1 template  
LSBU 5 Year Forecast

Total Position	2017/18 Forecast	2018/19 Budget	2019/20 TM1	2020/21 TM1	2021/22 TM1
<b>Contribution</b>	<b>-1,500,000</b>	<b>-1,500,000</b>	<b>-2,500,000</b>	<b>-4,000,000</b>	<b>-5,000,000</b>
1 Total Income	-143,330,030	-145,000,000	-155,000,000	-166,000,000	-175,000,000
1008 Funding Grants	-14,075,615	-12,000,000	-12,115,474	-12,851,507	-13,587,540
1010 Health - Contract	-18,556,583	-9,741,009	-2,580,464	-2,674,189	-2,767,914
1020 Fees - Home & EU UG	-64,803,141	-70,500,000	-78,895,577	-81,010,605	-83,125,633
1022 Fees - Home & EU PG	-8,414,972	-10,100,000	-11,618,967	-12,195,621	-12,772,276
Total Home / EU Tuition Fee Income	-91,774,695	-90,341,009	-93,095,008	-95,880,416	-98,665,824
1025 Fees - Overseas UG	-5,628,283	-6,495,753	-7,886,243	-9,212,081	-10,537,919
1030 Fees - Overseas PG	-3,214,479	-3,504,247	-4,113,757	-4,787,919	-5,462,081
1035 Overseas Partnerships	-2,008,328	-2,700,000	-4,000,000	-4,000,000	-4,000,000
Total Overseas Tuition Fee Income	-10,851,092	-12,700,000	-16,000,000	-18,000,000	-20,000,000
1038 Research - Funding Grants	-1,894,449	-1,838,141	-1,838,141	-1,838,141	-1,838,141
1040 Research - Grants	-2,864,422	-2,966,172	-4,666,030	-5,802,399	-6,938,768
1042 Research - Collaborations	-257,342	-365,767	-261,732	-129,465	2,802
1043 Research - Studentships	-301,036	-185,067	-72,238	-68,136	-64,034
Total Research Income	-5,317,250	-5,355,147	-6,838,141	-7,838,141	-8,838,141
1044 Enterprise - Funding Grants	-664,800	-566,784	-566,784	-566,784	-566,784
1045 Enterprise - Research Related Activities	-135,596	-707,787	-445,719	-206,680	32,360
1054 Enterprise - University Fees	-3,684,986	-2,897,622	-2,600,167	-2,600,167	-2,600,167
1056 Enterprise - Other	-6,126,568	-8,827,807	-11,387,329	-15,626,369	-17,865,408
Total Enterprise Income	-10,611,951	-13,000,000	-15,000,000	-19,000,000	-21,000,000
1070 Other - Student Related Income	-10,323,685	-10,994,542	-11,500,000	-12,000,000	-12,500,002
1075 Other - Operating Income	-264,073	-499,303	-341,378	-319,936	-298,494
1080 Endowment Income & Interest Receivable	-111,670	-110,000	-110,000	-110,000	-110,000
2 Total Staff Costs after Savings	84,811,233	84,991,123	89,230,000	93,630,000	97,750,000
2001 Academic - Permanent staff	38,459,117	40,161,739	40,322,899	42,373,615	44,312,331
2020 Academic - Temporary staff	2,918,283	2,834,279	2,903,495	2,906,495	2,909,495
2101 Technicians staff	2,488,270	2,359,040	2,810,332	2,929,219	3,048,106
2201 Support - Permanent staff	36,682,245	35,484,598	39,892,871	42,169,042	44,277,213
2220 Support - Temporary staff	483,234	473,619	434,394	435,938	437,482
2221 Third party staff	2,301,284	2,177,848	1,366,008	1,315,690	1,265,372
2230 Structural staff	1,478,800	1,500,000	1,500,000	1,500,000	1,500,000
3 Total Depreciation	9,663,328	10,500,000	11,500,000	12,500,000	13,500,000
4 Total Other Operating Expenses	42,748,807	41,514,745	43,711,475	46,794,333	49,316,671
5 Total Interest Payable	4,372,027	5,300,000	5,300,000	5,300,000	5,300,000
6 Total Exceptional Items	234,635	1,194,131	2,758,525	3,775,667	4,133,329
7 Total Internal Allocations	0	0			
Staff Cost excluding Restructuring as a % of Income	58.1%	57.6%	56.6%	55.5%	55.0%
Operating expenses as a % of Income	29.8%	28.6%	28.2%	28.2%	28.2%
Surplus as a % of Income	1.0%	1.0%	1.6%	2.4%	2.9%

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	CONFIDENTIAL
Paper title:	Larch consolidation forecast
Board/Committee	Finance, Planning and Resource
Date of meeting:	26 June 2018
Author:	Ralph Sanders, Director of Financial Planning, Reporting & Registry
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To update FPR on the information provided to the OFS as part of the financial due diligence for the proposed merger with Lambeth College.
Recommendation:	FPR is requested to note the consolidation.

## Executive Summary

The OFS have been asked to make an assessment of the proposed merger between London South Bank University and Lambeth College and then report back to the Department for Education.

Attached is the financial summary that was presented.

## Introduction

As part of their due diligence process, the OFS have been asked by the Department for Education to assess the impact of the proposed merger between LSBU and Lambeth College.

The Information requested included:

1. the latest published accounts for both entities and commentary (covering cashflow, balance sheet strength, profitability and liquidity)
2. Consolidated and separate forecasts for both entities
3. HEI due diligence on the merger
4. the information and commentary provided by the HEI (requested in Annex A of the Designation of FE Institutions under Criterion 5 and 6) on:
  - Impact on income in terms of changes to the offer and learner numbers, and where growth in income is expected how this will be achieved. Risks to income should also be identified.

- Impact on costs including the level of savings expected from efficiencies and synergies and the timing within which these will be achieved.
- The level of investment required to deliver the proposal and the expected sources of funding.

Attached are the Consolidated forecasts for both entities as requested under item 2. Other information requested has already been provided.

The forecast provided for LSBU is the return that we made to HEFCE in July 2017 with an additional year 2020/21 which assumes that the university will maintain its projected growth rate in income and costs. We have made one adjustment to the LSBU forecast for the current year to reflect the reduction in income and costs in our current forecast for 2017/18.

The forecast provided for Lambeth College is the updated CFADS model 15a which underpins our latest submission to the Transaction Unit.

The consolidation makes no assumptions about the TU funding which is excluded from the spreadsheet, as are any future estates movements at both LSBU and Lambeth

### **Financial Sustainability**

The LSBU forecast as reported to HEFCE in July 2017 has an income target of £179M in 2020/21 and a surplus that improves from 0.8% (£1.2M) in the current year 2017/18 to 2.3% (£4.1M) in 2020/21. We have assumed over the period that LSBU will invest £70M in capital expenditure (£20m pa excluding expenditure in the current year) and will end the period with cash and cash equivalents of £28M

The Lambeth College forecast has an income target of £27M in 2020/21 and a deficit that improves from -15% (-£3.6M) in the current year 2017/18 to -13% (-£3.5M) in 2020/21. We have assumed over the period that there is no investment in capital expenditure and without any TU funding Lambeth College will end the period with cash and cash equivalents of -£13M. This is a reduction of £14M from the expected opening cash position on 1 August 2018. In reality, this shortfall in cash will be offset by TU funding

The consolidated financial statements would suggest that by 2020/21 the combined entity could have annual revenues of £206M, would deliver a surplus of £0.5M and would generate cash available for investment of almost 9.9% of income.

The balance sheets assume that there is no revaluation of assets or liabilities as a result of the merger and that the combined entity would have fixed assets of £284M by 2021. Without additional TU funding, the combined entity would have bank loans and external borrowing of £62M which is approximately 30% of income with additional creditors of £65M. This includes not only the commercial debt but also the

ESF funding and would therefore be offset by the full amount of TU funding (£29m). £17m of this is expected to be remitted to NEWCO post merger and will therefore be treated as grant income to offset any deficits arising during the turnaround period

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	LSBU				Lambeth				LSBU Adjustment	Total			
Financial indicators (automated table)	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2017-18	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21
Surplus/(deficit) as a % of total income	0.8	1.3	1.7	2.3	-15.0	-27.0	-16.0	-13.0	0.0	-1.4	-2.4	-0.7	0.3
Unrestricted reserves as a % of total income	59.8	59.0	56.6	55.2	-66.5	-93.8	-102.1	-111.3	0.0	43.9	38.7	35.3	33.4
External borrowing as a % of total income	17.4	16.2	14.4	13.0	120.5	144.6	143.3	145.4	0.0	32.7	33.2	31.8	30.3
Net cash flow as a % of total income	10.5	10.8	11.5	12.0	-17.3	-24.2	-6.9	-4.2	0.0	6.9	6.2	9.0	9.9
Net liquidity days	142	124	110	101	16	0	0	0	0	127	104	92	86
Staff costs as a % of total income	58.0	58.2	58.5	58.8	62.0	67.1	60.8	58.7	13.1	60.2	59.3	58.8	58.8

	LSBU				Lambeth				LSBU Adjustment	Total			
Adjusted net operating cash flow (automated table)	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2017-18 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000
1. Net cash flow from operating activities	15,774	16,929	19,229	21,487	-4,149	-5,794	-1,785	-1,137	0	11,625	11,135	17,444	20,350
2. Add: cash received from investment income	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Add: endowment cash received	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Deduct: cash paid on interest on borrowings	-1,244	-1,244	-1,244	-1,244	-1,477	-969	-934	-899	0	-2,721	-2,213	-2,178	-2,144
5. Deduct: cash paid on interest element of finance leases	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Adjusted net operating cash flow	14,529	15,685	17,984	20,243	-5,625	-6,763	-2,719	-2,036	0	8,904	8,922	15,266	18,207

Financial commitments threshold (6 x average adjusted net operating cash flow)

Balance of outstanding financial commitments and agreed financial commitments (includes long-term and short-term) not yet drawn down as at 31 July 2017

#### Notes

The consolidation is marked draft as it is subject to LSBU Board review  
The consolidation is the FFSTAT17 return by LSBU to HEFCE in July 2017 with the addition of 2020/21 and the CFADS model v15A for Lambeth College  
The LSBU adjustment for 2017/18 reflects slightly lower income than expected and the changes LSBU has made to staff costs and opex in year  
The consolidation does not include any funding from the Transaction Unit or any write off of Lambeth College debt position  
The consolidation does not include LSBU plans for estate development or any rationalisation of Lambeth College's estate

Table 1: Consolidated statement of comprehensive income and expenditure	LSBU				Lambeth				LSBU Adjustment	Total			
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21	2017-18	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>1. Income</b>													
1a. Tuition fees and education contracts	109,626	113,765	120,010	126,255	2,767	2,767	3,200	3,900	-6,100	106,293	116,532	123,210	130,155
1b. Funding body grants	14,075	12,658	12,638	12,619	20,395	20,285	21,976	22,291	0	34,470	32,943	34,614	34,910
1c. Research grants and contracts	2,200	3,001	5,002	7,002	0	0	0	0	0	2,200	3,001	5,002	7,002
1d. Other income	24,491	26,534	29,832	33,131	879	879	879	879	0	25,370	27,413	30,711	34,010
1e. Investment income	150	100	100	100	1	0	0	0	0	151	100	100	100
1f. Total income before donations and endowments	150,541	156,058	167,582	179,106	24,042	23,931	26,055	27,070	-6,100	168,483	179,989	193,637	206,176
1g. Donations and endowments	0	0	0	0	0	0	0	0	0	0	0	0	0
1h. Total income	150,541	156,058	167,582	179,106	24,042	23,931	26,055	27,070	-6,100	168,483	179,989	193,637	206,176
<b>2. Expenditure</b>													
2a. Staff costs	87,290	90,748	98,075	105,403	14,918	16,061	15,840	15,884	-800	101,408	106,809	113,915	121,287
2b. Fundamental restructuring costs	0	0	0	0	0	0	0	0	0	0	0	0	0
2c. Other operating expenses	46,514	47,446	49,384	51,322	9,426	11,546	11,627	11,992	-5,300	50,640	58,991	61,011	63,314
2d. Depreciation	11,130	11,389	12,881	13,906	1,834	1,819	1,819	1,819	0	12,964	13,209	14,700	15,726
2e. Interest and other finance costs	4,408	4,408	4,408	4,408	1,477	969	934	899	0	5,885	5,377	5,342	5,307
2f. Total expenditure	149,341	153,992	164,749	175,039	27,655	30,395	30,220	30,595	-6,100	170,896	184,386	194,968	205,634
<b>3. Surplus/(deficit) before other gains/losses and share of surplus/(deficit) in joint ventures and associates</b>	<b>1,200</b>	<b>2,067</b>	<b>2,834</b>	<b>4,067</b>	<b>-3,613</b>	<b>-6,464</b>	<b>-4,165</b>	<b>-3,525</b>	<b>0</b>	<b>-2,413</b>	<b>-4,397</b>	<b>-1,331</b>	<b>542</b>
4. Gain/(loss) on disposal of fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Gain/(loss) on investments	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>8. Surplus/(deficit) before tax</b>	<b>1,200</b>	<b>2,067</b>	<b>2,834</b>	<b>4,067</b>	<b>-3,613</b>	<b>-6,464</b>	<b>-4,165</b>	<b>-3,525</b>	<b>0</b>	<b>-2,413</b>	<b>-4,397</b>	<b>-1,331</b>	<b>542</b>
<b>9. Taxation</b>													
9a. Taxation on research and development expenditure credit	0	0	0	0	0	0	0	0	0	0	0	0	0
9b. Other taxation	0	0	0	0	0	0	0	0	0	0	0	0	0
9c. Total taxation	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>10. Surplus/(deficit) for the year</b>	<b>1,200</b>	<b>2,067</b>	<b>2,834</b>	<b>4,067</b>	<b>-3,613</b>	<b>-6,464</b>	<b>-4,165</b>	<b>-3,525</b>	<b>0</b>	<b>-2,413</b>	<b>-4,397</b>	<b>-1,331</b>	<b>542</b>
11. Unrealised surplus on revaluation of land and buildings	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Actuarial gain/(loss) in respect of pension schemes	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Change in fair value of hedging financial instrument(s)	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Other: enter details in the text box under validation check 1	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>15. Total comprehensive income for the year</b>	<b>1,200</b>	<b>2,067</b>	<b>2,834</b>	<b>4,067</b>	<b>-3,613</b>	<b>-6,464</b>	<b>-4,165</b>	<b>-3,525</b>	<b>0</b>	<b>-2,413</b>	<b>-4,397</b>	<b>-1,331</b>	<b>542</b>
<b>16. Total comprehensive income for the year represented by:</b>													
16a. Endowment comprehensive income for the year	30	30	30	0	0	0	0	0	0	30	30	30	0
16b. Restricted comprehensive income for the year	0	0	0	0	0	0	0	0	0	0	0	0	0
16c. Unrestricted comprehensive income for the year	1,170	2,037	2,804	4,067	-3,613	-6,464	-4,165	-3,525	0	-2,443	-4,427	-1,361	542
16d. Revaluation reserve comprehensive income for the year	0	0	0	0	0	0	0	0	0	0	0	0	0
16e. Attributable to the University	1,200	2,067	2,834	4,067	-3,613	-6,464	-4,165	-3,525	0	-2,413	-4,397	-1,331	542
16f. Attributable to the non-controlling interest	0	0	0	0	0	0	0	0	0	0	0	0	0
16g. Total	<b>1,200</b>	<b>2,067</b>	<b>2,834</b>	<b>4,067</b>	<b>-3,613</b>	<b>-6,464</b>	<b>-4,165</b>	<b>-3,525</b>	<b>0</b>	<b>-2,413</b>	<b>-4,397</b>	<b>-1,331</b>	<b>542</b>
<b>17. Surplus for the year attributable to:</b>													
17a. Non-controlling interest	0	0	0	0	0	0	0	0	0	0	0	0	0
17b. University	1,200	2,067	2,834	4,067	-3,613	-6,464	-4,165	-3,525	0	-2,413	-4,397	-1,331	542

Table 1a: Analysis of income	LSBU				Lambeth				LSBU Adjustment	Total			
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21	2017-18	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>1. Tuition fees and education contracts</b>													
1a. Full-time UG home and EU	61,686	70,604	79,961	86,418	0	0	0	0	-4,300	57,386	70,604	79,961	86,418
1b. Full-time postgraduate home and EU	7,198	7,467	8,545	9,623	0	0	0	0		7,198	7,467	8,545	9,623
1c. Part-time fees - home and EU	10,173	10,271	10,226	10,181	0	0	0	0		10,173	10,271	10,226	10,181
1d. Home and EU domicile fees paid by the Department of Health	18,561	11,407	4,254	0	0	0	0	0		18,561	11,407	4,254	0
1e. Apprenticeships fee income	1,008	2,016	3,024	4,032	0	0	0	0		1,008	2,016	3,024	4,032
1f. Non-EU domicile students	11,000	12,000	14,000	16,000	0	0	0	0	-1,800	9,200	12,000	14,000	16,000
1g. Other fees and support grants					2,767	2,767	3,200	3,900		2,767	2,767	3,200	3,900
1h. Total tuition fees and education contracts	109,626	113,765	120,010	126,255	2,767	2,767	3,200	3,900	-6,100	106,293	116,532	123,210	130,155
<b>2. Funding body grants</b>													
2a. HEFCE - teaching grant	10,789	9,372	9,352	9,333	90	90	90	90		10,879	9,462	9,442	9,423
2b. HEFCE - research grant	1,766	1,766	1,766	1,766		0	0	0		1,766	1,766	1,766	1,766
2c. HEFCE other grants	1,520	1,520	1,520	1,520	1,066	1,066	1,250	1,500		2,586	2,586	2,770	3,020
2d. ESFA funding					19,239	19,129	20,636	20,701		19,239	19,129	20,636	20,701
2e. NCTL funding										0	0	0	0
2f. Capital grants recognised in the year										0	0	0	0
2g. Total funding body grants	14,075	12,658	12,638	12,619	20,395	20,285	21,976	22,291	0	34,470	32,943	34,614	34,910
<b>3. Research grants and contracts</b>													
3a. BEIS Research Councils	579	550	917	1,283		0	0	0		579	550	917	1,283
3b. UK-based charities	396	416	693	971		0	0	0		396	416	693	971
3c. Other research grants and contracts	1,225	2,035	3,392	4,748		0	0	0		1,225	2,035	3,392	4,748
3d. Total research grants and contracts	2,200	3,001	5,002	7,002	0	0	0	0	0	2,200	3,001	5,002	7,002
<b>4. Other income</b>													
4a. Other services rendered													
4b. Residences and catering operations (including conferences)	11,950	12,189	12,433	12,676	59	59	59	59		12,009	12,248	12,492	12,735
4c. Income from health and hospital authorities (excluding teaching contracts for student provision)				0		0	0	0		0	0	0	0
4d. Other operating income	12,541	14,345	17,400	20,454	820	820	820	820		13,361	15,165	18,220	21,274
4e. Total other income	24,491	26,534	29,832	33,131	879	879	879	879	0	25,370	27,413	30,711	34,010
5. Investment income	150	100	100	100	1	0	0	0	0	151	100	100	100
<b>6. Total income before donations and endowments</b>	150,541	156,058	167,582	179,106	24,042	23,931	26,055	27,070	-6,100	168,483	179,989	193,637	206,176
7. Donations and endowments	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>8. Total income</b>	150,541	156,058	167,582	179,106	24,042	23,931	26,055	27,070	-6,100	168,483	179,989	193,637	206,176

Table 1b: Analysis of staff costs

Table 1b: Analysis of staff costs	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21	2017-18	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
1. Salaries and wages	65,200	67,829	73,397	78,966	14,567	14,051	13,831	13,876	-800	78,967	81,880	87,228	92,842
2. Social security costs	7,721	8,032	8,692	9,351		0	0	0		7,721	8,032	8,692	9,351
3. Employer pension costs	12,868	13,387	14,486	15,585	331	1,960	1,960	1,960		13,199	15,347	16,446	17,545
4. Changes to pension provisions										0	0	0	0
5. Other staff related costs	1,500	1,500	1,500	1,500	20	50	49	48		1,520	1,550	1,549	1,548
<b>6. Total staff costs</b>	87,290	90,748	98,075	105,403	14,918	16,061	15,840	15,884	-800	101,408	106,809	113,915	121,287
7. Staff numbers (FTEs academic and other)	1,542	1,549	1,617	1,679									

Note: FTE = full-time equivalent.

Table 2: Consolidated balance sheet	LSBU				Lambeth				LSBU Adjustment	Total			
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31-Jul-18	31-Jul-19	31-Jul-20	31-Jul-21	31-Jul-18	31-Jul-19	31-Jul-20	31-Jul-21	31-Jul-18	31-Jul-18	31-Jul-19	31-Jul-20	31-Jul-21
	£000	£000	£000	£000									
<b>1. Non-current assets</b>													
1a. Intangible assets	1,991	1,991	1,991	1,991	0	0	0	0	0	1,991	1,991	1,991	1,991
1b. Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0
1c. Negative goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0
1d. Net amount of goodwill and negative goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0
1e. Fixed assets	215,752	224,362	231,481	237,575	49,915	48,096	46,277	44,457	0	265,667	272,458	277,758	282,032
1f. Heritage assets	0	0	0	0	0	0	0	0	0	0	0	0	0
1g. Investments	38	38	38	38	0	0	0	0	0	38	38	38	38
1h. Investment in joint venture(s)	0	0	0	0	0	0	0	0	0	0	0	0	0
1i. Investments in associate(s)	0	0	0	0	0	0	0	0	0	0	0	0	0
1j. Total non-current assets	217,780	226,391	233,510	239,603	49,915	48,096	46,277	44,457	0	267,695	274,487	279,786	284,061
<b>2. Current assets</b>													
2a. Stock	8	8	8	8	0	0	0	0	0	8	8	8	8
2b. Trade and other receivables	18,378	18,378	18,378	18,378	820	794	860	889	0	19,199	19,172	19,238	19,267
2c. Investments	16,620	16,620	16,620	16,620	0	0	0	0	0	16,620	16,620	16,620	16,620
2d. Cash and cash equivalents	37,273	31,957	28,942	28,185	1,125	0	0	0	0	38,398	31,957	28,942	28,185
2e. Other (e.g. assets for sale)	0	0	0	0	0	0	0	0	0	0	0	0	0
2f. Total current assets	72,278	66,963	63,948	63,191	1,946	794	860	889	0	74,224	67,757	64,807	64,080
<b>3. Creditors - amounts falling due within one year</b>													
3a. Bank overdrafts	0	0	0	0	0	0	0	0	0	0	0	0	0
3b. Bank loans and external borrowing	1,309	1,309	1,309	1,309	1,556	7,959	11,134	13,626	0	2,865	9,268	12,443	14,935
3c. Obligations under finance leases and service concessions	0	0	0	0	0	0	0	0	0	0	0	0	0
3d. Loans repayable to funding council	0	0	0	0	0	0	0	0	0	0	0	0	0
3e. Interest rate hedges (swaps)	0	0	0	0	0	0	0	0	0	0	0	0	0
3f. Other (including grant claw back)	33,306	33,306	33,306	33,306	4,224	2,390	2,392	2,401	0	37,530	35,695	35,697	35,707
3g. Total creditors (amounts falling due within one year)	34,615	34,615	34,615	34,615	5,780	10,349	13,525	16,027	0	40,395	44,963	48,140	50,641
4. Share of net current assets/(liabilities) in associate	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Net current assets/(liabilities)	37,663	32,348	29,333	28,576	-3,834	-9,554	-12,666	-15,137	0	33,829	22,794	16,667	13,439
6. Total assets less current liabilities	255,444	258,739	262,843	268,179	46,081	38,541	33,611	29,320	0	301,524	297,280	296,453	297,499
<b>7. Creditors: amounts falling due after more than one year</b>													
7a. Bank loans and external borrowing	24,897	23,897	22,897	21,897	27,416	26,650	26,194	25,738	0	52,313	50,547	49,091	47,635
7b. Obligations under finance leases and service concessions	0	0	0	0	0	0	0	0	0	0	0	0	0
7c. Loans repayable to funding council	0	0	0	0	0	0	0	0	0	0	0	0	0
7d. Interest rate hedges (swaps)	0	0	0	0	0	0	0	0	0	0	0	0	0
7e. Other (including grant claw back)	22,830	21,895	21,001	20,107	11,071	10,761	10,451	10,141	0	33,901	32,656	31,452	30,248
7f. Total creditors (amounts falling due after more than one year)	47,727	45,792	43,898	42,004	38,487	37,411	36,645	35,879	0	86,213	83,203	80,543	77,883
<b>8. Provisions</b>													
8a. Pension provisions	116,942	120,106	123,270	126,434	21,349	21,349	21,349	21,349	0	138,291	141,455	144,619	147,783
8b. Other provisions	0	0	0	0	2,228	2,228	2,228	2,228	0	2,228	2,228	2,228	2,228
8c. Total provisions	116,942	120,106	123,270	126,434	23,577	23,577	23,577	23,577	0	140,519	143,683	146,847	150,011
9. Total net assets	90,774	92,841	95,674	99,741	-15,983	-22,447	-26,611	-30,136	0	74,791	70,394	69,063	69,605
<b>10. Reserves</b>													
<b>Restricted reserves</b>													
10a. Income and expenditure reserve - endowment reserve	807	807	807	807	0	0	0	0	0	807	807	807	807
10b. Income and expenditure reserve - restricted reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Unrestricted reserves</b>													
11a. Income and expenditure reserve - unrestricted	62,586	64,652	67,486	71,553	-23,214	-29,678	-33,842	-37,367	0	39,372	34,975	33,644	34,186
11b. Revaluation reserve	27,382	27,382	27,382	27,382	7,231	7,231	7,231	7,231	0	34,613	34,613	34,613	34,613
12. Total restricted and unrestricted reserves	90,775	92,841	95,675	99,742	-15,983	-22,447	-26,611	-30,136	0	74,792	70,395	69,064	69,606
13. Non-controlling interest (enter as negative)	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Total reserves	90,775	92,841	95,675	99,742	-15,983	-22,447	-26,611	-30,136	0	74,792	70,395	69,064	69,606

Table 3: Consolidated statement of cash flows	LSBU				Lambeth				LSBU Adjustment	Total			
	Forecast	Forecast	Forecast	Forecast	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21	2017-18	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>1. Cash flow from operating activities</b>													
1a. Surplus for the year	1,200	2,067	2,834	4,067	-3,613	-6,464	-4,165	-3,525	0	-2,413	-4,397	-1,331	542
<b>2. Adjustment for non-cash items</b>													
2a. Depreciation	11,130	11,389	12,881	13,906	1,834	1,819	1,819	1,819	0	12,964	13,209	14,700	15,726
2b. Amortisation of intangibles										0	0	0	0
2c. Benefit on acquisition										0	0	0	0
2d. Amortisation of goodwill										0	0	0	0
2e. Loss/(gain) on investments										0	0	0	0
2f. Decrease/(increase) in stock	0	0	0	0	0	0	0	0		0	0	0	0
2g. Decrease/(increase) in debtors	0	0	0	0	18	26	-65	-30		18	26	-65	-30
2h. Increase/(decrease) in creditors	0	0	0	0	-3,301	-1,834	2	9		-3,301	-1,834	2	9
2i. Increase/(decrease) in pension provisions	3,164	3,164	3,164	3,164						3,164	3,164	3,164	3,164
2j. Increase/(decrease) in other provisions					-253	0	0	0		-253	0	0	0
2k. Receipt of donated equipment										0	0	0	0
2l. Share of operating (surplus)/deficit in joint venture										0	0	0	0
2m. Share of operating (surplus)/deficit in associate										0	0	0	0
2n. Other: enter details in the text box under validation check 15	-964	-935	-894	-894	-310	-310	-310	-310		-1,274	-1,245	-1,204	-1,204
<b>3. Adjustment for investing or financing activities</b>													
3a. Investment income (enter as negative)										0	0	0	0
3b. Interest payable	1,244	1,244	1,244	1,244	1,477	969	934	899		2,721	2,213	2,178	2,143
3c. Endowment income (enter as negative)										0	0	0	0
3d. Loss/(gain) on the sale of fixed assets										0	0	0	0
3e. Capital grant income (enter as negative)										0	0	0	0
4. Net cash inflow from operating activities	15,774	16,929	19,229	21,487	-4,149	-5,794	-1,785	-1,137	0	11,625	11,135	17,444	20,350
<b>5. Cash flows from investing activities</b>													
5a. Proceeds from sales of fixed assets										0	0	0	0
5b. Proceeds from sales of intangible assets										0	0	0	0
5c. Capital grants receipts										0	0	0	0
5d. Disposal of non-current asset investments										0	0	0	0
5e. Withdrawal of deposits										0	0	0	0
5f. Investment income										0	0	0	0
5g. Payments made to acquire fixed assets	-10,000	-20,000	-20,000	-20,000	-1,151	0	0	0		-11,151	-20,000	-20,000	-20,000
5h. Payments made to acquire intangible assets										0	0	0	0
5i. New non-current asset investments										0	0	0	0
5j. New deposits										0	0	0	0
5k. Total cash flows from investing activities	-10,000	-20,000	-20,000	-20,000	-1,151	0	0	0	0	-11,151	-20,000	-20,000	-20,000
<b>6. Cash flows from financing activities</b>													
6a. Interest paid	-1,244	-1,244	-1,244	-1,244	-1,477	-969	-934	-899		-2,721	-2,213	-2,178	-2,144
6b. Interest element of finance lease and service concession payments										0	0	0	0
6c. Endowment cash received										0	0	0	0
6d. New secured loans	597	0	0	0	4,908	0	0	0		5,505	0	0	0
6e. New unsecured loans										0	0	0	0
6f. Repayments of amounts borrowed	0	-1,000	-1,000	-1,000	0	-1,866	-456	-456		0	-2,866	-1,456	-1,456
6g. Capital element of finance lease and service concession payments										0	0	0	0
6h. Other: enter details in the text box under validation check 16										0	0	0	0
6i. Total cash flows from financing activities	-647	-2,244	-2,244	-2,244	3,431	-2,834	-1,390	-1,355	0	2,783	-5,079	-3,634	-3,600
7. (Decrease)/Increase in cash and cash equivalents in the year	5,126	-5,315	-3,016	-757	-1,869	-8,628	-3,175	-2,492	0	3,258	-13,943	-6,190	-3,249
8. Cash and cash equivalents at the beginning of the year	32,145	37,271	31,956	28,941	3,134	1,265	-7,363	-10,538	0	35,279	38,536	24,593	18,403
9. Cash and cash equivalents at the end of the year	37,271	31,956	28,941	28,184	1,265	-7,363	-10,538	-13,030	0	38,536	24,593	18,403	15,154

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Paper title:	Lambeth College commercial debt
Board/Committee	Finance, Planning & Resources
Date of meeting:	26 June 2018
Author:	Richard Flatman, Chief Financial Officer
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To update FPR on proposals for the transfer of LC debt to LSBU.
Recommendation:	<p>FPR is requested to note the counter proposal to Barclays to:</p> <ul style="list-style-type: none"> <li>• Retain the current margin interest rate of 0.225% on existing LSBU debt</li> <li>• Move to a margin interest cost of 1.75% (target maximum of 1.87%) on the novated LC debt. Currently 2% rising to 2.6% and the banks latest offer is 2.2%.</li> </ul>

## Executive summary / Proposal

FPR agreed in principle at its last meeting that the current Lambeth College loans should be transferred on merger to LSBU (rather than Newco) in order to satisfy the TU requirement to demonstrate in full the use of TU funding by 31 March 2019. FPR approval was subject to agreement of terms.

This document updates FPR on the current negotiations. Our counter proposal to Barclays has now been submitted as follows:

### *Existing LSBU loans:*

- LSBU margins remain 'as is' at 0.225% for the remaining life of the current LSBU loans
- The existing fixed rates stay in place through to contract maturity
- A new loan document will be drawn up (LSBU as borrower) to reflect two distinct tranches of loan - identified as LSBU and Lambeth/Newco detailing applicable margins. The 'new' loan document will reflect updates for FRS102 and any financial covenant changes (yet to be discussed), and any additional security required to meet a specific Loan to Value ratio (yet to be confirmed).

### *Novation of LC loans to LSBU:*

- The existing LC commercial loan be novated over to LSBU at a margin interest cost level of 1.75% with a target rate of 1.87% and hopefully a little lower
- The counter proposal is on the basis that the loan margin we finally agree is crystallised from a start point of 2%, whether the deal is completed or not on or before the 31<sup>st</sup> July 18 (the current rate is 2% but ratchets up again to 2.25% from August 2018 and 2.6% from August 2019)
- Barclays to advise and cap the legal costs
- Barclays to advise the value of additional security they would want to have in place to meet their LTV ratio (expected 140% of loan value ie approx. £47m on total combined value of loans).

The NPV of the margin interest cost in the counter proposal for the remaining life of the loans is £2.5m (target max £2.65m compared with Barclays initial proposal of £3.16m. Only a small proportion of this (£342k) relates to the existing LSBU loans given the low current margin interest cost of 0.225% that applies to the LSBU loans.

The total cost of £2.5m is in line with the current consolidated forecast for LSBU/Lambeth. Any additional cost would be recharged to Newco via the inter-company account.

### **Progress negotiating commercial terms**

Having agreed in principle with Barclays to novate the LC loans to LSBU we have been engaged in detailed discussions with the bank regarding the terms of transfer.

The initial starting point from the Bank's perspective was that the loan terms should be merged and a blended margin interest rate applied (of 1.15%) which is substantially higher than the rate of 0.225% which applies to the existing LSBU loans.

Our view is clear – that the existing LSBU loan(s) should remain at a margin of 0.225% for the remaining life of those outstanding loan(s). Barclays will not like this because they will see no margin uplift on the existing portfolio and no doubt are under pressure to 'regularise' the situation. However, we prefer to keep the LSBU portfolio 'as is' and treat the novated loan(s) from Lambeth College as quite separate. It will be much easier to monitor the acquisition costs, the future performance of Lambeth as it comes into the LSBU fold and track the interest cost



against the assumptions in the CFADs model.

Notwithstanding the separate treatment, the novated loans will be re-documented as LSBU and the intention is (and it makes sense) to re-document both the LSBU and Lambeth loans into one 'new' loan document. The 'new' loan document will reflect the Lambeth borrowings as a specific tranche and similarly LSBU (with sub tranches to reflect the existing fixed rate contracts and maturities). The new document will specify the margins applicable to both LSBU and Lambeth tranches. The 'new' loan document will also be brought up to date to reflect FRS102 in particular and any updated financial covenants. The document will also reflect any additional security that LSBU will have to grant to fulfil whatever loan to value ratio Barclays suggests.

With the exception of one small tranche of existing LSBU debt, all current loans (LSBU and LC) are fixed rate. The interest cost is fixed and there is a substantial penalty to break these loans hence the proposal to transfer rather than repay the LC loans. At risk is the margin interest cost that applies to all loans which for LSBU is fixed at 0.225% and for Lambeth College is currently 2% with a ratchet to 2.25% from August 2018 and 2.6% from August 2019.

At our most recent meeting with Barclays they confirmed that we could keep the loans separate and retain the 0.225% on existing LSBU debt but that they would require a 2.2% margin on the novated LC debt to meet their Return on Assets (ROA requirement) – this level they say reflects the perceived risk of LSBU if it went to market for circa 17 year money, which it (LSBU), would find difficult to source (10 years being the risk appetite of the banking market in general). This in general is true for a post92 University, but our advisers have recently concluded a 10 year deal for a Welsh University @ 1.65%. Rates for 17 year money would however be higher. With this in mind, our counter proposal meets the bank somewhere in the middle with a target rate of 1.87%. This would deliver a margin interest cost of £2.65m which would deliver a saving through negotiation of circa £500k from the Barclays blended 'kick off' proposal whilst keeping the LSBU debt unchanged at current rates which is much cleaner. From a negotiating starting point, the rate of 1.75% proposed is in line with the existing forecasts.

The NPV margin interest cost for the different scenarios is set out in the table below:

Scenario	NPV margin interest cost (£m) over remaining life of the loans
LSBU loans continue at current rate of 0.225% and LC loans continue on current terms ratcheting to 2.6%	3.424
LSBU loans continue at current rate of 0.225 and LC loans continue on current terms (without ratchet to 2.6%)	2.810
Barclays initial proposal – Blended margin interest rate of 1.15% on all loans	3.168
Barclays revised proposal – (LSBU 0.225%; LC 2.2%)	3.057
Target maximum (LSBU 0.225%; LC 1.87%)	2.650
<b>LSBU counter proposal (LSBU 0.225%; LC 1.75%)</b>	<b>2.502</b>
Current forecasts including LSBU at 0.225% and CFADS model (LC) at 7% (including margin of 1.75%)	2.502

	CONFIDENTIAL
Paper title:	Strategic HR Report
Board/Committee	Finance, Planning and Resources
Date of meeting:	26 June 2018
Author:	Dr. Markos Koumaditis, Acting Director of People & Organisation
Executive/Operations sponsor:	Prof Pat Bailey – Deputy Vice Chancellor
Purpose:	Discussion
Recommendation:	The committee is requested to note the report.

## **Strategic HR Update**

### **1.0 Workforce Planning – 2018 Change Programme**

- 1.1 Over the last month, we have developed the 2018 Change Programme which aims to address both cost and future skills needs and we agreed with the Unions to work together to reduce as much as possible the need for compulsory redundancies.
- 1.2 There are two strands in our change programme: a) A Voluntary Severance Scheme (VS) which has now been launched on 11 June 2018 with a closing date of 6 of July and b) Formal collective consultation for 10 change proposals (2 from Schools and 8 from Professional Services Group) from 11 of June to 20 July 2018.
- 1.3 We propose to disestablish 127 FTE posts and create 62 FTE posts, with 69-estimated headcount of staff leaving.
- 1.4 At the end of the consultation period, we will be able to revisit any applications for voluntary severance that were rejected, in order to see if we could create redeployment opportunities by agreeing those VS applications. In this way, the VS scheme may provide additional

opportunities for redeployment for those that are at risk of redundancy as well as contributing to cost savings.

- 1.5 Support for staff going through major change is being provided by a detailed OD support package, advice from the 24/7 confidential Employee Assistance Programme and discussions with Line Managers.

## **2.0 Industrial Relations**

- 2.1 Ongoing discussions are continuing with the three trade unions regarding the Voluntary Severance and Change Proposals. Relations currently remain manageable.
- 2.2 Nationally, at the third negotiating meeting of employers of 10 May via the new Joint Negotiating Council for Higher Education Staff (new JNCHES), a final pay offer was made of at least 2% base pay uplift to the New JNCHES pay spine points 16 - 51 from 1 August 2018. Higher increases of up to 2.8% to points 2 - 15 (a sum of £425 on each point) were also offered. This is being considered by the 5 trade unions.

## **3.0 HR Operations**

- 3.1 A final report was submitted to the Office for Students on the outcome of the "Stand Up- Speak Out" Student Safeguarding Project (£43K former HEFCE Catalyst Funded Project).
- 3.2 The Audit Committee of 7 June was provided with updates on improvements to fire safety, UK Visas and Immigration, and emergency planning.
- 3.3 Health and safety progress was reported to the Health and Safety Joint Committee on 14 June.
- 3.4 The electronic HPL new contract software has been procured and a prototype developed to be presented to key stakeholders for user acceptance testing. This will improve the experience and engagement of our Hourly Paid Lecturers significantly.

## **4.0 Equality, Diversity and Wellbeing**

- 4.1 Developments in wellbeing have included the offer of free prostate and ovarian cancer tests; heart rhythm testing and a significant increase in

staff participation in the Virgin Pulse Global Step Challenge – from 2 to 7 teams of 9 members each, representing both Schools and PSGs.

- 4.2 From our work with the Health Innovation Network, the University was featured in a case study in a Health Toolkit for Employers, supported by Public Health England.
- 4.3 The Race Equality Charter Mark Bronze application will be submitted to the Equality Challenge Unit (ECU) on 13 July. The EDI team has developed an institutional wide action plan and workforce metrics.
- 4.4 Key achievements of the race equality journey include over 2,200 surveys responses capturing our staff and student experiences; 11 workshops delivered at the staff conference around inclusivity; 200 people engaged in the campaign on “Race Equality means to me”; race specific Operational Board development sessions; and development sessions delivered by the ECU on BME Attainment.

## **5.0 Appraisals**

- 5.1 The new appraisal period has commenced, and the functionality of the online “My Roadmap” system has been further improved this year. All Deans and Directors have been supplied with a template to communicate the start of the process to their staff.

## **6.0 Leadership Development**

- 6.1 Five academic colleagues were nominated to attend the LFHE (Leadership Foundation Higher Education) *Leading Transformation in Teaching & Learning* leadership programme. The delegate feedback has been very positive, with options being explored to share learning with other academic colleagues.
- 6.2 This calendar year to date, Organisational Development has funded ten staff members to attend LFHE leadership programmes, including supporting five delegates in the Diversifying Leadership programme, which now meet as an action learning set.

## 7.0 Employee Engagement

- 7.1 The 2018 Employee Engagement survey closed on the 11 May 2018. The University engagement score rose to 61%, up 3% on the last full survey in 2016. This year's survey had a return rate of 45%, significantly lower than the 2016 score (71%).
- 7.2 The top-level results were presented to the Executive on 12<sup>th</sup> June, and at the Staff Conference on the 13<sup>th</sup>. We have improved in 28 out of 34 overall indicators. A summary will be submitted at the September meeting.
- 7.3 The Staff conference took place on 13<sup>th</sup> June, with the theme of LSBU being an inclusive place to work and learn, under the strapline "*Be bold, be brave, be you*". Over 500 colleagues attended, 75 events took place, and 450 nominations were received for the Staff Awards across seven award categories.

	CONFIDENTIAL
Paper title:	Fundraising Compliance Update
Board/Committee	Finance, Planning and Resources
Date of meeting:	26 June 2018
Author:	Olivia Rainford, Head of Alumni and Development
Executive/Operations sponsor:	Nicole Louis, Chief Marketing Officer
Purpose:	For review
Recommendation	<p>The committee is requested to:</p> <ul style="list-style-type: none"> <li>• note how LSBU complies with charity fundraising guidance; and</li> <li>• note the Charity Commission guidance CC20 (attached)</li> </ul>

## 1. Executive Summary

1.1. London South Bank University has re-established a fundraising programme that seeks to achieve a sustainable and substantial flow of philanthropic income over the next 10 years. At its meeting of 1 May 2018, the Finance, Planning and Resources Committee (FPR) supported the draft Fundraising and Philanthropy Strategy.

1.2. The successful delivery of the strategy will require compliance with three regulatory frameworks:

- a. the Charity Commission's, "CC20, Charities Fundraising: a guide to trustee duties" (referred to throughout the paper as CC20)
- b. Regulation of direct marketing and databases
- c. The Code of Fundraising Practice set by the Fundraising Regulator.

1.3. Compliance is dependent upon the planning and management of effective fundraising, direct marketing and database systems. Accountability for this is delegated to the Head of Alumni and Development, who reports to the Chief Marketing Officer.

1.4. Following an assessment of compliance the Alumni and Development team/Executive believe that LSBU is in a strong position to proceed with a new fundraising programme in accordance with best practice and at low-risk to trustees.

## Background

- 1.5. LSBU is an exempt charity, regulated by the Office for Students. Each governor is a charity trustee (as well as a company director) and has a set of duties under charity law.
- 1.6. CC20 makes clear that the trustees are legally responsible for fundraising. CC20 develops a number of existing trustees' duties which include:
  - acting in the best interests of your charity
  - managing your charity's resources responsibly, which includes protecting and safeguarding its reputation
  - acting with reasonable care and skill.
- 1.7. The guide recognises that trustees may delegate the operation of fundraising to experienced employees. Where trustees do delegate (as in LSBU) it is necessary for them to maintain appropriate oversight of the activities and receive assurance around systems, controls and compliance. However, as with all areas of LSBU's activity, the trustees remain legally responsible.
  - The executive proposes that oversight and assurance are achieved through the annual report on fundraising to FPR.

## CC20 – Charities and Fundraising: a guide to trustee responsibilities

2. CC20 is the Charity Commission's guidance for trustees on fundraising. It was in part driven by the fundraising crises of 2015 and perceived weaknesses in charity governance.
  - 2.1. The section below sets out how LSBU complies with the six main principles of CC20:
    1. **Plan effectively:** "your charity's values should be reflected in its planned fundraising activity, and there should be effective systems in place to monitor implementation of your plan"

**LSBU status:** A Fundraising and Philanthropy strategy was supported by FPR and recommended to the Board for approval.

Delivery of the strategy will be overseen by a Fundraising Steering Group, consisting of senior leaders from LSBU, with governor and alumni representation.
    2. **Supervise your fundraisers:** you should have "effective systems in place to keep control of [delegated] fundraising".

**LSBU status:** The day to day management of fundraising at LSBU is delegated to the Head of Alumni and Development.



On a monthly basis funds are reconciled and forecast between the Head of Alumni and Development and the Finance Business Services Manager to ensure the appropriate and timely transfer of funds for restricted and unrestricted charitable income.

An annual report on fundraising is submitted in Q3 each year for review by FPR. In future, this will report against LSBU's continuing compliance with CC20.

3. **Protect your charity's reputation, money and other assets:** you should have "effective systems in place to identify the reputational risks your charity may face and to plan for their management; plan for the charity resources you will use to fundraise; manage and be able to justify your fundraising costs; [and] protect the money raised in your charity's name.

**LSBU status:** LSBU's "Case for Support", due in September 2018, will reflect likely donor, supporter and public perception about income expectations and other goals, including proposed methods of fundraising. The level of fundraising costs required to deliver the Fundraising Strategy will be considered by the executive as a part of budget planning each year.

The Annual Report on Fundraising will report on how the goals of the Fundraising Strategy are being met.

Areas of risk will be regularly reviewed in accordance with existing processes.

4. **Follow fundraising laws and regulations:** you should "have effective systems in place so that your charity fully complies with any legal rules which apply to its fundraising".

**LSBU Status:** The new Data Protection Act 2018 (DPA 2018) and GDPR mainly impact upon direct marketing to alumni and supporters, the personal data we collect and the rights of the data subject. Compliance reports were noted by the Executive in May 2018 and audit committee in June 2018. There is close liaison between the fundraising team and the LSBU Data Protection Officer to ensure legal compliance in this area.

Opt-in consent is required for all direct marketing to alumni and supporters. We aim to send marketing to 10% of our 93,511 alumni and supporters currently 5% have given their consent for this.

5. **Follow the recognised standards for fundraising:** you must "have effective systems in place so that your charity complies with any standards which apply to its fundraising".

**LSBU Status:** We are currently registered with the Fundraising Regulator, which means that we agree to ensure our fundraising is legal, open, honest and respectful. Further information about the Regulator is available in section 3. The Code of Fundraising Practice has been used to inform the key policies and processes as outlined in Appendix A.

6. **Be open and accountable:** you must “have effective systems in place so that your charity’s fundraising is explained clearly and openly, fully complies with accounting and reporting obligations, and is appropriately open to challenge by complainants”.

**LSBU Status:** Reporting on fundraising will be included in LSBU’s Annual Review and, in line with accounting requirements, in the annual report and accounts.

### 3. Code of Fundraising Practice

3.1 In January 2016, the Fundraising Regulator was established as the non-statutory defence to safeguard against bad fundraising practice. Its aim is to set and maintain the standards for charitable fundraising, to ensure that fundraising is respectful, open, honest and accountable to the public, and to regulate fundraising in England and Wales; those who register agree to abide by these aims.

Updates to the Code, which affect our fundraising practices, have been fully incorporated into the Philanthropy and Fundraising Strategy.

### Appendix A: Key policies and processes for alumni and supporters

Policy/process	Role/team accountable	Summary
Alumni and Supporter Privacy Notice	Head of Alumni and Development, Marketing and Communications	We are the data controller for personal data relating to alumni and supporters and our Privacy Notice explains how we will process this. The notice will be kept under review and any changes will be updated on the alumni website and communicated as appropriate.
Bequests and legacy gift agreements	Legal Officer, Governance	Gift agreements are made in collaboration between the donor and the University with support from the legal team.
Complaints	<i>Pending</i>	A formalised system for responding to donor or alumni complaints will be

		implemented in early 2019 before active fundraising commences.
Cookies	Senior Digital Marketing Manager, Marketing and Communications	The University must tell people if cookies are set and clearly explain what the cookies do and why. Consent must be actively and clearly given by every user.
Due Diligence Policy	Head of Alumni and Development, Marketing and Communications	Research and checks are carried out to help satisfy requirements for the solvency, integrity and reputation of prospective donors (organisations and individuals).  The process currently exists but this is not an official policy. It will be created by September 2018.
Gift Acceptance Policy	Head of Alumni and Development, Marketing and Communications	To ensure clarity and openness to all our stakeholders regarding the acceptance of gifts and other financial support. It is designed to address donations, sponsorship, cause-related marketing, and gifts in kind. Due to be reviewed in September 2018.
Naming and Recognition Policy	Pending	A proposed policy to govern the naming of buildings was prepared in 2009.  A new policy will be created by September 2018.
Subject Access Request	Data Protection Officer, Governance	At the request of an individual, LSBU must provide their personal data and information on how it is used, if it is in accordance with the individual's right of access, subject to any exemptions. This process is under review following GDPR and is accessible via the LSBU website.

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	CONFIDENTIAL
Paper title:	Key Performance Indicators – Strategic Enablers
Board/Committee	Financial Planning & Resources Committee
Date of meeting:	26 June 2018
Author:	John Baker – Corporate & Business Planning Manager
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To present the latest performance figures for the KPIs for Strategic Enablers for the 17/18 cycle, as at 30th April 2017. (Performance figures for the other goal KPIs are provided for information).
Recommendation:	The committee is requested to note this report.

**Executive Summary:**

The report presents the latest performance figures for the KPIs for strategic enablers (the full KPI report is provided for information).

Financial forecast figures are provided from the April management accounts (*for KPIs 8,9,17 & 20 - 22*).

The Committee is requested to note the report.

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Report Date		30th January 2018		Past Performance			Benchmark	Target	Forecast	Result	DoT		Ambition	17/18 Rating Criteria			
Corporate Strategy Goals	20/20 Success Measures	#	Key Performance Indicators	14/15	15/16	16/17	Aspirational Group 15/16 average	17/18		YoY	Exec. Lead	20/21	Green	Amber	Red		
Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	1	Graduate level employment &/or Further study (EPI population)	68%	76.0%	81.8%	67.1	80%				PVC (SE)	80%	80 % +	77 - 79 %	< 77 %	
Student Experience	Top quartile of all universities in NSS	2	NSS scores – overall satisfaction (First Degree respondents)	82%	82%	82%	82.4%	84%				DVC	89%	84 % +	80 - 83 %	< 80 %	
		3	International Student barometer (% recommending LSBU)		77%	77%	not available	78%		80%	↑		81%	78% +	75 - 77%	< 75 %	
		4	PGT experience (% satisfaction)	74%	74%	74%	not available	77%					82%	77 % +	73 - 76 %	< 73 %	
		5	Student Staff Ratio	16.4:1	17:1	16.5:1	17.6:1	17:1					18:1	<=17	17 - 18	> 18	
Employability	95% students in employment / further study (EPI)	6	DLHE Positive Outcomes; employment or further study (EPI)	90.2%	90.8%	94.6%	92.0%	95%				PVC (SE)	95%	95 % +	90 - 94 %	<90 %	
	Top 10 UK universities for student start ups	7	Number of Student start ups	30	50	65 (*)	53.6	90				PVC (R&E)	150	90 +	85 - 89	< 85	
Research & Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non Hefce)	£2.0	£1.9	£2.8	£10.3	£3.1	£3.4		↑	PVC (R&E)	£6.0 m	£3.1 m +	£2.9 - 3.0 m	<£2.9 m	
		9	Enterprise Income	£8.1	£7.8	£9.2	not available	£10.5	£10.6		↑		£19.0 m	£10.5 m +	£10 - 10.4 m	<£10 m	
Access	Top London Modern for LPN recruitment	10	% recruits from low participation neighbourhoods (Young FT FD)	7.7%	8.4%	9.2%	6.8%	8.2%		8.9%	↓	CMO	9.0%	8.2% +	7.9 -8.1 %	<7.9 %	
		11	FTUG % (w/o HSC contract) recruited before Clearing	71.8%	71.8%	71.1%	not available	75%	78.3%		↑		90%	75 % +	71 - 74 %	< 71 %	
	Exceed expectations on completion	12	First Degree Completion projection (at or above benchmark)	-7 %	-5.8%	-5.5%	-2.5%	-2%		-1.8%		DVC	+3%	>=-2 %	-3 to -4 %	<-4 %	
		13	Year 1 progression	73.1%	77.3%	74.7%	not available	80%					85%	80 % +	77 - 79%	<77%	
		14	Good Honours	61.2%	66.4%	69.1%	67.4%	63 - 67%					63 - 67%	63-67%	68-69%	>69%	
15	PGT completion	61.5%	58.7%	69%	not available	70%					85%	70% +	66-69%	< 66%			
International	4 QS Stars	16	QS Star Rating	3 stars	3 stars	4 stars	not available	4		4 stars	→	VC	4	4	3	2	
		17	Overseas student income (millions)	£11.2	£9.8	£11.2	£31.9 m	£13.1	£10.9			↑	PVC (R&E)	£20m	£13.1 m +	£12 - 13 m	<£12 m
People and Organisation	Rated as a good employer	18	Appraisal completion % (Amongst all eligible staff)	90%	91%	95.6%	not available	100%				EDHR	100%	100%	95 - 99 %	< 95 %	
		19	Average Engagement Score as as %		58%	62%	70%	66%		61%			EDHR	75%	66%	63 - 65 %	< 63 %
Resources & Infrastructure	Grow our income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of income	0.9%	2.4%	1.3%	3.0%	1.0%	0.0%		↓	CFO	5.0%	1 % +	0.8 - 0.9 %	< 0.8%	
		21	Income (£m)	£140.8m	£138.2	£144.5	£202.8m	£150.5m	£143.0		↓		£170.0m	£150.5 m +	£145 - 150 m	< £145 m	
		22	EBITDA margin (EBITDA expressed as % of income)	9.2%	11.8%	12.0%		13.0%	10.8%		↓		15.0%	13% +	12 - 12.9%	<12%	
	Student satisfaction with facilities & environment in top UK quartile	23	Student satisfaction ratings with facilities & environment (FD)	87.7%	90.0%	87.2%	86.5%	90.0%					COO	90%	90 % +	86 - 89 %	< 86%
		24	ICS Service Index %	68%	76%	66%	-	76%						80%	76% +	72-75%	<72%
Overall	Top London Modern university (excl UAL)	25	Times - League table ranking	120 / 127	120 / 128	106 / 128	98	103				VC	85	103 or higher	104 - 108	109 or lower	
		26	Guardian – League table ranking	111 / 119	107 / 119	92 / 121	86	87		78 / 121	↑		70	87 or higher	88 - 92	93 or lower	
		27	Complete University Guide – League table ranking	119 / 126	115 / 127	108 / 129	90	105		93 / 131	↑		87	105 or higher	106 - 110	111 or lower	

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# Agenda Item 14

	CONFIDENTIAL
Paper title:	Insurance Programme 2018/19
Board/Committee:	Finance, Planning and Resources
Date of meeting:	26 June 2018
Author:	Penny Green - Head of Procurement
Executive sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To note
Recommendation:	The committee is requested to note the insurance programme for 2018/19.

## **LSBU insurance programme 2018/19**

The committee is requested to note LSBU’s insurance programme, which includes the following specific covers. They are reviewed annually.

Cover	Insurer	Limit of Indemnity (£)	Fee (£)
<b>All Risks</b>			
Property and Contents	Zurich	30,000,000	288,856
Public & Employers Liability		30,000,000	
Professional Indemnity	RSA	10,000,000	14,264
Fidelity Guarantee	RSA	1,000,000	6,389
Directors and Officers	RSA	5,000,000	5,325
Personal Accident	RSA	25,000,000	26,242
Travel		5,000,000	
Fine Arts	Hiscox	560,300	1,795
Medical Malpractice	Newline	5,000,000	3,584
Special Contingency (Kidnap)	Lloyds Syndicate	5,000,000	6,949
<b>Total All Risks</b>			<b>353,404</b>
Terrorism	UMAL	225,000,000	73,796

<b>Total Fee including all Taxes</b>		<b>427,200</b>
Brokerage Fee		5,200
<b>Total Premium Costs</b>		<b>432,400</b>
<b>Less UMAL rebate</b>		<b>(17,500)</b>
<b>Total Insurance Costs</b>		<b>414,900</b>

**Background**

The CFO and the University Secretary & Clerk to the Board are jointly responsible for ensuring that:

- Appropriate insurance cover is provided for all aspects of the University's activities;
- The University's insurance portfolio is reviewed annually in consultation with the University's brokers; after the Board of Governors have approved the proposed terms; and shall negotiate all claims with the University's brokers.
- The contract for brokerage services (or for direct insurance services, if a broker is not used) shall be put out to tender every five years
- Minimum areas of cover are in place as specified in the regulations, and that Claims and Incident procedures are followed (including the review and notification of material risks relating to areas not covered by insurance).

Procurement Services manages the University's insurance budget, and handles queries on insurance cover and policies. Insurance claims are collated and submitted to the insurer via the Legal Team. An insurance update is reported to FPR in October each year, which includes an overview of insurance claims.

An annual renewal programme is undertaken with the University's broker to re-evaluate the extent and structure of the insurance programme to deliver a flexible arrangement and insure risk effectively.

The University utilises the LUPC Insurance agreement and is a committed member of the LUPC Insurance Group (IG). Joining the London Universities Purchasing Consortium (LUPC) scheme satisfies the University's requirement to periodically competitively tender its insurance arrangements, and increases leverage for improved premium rates and cover through group negotiation. The LUPC IG has 40+ members with an aggregated spend of c. £120 Million. Its strength is in its numbers and providing the Insurance Group retains and recruits additional members, then it is a very effective vehicle for approaching the market.