

**London South Bank  
University**

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20 November 2015

To: All members of the Board of Governors

Dear Governor,

We are pleased to invite you to a meeting of the Board of Governors to be held at 4pm on Thursday 26 November 2015 in Room 1B27, which is situated on the first floor of Technopark, London Road.

The agenda and papers for the meeting are enclosed.

Additionally, we are pleased to invite you to a pre-Board presentation from the Vice Chancellor on the higher education green paper at 3.30pm in 1B27.

Please let me know if you have any questions.

Yours sincerely,



James Stevenson  
University Secretary



## Meeting of the Board of Governors

**4pm\* on Thursday, 26 November 2015**  
**in 1B27, Technopark, London Road, London SE1**

\* Pre-meeting presentation from 3.30pm on the higher education green paper

### Agenda

<i>No.</i>	<i>Item</i>	<i>Paper No.</i>	<i>Presenter</i>
1.	Welcome and apologies		Chair
2.	Declarations of Interest <i>Governors are required to declare any interest in any item of business at this meeting</i>		Chair
3.	<b>Chairman's Business</b>		
3.1	Minutes of meeting of 21 October 2015 (for publication)	BG.64(15)	Chair
4.	Matters arising		Chair
5.	<b>Key Items to discuss</b>		
6.	Vice Chancellor's report (to discuss and note)	BG.65(15)	VC
7.	Chief Financial Officer's report (to discuss and note)	BG.66(15)	CFO
8.	Key Performance Indicators report 2014/15 and targets for 2015/16 (to approve)	BG.67(15)	VC
9.	Corporate strategy progress report (to discuss and note)	BG.68(15)	DVC
10.	<b>Year end reporting and approvals</b>		
	<i>The External Auditors, Grant Thornton, will join the meeting</i>		
10.1	Audit Committee annual report (to consider)	BG.69(15)	Chair of Audit Committee
10.2	External Audit findings (to note)	BG.70(15)	GT

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|------|---|-----------|------------------|
| 10.3 | External audit letter of representation (to approve)  | BG.71(15) | GT               |
| 10.4 | Annual Report and financial statements for year ended 31 July 2015 (to approve)   | BG.72(15) | CFO              |
| 11.  | <b>Other matters</b>  |           |                  |
| 11.1 | Written resolution to reappoint Grant Thornton as External Auditors with delegation of remuneration to Executive (to approve)   | BG.73(15) | Sec              |
| 11.2 | Governance of LSBU sponsored academies (to note)  | BG.74(15) | Sec              |
| 12.  | <b>Items to note</b> <i>the following papers will only be discussed at the meeting if there is a matter that any governor wishes to raise with the Secretary the day before the meeting</i> |           |                  |
| 12.1 | Reports on decisions of Committees  | BG.75(15) | Committee chairs |
| 13.  | Any Other Business  |           | Chair            |
| 14.  | Date of next Board meeting: 4pm on Thursday 17 March 2016 followed by the Court event   |           |                  |

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Members: Jerry Cope (Chair), Andrew Owen (Vice Chair), David Phoenix (Vice Chancellor), Steve Balmont, Shachi Blakemore, Douglas Denham St Pinnock, Neil Gorman, Carol Hui, Kevin McGrath, Mee Ling Ng, Hilary McCallion, Abdi Osman, Jenny Owen, Tony Roberts, Andrea Smith and James Smith.

With: Chief Financial Officer, Deputy Vice Chancellor, University Secretary and Governance Assistant.

In attendance: Nick Taylor, Grant Thornton (for item 10).

	PAPER NO: BG.64(15)
Paper title:	Minutes of the meeting of 21 October 2015
Board/Committee	Board of Governors
Date of meeting:	26 November 2015
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Jerry Cope, Chairman of the Board
Purpose:	To approve the minutes of the last meeting as a correct record and the redactions for publication.

### **Executive Summary**

The Board is asked to approve the minutes of its meetings of 21 October 2015 and the suggested redactions (in grey) for publication on LSBU's website.



Minutes of a Meeting of the Board of Governors  
held at 4pm on Wednesday, 21 October 2015  
in room 1B27, Technopark, London Road, London SE1

**Present**

Jerry Cope	Chair
Andrew Owen	Vice Chair
Prof David Phoenix	Vice Chancellor and Chief Executive
Steve Balmont	
Douglas Denham St Pinnock	
Neil Gorman	
Carol Hui	
Hilary McCallion	
Kevin McGrath	
Mee Ling Ng	
Abdi Osman	SU President
Jenny Owen	<i>(from minute 10)</i>
Tony Roberts	
Andrea Smith	Chair of Student Council
James Smith	

**Apologies**

Shachi Blakemore

**In attendance**

Prof Pat Bailey	Deputy Vice Chancellor
Mandy Eddolls	Executive Director of Organisational Development and HR <i>(for minute 22)</i>
Richard Flatman	Chief Financial Officer
Ian Mehrtens	Chief Operating Officer <i>(for minutes 17-19)</i>
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

**Welcome**

1. The Chair welcomed Jenny Owen, Tony Roberts (as staff governors subject to appointment by the Board – minute 3 below refers) and Andrea Smith (as a student governor) to their first Board meeting. Apologies had been received from Shachi Blakemore.

2. The Chair reported that student graduation ceremonies had taken place over the past three weeks. The Board offered its congratulations to graduating students and thanked the organisers for a series of excellent events.

### **Appointment of Staff Governors**

3. The Board approved the recommendation from the Academic Board to appoint Jenny Owen and Tony Roberts as Staff Governors with immediate effect for a term of three academic years.

### **Declaration of Interests**

4. No interests were declared in relation to any item on the agenda.

### **Minutes of the previous meeting**

5. The Board approved the minutes of the meeting of 9 July 2015 (paper **BG.36(15)**) and their publication with the proposed redactions.

### **Matters Arising**

6. The Board noted that an update on further education had been provided in the Vice Chancellor's report (paper BG.37(15)). An update on the purchase of Hugh Astor Court would be provided later in the meeting by the Chief Operating Officer.

### **Vice Chancellor's Report**

7. The Board discussed the Vice Chancellor's report (paper **BG.37(15)**), which reviewed progress against the three outcomes in the corporate strategy: student success; real world impact; and access to opportunity.
8. The Board noted student recruitment for 2015/16. The Executive expected to be around 100 full time undergraduate students down on target at the end of enrolment. Final figures would be available from the end of October 2015. This was partially balanced by postgraduate and part time recruitment holding up well. The Executive was reviewing LSBU's marketing strategy.
9. Recruitment of international students had also been challenging.

*Jenny Owen joined the meeting*



10. The Board discussed access routes to the University. The Executive is developing plans for an Institute for Professional and Technical Education and an Extramural department. A business case would be brought to a future Board meeting for approval.
11. The Board noted the overall good results of the National Student Survey results but there were still areas of weakness. The Board requested a presentation for its Board meeting on 26 November 2015 to address those areas of potential improvement.  
*Secretary's note: this presentation has been superseded by the publication of the green paper and will come to a future meeting.*
12. The Board noted the key performance indicators.

### **Chief Financial Officer's Report**

13. The Board discussed in detail the Chief Financial Officer's report (paper **BG.38(15)**). With the external audit substantially complete, the expected outturn for the 2014/15 financial year was a surplus of £1.2m against a budget target of £1m.
14. The principal risks to the 2015/16 budget were noted. The Board noted that the impact of the shortfall in recruitment was expected to be a loss of £1m - 1.5m in income to be reduced income of up to £1.5m on Home/EU plus up to £1.5m on International although this could partly be offset by reductions in staff costs. The Executive would review the budget in year, when recruitment numbers were confirmed in the HESES return.

### **Risk – annual detailed review**

15. The Board discussed in detail the corporate risk register (paper **BG.39(15)**). The Board noted that the risk register is reviewed by the Audit Committee at each meeting.
16. The Board noted the risk and actions on student recruitment. The Executive would review the impact of the impending Higher Education Green Paper on the University. The Board requested that the medium term effects of recruitment and the implications of the Green Paper are discussed at the Board strategy day of 21 April 2016.
17. The Board welcomed the report on risk and noted that it was also discussed at the Operations Group meeting, by senior managers from all areas of LSBU.

### **Hugh Astor Court update**

*Ian Mehrtens entered the meeting*

18. The Board noted an update on the purchase of Hugh Astor Court (minute 5 of 9 July 2015 and minutes 22-25 of 12 February 2015 refer). Contracts for the purchase had not yet been exchanged due to Peabody needing time to relocate all tenants. Completion was expected between April and July 2016. If appropriate, and completion continued to be delayed, this would be escalated.

### **Security Services contract**

19. The Board noted the proposal to award a new three-year contract to Vision Security Group (VSG) following a compliant tender process under the LUPC Framework for Cleaning and Security (paper **BG.40(15)**). The total cost of the three year contract would be £5.22m with the option to extend by a further 2 x 1 year periods. The London Living Wage would be paid to VSG's staff.
20. The Board approved the award of the contract.

*Ian Mehrtens left the meeting*

### **Report on decisions of committees**

21. The Board noted the report on decisions of committees (paper **BG.41(15)**).

### **Health and safety future reporting**

*Mandy Eddolls joined the meeting*

22. The Board noted the proposed reporting of health and safety to the Board (paper **BG.42(15)**). The Board welcomed the report on contractor management and emphasised LSBU's moral duty as well as LSBU's legal duty for the health and safety of contractors.

*Mandy Eddolls left the meeting*

**Board strategy day report**

23. The Board noted the report from the Board strategy day and the joint session with the Academic Board of 1 October 2015 (paper **BG.43(15)**).

**Annual declarations of interest**

24. The Board authorised the declared interests of its members (paper **BG.44(15)**), under section 175 of the Companies Act 2006.

**Date of next meeting**

25. The next Board meeting will be at 4pm on 26 November 2015 preceded by a presentation on the National Student Survey results for 2015.

The Chair closed the meeting.

**Confirmed as a true record:**

..... (Chair)





Committee	Date	Minute	Action	Person Res	Status	
Board	21/10/2015	10	Business cases for Institute for Professional and Technical Education and for Extra Mural Department to future Board meeting	VC	On forward plan	<input type="checkbox"/> Completed
Board	21/10/2015	11	Presentation on National Student Survey to 26 November 2015 Board meeting	VC	Presentation has been superseded by the publication of the green paper and will come to a future meeting.	<input type="checkbox"/> Completed
Board	21/10/2015	14	In year review of budget in January 2016	CFO		<input type="checkbox"/> Completed
Board	21/10/2015	16	Medium term effects of recruitment and implications of Green Paper discussed at April 2016, Board strategy day	VC	On forward plan	<input type="checkbox"/> Completed



	PAPER NO: BG.65(15)
Paper title:	Vice Chancellor's Report
Board/Committee	Board of Governors
Date of meeting:	26 November 2016
Author:	David Phoenix, Vice Chancellor
Executive sponsor:	David Phoenix, Vice Chancellor
Purpose:	To update the Board on University matters
Recommendation:	To note the report.

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

### **Executive Summary**

The paper provides an update on key areas of activity for information and assurance. The Board attention is drawn specifically to the following:

#### **1. Recruitment (4.1)**

Following a reasonable start to the cycle, and having achieved firm acceptances in excess of target (15%) by the end of clearing, over the enrolment process we have seen poor conversion from firm acceptance to fully enrolled status which has resulted in the University under recruiting by -162 students (-6%) with 2,588 full-time undergraduates fully enrolled. Part-time undergraduate enrolments show 650 students or 99% of target (655). Conversion has been poor between online enrolment and face-to-face enrolment. Work will be undertaken to better understand the reasons behind this and to identify any trend that may help going forward.

Our key objectives for 2016/17 will focus on the need to increase on-time applications. We will need to ensure higher conversion rates at all stages of the process to ensure that we reach our 2016/17 recruitment targets. Initial figures for the 2016 cycle, which show a drop compared to last year, will therefore need focused attention.

International recruitment for semester 1 has settled at 542 new students against a target of 582. The market has been particularly tough for semester 1 entry, following increased Home Office checks implemented mid-August. We are now focusing on semester 2 recruitment with the team working to increase applications and improve conversion and “keep warm” activities.

2. **Partnership (4.4)**

We are progressing our discussions with Southwark Council on a collaboration to provide Technical Education. It is proposed that the University will offer programmes Level 3 (A-level equivalent) and above with a focus on working with employers to deliver higher apprenticeships and routes into degree level apprenticeships. We are also applying to be registered by Skills Funding Agency (SfA) as a provider of SfA funded education and training initiatives to enable us to progress this. We are also looking at potential benefit of using collaborations to out-source the level 3 activity.

3. **Restructuring (5.1)**

Consultation in Applied Sciences has concluded. The consultation in Health and Social Care has paused for an independent review into the Public Health provision and whether Careers could be better supported in Education.

Three restructures in professional services – People & Organisation (P&O), ICT and Finance and Management Information (FMI) have now concluded and selection processes are taking place in P&O and FMI. ICT selection for the new structure has been completed with only one anticipated appeal.

The Academic Framework for grades 7 – 9 (Lecturers, Senior Lecturers and Associate Professors) and for 3 levels of Professor is now fully in place and is being used for the forthcoming academic promotions round where the application deadline is 18 November. We were unable to reach agreement with UCU on grade 7 and 8 profiles or the introduction of grade 6 Graduate Teaching Assistants. We have offered one final opportunity for written input into the GTA programme by UCU. The next step will be to start recruitment to have GTAs in place for the start of semester 2.



## **Vice Chancellor's Report - November 2015**

**This report relates to the three key outcomes listed in the corporate strategy followed by a review of activity related to the “enablers”.**

### **1.0 External Environment**

#### **1.1 Government Policy**

The Higher Education Green Paper, *Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice*, was published on 6 November. It sets out proposals to raise teaching standards, provide greater focus on graduate employability, widen participation in higher education and open up the sector to new high-quality entrants. Most significant for LSBU is the commitment to introduce a Teaching Excellence Framework with measures in retention and progression, both areas where we need to improve. We will be running a consultation with staff and students to prepare a university response to the Green Paper over the coming weeks. This will be led by Shân Wareing. I will present an overview prior to the Board meeting.

#### **1.2 2014/15 HESA Returns**

The 2014/15 Student and Staff HESA returns have both been submitted to HESA and signed off within the specified deadlines. The HESA finance and HEBCI return are currently being worked upon. These returns are vital in terms of the impact they have on data published about the University through league tables, HESA statistics and other reputational and funding outputs.

The 2014/15 returns showed an improvement against Grade point entry from 2013/14 of 247 to 257 in 2014/15 and improved student-staff ratio (SSR) from 17.2 in 2013/14 to 16.4 in 2014/15. Also achieved in 2014/15 was an SSR of less than 20 in each of the HESA cost centres. The impact of this being that at subject level in the Guardian league table, the SSR will be below 20. The proportion of students gaining a First or 2:1 in 2014/15 dropped slightly from 61% in 2013/14 to 60.2% in 2014/15.

#### **1.3 Tariff**

Analysis of the Grade Point Average (GPA) for the 2015/16 enrolling cohort is currently being undertaken. This measure is vital, as it is believed to contribute significantly to progression as well as directly linking to performance in each of the domestic league tables. It is too early to provide a reliable figure for 2015/16 as the University is awaiting further information from UCAS to allow the confirmation of data. However, it seems almost certain that a further increase against the 2014/15 figure of 257 will have been achieved in 2015/16 (2013/14 had a GPA of 247 and prior to that we were lowest in the UK at 233).

## **2.0 Corporate Strategy Outcome 1: Student Success**

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

### **2.1 Progression**

Year 1 to Year 2 Progression has increased for the second successive year. 71.9% of full-time first degree students enrolling in 2014/15 returned to year 2 in 2015/16. This is compared to 69.5% in the 2013/14 year 1 cohort and 69.1% in 2012/13 cohort. The continuing improvement in this metric is vital due to its impact upon financial performance and HESA performance indicators relating to completion (which also feeds league tables).

The introduction of a Corporate Performance Reporting tool on all KPIs, allows the University to understand which areas have improving or deteriorating progression.

In-year non-progression data are attached in Annex 1 for the current academic year. Compared to 2014-15, we have 25 fewer students withdrawing or interrupting as of 31<sup>st</sup> October 2015 but this is too early in the cycle to ascertain trend and most attrition occurs in summer (Appendix A). With the creation of the new professional function of Finance and Management Information (FMI) we are seeking to do a “bottom up” reconciliation between the finance and student returns which along with current analysis will provide greater understanding in this area with detailed reports at the end of November.

### **2.2 LSBU Student Successes**

- A graduate from BEA has been named Graduate of the Year by the Chartered Institution of Building Services Engineers (CIBSE). Ryan Rodrigues competed against eight other graduate hopefuls on the shortlist to win the award, which seeks to reward the innovative thinking, hard work and skill that is necessary to secure a bright future in the built environment sector.
- Student Zara Snell beat 75 others including professional chocolatiers to take first prize in the Great British Spiced Chocolate Challenge winning a week-long trip to Grenada next year. When she made it to the semi-finals she had to supply Selfridges with her Moroccan Rose chocolates and they frequently sold out.
- A select group of final-year students visited the offices of the Gulf Petrochemical Industries Company (GPIC) in Bahrain, for an international work placement opportunity. Three students from LSBU's School of Engineering travelled to the Gulf region to undertake a specially tailored work-based training programme, designed to boost the students' skills and increase their professional competence.

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

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

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

For research we have secured £242k of income YTD, with just over £1.9m left to achieve by year-end. Of this £1.9m there is planned activity totalling £1.1m that leaves £768,690 of unidentified income, which is £400k less than September 2015.

For enterprise we have secured slightly over £1m of income with a further £9.2m to target. Of this £9.2m there is planned activity totalling £8.2m that leaves £1m of unidentified income, which is £100k less than reported in September 2015. Both are in line with our expectations for this time of the year.

The research income pipeline has potential bids identified totalling just over £8.2m. At present we do not have the likely conversion rates to be able to provide an indication of what the actual income may be. Analysis will be conducted via research funder in order to achieve this. The team hope to be able to report this in the next update. The enterprise income pipeline of potential activity has a value totalling £4.3m, resulting in likely income (based on historical performance) of £765k. The predicted conversion rate of nearly 18% is in line with our achieved average for 2014-15.

#### **3.2 LSBU Success Stories**

- Five successful entrepreneurs from our new Entrepreneurs in Residence programme have been delivering workshops and one-to-one sessions to students, providing them with first-hand access to their expertise and sharing their experiences of starting and growing a successful business.
- The Occupational Therapy team has won a grant from the Tropical Health Education Trust (THET) to support the Institute for Physical Medicine and Rehabilitation in Banja Luka, Bosnia and Herzegovina, to further develop their Occupational Therapy provision.
- The School of Business has been awarded the status of Centre of Excellence by the Institute of Enterprise and Entrepreneurship (IoEE). The Centre of Excellence status is the IoEE's flagship organisational accreditation for organisations that promote and deliver enterprise skills development. Such centres are recognised as key stakeholders in the organisations work to establish enterprise at the heart of learning culture in the UK.

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

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

##### **4.1.1 2015/16 Recruitment (as at 10/11/15)**

The following information outlines the final position of Home and EU recruitment, following the close of the 2015/16 enrolment process against target (by mode).

Our undergraduate strategy, as agreed with the Board, was to seek to hit 2,750 FT UG students whilst gradually increasing entry qualifications. In line with this, for this cycle we held our tariff floor at 200 points for BTEC and 160 points for A-level.

Students not reaching the minimum tariff floor, but achieving 120 UCAS points or above (or equivalent) were offered a place on a suitable foundation degree or Cert HE.

##### **4.1.2 Undergraduate**

Following a reasonable start to the cycle, and having achieved firm acceptances in excess of target by some 400 students (15%) by the end of clearing, over the enrolment process we have seen poor conversion from firm acceptance to fully enrolled status which has resulted in the University under recruiting by -162 students (-6%) with 2,588 full-time undergraduates fully enrolled.

Part-time undergraduate enrolments show 650 students or 99% of target (655) as having been fully enrolled to date, this amounts to a shortfall of -5 students.

Conversion was particularly poor between online enrolment (undertaken when the offer is accepted) and face to face enrolment (undertaken when students arrive).

Work will be undertaken to better understand the reasons behind this and to identify any trend that may help going forward. Work is also underway to identify ways of improving application rates and, in particular, conversion rates in coming cycles.

### **4.1.3 Postgraduate**

PG recruitment has also seen under-recruitment in full-time students (-5%), with 644 fully enrolled students showing against a target of 677 (-33). Part-time PG enrolment is however up on target by 14% or 83 students, with 697 fully enrolled students. Work is now underway to boost January PG in-takes to make up as much of the September shortfall as possible, although this is unlikely to cover all shortfalls.

### **4.1.4 2016/17 Undergraduate Applications (as at 10/11/15)**

Overall the undergraduate market is currently experiencing a slow start to the 2016/17 recruitment cycle. Applications are down on 2015/16 by -4% across the sector and by -5% within LSBUs competitor group. Figures for LSBU though are currently showing a -12% decline in applications against the same time last year, equal to 169 applications (ie 1267 applications compared to 1,434 at the same time last year). This breaks down as UK applications 13% down, EU applications 18% up and non-EU applications 14% down.

Whilst this trend is of concern, and will need to be monitored carefully throughout the cycle, it is very early in the process. December and January will be the key time to assess our first phase performance.

Based on 2015/16 our key objectives for the 2016/17 cycle will clearly focus on the need to increase on-time applications (despite the current market trend). More importantly, we will need to ensure higher conversion rates at all stages of the process to ensure that we reach our 2016/17 recruitment targets.

A fully integrated and extensive marketing and recruitment campaign has been planned and is now underway. All activity will be monitored in terms of effectiveness and performance against recruitment targets, with suitable adjustments being made at each stage of the cycle to maximise impact and return.

In addition student support and employability moved to Shân Waring (PVC Education). This has provided capacity via the COO (Ian Mehrrens) to pick up marketing and recruitment, so enabling greater Executive focus on this area. We are also seeking to bring in an external consultant to review progress in this area

## **4.2 International recruitment**

Recruitment for semester 1 has settled at 542 new students against a target of 582. The market has been particularly tough for semester 1 entry, following increased Home Office checks implemented mid-August. It is becoming increasingly clear that the market for international recruitment will face more challenges as the government aim to reduce immigration to the UK, with international students remaining in the net

migration figure. The post-92 London sector continues to feel this squeeze more acutely than other areas of the market.

It therefore follows that the pressure to remain compliant with all aspects of Home Office Tier 4 guidance has risen. The International Office has undertaken a full mock audit of all compliance across all Tiers (HR and recruitment) with Penningtons Manches. The final report is yet to be seen, but activities are already underway to ensure that any areas for improvement highlighted on the day are being actioned. A cross-university account handling group has been established and is monitoring all licences. This is being led by Paul Ivey (PVC Research and external engagement)

The focus has now moved to semester 2 recruitment with the team working to increase applications and improve conversion and keep warm activities. The campaigns include face-to-face counselling in market, digital and social media activities to stimulate both enquirers and conversions, and campaigns to engage agents and partners.

Applications have increased by 25% on 2014 for semester 2, with a 4% increase in acceptances. Although semester 2 only allows for a short recruitment cycle, we are still early in the process and would expect to see an uplift in acceptances as we move towards January.

### **4.3 Update on the British University in Egypt (BUE) and the Applied Sciences University (ASU) in Bahrain**

BUE has been given permission for four additional Faculties by the Egyptian Supreme Council of Higher Education. These are Energy, Arts and Humanities, Tourism and Hospitality, and Law. LSBU is currently discussing with BUE how these will be developed and managed.

There are five new PhD students on the joint PhD programme with BUE bring the total to nine. The Management Group for the overall LSBU/BUE partnership has been constituted and meets for the first time on the 17th of November.

The ASU partnership is still awaiting approval by the Bahraini Ministry of Education. We anticipate it will be approved and we are expecting a first intake of students in September 2016.

### **4.4 Academies Update**

#### **4.4.1 South Bank Engineering UTC**

The planning application for the UTC development will be considered on 24<sup>th</sup> November. The University has been supporting the building contractor, Bowmer and Kirkland and EFA with the application and we will be represented at the Planning Committee meeting. The UTC team has been very active over the summer months

with promotion and marketing activities. We are currently recruiting students. The Department for Education convened a project review meeting and asked for updates on various project activities. We submitted a detailed report and the Department expressed satisfaction with the project progress to date. The DfE invited us for another review meeting in early December 2015 with clear student recruitment target to be achieved by that time in order for the Funding Agreement to be signed. We need to have achieved 40-45 applications and currently stand at 25.

We have now agreed with the Department that the Academy and the UTC Trusts will be brought together in to one Multi-Academy Trust. We are currently working to achieve this whilst keeping the Baker Dearing Trust engaged.

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

The Academy opened with 92 students in Year 8 and 134 in Year 7. We recruited two Assistant Principals to support the Principal as the student numbers increased. The DfE officials visited the Academy and we received excellent feedback from the Department on the vision and ethos, the quality of learning and teaching and the learning environment.

The recruitment open events were well attended and we are confident that we will be oversubscribed again next year for Year 7 entry. We are also launching recruitment into Year 12, as we open post 16 entry from September 2016. While the post 16 market is extremely competitive in Southwark and Lambeth, we are confident of attracting good quality applicants with a minimum of B grades at GCSE including English and Maths to fill the target of 50 places.

#### ***4.4.3 LSBU Institute for Professional & Technical Education (IPTE)***

We are progressing our discussions on proposals to set up a specific institute to support those taking technical or vocational qualifications from level 3 up to level 5. The model would aim to engage employers around advanced and degree level Apprenticeships. This aligns with our extensive employer engagement and provides a gateway into the Schools. Although much of the teaching would take place in the appropriate Schools, the institute would provide support in four ways:

- A key hub for the extensive administrative requirements (including employer meetings).
- Specific study resources to support Apprenticeship students, especially given the constraints of studying alongside work-based activities.
- Delivery of core skills (as required, but to include maths, writing, communication and IT skills).
- Support for gateway activity at level 3 into the schools to give vocational progression paths.

The IPTE could offer training in construction and engineering, health science and social care, hospitality and business, digital and creative technologies. It would be a major new educational facility supporting an additional 2500 students, requiring facilities that will probably cost around £8-12M of which we would seek around half of this from HEFCE and for which we are also seeking support from Southwark. We are not aware of this model elsewhere in the country

## 4.5 Public Affairs and Civic Engagement

In October 2015, I appeared before the BIS Select Committee Productivity Plan Inquiry and took questions on a range subjects, in particular on how employer sponsorship of students contributed to UK productivity and how it could contribute further. We have submitted further data to the Committee and invited them to visit the University to find out more. Meanwhile, we continued our programme of targeted submissions to parliamentary inquiries with a paper on the proposed Teaching Excellence Framework. We have been invited to submit a paper on Employer Sponsored Students to the Higher Education Policy Institute for possible publication in the new year.

Over the coming weeks we have meetings agreed with the following MPs with the aim of promoting LSBU's role in applied research and professional and technical education: Helen Whately (Health Select Committee); Stephen Kinnock and Gordon Marsden (Shadow Minister for Skills); Oliver Colvile MP (Chair, Built Environment APPG and vice-chair Universities APPG); Liam Byrne (former HE Shadow Minister); Ben Howlett (Student Support); also Valerie Shawcross, the London Assembly member for Lambeth and Southwark.

We have revised the University Message House (Appendix B) to take account of a number of new pieces of information about the university. Key amongst these is that LSBU has the higher proportion of Employer Sponsored Students of any UK university (37%). The purpose of this document is to provide pieces of information which support the university's key messages around being an enterprising civic university which addresses real world challenges.

The University continues to make progress in the area of Higher Apprenticeships. Our School of the Built Environment and Architecture is providing Degree Apprenticeships in Surveying for companies including Gardiner and Theobald. We have been awarded SFA funding to deliver these with the remaining funding coming from the companies. We are exploring further Degree and Higher Apprenticeships opportunities in other Schools. We continue to raise our profile in this area in Parliament, in BIS and through organisations like the University Vocational Awards Council.



## **5.0 Strategic Enablers**

### **5.1 Schools restructuring**

The Schools Executive and Divisional structures and central administration function are now in place and final operational issues are gradually being consolidated.

Formal union consultation around academic provision within Applied Sciences – Biosciences, has now concluded. There will be a phased reduction in staffing as the current course runs out and the new programme is developed. Consultation in Health and Social Care was paused for an independent review into the Public Health provision and whether Careers could be better supported in Education. It is anticipated that consultation will recommence early next year when the independent review is completed.

Consultation on the 3 restructures in professional services – People & Organisation (P&O), ICT plus Finance and Management Information (FMI) – have now concluded and selection processes are taking place in P&O and FMI. In ICT, selection for the new structure has been completed with only one anticipated appeal.

The Academic Framework for grades 7 – 9 (Lecturers, Senior Lecturers and Associate Professors) and for 3 levels of Professor is now fully in place and is being used to underpin appraisals and the academic promotions round. The application deadline for promotions is 18 November and an initial indication from enquiries is that there will be a good response.

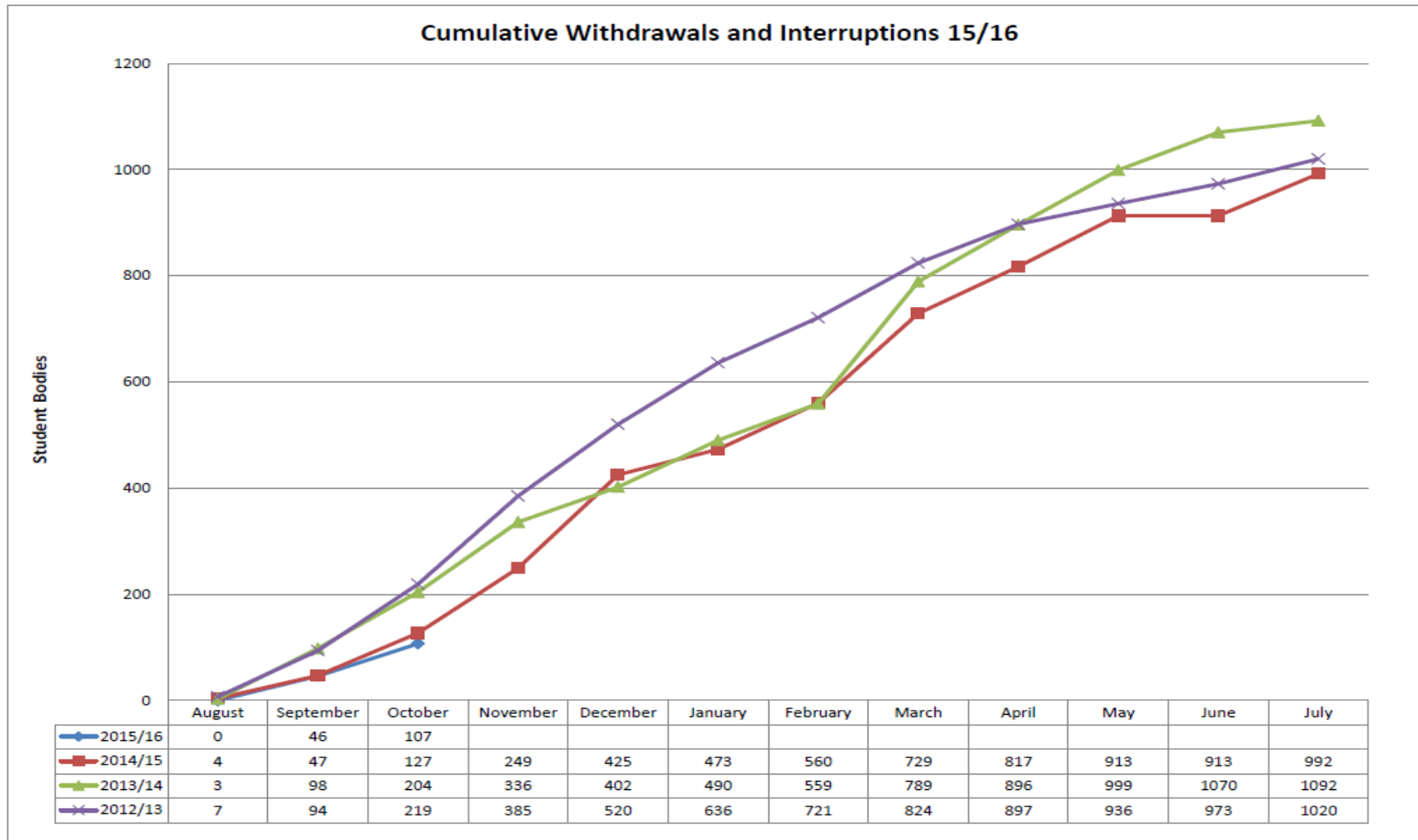
We were unable to reach agreement with UCU on grade 7 and 8 profiles or the introduction of grade 6 Graduate Teaching Assistants. This was despite 6 months of consultation and a final joint meeting which included both the regional and a national negotiating official for UCU. It became apparent that further consultation would be fruitless when the regional official confirmed at the meeting that UCU have never supported the introduction of a Grade 6 GTA in any post-92 University. We have offered one final opportunity for written input into the GTA programme by UCU. The next step will be to start recruitment to have GTAs in place for the start of semester 2.

### **5.2 Pay Award**

As a participating institution in the UCEA National pay bargaining arrangements the Executive has agreed to the proposed pay increase of 1% on the JNCHES pay scale save for points 1-9 where increases are between 1.25% and 2.65%.

### 5.3 LSBU Success stories

- NHS Health Education England have confirmed that for the last academic year we achieved 100% quality score for our CPPD contract. This is a fantastic achievement which reflects a huge amount of work from colleagues across the School to ensure that our external partner education and training needs are met. As a consequence NHS HEE will pay us a 'contingent' amount based on last years' full contract value in recognition of this outcome.
- We have been accredited as a Living Wage employer by the Greater London Authority. The Living Wage commitment will see everyone working at LSBU, regardless of whether they are permanent employees or third-party contractors and suppliers; receive a minimum hourly wage of £9.15 - significantly higher than the national minimum wage of £6.50.
- The School of Applied Science hosted the *Sport in Extreme Environments* conference in October which brought together an international community of sports practitioners and researchers for an exchange of knowledge drawn from their respective disciplines. The conference also welcomed Chelsea premiership football star Cesar Azpilicueta to speak about his sporting expertise.
- London South Bank University's (LSBU) Academy of Sport has won the Recreational Football Partner of the Year award at the London Football Association Awards for its exceptional work in engaging the community through sport



**“An enterprising civic university that addresses real world challenges”**

**Student Success**

- LSBU provides first class professional and technical education at undergraduate and postgraduate level
- Our teaching is underpinned by close working relationships with industry (involving collaborative applied research, access to industry standard facilities, and a portfolio of courses accredited by professional bodies and designed and delivered in partnership with employers).

- LSBU is a top 15 university for graduate starting salaries (Sunday Times League Table 2016)
- 75% of LSBU students are in graduate employment (Destinations of Leavers from Higher Education survey)
- LSBU is a top 20 university for part-time post-graduate study. A quarter of our students are on post graduate courses with 30% sponsored by their employers.
- LSBU provides students with the applied professional and technical skills they need to make them workplace-ready. We train our students on the latest industrial equipment in areas such as acoustics, robotic fabrication, Building Information Modelling, digital manufacturing, thin film technology, nuclear safety, bio-mechanics, digital media, materials testing, robotics and health care.
- LSBU students use the UK’s leading Virtual Learning Environment which provides a highly personalised education for each student and which, using predictive analytics, enables the university to offer targeted support to those at risk of non-completion.
- 51% of our young full time first degree starters are from the lowest socio-economic groups. LSBU invests more in support for students than any other UK university as part of its agreement with the Office of Fair Access.
- We are London’s enterprising university – each year over 4500 LSBU students are supported by the Student Enterprise Team to develop their enterprise skills. 22% of LSBU alumni own their own business.

**Business Impact**

- LSBU provides employers with well-educated graduates who are workplace -ready.
- Hundreds of employers choose LSBU to educate their staff.
- Our internationally recognised research is highly applied and focused on areas where we can make a genuine difference to employers.

- LSBU has the highest proportion of Employer Sponsored students of any UK university (37%). Nearly 1000 employers fund the education and training of over 6700 part-time and full-time LSBU students. Employers pay their fees, give time off for study and provide workplace training.
- LSBU is the lead educational provider for the new Higher Apprenticeship Trailblazer programmes in surveying and construction.
- LSBU is home to the UK’s largest and most comprehensive School of the Built Environment graduating two-thirds of the UK’s building services engineers and a quarter of its Surveyors.
- LSBU is ranked fourth of all Post-92 universities for Research Impact. 80% of LSBU Research is rated 3\* & 4\* for Impact (2015 REF). We have ongoing research partnerships with leading companies including Sellafield, London Underground and FitFlop.
- The LSBU Innovation Centre at Cambridge University is the National Centre of Excellence for Robotics and Automation.
- The LSBU Business School is an Institute of Enterprise and Entrepreneurs Centre of Excellence.
- LSBU has an international Research and Enterprise Centre in Africa with two further Centres in development in the Middle-East and Asia. Our research centre with the British University in Egypt is creating new expertise in engineering and renewable energy.

**Civic Engagement**

- LSBU plays a key role in its community. We have strong partnerships with our local boroughs, businesses and community organisations.
- We work with our local councils to provide their residents with the skills, knowledge, experience and aspirations that lead to high quality employment.
- We support our local boroughs and their residents across areas including health and social care, legal advice, business growth and primary and secondary education.

- LSBU serves local people by providing courses that match their employment and personal situations. 70% of LSBU students come from London, over 25% study part-time, 85% are over 21. (LSBU 2013/14 Student Demographics September 2014)
- LSBU has strong relationships with its local schools and sponsors the University Engineering Academy for 14-19 year olds. In 2016, we open a new University Technical College supported by SKANSKA and Guy’s & St Thomas Hospital.
- Our world-leading Confucius Institute brings Chinese language teaching into over 50 schools. LSBU is home to the largest centre for Chinese language testing in Europe
- The LSBU School of Health works with over 60 NHS trusts and is the UK’s largest provider of Paediatric nurse training.
- Over 1200 members of the general public and local community have used LSBU’s Legal Advice Centre since 2011.
- Work spaces at LSBU house over 50 businesses which injected £37m into the local economy and created 50 new jobs in 2014
- Our investment escalator has supported over 200 local businesses to prepare for growth

	PAPER NO: BG.66(15)	
Paper title:	Report from the Chief Financial Officer	
Board/Committee	Board of Governors	
Date of meeting:	26 November 2015	
Author:	Richard Flatman, Chief Financial Officer	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Purpose:	To update the Board on financial matters.	
Recommendation:	<p>The Board is requested to note the report which provides:</p> <ul style="list-style-type: none"> <li>• a progress update the latest income projections for 2015/16</li> <li>• an update on year end reporting matters</li> <li>• details of the external audit contract extension agreed by audit committee.</li> </ul> <p>The Board is also asked to approve the updated financial tables showing the actual performance and position for 2013/14 and 2014/15 together with the commentary explaining any significant variations from the data submitted to HEFCE in the July 2015 financial forecast submission. The tables and the commentary require Board approval before submission to HEFCE as part of the Annual Accountability Return (deadline 1 December 2015).</p>	
Matter previously considered by:	Board of Governors	At each meeting
Further approval required?	N/A	On:

Attachments:

Appendix 1: Updated financial tables

Appendix 2: commentary on variations



## **Report from the Chief Financial Officer: November 2015**

### **1. 2015/16 income projections**

As previously reported to Board we have under-recruited in this cycle to both our Home / EU Full Time Undergraduate targets and our International student targets. We have delivered to our Part Time Undergraduate and Postgraduate targets and have seen improvements in progression in certain areas of our portfolio. However, the University is unlikely to deliver the budget target of £77.3m in Tuition fee income.

The October management accounts show year to date Home / EU Undergraduate Tuition fees of £55.9 compared with £56.7m at the same time last year. This is due to added complexity of Undergraduate fee types (with a combination of old regime students and new regime students on differing fee levels) in 2015/16 which has caused a delay in the billing of certain students. This is a timing issue and although we are confident that we will exceed last year's full year tuition fee income of £71.2m we are unlikely to meet the 2015/16 budget of £77.3m.

There are a number of factors that will affect the final income figure including second semester starts, in year drop outs and the International student market but at this stage we are anticipating a shortfall of between £3m - £5m against the budget of £77.3m. This is based on a bottom-up billing analysis in Finance & Management Information looking at every fully enrolled student on a line by line basis and calculating expected fee.

Given the expected income shortfall and to ensure that the University delivers against budget surplus of £1m in 2015/16 there will be a full mid-year budgetary review, once the HESES return is complete, which will take account of forecast tuition fee income, the adjusted staff cost forecast following redundancy, restructuring and voluntary severance, pension cost increases and assumptions around potential in-year funding cuts.

The positive news from the October management accounts is that actual staff costs are running at £0.5m less than budget on a monthly basis. The positive variance at 31 October is £1.5m. This is real and excludes any earlier timing adjustments and a decision has already been taken to bank this £1.5m saving to date in budgetary terms.

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

### *HESA Recreation - Potential 2014/15 clawback*

As was reported at the Board of Governors meeting in October, there was a risk of clawback of HEFCE grant following the HESA student number recreation which would have impacted our 2014/15 results.

The University has now submitted its student numbers for 2014/15 to HESA following student reassessment activity and the risk in terms of material clawback has subsided. The final position is that we are down on HESES14 (submitted in December 2014) by £136,569 for 2014/15. This is in line with earlier estimates for which provision has already been made in the accounts at 31 July 2015.

### *Updated HEFCE funding allocations*

We have received notification from HEFCE of updated funding allocations in response to the announcement that BIS has to make savings across the sector of £450m. The 2014/15 reduction for LSBU was c£310k (2.4% of total recurrent funding). This was not materially different from the provision included in the accounts at 31 July 2015.

### *Year-end accounts*

As no material adjustment is required as a result of either the HESA re-creation, or confirmation by HEFCE of grant adjustments, the University is now in a position to close its accounts for 2014/15. The final accounts are presented for approval in a separate paper.

The accounts include a full compliance statement on the University's system of internal control for the period under review up to the date of signing the accounts. A detailed report has been reviewed and approved by audit committee setting out the various sources of assurance supporting this full compliance statement. No matters have arisen since audit committee on 5 November which would change our opinion in this regard.

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



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

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

### **3. External audit contract extension**

The University appointed Grant Thornton as its external auditors for a period of 5 years commencing with the audit of the accounts for the year ended 31 July 2011. The audit of the accounts for the year ended 31 July 2015 is therefore the final year of the 5 year contract. However, there is an option under the existing contract to extend for two further 12 month periods based on performance.

No significant performance issues have been identified or reported either for the current audit or for the previous four years. As a result, audit committee approved (on a recommendation from the Executive), extension of the contract for a further 12 months to include the 2015/16 audit but on the condition that the University goes to tender in early 2017 in readiness for the 2016/17 audit.

This will enable Grant Thornton to continue supporting the University in its transition to FRS102 and will also avoid the need for tender at a time when the LSBU finance department is going through a significant re-structure. However, this also needs to be balanced against the benefits of testing the market after a period of at least 10 years with Grant Thornton as our external auditors hence the decision now to extend for 12 months only.

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

The annual accountability return is due for submission to HEFCE on 1 December 2015 and will inform their overall assessment of risk for LSBU. Currently LSBU is rated as “not at higher risk at this time”.

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

- Signed audited financial statements
- Audit committee annual report

- External audit findings report
- Internal audit annual report.

Financial tables were approved at the July 2015 Board meeting setting out details of our forecast financial position, our balance sheet and cashflow for the period 2012/13 to 2017/18. The tables are consistent with agreed corporate KPIs and our longer term financial objectives to deliver the following by 2020:

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

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

Consistent with HEFCE guidance, we are now required to submit before 1 December 2015 as part of our AAR submission updated financial tables showing LSBU's actual financial performance and position for 2013/14 and 2014/15, along with a commentary explaining any significant changes from the data submitted in the July 2015 forecasts. The tables and commentary on variations are attached in Appendix 1 and appendix 2 respectively. The Board is requested to approve. There are no significant matters arising which we need to draw to the attention of HEFCE. These simply show the audited results for 2013/14 and 2014/15 in HEFCE format. The information is not new and is identical to the audited accounts.

Financial tables showing the probable results for 2015/16 and any revised forecasts for 2016/17, 2017/18 and 2018/19 must be submitted to HEFCE before 29 July 2016, together with a more detailed commentary thereon. Where they have concerns, HEFCE does exceptionally request that some institutions submit full financial forecasts in December. We have not been requested to do so. We will however, begin the process of reviewing and updating our forecasts early in the new calendar year alongside the mid-year budget review.

**APPENDIX 1**

**Updated financial tables**

# 2015 Financial Tables - December 2015 submission

Please ensure that the financial information completed for 2013-14 and 2014-15 in this workbook is consistent with your institution's audited financial statements and the data returned to the HESA Finance Statistics Return (FSR).

HEFCE assurance consultant: Jacqui Brasted

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Email address: j.brasted@hefce.ac.uk

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<b>Financial indicators (automated table)</b>		
<b>Institution: London South Bank University</b>		
<b>UKPRN: 10004078</b>	Actual	Actual
	2013-14	2014-15
Historical cost surplus/(deficit) as a % of total income	2.9	1.4
Discretionary reserves excluding pension asset/(liability) as a % of total income	89.4	87.8
External borrowing as a % of total income	22.0	20.1
Net cash flow as a % of total income	4.5	4.3
Net liquidity days	157	140
Staff costs as a % of total income	53.2	52.8

Note: 'UKPRN' = 'UK Provider Reference Number'.

<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) - (partially automated table)</b>		
<b>Please complete cells with blue text.</b> All other values will automatically be completed as you complete the financial tables.		
<b>Institution: London South Bank University</b>		
<b>UKPRN: 10004078</b>	Actual	Actual
	2013-14	2014-15
	£000	£000
Surplus/(deficit) for the year retained within general reserves	3,097	1,211
Interest payable	3,776	2,963
Tax charges/(credits)	0	0
Depreciation	8,455	8,759
Release of deferred capital grants	-1,982	-1,586
Amortisation (for institution to complete)	0	0
Exceptional items as defined in FRS 3	0	0
FRS17 staff charges / (credit) (for institution to complete)	2,827	2,579
<b>EBITDA</b>	<b>16,173</b>	<b>13,926</b>

Note: 'FRS' = 'Financial Reporting Standard'.

# 2015 Financial Tables - December 2015 submission

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Please ensure that the financial information completed for 2013-14 and 2014-15 in this workbook is consistent with your institution's audited financial statements and the data returned to the HESA Finance Statistics Return (FSR).

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<b>Table 1: Income and expenditure account</b>		
<b>Institution: London South Bank University</b>		
<b>UKPRN: 10004078</b>		
	Actual 2013-14 £000	Actual 2014-15 £000
Income		
1. Funding body grants	25,825	17,584
2. Tuition fees and education contracts	88,453	99,338
3. Research grants and contracts	2,255	2,358
4. Other income	17,890	21,182
5. Endowment and investment income	331	311
6. Total income	134,754	140,773
7. Less: share of income from joint venture(s)	0	0
8. Net income	134,754	140,773
Expenditure		
9. Staff costs	71,663	74,293
10. Other operating expenses	47,763	53,547
11. Depreciation	8,455	8,759
12. Interest and other finance costs	3,776	2,963
13. Total expenditure	131,657	139,562
14. Surplus/(Deficit)	<b>3,097</b>	<b>1,211</b>
15. Share of surplus/(deficit) in joint venture(s) and associates	0	0
16. Taxation	0	0
17. Minority interest	0	0
18. Exceptional items	0	0
19. Surplus/(deficit) for the year transferred to accumulated income in endowment funds	0	0
20. Surplus/(deficit) for the year retained within general reserves	<b>3,097</b>	<b>1,211</b>
<b>Note of group historical cost surpluses and deficits for the year ended 31 July</b>		
21. Surplus/(deficit) on continuing operations before taxation	3,097	1,211
22. Difference between a historical cost depreciation and the actual charge for the year calculated on the re-valued amount	792	707
23. Realisation of property revaluation gains of previous years	0	0
24. Historical cost surplus/(deficit) for the year before taxation	<b>3,889</b>	<b>1,918</b>
25. Historical cost surplus/(deficit) for the year after taxation	<b>3,889</b>	<b>1,918</b>

Note: Income in this table should INCLUDE income attributable to a share in joint venture(s).

# 2015 Financial Tables - December 2015 submission

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**Table 1a: Analysis of income**

**Institution: London South Bank University**

**UKPRN: 10004078**

	Actual 2013-14 £000	Actual 2014-15 £000
1. Funding body grants		
a. HEFCE: teaching grant	18,545	11,647
b. HEFCE: research grant	1,968	1,956
c. HEFCE: other grants	2,641	2,349
d. NCTL funding	689	45
e. SFA grants	0	0
f. Release of deferred capital grants	1,982	1,587
g. Total funding body grants	25,825	17,584
2. Tuition fees and education contracts		
a. Full-time UG home and EU	39,489	48,497
b. Full-time postgraduate home and EU	4,349	3,097
c. Part-time fees - home and EU	8,156	9,747
d. Home and EU domicile fees paid by the Department of Health	27,026	26,861
e. NCTL fees	33	121
f. Non-EU domicile students	9,345	10,258
g. Other fees and support grants	55	757
h. Total tuition fees and education contracts	88,453	99,338
3. Research grants and contracts		
a. BIS Research Councils	689	751
b. UK-based charities	310	338
c. Other research grants and contracts	1,256	1,269
d. Total research grants and contracts	2,255	2,358
4. Other income		
a. Other services rendered	0	0
b. Residences and catering operations (including conferences)	9,626	10,418
c. Income from health and hospital authorities (excluding teaching contracts for student provision)	0	0
d. Other operating income	8,264	10,764
e. Total other income	17,890	21,182
5. Endowment and investment income	331	311
6. Total income	134,754	140,773

Note: Heading 2e is new, please complete as relevant and check these fees are not included in another heading.

Note: 'NCTL' = 'National College of Teaching and Leadership'; 'SFA' = 'Skills Funding Agency'; 'UG' = 'undergraduate'; 'EU' = 'European Union'; 'BIS' = 'Department for Business, Innovation and Skills'.

**Table 1b: Analysis of staff costs**

**Institution: London South Bank University**

**UKPRN: 10004078**

	Actual 2013-14 £000	Actual 2014-15 £000
1. Salaries and wages	58,276	59,824
2. Social security costs	5,065	4,958
3. Employer pension costs	7,332	9,025
4. FRS17 adjustments	990	486
5. Other staff related costs	0	0
6. Total staff costs	71,663	74,293
7. Staff numbers (FTEs academic and other)	1,371	1,367

Note: 'FTE' = 'full-time equivalent'.

# 2015 Financial Tables - December 2015 submission

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Please ensure that the financial information completed for 2013-14 and 2014-15 in this workbook is consistent with your institution's audited financial statements and the data returned to the HESA Finance Statistics Return (FSR).

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**Table 2: Balance sheet**

**Institution: London South Bank University**

**UKPRN: 10004078**

	Actual 31/7/14 £000	Actual 31/7/15 £000
1. Fixed assets		
a. Intangible assets	0	0
b. Tangible assets	176,532	174,219
c. Investments	38	38
d. Investments in joint ventures: share of gross assets	0	0
e. Investments in joint ventures: share of gross liabilities	0	0
Total	176,570	174,257
2. Endowment assets	736	742
3. Current assets		
a. Stock	45	71
b. Debtors	8,663	12,773
c. Investments	15,540	15,620
d. Cash at bank and in hand	37,492	34,552
Total	61,740	63,016
4. Creditors: amounts falling due within one year		
a. Creditors	31,059	30,521
b. Current portion of long-term liabilities	1,349	1,309
c. Bank overdrafts	0	0
Total	32,408	31,830
5. Net current assets/(liabilities)	29,332	31,186
6. Total assets less current liabilities	206,638	206,185
7. Creditors: Amounts falling due after more than one year		
a. Repayable grants from the funding council	0	0
b. External borrowing	28,243	26,934
c. Other (including grant clawback)	0	0
Total	28,243	26,934
8. Provisions for liabilities and charges	0	0
9. Net assets excluding pension asset/(liability)	178,395	179,251
10. Pension asset/(liability)	-76,502	-88,757
11. Net assets including pension asset/(liability)	101,893	90,494
12. Deferred capital grants	28,212	26,626
13. Endowments		
a. Expendable	392	397
b. Permanent	344	345
Total endowments	736	742
14. Reserves		
a. Income and expenditure account	120,047	123,190
b. Pension reserve	-76,502	-88,757
c. Revaluation reserve	29,400	28,693
d. Minority interest	0	0
Total reserves	72,945	63,126
15. Total funds	101,893	90,494

Note: Heading 7 has been prefilled from HESA FSR data. Please correct where necessary.  
Note: If you have previously included grant claw back in heading 7a of your FSR, please move this to heading 7c.

Please ensure that the financial information completed for 2013-14 and 2014-15 in this workbook is consistent with your institution's audited financial statements and the data returned to the HESA Finance Statistics Return (FSR).

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<b>Table 3: Cash flow statement</b>		
<b>Institution: London South Bank University</b>		
<b>UKPRN: 10004078</b>		
	Actual	Actual
	2013-14	2014-15
	£000	£000
1. Net cash inflow/(outflow) from operating activities (Table 4 heading 15)	6,038	6,067
2. Returns on investments and servicing of finance		
a. Income from endowments	26	24
b. Income from short-term investments	0	0
c. Other interest received	305	287
d. Interest paid	-1,434	-1,373
e. Other items	0	0
f. Net cash inflow/(outflow) from returns on investments and servicing of finance	-1,103	-1,062
3. Taxation	0	0
4. Capital expenditure and financial investment		
a. Payments to acquire tangible assets	-10,744	-6,524
b. Payments to acquire endowment asset investments	0	0
c. Total payments to acquire fixed/endowment assets	-10,744	-6,524
d. Receipts from sale of tangible assets	0	0
e. Receipts from sale of endowment assets	0	0
f. Deferred capital grants received	0	0
g. Endowments received	0	0
h. Other items	0	0
i. Net cash inflow/(outflow) from capital expenditure and financial investment	-10,744	-6,524
5. Management of liquid resources	-10,334	-80
6. Financing		
a. Capital element of finance lease repayments	-193	-47
b. Mortgages and loans acquired	0	0
c. Mortgage and loan capital repayments	-1,277	-1,294
d. Other items	355	0
e. Net cash inflow/(outflow) from financing	-1,115	-1,341
7. Increase/decrease in cash in the year	-17,258	-2,940



Please ensure that the financial information completed for 2013-14 and 2014-15 in this workbook is consistent with your institution's audited financial statements and the data returned to the HESA Finance Statistics Return (FSR).

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<b>Table 4: Reconciliation of surplus/(deficit) for the year to net cash flow</b>		
<b>Institution: London South Bank University</b>		
<b>UKPRN: 10004078</b>		
	Actual	Actual
	2013-14	2014-15
	£000	£000
1. Surplus/(deficit) after depreciation of assets at valuation and before tax (from Table 1 heading 14 + heading 15 + heading 18)	3,097	1,211
2. Depreciation (from Table 1 heading 11)	8,455	8,759
3. Deferred capital grants released to income	-1,982	-1,586
4. (Increase)/decrease stocks	-27	-26
5. (Increase)/decrease in debtors	-841	-4,110
6. Increase/(decrease) in creditors	-5,609	-539
7. Increase/(decrease) in provisions	-550	-365
8. Interest payable (from Table 1 heading 12)	3,776	2,963
9. Investment income	-331	-311
10. Profit on sale of endowment assets	0	0
11. Loss on disposal of fixed assets	50	71
12. Details	0	0
13. Details	0	0
14. Details	0	0
15. Net cash inflow/(outflow) from operating activities	6,038	6,067

<b>Table 5: Supporting data</b>		
<b>Institution: London South Bank University</b>		
<b>UKPRN: 10004078</b>		
	Actual	Actual
	2013-14	2014-15
	£000	£000
1. Identification of items included in other operating expenses (Table 1 heading 10)		
a. Operating leases and other long-term operating expense commitments	356	119
b. Annual contract cost of PFI deals	0	0
c. Maintenance expenditure	8,295	7,271

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

# 2015 Financial Tables - December 2015 submission

Please ensure that the financial information completed for 2013-14 and 2014-15 in this workbook is consistent with your institution's audited financial statements and the data returned to the HESA Finance Statistics Return (FSR).

HEFCE assurance consultant: Jacqui Brasted

Telephone number: 0117 931 7389

Email address: j.brasted@hefce.ac.uk

For extranet assistance please contact [AAR@hefce.ac.uk](mailto:AAR@hefce.ac.uk).

## HE student number forecasts 2015

Table 6: HE student number forecasts (FTEs)		Please complete student numbers in FTEs		
		Actual 2014-15		Island and overseas
Institution: London South Bank University UKPRN: 10004078		Home and EU	Old-regime and other	
		Total full-time and sandwich year-out	UG (incl FD)	719
PGT	52		490	357
PGR	37			37
Total	808		7,813	1,002
Total part-time	UG (incl FD)	424	1,354	22
	PGT	70	763	44
	PGR	74		11
	Total	568	2,117	77

Note: 'FD' = 'foundation degree'; 'PGR' = 'postgraduate taught'; 'PGR' = 'postgraduate research'.

The numbers returned in this table should be consistent with population of students returned to the Higher Education Statistics Agency (HESA). A description of the HESA student population is available at

[https://www.hesa.ac.uk/index.php?option=com\\_studrec&task=show\\_file&mnl=14051&href=coverage.html](https://www.hesa.ac.uk/index.php?option=com_studrec&task=show_file&mnl=14051&href=coverage.html).

The information in this table will be used to provide context to the other financial tables and will not be used for funding purposes. For further guidance on completing this table please see Annex C of 'Annual accountability returns 2015: Request for information' (HEFCE 2015/16) available at

<http://www.hefce.ac.uk/pubs/year/2015/201516>.



**2015 Financial Tables - December 2015 submission**

HEFCE assurance consultant: Jacqui Brasted

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Financial commitments less than 12 months, such as overdrafts				
29				
30				
31				
32				
33				
<b>Total financial commitments less than 12 months</b>	0	0	0	
<b>Total financial commitments drawn and commitments available as at 31 July 2015</b>	39,725	28,243	0	

Notes  
 1 For further information refer to Annex C in 'Annual accountability returns 2015: Request for information' (HEFCE 2015/16), available at <http://www.hefce.ac.uk/pubs/year/2015/201516>.

HEFCE assurance consultant: Jacqui Brasted

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Please review your return to check it shows "validation passed" for all checks before submitting your workbook to HEFCE. If you have a genuine reason for failing a validation check, please provide a brief explanation of this reason in the box at the bottom of this page.

**Your workbook has passed all validation checks**

- Table1** Please fill in table 1 in the worksheet T1\_T6
- Table1a** Please fill in table 1a in the worksheet T1\_T6
- Table1b** Please fill in table 1b in the worksheet T1\_T6
- Table2** Please fill in table 2 in the worksheet T1\_T6
- Table3** Please fill in table 3 in the worksheet T1\_T6
- Table4** Please fill in table 4 in the worksheet T1\_T6
- Table5** Please fill in table 5 in the worksheet T1\_T6
- Table6** Please fill in table 6 in the worksheet T1\_T6

Earnings before interest, tax, depreciation and amortisation (EBITDA)

1. Amortisation figures should be the same as previously reported, or within 10%.

2. FRS17 staff charges / (credit) should be completed in the EBITDA table.

Table 1: Income and expenditure account

3. Please check you have entered share of income in joint venture(s) (heading 7) as a negative figure for each year.

4. Please check you have entered other operating expenses (heading 10) and depreciation (heading 11) in the correct rows.

Table 1a: Analysis of income

5. If you have entered NCTL funding in heading 1d, please make sure you enter NCTL fees in heading 2e.

6. Please ensure you have only included NCTL fees under heading 2e (and not in headings 2a-2d or 2f-2g).

7. Please ensure you have entered the fee income for non-EU domiciled students (heading 2f) in each year.

Table 1b: Analysis of staff costs

8. Please ensure that staff numbers are entered (heading 7) for each year.

Table 2: Balance sheet

9. Please check you have entered intangible assets (heading 1a) and tangible assets (heading 1b) in the correct rows for each year.

10. Please check you have entered investments in joint ventures: share of gross liabilities (heading 1e) as a negative figure for each year.

11. Net assets including pension asset/(liability) (heading 11) should equal total funds (heading 15) for each year.

12. Endowment assets (heading 2) should equal total endowments (heading 13) for each year.

13. You have entered a pension asset in heading 10, please confirm in the box below if this is correct. (Liabilities should be entered as negative.)

14. Please check you have entered pension assets/(liabilities) in heading 10 for all years.

15. If you have entered a pension asset/(liability) in heading 10, please make sure you enter a pension asset/liability in heading 14b.

HEFCE assurance consultant: Jacqui Brasted

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For extranet assistance please contact [AAR@hefce.ac.uk](mailto:AAR@hefce.ac.uk).

Table 3: Cash flow statement

16. Interest paid (heading 2d) would usually be less than or equal to 0.  
 Validation passed

17. Payments to acquire tangible assets (heading 4a) would usually be less than or equal to 0.  
 Validation passed

18. Payments to acquire endowment asset investments (heading 4b) would usually be less than or equal to 0.  
 Validation passed

Table 4: Reconciliation of surplus/(deficit) for the year to net cash flow

19. If you have entered additional items in heading 11 to heading 14 please record a description of the item.  
 Validation passed

Table 6: HE student number forecasts

20. Please ensure that you have entered full-time student numbers for all years in table 6.  
 Validation passed

21. Please ensure that you have entered part-time student numbers for all years in table 6.  
 Validation passed

Table 7: Balance of outstanding financial commitments and agreed financial commitments not yet drawn down

22. If you have deleted or altered any of the pre-filled loan data please choose a reason for the change from the drop-down list in the final column of the table. Any changes that you have made to the pre-filled data will appear as red text.  
 Validation passed

23. The period of the loan must correspond with the year the loan was drawn down and the year the loan will be repaid.  
 Validation passed

24. The capital sum owed at 31/07/15 should be less than or equal to the capital sum originally committed.  
 Validation passed

25. Loans which have finished (for instance where the capital sum owed and undrawn sum are zero) should be deleted.  
 Validation passed

26. Total loans outstanding as at 31 July 2015 (cell E62) should equal the total external borrowing in table 2 (heading 4b + heading 4c + heading 7a + heading 7b) for 2014-15.  
 Validation passed

27. Please ensure that you have entered all of the details for an individual loan.  
 Validation passed

28. If you have selected 'Nil return' for table 7 please ensure no data is entered in table 7.  
 Validation passed

Workbook:

29. All monetary values in this workbook should be stated to the nearest thousand pounds.  
 Validation passed

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

Validation check	Reason for failure

**APPENDIX 2**

**Commentary on financial variations**

## AAR Financial Commentary

The July 2015 Financial Submission to HEFCE was based on the forecast as at April 30 2015. In the final 3 months of the year there have been a number of movements particularly in the areas of Surplus, Capital Expenditure and Pensions Liability between that forecast and the final accounts produced as at July 31st.

### Surplus

One change between the April forecast and the year end was the increase in the University's final surplus. The final position for the year showed a surplus of £1.2M which was an increase of £0.2M from the April forecast of £1.0M. This was driven by a number of factors including an increase in income, an increase in operating expenses particularly in the areas of computing and consultants and a reduction in interest payable linked to the final provision for FRS 17

The Historic cost surplus as a % of income was unchanged at 1.4%

### EBITDA

The changes since the April forecast had no significant effect on EBITDA which increased from a forecast £13.7M to £13.8M.

### Income Changes

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

In terms of income, as per Table 1a, our final position was £4.4M ahead of our April Forecast. This was driven by 4 factors.

- **Funding Body Grants**  
HEFCE grant income was £0.7M down against forecast including a downward adjustment following guidance that a reduction in the BIS budget would lead to an adjustment in 14/15 HEFCE funding.
- **Tuition Fees & Education Contracts**  
In terms of Home/EU Tuition Fees, our final mix was slightly different to the original forecast although the total amount was in line with our forecast. Tuition fees from part time students were ahead of forecast as were fees from students on non-credit bearing courses.

The net impact of the above was that our final tuition fee income was in excess of £99.3M, an increase of £1.3M as compared to the April forecast.

- **Research Grants & Contracts**  
For research grants the university finished £0.5M ahead of forecast with a final outcome of almost £2.4M. The mix of funding partners was slightly different to forecast but the outcome, following a strong final quarter, represents a 26% increase against our July submission.

Research will be the subject of increased focus in 15/16.

- **Other Income**  
The university finished significantly ahead of forecast with a final outturn of £10.8M, an increase of £3.0M as compared to our April forecast. This is due to an increase in Enterprise related activity following a strong final quarter and a deferred income release linked to our investments in the EDISON digital learning environment.



## Expenditure Analysis

Our total expenditure at £139.6M was £4.2M higher than the anticipated expenditure of the April forecast, an increase of 3%.

- **Staff costs**  
The University remains focused on balancing the costs of staff with the income generated and staff costs in the year end submission were broadly in line with the April forecast. The key difference was the provision in the final quarter of 2014/15 of £0.5m for additional LPFA current service cost.
- **Operating Expenses**  
The increase in operating expenses of £6.2M between the 2 periods is driven by factors linked to our Investment in the EDISON digital learning environment. The increase relates to the release of £5.2M of one off costs including Agency staff, computing software and computing software consultancy linked to the EDISON project. There was also an element of increased expenditure on overseas agents which reflects the increase in overseas tuition fee income as compared to 13/14. The final increase of £0.5M in expenses compared to forecast reflects additional investments that the University made in the last 3 months primarily in its Estate.
- **Depreciation**  
There was a decrease of £0.9M in the depreciation charge compared to forecast and this was driven by reductions in capital expenditure compared to forecast.
- **Interest and Other finance costs**  
One of the key drivers for the change in surplus between the 2 returns was the decrease in interest payable. The reduction of £1.7M in interest payable was due to the lower than expected FRS 17 finance cost.

The net impact of the above was that our total expenditure at £139.6M was 3% higher than the anticipated forecast in April.

## Balance Sheet Movements

There are 3 key differences between our April forecast and the final position at the end of July. These changes are driven by a reduction in capital expenditure against forecast, a change in working capital and an increase in the university's pension liability.

- **Fixed Assets**  
The University forecast to invest £19.8M in our Estate in 2014/15 and our original submission assumed that we would invest at this level to give us Fixed Assets for the year of £186.6M. Some of these investments, including a key building acquisition to secure the University estate, have been delayed and the difference between the returns of £12.3m in fixed assets reflects the reduction in capital Investment of £13.2M and the reduced depreciation charge of £0.9M.
- **Current Assets**  
The increase in current assets of £13.1M compared to the previous submission reflects the fact that our outlay on capital expenditure was less than forecast. There were also some changes to working capital including an increase in debtors of £4.1M as a result of changes to the billing schedule for the NHS.(although it should be noted that in terms of this increase the NHS settled £3.9m of invoices during August and September 2015). Consequently, our cash reserves finished £8.9M higher than forecast.

- **Net Assets**

The change in net assets from the previous forecast of £13.7M nets out the changes in working capital described above, reflects the reduction in capital expenditure against forecast and reflects the cash impact of the change in surplus.

- **Pension Liability**

The University's pension liability increased by a net £12.3M to £88.8M. This was driven by a reduction in the discount rate from 4.2% at 31 July 2014 (the rate on which the July 2015 financial submission was based) to 3.8% at 31 July 2015. This change in the pension deficit value was also reflected in the total reserves held by the university which reduced from £101.3M to £90.5M.

### **Cash Flow movements**

In terms of table 3: Cash flow statement and table 4: Reconciliation of the surplus for the year to net cash flow there were 2 key differences reflecting the changes to working capital described above and the lower than expected expenditure on Fixed Assets.

- Net Cash inflow from operating activities was £4.2M lower than forecast which reflects the increase in debtors of £4.1M
- Payments to acquire Fixed Assets was £13.3M lower than expected due to the delay in capital expenditure described earlier

The net impact of the above was that our net cash inflow from operating activities was £6M for the year.

	CONFIDENTIAL
	PAPER NO: BG.67(15)
Paper title:	Key Performance Indicators: 15-16 Target Proposal
Board/Committee	Board of Governors
Date of meeting:	20 November 2015
Author:	John Baker, Corporate & Business Planning Manager
Executive sponsor:	David Phoenix, Vice Chancellor
Purpose:	To present proposed targets for the institutional KPIs for 15/16, and rating criteria, for discussion & decision.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The Key Performance Indicators provide measures which determine progress made against all of the goals of the Corporate Strategy 2015-2020.
Recommendation:	The Board is requested to consider and approve the proposed targets and rating criteria for 15-16 as recommended by the Executive.

Matter previously considered by:	Executive	10 <sup>th</sup> & 18 <sup>th</sup> November
Further approval required?	None	

### Executive Summary

- *The KPI set is unchanged from 14-15, and this proposal document includes nearly all results for the 14-15 cycle.*
- *Recommended targets are shown for the 15/16 academic year.*
- *Indicative targets are shown for 16/17, but the actual targets would be reviewed and agreed at this point next year.*
- *As before, where forecast results are available, these will be provided during the year, before the confirmed results are available.*
- *The results will be provided through the Corporate Strategy Progress report throughout the year.*
- *The data which underpins KPI 11 is being clarified, and this target could need to be adjusted as a consequence.*

The Board is requested to consider and approve the targets and rating criteria for 15-16.



Out comes	#	Report Date	18th November 2015				Past Performance			benchmark	Target	14/15 Ratings		Proposed	Targets	Ambition	15/16 Rating Criteria					
		20/20 Success Measures	#	Key Performance Indicators	2011/12	2012/13	2013/14	Competitor Group 12/13 average	2014/15	Forecast RAG rating	Actual Result Rating	2015/16	2016/17	2020/21	Exec. Lead	Green	Amber	Red				
Student Success	1	Employ- ability	95% students in employment / further study (EPI)	1	DHLE entry to employment or further study (EPI)			78.10%	77.4%	85.5%	88.5%	87%					PVC (SE)	93 % +	90 - 92 %	<90 %		
			Top 10 UK universities for student start ups	2	Number of Student start ups			5	6	1	47.86	40				PVC (R&E)	50 +	43 - 49	< 42			
	2	Student Experience	Top quartile of all universities in NSS	NSS scores – overall satisfaction	3	NSS scores – overall satisfaction			80%	82%	80%	81.7%	82%					DVC	84 % +	81 - 83 %	< 81 %	
				International Student barometer (% recommending LSBU)	4	International Student barometer (% recommending LSBU)			70.00%	73.00%	72.40%	not available	N/A (hiatus)				75% +		71 - 74%	< 71 %		
				PGT experience (% satisfaction)	5	PGT experience (% satisfaction)			71%	75%	77%	not available	77%				77 % +		74- 76 %	< 74 %		
				Student Staff Ratio	6	Student Staff Ratio			23.7:1	24.2:1	17.2:1	21.2	22:1				<=17.5		17.5 - 18.5	> 18.5		
Real World Impact	3	Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	7	Graduate level employment			not available	59%	54%	n/a (local indicator)	55%				PVC (SE)	77 % +	72 - 76 %	<72 %			
	4	Research and Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non Hefce)			£2.4m	£2.2m	£1.8	£6.1	£1.4 m				DVC	£2.2 m +	£2.05 - 2.15 m	<£2.05 m			
				9	Enterprise Income			£10m	£8.5m	£9.4m	not available	£9.9 m						£10.2 m +	£9.7 - 10.1 m	<£9.7 m		
Access to Opportunity	5	Access	Top London Modern for LPN recruitment	10	% recruitment from low participation neighbourhoods			6.5%	7.3%	7.4%	6.4%	8.4%				PVC (R&E)	8.0% +	7 - 7.9 %	<7 %			
				11	FT UG recruitment pre-clearing applicant %			63.0%	68.0%	76.0%	not available	80%							80 % +	76 - 79 %	< 75 %	
				12	First Degree Completion (at or above benchmark)			not available	-6.7%	-9.5%	-3.13%	-6%								>=-4 %	-5 to -7 %	<-8 %
			Exceed expectations on completion	13	Year 1 progression			70.1%	69.1%	69.5%	not available	69%					DVC	75 % +	72 - 74%	<72%		
				14	Good Honours			53.5%		61.0%	62.2%	60 - 65%								60 % +	58 - 59 %	<58 %
				15	PG completion			not available	67.1%	54.8%	not available	76%								70% +	66 - 69 %	< 66%
	6	International	4 QS Stars	16	QS Star Rating			n/a	n/a	2 (prov.)	not available	2				VC	3	2	1			
				17	Overseas student income			£9.6m	£8.8m	£8.5m	£29.5m	£9.3m					PVC (R&E)	£10.9 m +	£10.3 - 10.8 m	<£10.3 m		
	Strategic Enablers	7	People and Organisation	Rated as a good employer	18	Appraisal completion %			21%	28%	37%	not available	50%				EDHR	95 % +	90 - 94 %	< 95 %		
					19	Average Engagement Score as as %				58%	-	70%	55%					EDHR	55%	51 - 54 %	< 51 %	
8		Resources and Infrastructure	Grow our income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of income			4.7%	4.0%	2.3%	9.6%	0.7%				CFO	0.7 % +	0.4 - 0.6 %	< 0.4%			
				21	Income (£m)			£138.3m	£137.9m	£134.8m	£188.2m	£136.5m							£142.8 m +	£137 - 142 m	< £137 m	
				22	EBITDA margin (EBITDA expressed as % of income)			14.3%	12.6%	11.4%	9.20%	10.7%							11.5% +	11.1 - 11.4%	<11.1%	
			23	Student satisfaction ratings with facilities & environment			79%	80.0%	83.0%	82.7%	84%					COO	88 % +	85 - 87 %	< 85%			
24	Teaching room utilisation rate			26%	23%	22%	not available	43%							25%		22 - 24%	<22%				
League Tables	Overall	Top London Modern university (excl UAL)	25	TIMES - League table ranking			111/121	118/121	122/123	92.3	118				VC	115 or higher	116 - 119	120 or lower				
			26	GUARDIAN – League table ranking			104/120	113/119	112/116	87.1	110							100 or higher	101 - 106	107 or lower		
			27	COMPLETE UNIVERSITY GUIDE – League table ranking			109/116	119/124	120/123	85	117								115 or higher	116 - 119	120 or lower	



	CONFIDENTIAL
	PAPER NO: BG.68(15)
Paper title:	Corporate Strategy Progress Report
Board/Committee	Board of Governors
Date of meeting:	20 November 2015
Authors:	LSBU Executive
Executive/Operations sponsor:	Pat Bailey, Deputy Vice Chancellor
Purpose:	To present a progress report for each of the goals of the Corporate Strategy with the latest set of results for the 14/15 Key Performance Indicators, and related commentary.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	This report outlines progress made against each of the goals of the Corporate Strategy 2015-2020 as at the first quarter of 15/16, and provides data results for the 14/15 academic year.
Recommendation:	The Board is requested to consider and note the progress report.

Matter previously considered by:	Executive	10 <sup>th</sup> November
Further approval required?	n/a	

### **Executive Summary**

This is the first time that the Board have seen this type of report, which is based around the Corporate Strategy, and the specific KPIs linked to each of the goals.

The Board is invited to:

- 1) Comment on the performance for 2014-15;
- 2) Provide feedback on the format and level of detail;
- 3) Indicate whether there is support for these reports being produced biannually, in November (to provide an analysis of the previous year), and around Easter (to give a mid-year update).

An executive summary of progress in 2014-15 is provided at the start of the report.





## Corporate Strategy Progress Report : November 2015

### DVC Executive Summary:

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

LSBU has undergone a major restructuring during the last 12-15 months, seeing the establishment of 7 Schools, the appointment of the Deans, an overhaul of Professional Service Functions, and the introduction of a new Academic Framework. This has all been carried out against a Corporate Strategy that aims for LSBU to be the top London Modern University by 2020. Given that we were languishing close to the bottom of most league tables, the two main aims by November 2015 were to:

- a) establish the new infrastructure to start delivering the corporate strategy, and
- b) make sufficient improvement to be 'in the pack', with the opportunity to make significant improvements in subsequent years.

We have broadly achieved those two objectives.

Highlights concerning progress have been:

- The improvement in NSS overall satisfaction
- DLHE results in employment and graduate employment
- Pre-clearing application numbers (linked to higher entry tariffs)
- Research income
- Year 1 progression
- Internationalisation (QS star rating and int'l income)
- Financial performance in terms of hitting income and surplus targets

Against the KPIs, the areas of concern include:

- Enterprise income
- PG completion
- EBITDA margin
- Room utilization (i.e. inefficient use of our Estate)

Behind the headline figures, there are a number of areas of concern/risk. The results from REF2014, especially our mid-table achievement of research intensity, and our impact successes, have helped set a good foundation for research, but there are concerns about pipeline grants for both research and enterprise. Similarly, the international achievements in 2014-15 have been strong, but UKVI issues continue to pose a major challenge ... particularly as international income is crucial to our continuing ability to generate annual surpluses.

For our undergraduate recruitment, the rise in GPA is welcomed, but actual enrolment numbers for full-time undergraduates are below target for 2015 intake, and this has a 3-year impact; however, to have failed to address the low entry grades would have been folly in the long run, and we will hopefully continue to see improving progression rates. Finally, the NSS is one of the most important underpinning indicators; the improvement is welcome, but we are still 4% behind the sector average, and this is the area where improvement is likely to have the biggest impact on student recruitment and league table performance.

The year ahead will again be difficult; there have been operational challenges that may impact on the NSS in 2015-16, UKVI continues to make international recruitment a challenge, and we wait to see the impact of the CSR, TEF and other government decisions/initiatives.

Goal:		1: Employability					
#	Key Performance Indicator	2011/12	2012/13	2013/14	CG 12/13 average	2014/15 Target	Actual Result
1	DHLE entry to employment or further study (EPI)	78.10%	77.4%	85.5%	88.5%	87%	90.2%
2	Number of Student start ups	5	6	1	47.86	40	30

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

Direct measure of student employment is up, with 90.2% of recent graduates in employment or further study. Graduate employment is up (54% in 13/14 to 75% in 14/15), and graduate starting salaries have held steady at an average of £24,500, compared to a national mean of £20,000. In these measures, LSBU is performing above competitors.

These improvements were partly achieved by improvements in data collection for the Destinations of Leavers from Higher Education (DLHE) survey. Improvements were also made in graduate support (e.g. alumni involvement, CV surgeries, coaching, and provision of internships and CPD qualifications).

LSBU stands out for its high proportion of employer-sponsored courses (the highest % of employer sponsored students in the UK); real world impact and relevance is at the core of course development. Greater emphasis on enterprise will strengthen links between research and teaching, and improve the number of student start-ups. We will continue to seek innovative ways to involve employers and Professional, Statutory and Regulatory Bodies in course design, delivery, and the student experience, including the integration of LSBU's Behavioural Framework into our provision as graduate attributes.

In 2015/6, LSBU will implement the Higher Education Achievement Record (HEAR) to support graduates in successfully seeking employment. Increasing alumni engagement provides role models, mentors, placements and internships, and employment opportunities. Developments in the Learning Pathway are planned to lead to increases in placements, study abroad opportunities, internships, volunteering, temping opportunities and post-graduation employment.

Related Risk Matters:

- Changes to staffing in the Employability Team present a risk in terms of continuity and capacity.
- Increased demands in this area could jeopardise the quality of provision and service if not supported by adequate resource
- There is a risk that Learning Pathway changes are not implemented effectively or consistently across the university.

Goal:		2: Student Experience					
#	Key Performance Indicator	2011/12	2012/13	2013/14	CG 12/13 average	2014/15 Target	Actual Result
3	NSS scores – overall satisfaction	80%	82%	80%	81.7%	82%	82%
4	International Student barometer (% recommending LSBU)	70.00%	73.00%	72.40%	not available	N/A (hiatus)	
5	PGT experience (% satisfaction)	71%	75%	75%	not available	77%	74%
6	Student Staff Ratio	23.7:1	24.2:1	17.2:1	21.2	22:1	16.4

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

Despite huge amounts of institutional change, NSS scores rose which was very pleasing. A number of projects were initiated in 2014-5, and the pace of change will increase in 2015/6 with a programme of strategic developments.

Headline institutional findings from the NSS are:

- Overall satisfaction has increased to 82% (80% 2014). Sector average for overall satisfaction remains static at 86%
- Since 2014 we have improved across 6 of the 8 key areas, and gone down in none
- In 2015 we achieved our highest results since 2011 for several of the key areas, the most stark example being 'learning resources' now at 88% up 11pp from 2011 (sector average 86%), and satisfaction with the SU (65%, up from 59% in 2014)
- The sector has remained relatively static in each of the key areas with only 'assessment and feedback', 'academic support' and 'personal development' increasing but by 1pp only

PGT satisfaction has fallen a little since last year, but numbers/response rate are small; a portfolio review of PGT programmes is taking place this December, and there will be recommendations that emerge from this.

The Learning Pathway will be a distinctive LSBU educational experience which is planned to impact on the KPIs of retention, achievement, satisfaction and employability. Projects launched in 2015/6 will include: improvements to the appeals and complaints process, personal tutoring, peer assisted learning, application of learner analytics, and student voice, engagement and feedback projects. These will be underpinned by infrastructure developments including qualifications and recognition for staff who teach, technology enhanced learning, curriculum development opportunities, and ongoing improvements to the student journey. Teacher development is also key (HEA fellowship and PGCAP, peer observation, small grants for pump-priming, events to share good practice), to be supported by the Centre for Research Informed Teaching (CRIT) and Technology Enhanced Learning (TEL).

#### Related Risk Matters

The enormous number of changes currently being introduced, together with significant building works, may impact on the NSS.

A proliferation of projects and initiatives, with the risk that several of them are not delivered successfully or are under-resourced. Mitigation - executive members collaborate to prioritise high impact activity and ensure adequate resourcing. Close working with Deans, Directors of Education and Student Experience, and professional service leads will flag problems early and enable solutions.

Goal:		3: Teaching & Learning					
#	Key Performance Indicator	2011/12	2012/13	2013/14	CG 12/13 average	2014/15 Target	Actual Result
7	Graduate level employment	not available	59%	54%	n/a (local indicator)	55%	75%

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

Graduate employment has risen dramatically, attesting to positive work undertaken in teaching and learning, and in Student Support and Employment.

The LSBU Achieve Programme has resulted in extensive engagement by LSBU staff in the Higher Education Academic Professional Standards Framework, with approximately 360 staff recognised by the HEA. LSBU achieved another National Teaching Fellow (NTF) in 2015; there are 7 NTFs at LSBU (up from 3 in 2013-14), which is more than in many competitor universities.

Future developments will be underpinned by externality, collaboration, scholarship, communication and strategic alignment. Consultation on the LSBU Learning Pathway, incorporating graduate attributes, commenced in June 2015, and will be completed in December 2015, for a formal launch in early 2016.

In 2016, LSBU will establish a Centre for Research Informed Teaching (CRIT), to be responsible for development and delivery of the LSBU Graduate Attributes, the Learning Pathway, pedagogic and institutional research and students as researchers, and to be the location of the Academic Staff Development Unit, Skills for Learning, and leadership and co-ordination of Technology Enhanced Learning. Investment in two new leadership roles, of Director and Head of TEL, will enable existing staff resource around the university to be better co-ordinated and where needed, up-skilled. CRIT will, amongst other things, implement a PDP framework for staff who teach, including threshold and advanced teaching qualifications. A series of projects have been initiated to address identified learning and teaching issues, including an overview of assessment processes, use of learner analytics, project and dissertation development, personal tutoring, academic integrity, student feedback including module evaluations, and students as partners in developing university processes around appeals and complaints.

In 2015/6, celebrations of the courses achieving the best NSS results, and a compilation of case studies of exceptional examples of the Learning Pathway, will share best practice and raise the profile of teaching and learning.

**Related Risk Matters**

- The pace of change could prohibit effective staff and students engagement – every effort is being made to communicate through numerous channels and engage staff and students through projects, meetings and formal communications
- Staff could be unable to engage in professional and curriculum development activities due to ineffective support systems absorbing disproportionate amounts of time – attempts are being made to review and improve visibly and swiftly the most important systems which underpin learning and teaching
- Lack of alignment between enabling processes and systems (e.g. staff development provision, the technology enhanced learning infrastructure, and reward and recognition) could result in a loss of enthusiasm and forward momentum – investment in new posts, project management, and the development of an explicit roadmap are mitigating this risk.

Goal:		<b>4: Research &amp; Enterprise</b>					
#	Key Performance Indicator	2011/12	2012/13	2013/14	CG 12/13 average	2014/15 Target	Actual Result
8	Research Income (non Hefce)	£2.4m	£2.2m	£1.8	£6.1	£1.4 m	£2.0m
9	Enterprise Income	£10m	£8.5m	£9.4m	not available	£9.9 m	£8.7m

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

The structural reforms to research and enterprise include the creation of 8 centres of research excellence (in the main, one per School) mapping to REF Units of Assessment, and 3 multi-disciplinary sector facing Enterprise Institutes. Leadership for all these is in place, as is business partnering to link central support with Schools to develop capacity / capability and establish a sufficient pipeline to secured income through greatly increased bid writing and submission activity.

Considering the low investment levels, the REF2014 outcome across 7 Units of Assessment was considered as a success in terms of outputs and impact, but less so in terms of environment. A provision of £1M was secured for 2015/2016 to kick start remedial work in terms of pump priming new staff, one competitively secured research sabbatical, research scholarships, UoA lead networking, conference and RCUK involvement and staff development and infrastructure. Each Dean has set local priorities against these categories and almost 90% of this provision is devolved to schools. In terms of monitoring this specific investment, an appraisal of each School's need and progress will take place at 2<sup>nd</sup> quarter 2015 / 2016 with the option of re-apportioning the investment to suit changed needs or delivery. The annual timetable for performance review is a mini REF exercise in the Autumn with 'critical friend' feedback by an external reviewer appointed by each Dean, a publication of LSBU authors from this review sourced through the new open research repository in the spring, and another publication of 'impact' case studies again arising from this review but published in the summer. It is intended that this process, together with additional work to develop the research 'concordat' and professoriate will produce an enhanced environment for research.

A significant success in terms of Research income success was the 5MEuros, 14 partner EU Horizon 2020 project Developing Cryogenic Energy Storage at Refrigerated Warehouses as an Interactive Hub to Integrate Renewable Energy in Industrial Food Refrigeration and to enhance power-grid sustainability, and in terms of Enterprise income the University increased the quota for contracted knowledge transfer partnerships from 0 to 8 in one year (approximately £150K income per KTP) making LSBU one of the leading London Universities for engagement with KTPs. However competition to secure income is fierce and increasing; for example the first round of bids to secure continuation to the Investment Escalator project and the new Student Entrepreneurship Project (both frankly outstanding examples of LSBU delivery) were rejected with the funding source over-subscribed with bids by almost 350%. Success with respect to UK research councils and Horizon 2020 runs typically from 10% to 15% of submissions. Finally Enterprise Income outturn for 2014/2015 was some £8.8M undershooting the target but this outturn is a very significant increase on the previous year and the highest income level ever achieved by LSBU.

**Related Risk Matters**

1. Schools Capacity and Capability
2. Secured in-year and future year income pipeline through bid writing and success
3. Post award delivery, contract compliance and institutional relationships
4. Sustained UoA performance over successive years in advance of the REF2020 submission
5. PGR student completions, experience and satisfaction (PRES outcome will drive a fundamental review).

Goal:		5: Access					
#	Key Performance Indicator	2011/ 12	2012/ 13	2013/ 14	CG 12/13 average	2014/ 15 Target	Actual Result
10	% recruitment from low participation neighbourhoods	6.5%	7.3%	7.4%	6.4%	8.4%	7.7%
11	FT UG recruitment pre-clearing applicant %	63.0%	68.0%	76.0%	not available	80%	79.2%
12	First Degree Completion (at or above benchmark)	not available	-6.7%	-9.5%	-3.13%	-6%	-7 %
13	Year 1 progression	70.1%	69.1%	69.5%	not available	69%	71.9%
14	Good Honours	53.5%		61.0%	62.2%	60 - 65%	61.2%
15	PG completion	not available	67.1%	54.8%	not available	76%	61.5%

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

LSBU has sought two objectives during 2014/2015 in terms of Home / EU students: firstly to increase the tariff 'floor' from 120 in 2013/2014 to 160 UCAS points thereby increasing the GPA tariff score for the University with league table benefit and secondly to achieve 100% enrolment at the target level of 2750 non NHS contract students (the assumption being that NHS contract recruitment would be met). Obviously these two are related and the modelled consequence of the first on the second is the need for a 12% increase in numbers of higher qualified students enrolling. Latest figures suggest that we achieved some 94% of this 2750 figure. Taking KPIs in turn:

- the % participation figure has been examined in year, considered against the CG average and revised to 7%. At this revised level LSBU achieves more than most, the Ofpa commitment in terms on income allocated remains almost the highest in the UK and next year will be considerably reworked to support attainment, to look at diversity issues and differential attainment and to use funds to support additional activity such as hardship funds. In addition the relationship with feeder institutions has been ranked in terms of recruitment importance.
- LSBU contributed some £300K as part of HEFCE's post graduate support scheme for aspirant PGT students from a disadvantaged background.
- The UCAS application tracker as at the 3<sup>rd</sup> August (i.e. just before clearing commenced) indicated 12365 applications to LSBU, just under a 6% increase on the number at the same time for 2014/2015 for the non NHS contracted courses. Full time undergraduate firm acceptances stood at 81% of the total, full time post graduate stood at 112% and for both levels the part time figure was 79%. Overall the figure was at 85% for all levels.
- The figure for first degree completion is not known at the time of writing.
- Year 1 progression has exceeded target through intervention in terms of induction and the introduction of a voluntary pilot summer school and assessment exercise.

#### Related Risk Matters

1. Reliance of clearing remains too high, best effect from open days and offer count remains a question.
2. Impact of IBM analytics yet to be experienced.
3. Academic pathway review / design delivery in terms of progression / completion.
4. Conflicting pressure regarding entry tariff and recruitment numbers requiring delicate judgments.
5. The possible introduction and affect of PGT fees unknown, drivers for p-t PGT and sponsored students are not defined.

Goal:		<b>6: Internationalisation</b>					
#	Key Performance Indicator	2011/12	2012/13	2013/14	CG 12/13 average	2014/15 Target	Actual Result
16	QS Star Rating	n/a	n/a	2 (prov.)	not available	2	3 stars
17	Overseas student income	£9.6m	£8.6m	£8.5m	£29.5m	£9.3m	£10.6m

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

International student recruitment has been a success during this period, exceeding income target and increasing numbers, whilst other post 92's both inside/outside London have seen falling recruitment, driven by a strong sales team. There are three recruitments pathways: direct application to LSBU, via overseas agents, and progression from our contracted pathway provider CEG and LSBU overseas partner HE institutions. The challenges are regulation and market resilience.

Home office regulation has driven some agents to leave or reduce UK recruitment, increased (likely) the English language requirement for UG students, lowered the visa refusal rate from 20% to 10% (with 8% or even 5% mooted) and introduced an audit regimen designed not as before to support, but to fail Institutions and withdraw licence. Consequently a new compliance activity has been created having the three level 'triage' approach to pre-enrolment and very recently a cross LSBU departmental UKVI account holding approach to secure the post-enrolment performance. The LSBU response to home office regulation has had the benefit from one internal audit and another is planned for November 2015.

Considering market resilience the following are planned.

- OnCampus (CEG) are increasing international student numbers at their centres through a vast network of recruitment agents. The team will add training sessions for OnCampus (CEG) in-country staff, move to stand-shares at exhibitions and joint visits to government officials.
- Students progressing from OnCampus (CEG) are low-risk for LSBU and are likely to be granted a visa.
- Ensuring academic engagement with OnCampus (CEG) students on campus. Deans have been asked to speak at the orientation events for 15/16.
- Agent and partner event at LSBU in the 2<sup>nd</sup> week of January. The International Office will be inviting our key recruitment partners to a familiarisation event on campus.
- Increase the international social media footprint. Students are increasingly leaving email as a form of communication. We will be moving to contacting students through WhatsApp, Facebook, WeChat etc for conversion activity.
- Delivering pre-session English language programmes would increase student recruitment. This is now very important in light of the UKVI moves to increase English language levels for visas.
- Study Abroad opportunities are now spreading across multiple markets. The focus will remain the US, but additional partners and recruiters are now in place in Australia and China.
- Initiate a 'One more student' campaign. If all of our agents sent just one more student each, that would be an additional 130 students. This campaign would be incentivised to encourage involvement.
- The ISB review will be conducted during 2015/2016 and in subsequent years.

TNE activity is more stable and has the potential for sustainable income growth year on year. The significant partnerships are with the British University in Egypt (most developed), the Applied Science University In Bahrain and Chongqing Jiao tong University in China.

Related Risk Matters:

1. UKVI Regulation and Audit, LSBU operational cohesion and reputation.
2. Capacity and capability to expand progression partners (UK based and Overseas)
3. Capacity and capability to retain overseas sales function.
4. League Table position.
5. Student experience, satisfaction and social media impact.

Goal:		7: People & Organisation					
#	Key Performance Indicator	2011/12	2012/13	2013/14	CG 12/13 average	2014/15 Target	Actual Result
18	Appraisal completion %	21%	28%	37%	not available	50%	
19	Average Engagement Score as as %		58%	-	70%	55%	

Executive Commentary (*EDHR - Mandy Eddolls*)

### Appraisal Completion

The University runs three separate appraisal schemes for:

1. **Senior post holders and members of the Executive.** (8 staff)
2. **Senior managers.** Non-union negotiated grades A – C (formerly grades 11 and 12) typically Deans, Professors, SET Directors, Professional Services Directors and Deputies.
3. **Grades 2 – 10.** JNCHES union negotiated grades – majority of staff.

The first two schemes are linked to pay, and appraisal completion rates are 98% – 100% each year. The senior manager scheme has been reviewed this year to reflect the introduction of 3 levels of professors and a new senior management grade. It is anticipated that there will be a similar return of 98% – 100% this year. The scheme for grades 2 – 10 is not linked to pay. However, it has been re-launched this year as an integral part of the 'Your Career Matters' initiative to enhance and extend career pathways for staff. A promotions round for academic staff, also linked to appraisal, has just been launched. Although in the past, against a difficult industrial relations background, completion of the appraisals amongst this group of staff has not been high, it is anticipated that the new Academic Framework (and PDP opportunities) will enable the target of 55% completion rate to be exceeded.

### Average Engagement Score

A number of initiatives have been put in place to increase staff engagement:

- The 'Your Career Matters' Academic Framework.
- A highly successful Staff Conference in May 2015.
- Leadership development for Executive and Operations Board, including coaching and mentoring. This is currently being extended to senior managers and managers.
- Establishment of an internal communications team within P&O to develop a new strategy of communication and engagement with staff.
- Redevelopment of the intranet (staff gateway) underway.
- Launch of customer services initiatives, such as 'thank you cards', national customer service week, and rewards for good staff service.
- Became members of Institute of Customer Service and trained 38 staff and 12 managers in best practice.
- Development of a new EDI strategy, with a new Steering Group. Revitalization of existing staff networks and introduction a new ones for staff with disabilities and women.
- Achievement of a number of 'charter marks' such as Athena Swan, National Living Wage accreditation, Two Ticks.

A staff engagement survey is to be undertaken in January 2016 and it is anticipated that these initiatives and others will enable P & O to achieve the target engagement score.

### Related Risk Matters

There are a large number of changes currently taking place, including a restructure of the P & O function, which is making it difficult at times to even manage business as usual. The development of these new initiatives is concentrated in the same small group of staff and it is similarly this group of staff who will be required to lead probably the biggest initiative facing P & O over the next year which is a new integrated HR system.

To mitigate the risks, the new P & O structure needs to be put in place as soon as possible and the HR systems project fully funded, resourced and managed.



Goal:		8: Resources & Infrastructure					
#	Key Performance Indicator	2011/12	2012/13	2013/14	CG 12/13 average	2014/15 Target	Actual Result
20	Surplus as % of income	4.7%	4.0%	2.3%	9.6%	0.7%	0.9%
21	Income (£m)	£138.3m	£137.9m	£134.8m	£188.2m	£136.5m	£140.8m
22	EBITDA margin (EBITDA expressed as % of income)	14.3%	11.2%	9.9%	9.20%	10.7%	9.2%
23	Student satisfaction ratings with facilities & environment	79%	80.0%	83.0%	82.7%	84%	87.7%
24	Teaching room utilisation rate	26%	23%	22%	not available	43%	21%

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

The financial KPIs (20, 21 and 22) are covered in detail under separate cover in the CFO report to Board. 2014/15 financial performances was strong in line with agreed budget. The budgeted surplus in 2015/16 remains at £1m reflecting continued investment. EBITDA and Surplus are on target for 2014/15 with income lagging at this early stage. As the year progresses, income around enterprise will become clearer.

The FRS17 report at 31 July 2015 indicated that our I&E charge in this respect is likely to increase from £6.7m in 2014/15 to £8.7m in 2015/16. We do not have adequate provision at present in the budget to cover this and this will form part of the in-year review. On the positive side, the September management accounts (covering the first 2 months of the new financial year) show a favourable staff cost variance of £2m. Some of this relates to timing adjustments on Edison and other consultancy costs but there is at least £1m, which has been banked at this stage. This is evidence of flexibility within the staff cost budget, which will be covered in more detail at the in-year review.

Student satisfaction with facilities has exceeded the target which reflects the focus on delivering student centered facilities. Continued investment will see this improve further over the coming year.

We have known for some time that the utilisation rate for common teaching spaces is very poor. This is mainly due to localised room booking and the room stock no longer reflecting the teaching need. The central timetable process is now in place and will deliver a centrally produced timetable for the first time in 2016/17. In addition, this will deliver detailed data about the teaching need for room sizes that will drive the estates planning for minor works. It is not expected that this poor rate will therefore change significantly in the next two years, but we would expect to see change towards the 2020 target from 2017/18 onwards, linked to other more substantial plans for new buildings.

#### Related Risk Matters

The principal risks to financial delivery in 2015/16 are

- Meeting recruitment targets and student withdrawals (and subsequent re-imburement of fees)
- In-year cuts to HEFCE funding
- Threats to our Tier4 license, affecting recruitment of overseas students
- Failure to deliver agreed enterprise income growth targets
- Increased costs associated with pensions following the introduction of FRS102.
- Continued investment in the estate.
- Failure to embed the central timetable process within the University.

University Level:

**9: League Tables**

#	Key Performance Indicator	2011/ 12	2012/ 13	2013/ 14	CG 12/13 average	2014/ 15 Target	Actual Result
25	TIMES - League table ranking	111/121	118/121	122/123	92.3	118	120 / 127
26	GUARDIAN – League table ranking	104/120	113/119	112/116	87.1	110	111 / 119
27	COMPLETE UNIVERSITY GUIDE – League table ranking	109/116	119/124	120/123	85	117	119 / 126

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

**Times/Sunday Times 2016: Overall Performance**

LSBU has improved its overall ranking to 120<sup>th</sup> out of 127 universities in 2016 from 122<sup>nd</sup> out of 123 in 2015. To achieve this improvement, LSBU overtook 6 institutions, and there were 4 new entries. LSBU's overall score increased from 320 to 386 points (an improvement of 21%). This improvement represents the highest increase in percentage terms of all institutions in the table, and the third highest overall points increase. The challenge of achieving a top 100 position in this league table still represents a significant one however, with the 99<sup>th</sup> positioned university (University of the Arts) scoring 466 points.

**Guardian 2016: Overall Performance**

LSBU has improved its overall Guardian ranking by 1 place to 111<sup>th</sup>, overtaking 4 universities whilst there were 3 new entries. LSBU's overall ranking score of 43.3 was a 17% increase from 2015. If a similar performance improvement were to be achieved in the 2017 Guardian table, this would be enough for LSBU to move into the top 100 (subject to other Universities' performance).

**Complete University Guide (CUG) 2016: Overall Performance**

LSBU has improved its position in 2016 CUG league table by one place since the 2015 league table, to 119<sup>th</sup> out of 126<sup>th</sup>, overtaking 3 universities and there were 3 new entrants. LSBU's overall score increased by 7 points from the 2015 Analysis, to 428.

League table calculations are not available in detail, but the key factors are:

- Student Satisfaction (NSS)
- Student to Staff Ratio (SSR)
- Spend per student
- Average Entry Tariff
- Value added score (learning gain)
- Career after 6 Months
- Facilities spend
- % Completion
- % Good Honours

Our biggest challenges (and opportunities for improvement) are the low average entry tariff, completion rates, and our score in the NSS. As every institution strives to improve its league table position, it will be a challenge to enter the top 100, but this is nevertheless an achievable target within 3 years.

**Related Risk Matters**

All recruitment is affected by league table position, but international admissions are especially sensitive, with some government grants being restricted to universities in (say) the top 100. Our primary aim must be to deliver the core strategic targets, which will feed directly into the league tables.

	PAPER NO: BG.69(15)	
Paper title:	Audit Committee Annual Report	
Board/Committee	Board of Governors	
Date of meeting:	26 November 2015	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Steve Balmont, Chairman of the Audit Committee	
Purpose:	To note the annual report of the Audit Committee to the Board	
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	As part of the Audit Code of Practice in the Memorandum of Assurance and Accountability with HEFCE (see Appendix A) (which was effective for 2014/15), the Audit Committee is required to provide an annual report to the Board of Governors and accountable officer (the Vice Chancellor). The report should include the Committee's opinion on risk management, control and governance; economy, efficiency and effectiveness (VFM); and management and quality assurance of data.	
Recommendation:	<p>The opinions of the Committee are set out below:</p> <ol style="list-style-type: none"> <li>1) the institution's risk management, control and governance arrangements are adequate and effective;</li> <li>2) the arrangements for VFM are adequate and effective; and</li> <li>3) for the management and quality assurance of data submitted to HEFCE and HESA the University has adequate assurance.</li> </ol> <p>The Board is requested to consider the report.</p>	

Matter previously considered by:	Executive	On: 3 November 2015
	Audit Committee	5 November 2015
Further approval required?	Submitted to HEFCE as part of the Annual Accountability Return	On: December 2015

## **Executive Summary**

### **Introduction**

Under the Memorandum of Assurance and Accountability with HEFCE (see Appendix A), the Audit Committee is required to issue an annual report to the Board of Governors and the Accountable Officer (the Vice Chancellor). The report will also be submitted to HEFCE in December 2015.

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

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

### **Executive Summary**

See page 1 of the Report for an Executive Summary

### **Additional Information**

Additional information that the Board of Governors should be aware of but is not included in the report is set out below:

#### *Internal Audit*

During the year 9 internal audits (2014: 10) were undertaken. Of the five that were classified, one was deemed low risk (2014: 2), three medium risk (2014: 1) and one high risk (2014: 1) which was "data security". A total of 26 recommendations (2014: 18) across the five audits were made of which none were critical (2014: 0), four were high (2014: 2), thirteen were medium (2014: 8) and nine were low (2014: 8).

The one high risk issue identified as part of Continuous Auditing was:

- A large number of cash reconciliations on Agresso which were over 6 months old.

The three high risk issues identified as part of the review of Data Security were:

- At the time of audit there were no documented procedures for ICT user administration, i.e. creation, modification and removal of accounts. Lack of

independent review of changes to data could mean unauthorised access to sensitive records and data;

- Inadequate procedures and controls to ensure the physical security of LSBU's buildings and associated ICT assets; and
- Inadequate controls and procedures to ensure that logical security settings are appropriate and consistently applied across the LSBU ICT environment.

PwC's Annual Report to the Audit Committee states that: recommendations for all four high risk findings have either been fully implemented before 31 July 2015 or significant progress is underway to implement the recommendation.

### **Anti-fraud matters**

Under LSBU's anti-fraud policy the Chief Financial Officer reported on fraud at every Audit Committee meeting. During the year 2014/15 four irregularities were discovered and all were reported to the Board. Details were reported to the Committee:

- a. The possible misuse of a purchasing card by an employee;
- b. A possible breach in regulations around the payment of Student Ambassadors;
- c. Pension overpayments; and
- d. A possible bribe from a prospective student's family to a colleague at an open day.

During the year, the Committee were updated on the ongoing investigation into alleged bribery by a former member of staff. The committee noted that a former employee was likely to be prosecuted by the Crown Prosecution Service for bribery. The case had been reported to the Audit Committee and HEFCE after its discovery in 2013.

### **Recommendation**

The Board is asked to consider the report and the opinions of the Committee.

### **Attachment**

- Audit Committee annual report to the Board and accountable officer

**Appendix – sections 8-10 of the Audit Code of Practice from the Memorandum of Assurance and Accountability with HEFCE**

8. The committee must produce an annual report for the governing body and the accountable officer. The report must cover the financial year and include any significant issues up to the date of signing the report and its consideration of the financial statements for the year. The report must be presented to and reviewed by the governing body before the audited financial statements are signed.
9. The report must include the committee's opinion on the adequacy and effectiveness of the HEI's arrangements for:
  - risk management, control and governance
  - economy, efficiency and effectiveness (VFM)
  - management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other bodies.
10. The final annual report to the governing body and the accountable officer must be shared with HEFCE each year.

## **Annual Report of the Audit Committee to the Board of Governors and the Accountable Officer 2014/15**

### **Executive summary**

During the year to 31 July 2015, the Audit Committee was chaired by Andrew Owen and met four times. Steve Balmont became Chair of the Committee with effect from 9 July 2015.

Matters completed by the Committee during the year include:

- review and clearance of the University's annual report and accounts for 2014/15 (paragraph 8);
- approval of the plan for PwC's internal audit review work for the year (paragraph 13);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 12);
- four meetings with PwC and one meeting with Grant Thornton UK LLP in the absence of all University officers;
- consideration of the annual internal audit report (paragraph 15);
- regular review of the corporate risk framework (paragraph 19);
- approval of a statement of internal control (paragraph 20); and
- an external assessment of the Committee's effectiveness as part of an overall governance effectiveness review (paragraph 30).

## **Introduction**

1. This report covers the financial and academic year from 1 August 2014 to 31 July 2015 and includes any significant issues up to the date of the signing this report and consideration of the financial statements for the year.
2. No member of the Audit Committee has, or has had during the year, a direct role in the management of the University. All members of the Committee are asked to declare any interests in any item of business on the agenda at each meeting.
3. During 2014/15, the Audit Committee was chaired by Andrew Owen, an independent governor until 9 July 2015. Steve Balmont chaired the Committee from 9 July 2015. Other members of the Committee during the year were: Steve Balmont, Douglas Denham St Pinnock, Mee Ling Ng and Shachi Blakemore (independent co-opted member). Shachi Blakemore was appointed as a governor of London South Bank University on 1 April 2015 and became a full member of the Audit Committee on appointment. All members of the Committee are independent of management. James Stevenson, University Secretary & Clerk to the Board, served as secretary to the Committee throughout the year. Steve Balmont was appointed Chair of the Committee on 9 July 2015.
4. The Committee held four business meetings during the financial year to 31 July 2015. The Vice Chancellor, Chief Financial Officer and other members of the Executive were present at all meetings. The internal auditors and the external auditors were present at all four meetings. For the financial & academic year 2015/16 the Committee will also hold four business meetings (September, November, February, June).
5. The Committee's terms of reference are reviewed annually in the autumn. The Committee has an agreed forward business plan which is used to plan its agendas during the year and is reviewed annually.

## **External Audit**

6. Throughout the year Grant Thornton UK LLP served as the University's external auditors.
7. At its meeting of 4 June 2015, the Committee approved the external audit plan for the financial year 2014/15.



8. At its meeting of 5 November 2015, the Committee considered and recommended to the Board for approval the draft financial statements for the year ended 31 July 2015. The Committee considered in detail audit findings and audit opinion from Grant Thornton UK LLP. The Committee considered and recommended to the Board for approval the letter of representation from the Board of Governors to Grant Thornton UK LLP.
9. Performance indicators had been agreed against which the performance of the external auditors would be measured. The Committee received a report on performance against indicators at its meeting of 5 November 2015. The external auditors met all of the agreed performance indicators.
10. The Committee met Grant Thornton UK LLP prior to its meeting of 5 November 2015 in the absence of any University employees to discuss the year end audit and other matters. In addition, private meetings between the Committee and Grant Thornton UK LLP are held, if required, during the year.
11. Grant Thornton reports that non-audit work for LSBU Group is as follows. For the year ended 31 July 2015, Grant Thornton provided tax advisory services with a value of £4,110 including VAT. The work was carried out by an engagement team completely separate from the audit team.

### **Internal Audit**

12. The University's Internal Auditors for the year were PricewaterhouseCoopers (PwC). PwC worked to an internal audit plan of 125 days approved by the Committee at its meeting of 12 June 2014. The Committee has received progress reports from PwC against the plan at every meeting.
13. During the year 9 internal audits (2014: 10) and no specialist reviews were undertaken. The Continuous Audit programme of key financial systems was carried out through the year. Continuous Auditing of student data controls was introduced during the year.
14. The internal auditor's annual report for 2014/15 (dated September 2015) provided a positive assurance statement. The internal audit annual report found:

“The internal audit opinion is that, with the exception of Data Security: LSBU has adequate and effective arrangements in place to address the risks that management's objectives are not achieved in respect of risk management, control, governance and value for money”.

15. “This [PwC’s] opinion is made on the basis that some medium risk rated weaknesses have been identified in individual assignments but these are not significant in aggregate to the system of internal control and our high risk findings are isolated to specific systems and processes and do not present systematic threats to the entire control and governance environment.”
16. The Executive states that work to further strengthen data security has been undertaken and the PwC annual report states that recommendations for all high risk findings have been fully implemented or significant progress is underway.
17. The Committee met PwC prior to each meeting, in the absence of any of the University’s employees.
18. Following a tender process, PwC were re-appointed as internal auditors. The contract is for three years from 1 August 2015 with the possibility of a further two 12 month extensions subject to performance.

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

19. The Committee received a report on risk management at each meeting. The University’s corporate risk framework is aligned to the Corporate Strategy.
20. PwC undertook an internal audit on risk management during the year which was rated as low risk.
21. A review of the effectiveness of internal control is undertaken annually by the Executive. A draft report was submitted to the Committee at its meetings of 24 September 2015 and 5 November 2015. At the November meeting, the Committee approved the Statement of Internal Control as part of the annual report and accounts.

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

22. A Value for money (VFM) report was prepared by the Executive and considered by the Committee on 5 November 2015. Based on the report the Executive are confident that LSBU has delivered Value for Money (VFM) across the broad range of its spend and activities for 2014/15.

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

23. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.
24. Following two reports on the continuous auditing of student data controls, the Internal Auditors “have not identified any significant exceptions regarding student financial data controls”. Only two low risk findings were reported in the year.

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

25. In a letter dated 28 April 2015 the Board received HEFCE’s assessment of the University’s institutional risk, which was that LSBU was “not at higher risk” at this time. HEFCE has given the same opinion each year since 2007.

## **HEFCE Assurance Review**

26. In July 2011 HEFCE undertook a five yearly assurance review of the University to review how the University exercises accountability for the public funds it receives. HEFCE’s conclusion was that they are “able to place reliance on the accountability information”. This is the highest rating possible. HEFCE did not make any recommendations for improvement in the report.

## **Public Interest Disclosure**

27. Under the “speak up” policy the University Secretary reported on speak up activity at every meeting of the Audit Committee. The Chairman of the Audit Committee acts as the independent point of contact for anyone wishing to raise a speak up matter outside line management. An independent reporting helpline has been implemented for the 2015/16 financial year.
28. During 2014/15, four matters were considered to fit the definition of the “speak up” policy. In each instance, the Committee was satisfied that due process had been followed by management.

## **Anti-Fraud**

29. Under LSBU's anti-fraud policy the Chief Financial Officer reported on any fraud matter at every business meeting. During the year 2014/15 four irregularities were investigated and all were reported to the Board.

## **Audit Committee effectiveness assessment**

30. The Audit Committee's effectiveness was reviewed as part of a governance effectiveness review undertaken by the Leadership Foundation for Higher Education during spring 2015. No recommendations were made regarding the Audit Committee.

## **Opinion of the Audit Committee**

### *Risk Management, Control and Governance*

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

32. This opinion is based on:

- the Internal Audit annual report for 2014/15 which gave the opinion that "we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over risk management, control and governance";
- the Executive's detailed review of internal controls. This review was considered by the Audit Committee on 5 November 2015; and
- the independent Governance Effective Review of May 2015.

### *Economy, Efficiency and Effectiveness*

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

34. This opinion is based on the Executive's annual assessment of Value for Money and the Internal Audit annual report, 2014/15 which gave the opinion that "[PwC's] work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchasing consortiums".

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

35. The Committee's opinion on the management and quality assurance of data submitted to HESA and HEFCE is that the University has adequate assurance.
36. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

This annual report was approved by the members of the Audit Committee on 5 November 2015.

Signed .....

Steve Balmont  
Chairman of the Audit Committee

[for signing at the Board meeting of 26 November 2015]



	CONFIDENTIAL	
	PAPER NO: BG.70(15)	
Paper title:	Audit Findings	
Board/Committee	Board of Governors	
Date of meeting:	26 November 2015	
Author:	Grant Thornton, External Auditors	
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer	
Purpose:	To Present findings from the audit for the year ending 31 <sup>st</sup> July 2015	
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting	
Recommendation:	It is recommended that the Board of Governors note and consider the attached Audit Findings from Grant Thornton, which will be submitted to HEFCE.	

Matter previously considered by:	Audit Committee	On: 5 November 2015
Further approval required?		







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

**Year ended 31 July 2015**

October 2015

**David Barnes**

Engagement Partner

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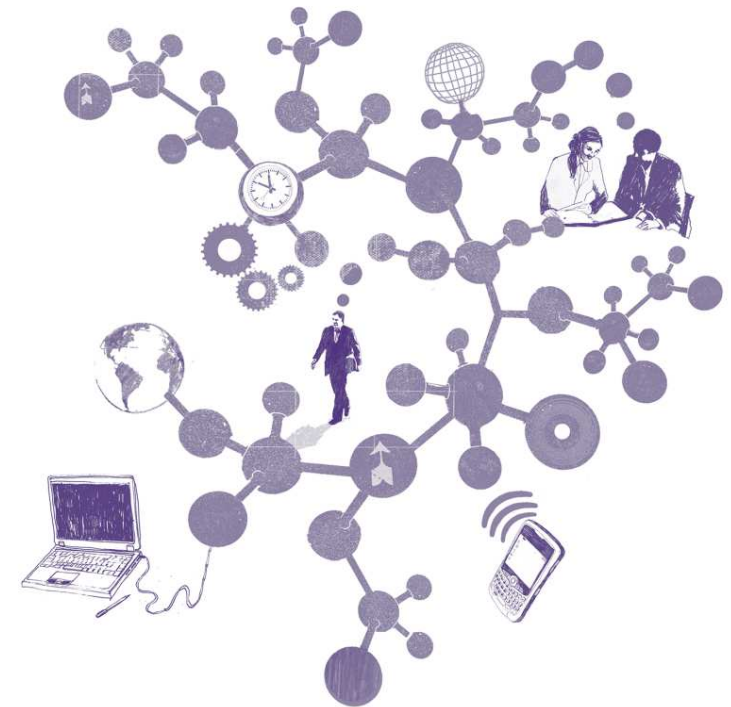
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Private and Confidential

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October 2015

Dear Sirs,

**Audit Findings for London South Bank University and its subsidiary undertakings for the year ended 31 July 2015**

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

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

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

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

Yours faithfully

David Barnes

Engagement Partner

Grant Thornton UK LLP

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## Appendix A – Financial reporting and sector update

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# 1. Status of the audit

**Our work is substantially complete and there are currently no matters of which we are aware which would require modification of our audit opinion, subject to the outstanding matters detailed below:**



- Receipt of HESA data collection report
- Receipt of outstanding bank confirmation letters
- Completion of our VAT audit review
- Obtaining and reviewing the final management letter of representation
- Updating our post balance sheet events review to the date of signing the opinion

## Status

- Potential to result in material adjustment or significant change in disclosures
- Not considered likely to result in material adjustment or change in disclosures

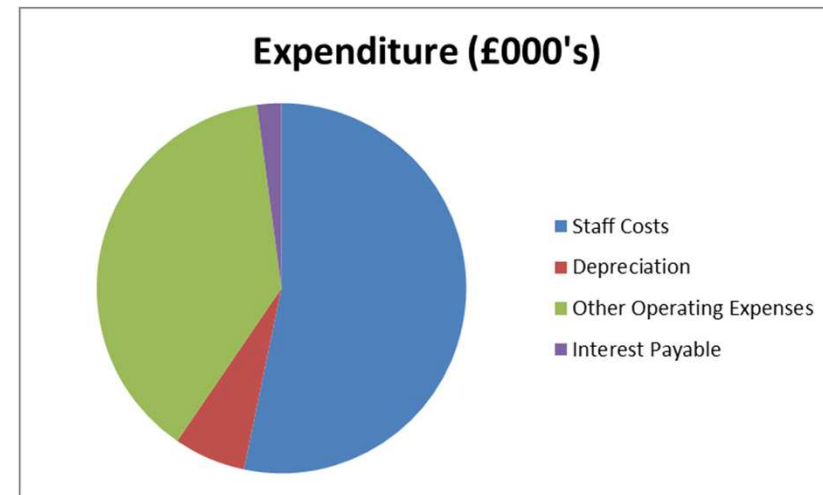
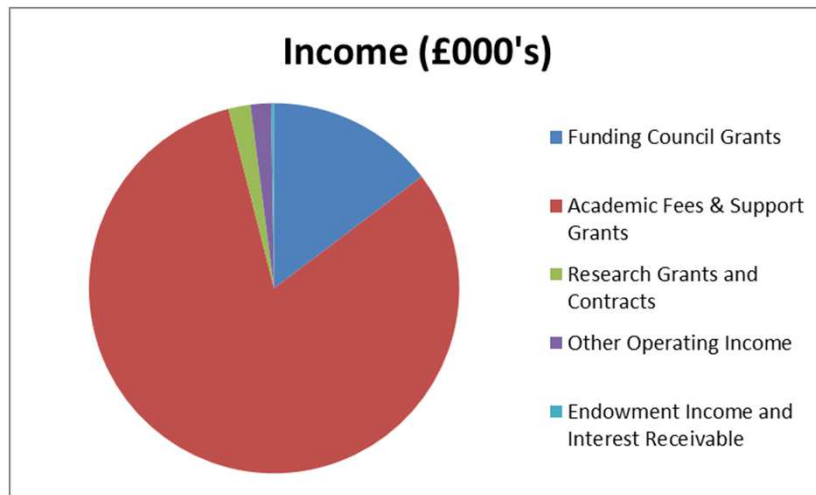
# Audit opinion

**Our anticipated audit report will be unmodified for the following entities:**

- London South Bank University
- South Bank University Enterprises Limited

## 2. Context to our Audit

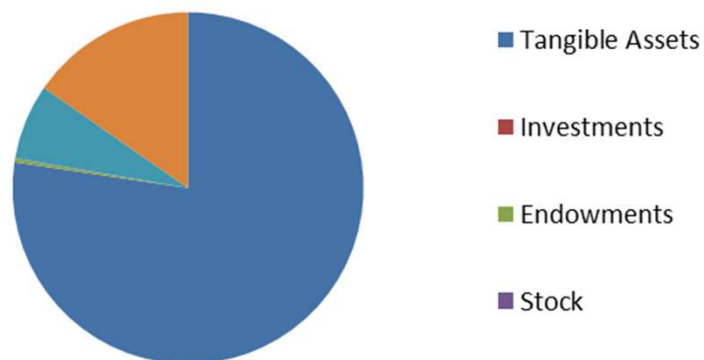
- Actual outturn for the year to 31 July 2015 of £1.2m surplus is ahead of the £1.0m budgeted surplus as submitted to HEFCE.
- There has been a reduction in Funding Council grants from £25,825k in 2014 to £17,960k in 2015. This reduction is mainly driven by the continued impact of the new fee regime for both undergraduate and post graduate students. This has been offset by a significant increase across the University's academic fees.
- Research grants and contracts income and health education contracts income have remained relatively consistent year on year.
- Student numbers have fallen overall in both Home/EU and Overseas categories. The Home/EU student numbers went from 11,914 in 2014 to 10,981 in 2015, a decrease of 7.8%. Overseas students increased from 1,366 to 1,593 in 2015, up 16.6%.
- The bulk of expenditure has continued to be staff costs which have increased from £71.7m in 2014 to £74.2m in 2015. This increase has been driven by further redundancy costs in the year. Other operating costs have also increased from £47.8m in 2014 to £53.5m in 2015. This resulted from additional agency staff costs alongside spend on the EDISON project.



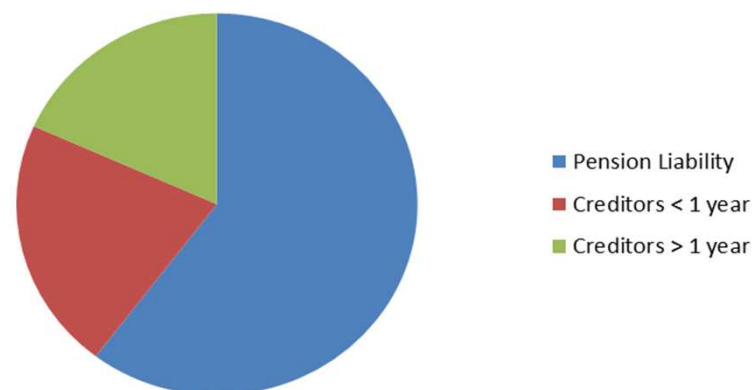
## 2. Context to our Audit (continued)

- Net assets at 31 July 2015 are £90.5m (2014: £101.9m). The decrease of £11.4m is primarily as a result of a £12.2m increase in the pension liability. Net current assets are £31.2m, slightly up from the prior year comparative of £29.3m.
- Bank deposits have remained stable, with a year end balance of £15.6m (2014: £15.5m).
- The largest asset on the balance sheet continues to be the tangible assets, with no significant changes from the prior year.
- The pension liability has increased to £88.8m from £76.5m in 2014. This is primarily as a result of actuarial losses of £11.0m which is due the changes in the assumptions underlying the present value of the scheme liabilities, in particular a reduction in the discount rate used from 4.2% to 3.8%. These assumptions have been reviewed by the Grant Thornton actuarial team and have been found to be in line with our expectations.

### Assets (£000's)



### Liabilities (£000's)



### 3. Overview of audit findings

Account	Material misstatement risk?	Description of risk	Changes to Audit Plan?	Significant audit findings?
Revenue	Significant	ISA 240 presumed risk that income cycle includes fraudulent transactions / recorded tuition fee revenues not valid	No	None
Payroll	Reasonably Possible	Theft perpetrated through payment to fictitious employees	No	None
Depreciation	Remote	-	No	None
Operating Expenses	Reasonably Possible	Creditors understated or not recorded in correct period	No	None

Account	Material misstatement risk?	Description of risk	Changes to Audit Plan?	Significant audit findings?
Tangible Fixed Assets	Remote	-	No	None
Investments (non-current)	Remote	-	No	None
Endowments	Remote	-	No	None
Stock	Remote	-	No	None
Debtors	Reasonably Possible	Recorded debtors not valid / allowance for doubtful debts not adequate	No	None
Cash and short term deposits	Remote	-	No	None
Creditors and provisions	Reasonably Possible	Creditors understated or not recorded in correct period	No	None
Borrowings	Remote	-	No	None
Pensions	Reasonably Possible	Pension scheme assets and liabilities may be mistated	No	None
Reserves	Remote	-	No	None

#### Changes to Audit Plan

- We have not had to alter or change our Audit Plan as previously communicated to you on 4 June 2015.

## 4. Audit findings – Significant risks identified in our audit plan

	Risks identified in our audit plan	Audit findings and conclusions
1.	<p><b>Improper revenue recognition</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue</li> </ul>	<p>In addition to the testing detailed in the individual revenue streams below, we have:</p> <ul style="list-style-type: none"> <li>reviewed and tested revenue recognition policies for all revenue streams</li> <li>tested material revenue streams to ensure income recognised appropriately</li> </ul> <p>Please refer to point 3 for further details of our testing in this area.</p> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in respect of revenue recognition. The University has adopted appropriate accounting policies regarding revenue recognition and our testing supports compliance with the policies.</p>
2.	<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</li> </ul>	<p>To ensure that we have gained reasonable assurance that management over-ride of controls has not resulted in a material misstatement or fraudulent activities within the financial statements, we have performed the following work in this area:</p> <ul style="list-style-type: none"> <li>reviewed the accounting estimates, judgements and decisions made by management</li> <li>reviewed the controls in place over the accounting system and other key IT software applications</li> <li>tested a sample of journal entries selected through the use of data interrogation software (IDEA) and focused on the higher risk journal postings, including reviewing any significant unusual transactions</li> <li>identified the related parties of the University and reviewed the procedures in place to ensure that any related party transactions are approved, captured and correctly presented within the financial statements</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>



## 4. Audit findings – Other risks identified in our audit plan

	Risks identified in our audit plan	Audit findings and conclusions
3.	<p><b>Tuition and fee revenues</b></p> <ul style="list-style-type: none"> <li>• Recorded tuition and fee revenues not valid</li> <li>• Allowance for doubtful debts not adequate</li> <li>• Recorded debtors not valid</li> </ul>	<p>We have undertaken the following work in relation to these risks:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• reconciled student data between the student database and the accounting system</li> <li>• performed substantive analytical review of tuition fees income, using student numbers and fees as set by the University to develop an expectation of fees income for comparison to recorded income</li> <li>• performed detailed testing on a sample basis in the period and agreed these back to student enrolment forms, SLC remittances, bank statements for self payers and sponsored students, and agreed back to the QLS database records</li> <li>• reviewed the treatment of income from the NHS and agreed this back to the contracts and cash received. NHS income appears reasonably stated with the clawback confirmed by the NHS subsequent to year end</li> <li>• reconciled HEFCE income to remittance advices, bank statements and correspondence with HEFCE</li> <li>• verified a sample of other income transactions to confirm the existence and amount of the income and to ensure that it relates to the correct period</li> <li>• reviewed the recoverability of debtors in respect of tuition fees, student accommodation fees and other sales ledger debtors and considered the adequacy of bad debt provisions</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>

## 4. Audit findings – Other risks identified in our audit plan (continued)

	Risks identified in our audit plan	Audit findings and conclusions
4.	<p><b>Employee remuneration</b></p> <ul style="list-style-type: none"> <li>• Theft perpetrated though payments to fictitious employees</li> </ul> <p><b>Pensions liability</b></p>	<p>We have undertaken the following work in relation to the employee remuneration risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• reviewed the reconciliation of the payroll subsidiary system to the general ledger</li> <li>• completed a trend analysis over monthly payroll payments</li> <li>• analytically reviewed payroll expenses in comparison to prior years and budgets and investigated any significant or unexpected variances</li> <li>• undertaken testing on a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment</li> <li>• performed data interrogation tests (using IDEA software) to identify exceptions such as duplicate employee names, NI numbers and have fully investigated the results</li> <li>• reviewed all relevant disclosures relating to staff costs within the financial statements.</li> </ul> <p>We have undertaken the following work in relation to the pension liability:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the pensions balance</li> <li>• reviewed the actuarial assumptions to ensure that they are reasonable</li> <li>• reviewed the detailed disclosures included within the financial statement to ensure full compliance with the requirements of FRS17.</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>

## 4. Audit findings – Other risks identified in our audit plan (continued)

	Risks identified in our audit plan	Audit findings and conclusions
5.	<p><b>Creditors and operating expenses</b></p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period.</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>performed unrecorded liabilities testing</li> <li>reviewed all significant balance sheet items and compared to prior year and expectations, investigating any significant differences</li> <li>reviewed and tested a sample of items included within the year end creditors balance</li> <li>undertaken testing on a sample of expenditure invoices throughout the year to gain assurance that expenditure has occurred and has been correctly classified</li> <li>reviewed and tested a sample of items included within the year end creditors balance</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>

## 4. Audit findings – subsidiaries

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

	<b>Subsidiary</b>	<b>Commentary</b>
1.	<b>South Bank University Enterprises Limited</b>	We have not identified any significant issues as a result of our audit procedures performed in relation to South Bank University Enterprises Limited.

## 4. Audit findings – Other communication requirements

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures. We have also discussed fraud with the internal audit team.
2.	<b>Matters in relation to related parties</b>	We are not aware of any related party transactions which have not been disclosed.
3.	<b>Matters in relation to laws and regulations</b>	We are not aware of any significant incidences of non-compliance with relevant laws and regulations and we have noted no significant issues as a result of our regularity review.
4.	<b>Written representations</b>	As in previous years we will include a representation on data assurance in addition to our standard representations: "We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements."
5.	<b>Disclosures</b>	We are yet to carry out a detailed technical review of the financial statements and our work in this area is pending. These will be communicated to the finance team and their resolution will be discussed and reviewed in the final set of financial statements.
6.	<b>Going Concern</b>	We are currently finalising our review of going concern. However from our discussions and understanding of the University, we do not anticipate any issues to be identified that would cause concern about the going concern status in the 12 months following the signing of the audit report.

## 5. Internal controls



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

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



### Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement



## 5. Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2.		<p><b>Bank account controls</b></p> <p>It came to our attention through the receipt of a bank confirmation from Barclays that there was an account that was not included in the accounts and for which bank reconciliations were not carried out.</p> <p>The bank letter confirmed this was a zero balance at year end and there has been no activity since the year end. However the last statement received was dated November 2014.</p>	<p>We recommend all bank accounts that are not used are closed. In addition all bank accounts should be reconciled on a monthly basis to ensure no fraudulent activity has taken place. The University should also ensure that all bank accounts are added to the Agresso system.</p> <p><b>Management response</b></p> <p>The account in question was a Euro account held at Barclays which has not been used for a number of years. We will write to Barclays and ask them to close the account.</p> <p>Responsibility: Natalie Ferer Date: 20 November 2015</p>
3.		<p><b>Fixed asset register</b></p> <p>A disposal was made of the Student Union building and the fixtures and fittings of Eileen House in 2013/14, but this was not picked up as part of the 2013/14 accounts process and remained on the fixed asset register. The asset has now been removed.</p> <p>The assets were fully depreciated and were sold for nil consideration, so there is no impact to the financial statements. As such, this has been included within the financial statements as a current year transaction.</p>	<p>We recommend the controls around disposals are tightened to ensure future disposals are removed from the fixed asset register on a timely basis.</p> <p><b>Management response</b></p> <p>We will put in place an annual process to verify that fixed assets recorded on the fixed assets register are in existence and have not been disposed of.</p> <p>Responsibility: Natalie Ferer Date: 31 July 2016</p>



### Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

## 5. Internal controls (continued)



	Assessment	Issue and risk	Recommendations
4.		<p><b>Fixed asset retentions</b></p> <p>We identified that the University had not accrued for retentions against assets completed in the period. As the asset is complete, it should be recognised in full. We have proposed an adjustment to reflect this.</p>	<p>We recommend that the University accrues for any retentions in future periods.</p> <p><b>Management response</b></p> <p>The retentions relate to a number of completed projects. In the future we will accrue retentions annually as part of the cost of the fixed asset.</p> <p>Responsibility: Natalie Ferer Date: 31 July 2016</p>
<b>South Bank University Enterprises Limited:</b>			
5.		<p><b>Journals</b></p> <p>Testing has identified that the manual journal type of G1 journals for South Bank University Enterprise Limited do not have a formal review process in place. This is not considered to be a significant deficiency as oversight of all posted journals is provided by the University.</p>	<p>We recommend a review process is put in place, similar to the current process with the G6 journals for the London South Bank University.</p> <p><b>Management response</b></p> <p>Agreed. In the future SBUEL journals will be subject to the same review process as those posted in the University's accounts.</p> <p>Responsibility: Natalie Ferer Date: 30 November 2015</p>

### Assessment




-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement



## 5. Internal controls – Actions taken on issues raised in previous years


	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.		<p><b>Payroll controls</b></p> <p>In the prior year, our work on duplicates testing identified one employee record which appeared in Oracle, the HR system, twice. On the basis of the work performed, we conclude that no instances of duplicate payments were made to this employee in the financial year ended 31 July 2014.</p> <p>We understand from HR that this was caused due to an Oracle application disk issue whereby a 'ghost' record had been created within the Oracle data tables at some point in the past. This meant HR were unable to do any further updating of this record but it has subsequently been removed from the Oracle system.</p> <p><b>Management response</b></p> <p>Recommendations addressed by management.</p>	<ul style="list-style-type: none"> <li>No issues noted from the testing performed in the current year.</li> </ul>
2.		<p><b>IT control findings</b></p> <p>In the previous year we raised a number of IT recommendations. These recommendations predominately relate to access controls and the security policies in place around these. They have been discussed in detail with management and highlighted to the Audit Committee. These discussions have confirmed that management intends to have all issues resolved and reported to the Audit Committee by February 2016 Audit Committee meeting and we will follow this up as part of our 2015/16 audit process.</p>	<ul style="list-style-type: none"> <li>Review of the IT control recommendations has identified that they all remain outstanding. Where the recommendation relates to the IAM project, the expected completion date has moved from March 2015 to November 2015.</li> </ul> <p><b>Management comment:</b></p> <p>However, progress has been made in many areas, notably we have developed and updated several policies to increase our level of information security (audit finding 2). Manual controls are in place to reduce the risk of legacy systems (audit finding 1). Where we have been unable to enact technical controls (audit findings 4 and 6), we have robust policies to mitigate the control area. While we are heavily reliant on the IAMs project closure to address these areas, mitigating controls have been enacted in the interim and progress has been made since the previous audit.</p>

### Assessment

-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved

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## 5. Internal controls – Actions taken on issues raised in previous years (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3.		<p><b>Journals authorisation</b></p> <p>In the previous year, we noted there are practical reasons why two authorisation systems are currently in operation: the J5 system being used for large multi-line journals and the G6 system for short corrections and adjustments.</p> <p>As a result of this, we had also noted that manual G6 journals posted by the Financial accountant were not reviewed or approved by the financial controller until the end of month process.</p> <p>Our previous recommendations in this area were as follows:</p> <ul style="list-style-type: none"> <li>• all journals posted should have a description of what the posting relates to. This would aid the reviewer and approver as part of the authorisation and monitoring control over journal postings</li> <li>• all supporting documentation in relation to a journal is uploaded onto Agresso by the team.</li> </ul> <p><b>Management response</b></p> <p>All G6 journals should include an appropriate description and a monthly check will take place to ensure that this procedure is followed by finance staff preparing these types of journal.</p>	<ul style="list-style-type: none"> <li>• Following our work in this area in the current year, we are pleased to report a significant improvement in the area of supporting documentation and descriptions for journals.</li> <li>• However, we continue to recommend that management ensure that all journals posted have a description, as we found a small number of journals with no description, for only G6 journals this year.</li> </ul> <p><b>Management comment:</b></p> <p>During the course of the audit, three journals were found not to have a description entered onto Agresso. Going forward, the monthly journal review process will include a check that all journals have appropriate descriptions.</p> <p>Responsibility: Natalie Ferer Date: 30 November 2015</p>

### Assessment

- Significant improvement still required
- Improvements noted but room for improvements remains
- Control issue resolved

## 5. Internal controls – Actions taken on issues raised in previous years (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4.		<p><b>Suspense account</b></p> <p>In the prior year, we recommended that the suspense account is cleared on a timely basis and allocated to the appropriate areas.</p> <p>We carried out further testing in respect of the use of the suspense account as part of review of journals posted to the account in the year. We have no issues to report from our testing in this area.</p> <p><b>Management response</b></p> <p>The suspense account is normally cleared to zero as part of the month end process but this balance was not corrected at the year end. The suspense account will continue to be reviewed monthly to prevent this error re occurring.</p>	<ul style="list-style-type: none"> <li>• During our review this year, we noted that the balance on the suspense account at the year end has reduced significantly from £309,000 in the previous year to £10,000 in the current year.</li> <li>• Whilst the balance is not considered to be significant to the financial statements, due to the nature of this account, we continue to recommended that all suspense accounts are cleared on a timely basis and allocated to the appropriate areas.</li> </ul> <p><b>Management comment:</b></p> <p>The £10,000 balance is made up of 18 smaller transactions, mostly where we have received income directly into our bank account but we are not able to identify where the receipt should be posted. In these circumstances, transactions should be posted to a sundry creditors account rather than leaving in suspense.</p> <p>Responsibility: Natalie Ferer Date: 30 November 2015</p>

### Assessment

- Significant improvement still required
- Improvements noted but room for improvements remains
- Control issue resolved

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## 6. Adjusted misstatements

### London South Bank University:

There were no adjusted misstatements for London South Bank University.

### South Bank University Enterprises Limited:

The adjusted misstatement is shown below. There was no impact on the reported surplus for the period.

Detail		Profit and loss account £'000	Balance Sheet £'000	Impact on surplus £'000
1	Trade debtors Trade creditors <i>Being the reclassification of credit balances from the debtors listing</i>	-	DR 86 CR 86	
<b>Overall impact</b>		-	-	-

## 6. Unadjusted misstatements

### London South Bank University:

The unadjusted misstatement is shown below. There would be no impact on the reported surplus for the period.

Detail		Profit and loss account £'000	Balance Sheet £'000	Impact on surplus £000
1	Tangible fixed assets Accruals <i>Being the accrual for retentions against assets completed in the period.</i>	-	DR 384 CR 384	
<b>Overall impact</b>		-	-	-

### South Bank University Enterprises Limited:

There were no unadjusted misstatements for SBUEL.

## 7. Non-audit fees and independence

	Fees	Threat Y/N	Safeguard
Statutory audit	£41,795	No	
<b>Non-audit services</b>			
Tax compliance services	£2,575	Yes	Use of separate teams
iXBRL tagging	£850	No	Use of separate teams
<b>Total non-audit services</b>	£3,425		

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

### Independence and ethics:

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

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

## 8. Pension

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

Mortality (based on future life expectancies at the age of 65)	2015	Benchmark* (years)
Current pensioners	21.9	22.6
Future pensioners	25.1	24.5
* Median has been obtained from information provided by our actuarial experts		

### Mortality / life expectancy

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

### The Base Table

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

### Projected Improvements

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

The table opposite shows that the illustrative life expectancies under the Actuary's assumptions are in each case below the median assumptions, but they are considered to be within reasonable thresholds and have been discussed and agreed with the University.

## 8. Pension (continued)

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

Actuarial assumptions	2015	2014
Pension increases	2.6%	2.7%
Salary increases	4.4%	4.5%
Discount rate	3.8%	4.2%
CPI increases	2.6%	2.7%

### Pension increases

Increases in payment – 2.60% p.a (CPI)

Increases in deferment – 2.60% p.a (CPI)

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

### Salary increases

The rate assumed for salary increases is 4.40% pa, which represents a 0.90% pa real salary increase above the RPI inflation rate assumption adopted. In the past the usual range was between 0.5% and 1.5% pa above RPI inflation. However, due to changing economic conditions, the typical margin we have observed over recent periods has reduced to, in some cases, a zero margin.

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

### Discount rate

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

The yield on the iBoxx AA-rated Corporate Bond Index (for terms of over 15 years) (the "iBoxx index") as at 31 July 2015 was 3.48% pa. The Actuary has adopted a discount rate of 3.80% pa as at 31 July 2015.

Due to the current upward-sloping curve of the yield curve, we would expect to see discount rates above the iBoxx index for schemes whose liabilities have a longer duration than iBoxx. The current duration of the iBoxx index is 13 years. The Actuary has estimated the duration of the scheme's liability to be 19 years. We are therefore comfortable with the adjustment to the iBoxx index and the discount rate assumption is acceptable.

### CPI increase

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

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



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

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

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

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

### **Distribution of this Audit Findings report**

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

### **Respective responsibilities**

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

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

# Appendix A - Financial Reporting and Sector Update

## Accounting developments for 2015-16

There are no changes to the accounting guidance impacting on the University's 2014-15 accounts.

The new accounting requirements, included in Financial Reporting Standard 102 (FRS102) apply to the financial statements of the University for first time in 2015/16. We continue to liaise with the University's finance team on the likely impact of the new SoRP on the University's accounts.

HEFCE has issued its Accounts Direction to apply to the University's 2015-16 accounts. The only change from the current year is a requirement to disclose in the Statement of Internal Control the existence of any material adverse event or serious untoward incident that is required to be reported to HEFCE under the Memorandum of Assurance and Accountability. This would include any incident relating to the "Prevent" duty or to terrorism.

## Higher Education in England 2015-Key facts (July 2015)

HEFCE have published their latest annual report on the latest shifts and trends in higher education identifying key issues in the sector. The main highlights this year are:

- the number of full time undergraduate entrants increased in 2014-15, but growth may be slowing
- however, the overall undergraduate student population will continue to grow in 2015-16 as a result of the "dropping out" of the smaller 2012-13 year's cohort
- the decline in undergraduate entrants to part time courses has continued
- the decline in the 18 year old demographic in the UK and EU will present a challenge to student numbers over the next five years
- numbers of postgraduate student entrants has increased again this year but at a lower rate than in the previous year
- there is a continuing reliance of international students on post graduate masters programmes, with as many Chinese as UK students on these programmes. International students make up over a half of students on post graduate STEM courses. This dependence on overseas students on these programmes creates a greater risk of volatility of demand
- disparities between HE participation in advantaged and disadvantaged areas remains large
- interest in studying STEM subjects continues to grow whilst the decline in modern language courses appears to have stabilised for now
- the financial health of the sector is stable but the forecast is a declining trajectory which is not sustainable and there remains a considerable risk of exposure to volatility in the overseas student market

## Appendix A - Financial Reporting and Sector Update (continued)

### Thrive or Survive- The financial Health of the Higher Education sector in the UK 2015-Grant Thornton

Grant Thornton has published its latest annual review of the financial health of the Higher Education sector, based on an analysis of University accounts for 2013-14. The report highlights that many Universities will continue to thrive whilst others will find the changing operating environment much more of a challenge. Overall, 2014-15 was another good year for the sector with increases in income, surpluses and cash balances. The report highlights a number of risks impacting on Universities impacting more on some than others. The removal of the Student Numbers Cap will mean even greater competition for students and the need for Universities to explain their proposition (ie Brand) has never been more essential. There continues to be a high dependence on the overseas student market which is increasingly seen to be volatile and so Universities need mitigation strategies if demand were to reduce.

There is much debate about what levels of surplus Universities need to generate to be financially sustainable. Universities have been encouraged to determine what cash they need to generate over the next five years to meet their investment needs and to consider how they might achieve the amounts required. The report highlights that some Universities will have to increase their surpluses if they are going to meet their future investment needs, including improving and maintaining their estate. The report has concluded that most Universities will have to generate cash in the region of 7-12% of income to be sustainable. BUDFG is developing a financial indicator based on revenue cash generated to help assess the comparative performance of Universities.

### HEFCE Teaching Grant Funding

HEFCE has notified Universities of proposed reductions in teaching grant for 2014-15 and 2015-16, arising out of the Chancellor's budget announcement in June. Savings of some £150m are required to be made and whilst part of these will be achieved whilst protecting core teaching grant funding, an average funding reduction of some 2.4% will be made to Universities' recurrent grant funding in 2014-15. The precise reduction for individual Universities will be notified in October and will need to be reflected in the University's 2014-15 accounts. HEFCE also remind Universities that they need to budget prudently in 2015-16 as there are possible further reductions to teaching grant funding to be announced by the Government.

# Appendix A - Financial Reporting and Sector Update (continued)

## The Committee of University Chairs (CUC) – Higher Education Code of Governance

The Committee of University Chairs (CUC) has published in December 2014 an updated version of the Higher Education Code of Governance ('Code'). A full copy of the Code can be downloaded from this link: <http://www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf>

The Code applies on a “comply or explain” basis – meaning that if governing bodies do not follow parts of the code, they must explain why. This new Code is effect from 1 January 2015 and therefore Higher Education Institutions (HEIs) are not expected to be in a position where they are fully to comply with the new code for 2014/15 year ends.

The new Code incorporates revised parts of the previous version and also includes new governance principles. A summary of some of the key changes have been outlined below.

- There is a new governance principle which focuses on “public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance” in the context of determining the remuneration of the Vice-Chancellor.
- The Code highlights that "the governing bodies must ensure that its decision-making processes are free of any undue pressures from external interest groups, including donors, alumni, corporate sponsors and political interest groups."
- The Code states that governing bodies “could consider” the “formalisation” of a deputy chair’s role. This role could “act as an intermediary with other members, and potentially can be helpful if there are significant differences of view within a governing body or with the executive." This role can provide a sounding board for the Chair. The Code also states that "as a Deputy Chair may assume the responsibilities of the Chair, the expectation is they would be similarly independent of the institution."
- The need for transparency remains high on the agenda and the Code suggests that governing bodies should manage their affairs in an “open and transparent manner” as well as publishing minutes and agendas of meetings.



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	CONFIDENTIAL
	PAPER NO: BG.71(15)
Paper title:	Letter of representation to auditors
Board/Committee	Board of Governors
Date of meeting:	26 November 2015
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To review the letter of representation. Decision
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory Financial Reporting
Recommendation:	

Matter previously considered by:	Audit Committee	On: 5 November 2015
Further approval required?		

### **Executive Summary**

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

### **Recommendation**

It is recommended that the Board of Governors approve the attached letter of representation for signature by the Chair of the Board of Governors.

### **Attachments:**

- Letter of representation
- Letter of representation showing comparison with the 2014 letter.





**\*\*Prepare on LSBU letterhead\*\***

Our Ref: LSBU(1415)/DB/NT

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London

NW1 2EP

**\*\*Date to be entered\*\***

Dear Sirs

## London South Bank University Financial Statements for the year ended 31 July 2015

This representation letter is provided in connection with the audit of the financial statements of London South Bank University and its subsidiary undertaking as shown in Appendix I to this letter for the year ended 31 July 2015 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

We confirm that, to the best of our knowledge and belief, the following representations are made on the basis of appropriate enquiries of other members of the Board with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your engagement letter dated 14 September 2015.

### Financial Statements

- i As set out in the Statement of Responsibilities of the Board of Governors on page 16, we acknowledge our responsibilities for preparing financial statements that give a true and fair view in accordance UK GAAP, the Statement of Recommended Practice - Accounting for Further and Higher Education ('SORP') and applicable law, and for making accurate representations to you.
- ii In addition, within the terms and conditions of the Memorandum of assurance and accountability agreed between the Higher Education Funding Council for England and the Board of the University, the Board of the University, through its designated officer holder, we have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.
- iii We are responsible for ensuring that funds from the Higher Education Funding Council for England, the National College for Teaching and Leadership, and the Skills Funding Agency are used only for the purposes for which they have been given and in accordance with the Memorandum of assurance and accountability with the Higher Education Funding Council for England and any other conditions which the Funding Council may from time to time prescribe.
- iv The University has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- v We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.
- vi Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vii On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with FRS 17 Retirement Benefits.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK GAAP, the SORP, and HEFCE's Accounts Direction.
- ix All events subsequent to the date of the University financial statements and for which UK GAAP and the SORP and any subsequent amendments or variations to this statement require adjustment or disclosure have been adjusted or disclosed.
- x Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK GAAP.
- xi We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are immaterial to the results of the University and its financial position at the year-end. The University financial statements are free of material misstatements, including omissions.

#### **Information Provided**

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

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

Yours faithfully

On behalf of the Board of Governors of London South Bank University

Appendix I  
List of subsidiary undertakings

**South Bank University Enterprises Limited**

## Appendix II

### List of unadjusted misstatements

#### London South Bank University:

The unadjusted misstatement is shown below. There would be no impact on the reported surplus for the period.

Detail	Profit and loss account £'000	Balance Sheet £'000	Impact on surplus £'000
1 Tangible fixed assets Accruals <i>Being the accrual for retentions against assets completed in the period.</i>	-	DR 384 CR 384	
<b>Overall impact</b>	-	-	-



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

Our Ref: ~~L05822015/LSBU(1415)/DB/ATNT~~

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

~~20<sup>th</sup> November 2014~~

**{\*\*Date to be entered\*\*}**

Dear Sirs

London South Bank University

Financial Statements for the year ended 31 July ~~2014~~2015

This representation letter is provided in connection with the audit of the financial statements of London South Bank University and its subsidiary undertaking(~~s~~) as shown in Appendix I to this letter for the year ended 31 July ~~2014~~2015 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with ~~the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (UK GAAP).~~

We confirm ~~that~~, to the best of our knowledge and belief ~~that~~, the following representations are made on the basis of appropriate enquiries of other members of the Board with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your engagement letter dated ~~16 July 2014, 14 September 2015.~~

#### Financial Statements

- i As set out in the Statement of Responsibilities of the Board of Governors on page ~~22~~16, we acknowledge our responsibilities, ~~in accordance with the University's Memorandum and Articles of Association,~~ for preparing financial statements ~~that give a true and fair view~~ in accordance ~~with the University's Memorandum and Articles of Association and UK GAAP,~~ the Statement of Recommended Practice - Accounting for Further and Higher Education (~~SORP~~) and applicable law, and for making accurate representations to you.
- ii In addition, within the terms and conditions of the ~~Financial~~ Memorandum ~~of assurance and accountability~~ agreed between the Higher Education Funding Council for England and the Board of ~~Governors of~~ the University, the Board of ~~Governors~~the University, through its designated officer holder, ~~is required to prepare~~we have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.
- iii We are responsible for ensuring that funds from the Higher Education Funding Council for England, the ~~National College for Teaching Agency for Schools and Leadership~~, and the Skills Funding Agency ~~are used only for the purposes for which they have been~~

given and in accordance with the Financial Memorandum of assurance and accountability with the Higher Education Funding Council for England and any other conditions which the Funding Council may from time to time prescribe.

- iv The University has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- v We acknowledge our responsibility for the design ~~and~~, implementation and maintenance of internal control to prevent and detect fraud or error ~~and fraud~~.
- vi Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vii On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with FRS 17 Retirement Benefits.

~~viii~~ viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Statement of Recommended Practice – Accounting for Further and Higher Education (‘SORP’), issued by the Charity Commission for England and Wales and any subsequent amendments or variations to this statement UK GAAP, the SORP, and HEFCE’s Accounts Direction.

~~ix~~ xix All events subsequent to the date of the University financial statements and for which UK GAAP and the SORP and any subsequent amendments or variations to this statement require adjustment or disclosure have been adjusted or disclosed.

~~x~~ xx Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice GAAP.

~~xi~~ xxi We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, included within the Audit Findings document attached to this letter, as they are immaterial to the results of the University and its financial position at the year-end. The University financial statements are free of material misstatements, including omissions.

~~xii~~ xxii ~~We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements.~~

### Information Provided

- i We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the University financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.



- ii We have disclosed to you the results of our assessment of the risk that the University financial statements may be materially misstated as a result of fraud or error.
- iii All transactions have been recorded in the accounting records and are reflected in the University's financial statements.
- iv We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware, at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements.

- ~~v~~vi We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the University's financial statements.
- ~~v~~vii We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, analysts, regulators or others.
- ~~v~~viii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing University's financial statements.
- ~~v~~ix We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.
- ~~x~~ We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- ~~x~~xi We confirm that we have reviewed all correspondence with regulators, which has also been made available to you, including, in England and Wales, the serious incident report guidelines issued by the Charity Commission (updated in 2010)-2014). We also confirm that no serious incident reports have been submitted to HEFCE, as the Charity Commission principal regulator, nor any events considered for submission, during the year or in the period to the signing of the balance sheet.

Yours faithfully

On behalf of the Board of Governors of London South Bank University



Appendix I  
List of subsidiary undertakings

**South Bank University Enterprises Limited**

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## Appendix II

### List of unadjusted misstatements

Lundun South Bank niversity:

The unadjusted misstatement is shown below. There would be no impact on the reported surplus for the period

	Impact on surplus £000
Tangible fixed assets	DR 384
Accruals	CR 384
<i>Bdng the acct for "mtirmi agamii twrfs rompleted in theXriod.</i>	
Overall impact	



	CONFIDENTIAL
	PAPER NO: BG.72(15)
Paper title:	Report and Accounts for the year to 31 <sup>st</sup> July 2015
Board/Committee	Board of Governors
Date of meeting:	26 November 2015
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To approve the report and accounts for the year ending 31 <sup>st</sup> July 2015
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting
Recommendation:	It is recommended that the Board review and approve the attached report and accounts.

Matter previously considered by:	Finance, Planning and Resources	On: 27 <sup>th</sup> October 2015
	Audit Committee	On: 5 <sup>th</sup> November 2015
Further approval required?	n/a	n/a

### **Executive summary**

The audit for the year ended 31 July 2015 is now complete. The draft report & accounts are enclosed for approval by the Board. The changes made since consideration by Audit Committee are shown in appendix A.

The Board is requested to:

- Approve these accounts
- Issue the letter of representation from LSBU to Grant Thornton

- Sign accounts as follows:
  - Strategic report signed by the Chair and the Vice Chancellor (p15)
  - Responsibilities of the Board signed by the Chair (p16)
  - Corporate Governance Statement signed by the Chair and the Vice Chancellor (p23)
  - Financial statements signed by the Chair and the Vice Chancellor (p27)

Following signing of the accounts the Independent Auditors Report will be signed by David Barnes as the Senior Statutory Auditor.

### **Changes to Accounts Since consideration by Audit Committee**

Minor amendments to the accounts since audit committee are shown in the track changes version attached.

### **Key Issues**

Grant Thornton presented the results of their audit in their Audit Findings document which was considered by Audit Committee on 5<sup>th</sup> November

### **Recommendation**

The Board of Governors is requested to approve the accounts and for the Chair and Vice Chancellor to sign the accounts.



**Company Registration No. 986761**

**London South Bank**  
University

**Report and Financial Statements**

**31 July 2015**

# **London South Bank University**

## **Report and financial statements 2015**

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## Strategic Report

### Legal and Administrative Details

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 17-23 and the members of the Board of Governors during the year ended 31 July 2015 are listed on page 3. The Governors are also directors under the Companies Act 2006.

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

### **Solicitors**

Shakespeare Martineau LLP  
1 Colmore Square  
Birmingham B4 6AA

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

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

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

Michelmores LLP  
48 Chancery Lane,  
London WC2A 1JF

### **Auditor**

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

### **Bankers**

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

### Structure, Governance and Management

#### **Principal Officers:**

#### Name Position

Professor David Phoenix

Professor Patrick Bailey (appointed 1 September 2014)

Mrs Mandy Eddolls

Mr Richard Flatman

Professor Paul Ivey (appointed 1 November 2014)

Mr Ian Mehrtens

Mr James Stevenson

#### Name Position

Vice Chancellor

Deputy Vice Chancellor

Executive Director of Organisational Development and HR

Chief Financial Officer

Pro Vice Chancellor (Research and External Engagement)

Chief Operating Officer

Secretary and Clerk to the Board of Governors

## Strategic Report

Professor Shân Wareing (appointed 18 May 2015) Pro Vice Chancellor (Education and Student Experience)

A separate Corporate Governance Statement is shown on pages 17-23.

The following were Governors throughout the year ended 31 July 2015 except as noted:

### Board of Governors

Name	Dates
Mr David Longbottom (Chair)	resigned 31 July 2015
Mr Jeremy Cope	appointed 01 September 2014
Professor David Phoenix (Vice Chancellor and Chief Executive)	
Ms Ilham Abdishakur	resigned 30 June 2015
Mr Steve Balmont	
Mrs Shachi Blakemore	appointed 1 April 2015
Mr Douglas Denham St Pinnock	
Mr Ken Dytor	resigned 31 March 2015
Professor Neil Gorman	
Mrs Carol Hui	appointed 1 April 2015
Professor Hilary McCallion CBE	
Mr Kevin McGrath	appointed 1 April 2015
Ms Anne Montgomery	resigned 31 March 2015
The Revd Canon Sarah Mullally DBE	resigned 31 March 2015
Dr Mee Ling Ng	
Ms Louisa Nyandey	resigned 16 October 2014
Mr Abdi Osman	appointed 1 July 2015
Mr Andrew Owen	
Ms Diana Parker	resigned 31 March 2015
Professor Shushma Patel	resigned 31 July 2015
Mr James Smith CBE	
Professor Jon Warwick	resigned 31 July 2015

### Changes in Governors since 31 July 2015:

[Mr Jeremy Cope \(appointed Chair 01 August 2015\)](#)

Anthony Roberts (appointed 21 October 2015)

Ms Jenny Owen (appointed 21 October 2015)

~~[Mr Jeremy Cope \(appointed Chair 01 August 2015\)](#)~~

Ms Andrea Smith (appointed 21 October 2015)

### Objectives and Activities

#### **Our mission:**

## Strategic Report

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

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

### Key outcomes 2015-2020

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

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

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

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

Examples of recent activity include:

- 960 employers send 4,000 of their staff to be educated by LSBU each year
- Over 150 British SMEs and major companies have formed commercial research partnerships
- The Clarence Centre for Enterprise and Innovation is now home to 50 student-led businesses and social enterprises: companies in our business incubation suite generate an annual turnover of over £37m.

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

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

### Key outcomes 2015-2020

We are committed to:-

- Ensuring we work with local partners to provide opportunities for students with the potential to succeed and through active engagement retain them;
- Developing the multicultural community of students and staff, working through international alliances and partnerships to further build our capacity and capabilities in education, research and enterprise;
- Ensuring students develop skills and aspiration to enter employment or further study and so become sought after by employers, or have the skills and confidence to start their own businesses, or develop a portfolio career;

## Strategic Report

- Ensuring that students are seen as participants in their learning and that the student voice is encouraged and listened to;
- Strengthening our national position and our profile as a leading university for professionally focused education underpinned by highly applied research;
- Delivering outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research with the real world through commercial activities and via social enterprise;
- Creating an environment which attracts and fosters the very best staff, and within which all staff, whatever their role, feel valued and proud of their university and take appropriate responsibility for its development; and
- Strategically investing in the creation of first class facilities and ensuring that they are underpinned by services which are responsive to academic needs and outcome focused.

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

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

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

In 2014, the University embarked on the implementation of a suite of IBM hardware and software solutions – the Edison Project – which will both reduce risks around systems delivery and security, and enable a step-change in the ways in which we monitor and respond to student engagement, and communicate digitally with students. The project has three distinct strands of activity: the transference of core systems onto IBM ‘Softlayer’ data centres; the implementation of new identity and access management systems; and the delivery of new systems for monitoring student engagement and enhancing digital communication with students. The last of these strands includes the use of analytical tools to identify and pro-actively respond to student engagement, the delivery of a new Student Portal (which will provide access to all our core systems in one location) and the enhancement of our Virtual Learning Environment to include social collaboration tools and instant messaging to students.

## Achievements and Performance

### Strategy and Performance:

The University’s financial strategy is expressed through its rolling five year financial forecasts. The strategy is focused on future sustainability and is designed to maintain financial resilience and flexibility at all times. These rolling five year forecasts are updated each year following Semester 1 recruitment and include surplus and liquidity forecasts and a five year investment profile as well as income and cost projections. This analysis ensures that the University delivers not only an acceptable level of surplus but stays within acceptable gearing levels and has the funds for an appropriate capital investment programme.

The strategy sets out a range of financial key performance indicators and these were reviewed in 2014 as part of the corporate strategy 2015-2020. The headline financial targets remain unchanged and show that by 2020 we will have:

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

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

## **Strategic Report**

- Meeting our home/EU recruitment targets;
- Delivering agreed growth targets for postgraduate, overseas students and enterprise income;
- Improving progression and retention rates. Our future forecasts assume that undergraduate fees are capped at £9,000, without inflation, and that significant financial impact can be delivered through small improvements in progression and retention rates;
- Maintaining current levels of NHS contract income through high quality delivery;
- Managing staff costs, including agency costs, so they are within our maximum agreed percentage of income; and
- Further efficiency savings wherever possible.

The key targets have been accompanied by a renewed focus on part time UG recruitment which has been an historic strength of this University and an emphasis on international recruitment where the University has underperformed compared to its peers.

We entered 2014/15 in a strong financial position having made real progress streamlining activity and delivering efficiency wherever possible. The previous few years had seen record surpluses although 2013/14 was more challenging given ongoing financial uncertainty, pressure on student numbers and continued reductions in government funding. As expected, recruitment in 2013/14 proved challenging and LSBU fell marginally short of initial recruitment targets. Financial performance was managed through effective cost control and the surplus of £3.1m was higher than the original agreed budget surplus of £2.5m.

The 2014/15 budget was for a surplus of £1m. This reduced level of surplus was planned and takes account of increased investment in a number of areas including close to £3m net revenue spend on the Edison project and £0.75m in relation to the cost of running the new programme change office which was established to drive University wide projects in support of the key outcomes in the new corporate strategy. Depreciation also increased, reflecting IBM investment cost and the recent investment in both the new Student Centre and the Clarence Centre. Delivery against agreed income targets and careful cost control has enabled delivery of a financial surplus of £1.2m which was better than the target surplus of £1m. Furthermore, this is after absorbing in year cuts to grant funding of £0.4m and staff restructure costs of £3.6m compared with an original budget of £1.5m. The latter, whilst having a significant downward impact on the reported financial result for 2014/15, will assist enhanced performance in subsequent years.

The 5 year forecasts demonstrate that the University will continue to deliver a level of £1m surplus over the next two years after accounting for the significant level of increased investment spend in our digital and physical infrastructure which is designed to improve student experience and progression. The resultant outcome that the increased spend will deliver will be increased surpluses (reaching 5% by 2020) linked to increased levels of graduation and international recruitment and enterprise income.

### **Investment in the physical estate**

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

The Estate Development Strategy is currently being prepared and includes both plans to build new facilities and for the refurbishment of existing buildings. Sustainable construction principles will be used as standard and innovative solutions to improve the energy efficiency of existing buildings in order to meet the University's carbon reduction commitment by 2020 are being developed. It is proposed to dispose of old buildings of corresponding dimensions to those of the new builds in order that there is no significant increase in the size of the overall footprint of the campus.

Sustainability is a major consideration in all procurement processes and we ensure that, where appropriate, environmental criteria are used in both the award of contracts and the purchase of equipment and supplies. The new standards for the ISO 50001 and ISO14001 were published in September 2015 and an application for re-accreditation of the energy and environmental management systems at the University will be made mid-year 2016.

During 2014/15, £10.1m has been invested in the estate, of which £7.3m has been through capital investment and the remaining £2.8m has come from revenue budgets. Capital project highlights such as the new Media Centre in London Road, refurbishment of Caxton House for the Confucius Institute, refurbishment of the Refectory kitchen and the installation of Wi Fi in all four Halls of residences has greatly contributed to improving Student Experience whilst also improving the condition and environment across the estate. Revenue spend has seen investment in upgrading security systems across the estate, fire risk assessment remedial actions addressed, redecoration and carpeting of below

**Strategic Report**

standard rooms in all four Hall of Residences and the generation of social spaces in three of the four residences. Other improvements to campus buildings has seen lighting replacement projects undertaken in Keyworth and Perry Library which will support the drive to reduce carbon emissions and Lift refurbishments that will improve safety as well as student/staff experience.

**Key Performance Indicators**

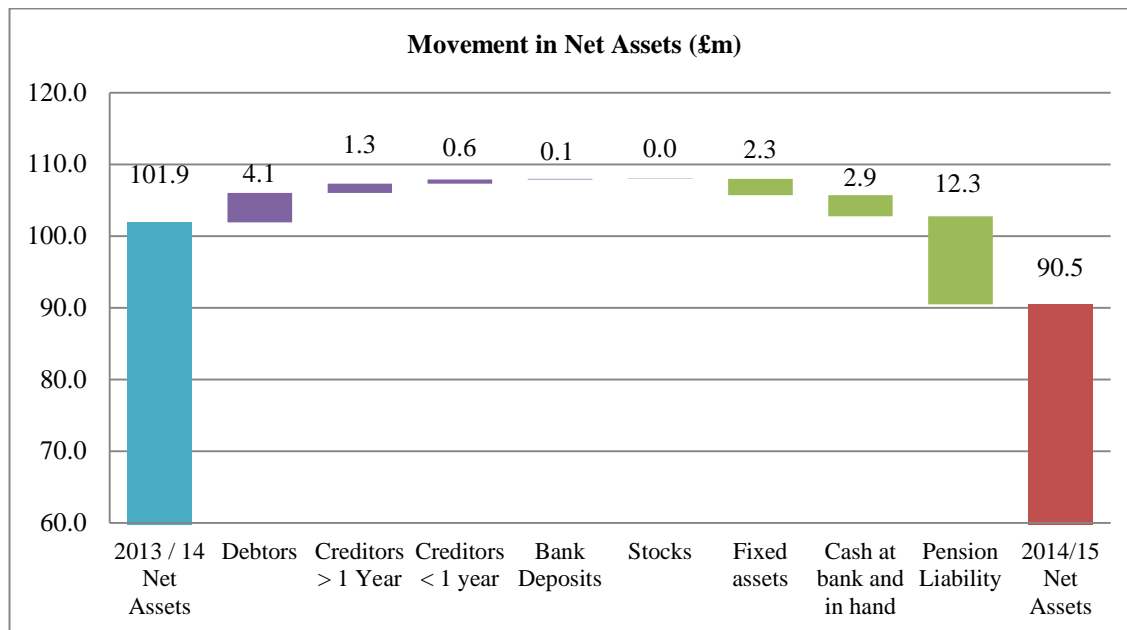
We review the institution’s performance continually using a number of KPIs in areas relevant to the sustainability of the institution. In these areas, we have set long term targets against which the Board of Governors and its committees and our Executive team monitor performance. We are satisfied that our strategies will help us move towards achieving these targets. Detailed financial results for the year and financial trend analysis is shown in the Financial Review section of this report.

Against the University KPIs significant progress was made in a number of areas. The University’s National Student Survey overall satisfaction relating to First Degrees increased from 79% in 2013/14 to 82% in 2014/15 with students showing satisfaction with areas such as professional development that were in the top 50% of the country. A key indicator has been graduate employment with students in graduate level jobs increasing from 49% in the DLHE survey conducted in 2013/14 to 68% in the 2014/15 survey and with those in employment or further study within six months of graduation now at 91%. In addition we have maintained our position as a leading university for graduate starting salaries with the average starting salary placing us in the top 15 universities nationally. Furthermore LSBU now has 37% of students attending university through sponsorship which is the highest proportion for any UK university and which shows the value employer put on the education provided. As a result of improvements in these and other KPIs, there was an overall increase in League Table performance, gaining places in each of the domestic league tables (Guardian, Times & Sunday Times and Complete University Guide) and with the University showing some of the greatest point score increases across the UK.

**Financial Review**

**Balance sheet and liquidity**

The Group’s net assets decreased by 11.2% during the year moving from £101.9m to £90.5m. The principle reason for the reduction is an increase of £12.3m in the LPFA pension liability. Debtors have increased by £4.1m as a result of changes to the billing schedule for the NHS and this, together with movements in creditor balances, is reflected in reduced cash balances.



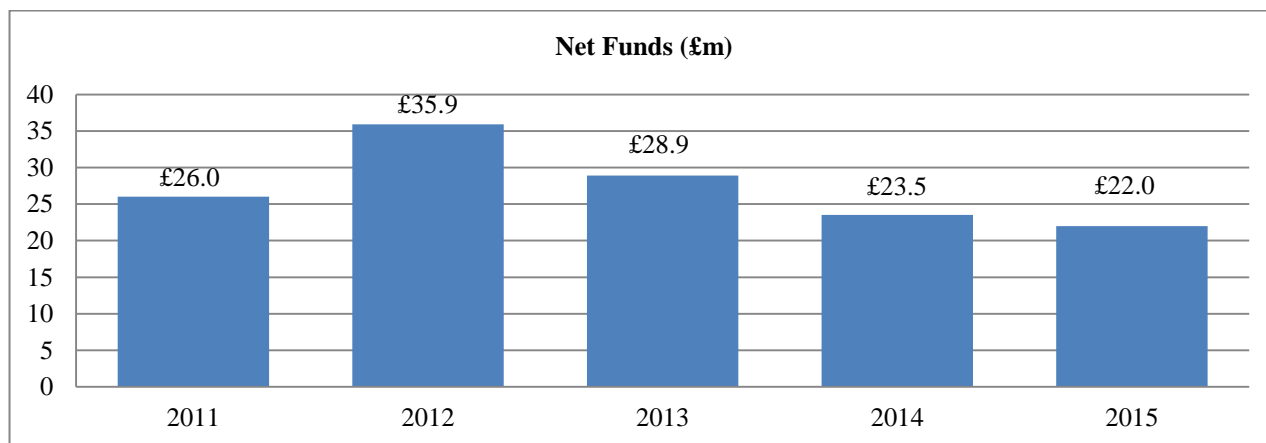


**Strategic Report**

The University always plans to have sufficient liquid assets to meet its liabilities as they fall due and this reduction in net assets will not compromise the group’s ability to do so. In terms of the increase in debtors, the NHS settled £3.9m of invoices during August and September 2015.

Days liquidity has fallen from 157 days at 31 July 2014 to 143 days at 31 July 2015. This change is primarily due to a fall in cash balances and bank deposits from £53.0m at 31 July 2014 to £50.2m at 31 July 2015, which reflects the changes in working capital and the levels of capital expenditure through 2014/15. Borrowings have reduced from £29.6m at 31 July 2014 to £28.2m at 31 July 2015 reflecting loan repayments made during the year. No new loans were taken out during the year.

The University has net funds as summarised below:



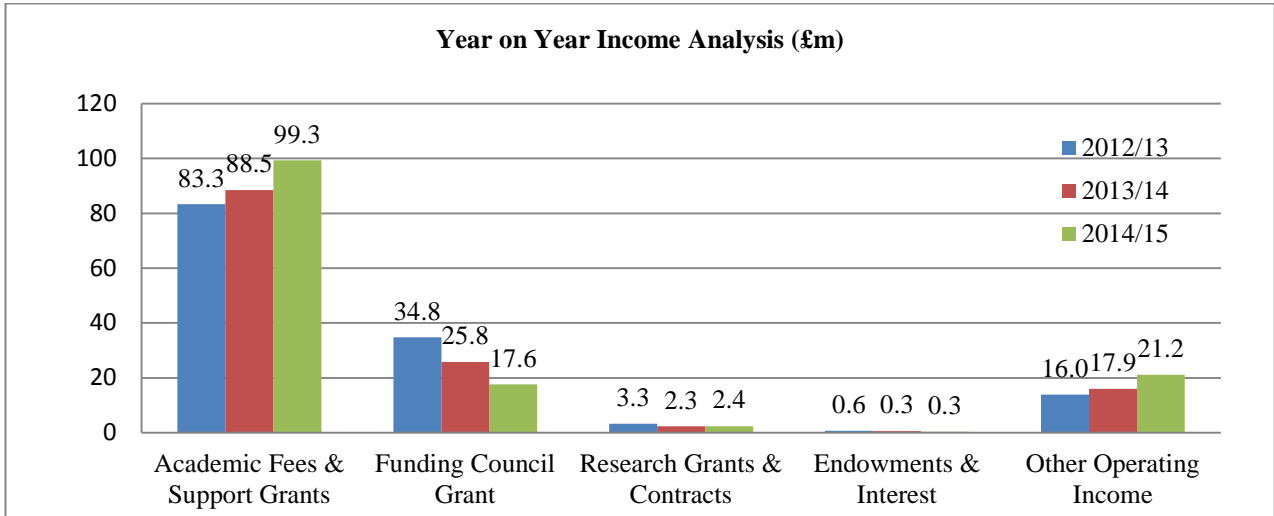
The levels of borrowing are reviewed on a regular basis and are considered adequate to meet current plans.

**Result for the Year**

Financial Summary in £m				Variance from 2013 / 14 £m	
	2014/15	2013/14	2012/13		
Income	140.8	134.8	137.9	6.0	4.5%
Expenditure	139.6	131.7	132.4	7.9	6.0%
Surplus for the year	1.2	3.1	5.5	-1.9	-61.3%
Surplus %	0.86%	2.30%	4.00%		

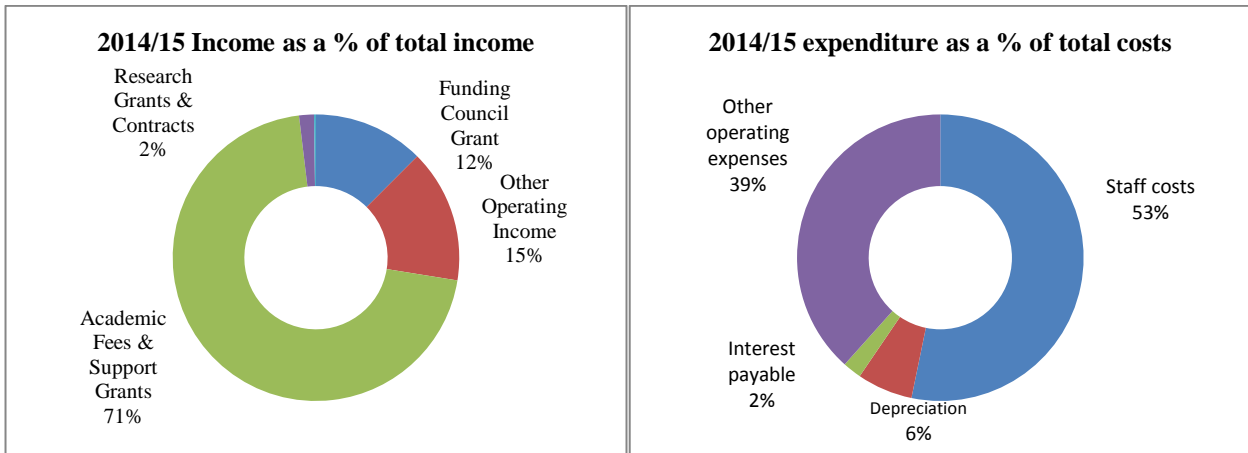
The operating surplus of £1.2m is ahead of the agreed budget and the forecast surplus of £1.0m submitted to HEFCE in June 2015. In the context of the recruitment challenges across the sector in 2014/15, the reduction in BIS Funding which has had a corresponding impact on in year HEFCE Funding, and the continued level of investment and restructure costs incurred, this is a considered a strong result.

**Strategic Report**

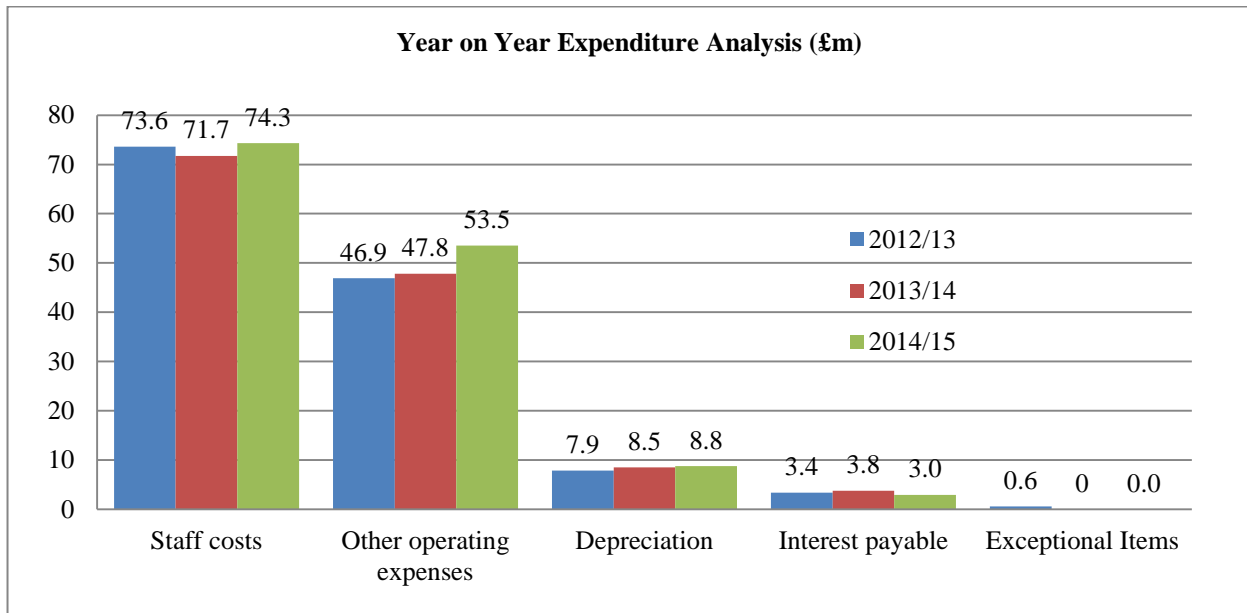


Total income increased by 4.5% (£6.0m) to £140.8m (2013/14: £134.8m). There was a reduction in Funding Grant due to the continued impact of the new fee regime for both undergraduate (UG) and post graduate (PG) students. This fall, however, was offset by an increase in Home / EU UG fees and a significant increase in Overseas fees. The other factors affecting income were a decline in Home/ EU PG fees and an increase in Other Operating Income which reflected the growth in Enterprise activity.

Academic fees (including NHS contract income) and Funding Council grants remain the main sources of income for the university representing 71% and 12% respectively (2013/14 = 67% and 19%). The key driver for the increase in fee income and corresponding decline in grant income is the introduction of the new fee regime for Undergraduate students.



**Strategic Report**

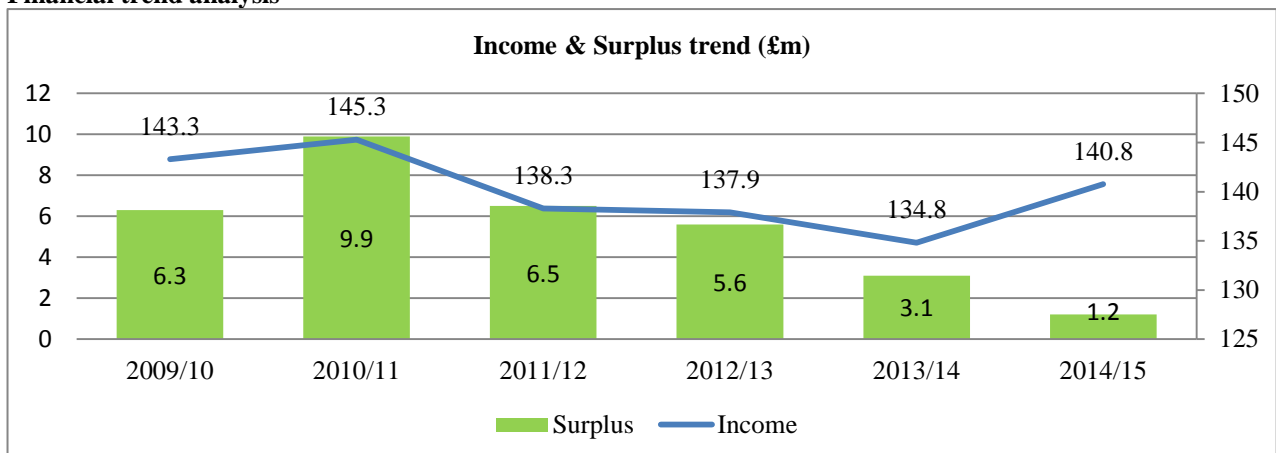


Staff costs increased by 3.6% from £71.7m in 2013/14 to £74.3m in 2014/15 representing 53.0% of income (2013/14: 53.2%). After including agency staff costs, which are included in the accounts as operating expenditure, total staff costs represent 57.7% of income. This is ahead of our target of 55% but does include in year restructure costs of £3.6m (2.6%) and one off costs associated with the EDISON digital learning environment programme of 2.6m (1.8%). Staff costs remain an area of continued focus for the university in 2015/16.

Other operating expenses increased by 11.9% from £47.8m in 2013/14 to £53.5m. This increase was driven by one off costs of £5.2m, including agency staff, computing software and computing software consultancy spent on the EDISON project, increased expenditure to overseas agents which reflects the increase in overseas tuition fee income and increased expenditure on security and cleaning due to the implementation of the London living wage. This was offset by a year on year reduction in expenditure on the maintenance of the campus including our halls of residences, a reduction in the expenditure on utilities and a reduction in staff recruitment costs.

Capital expenditure during the year include £7.3m capitalised as part of the overall £10.1m investment in the estate along with some additional investment in computers and other equipment. Major investments included the new Media Centre in London Road, refurbishment of Caxton House for the Confucius Institute, refurbishment of the Refectory kitchen and the installation of Wi Fi in all four Halls of residences

**Financial trend analysis**



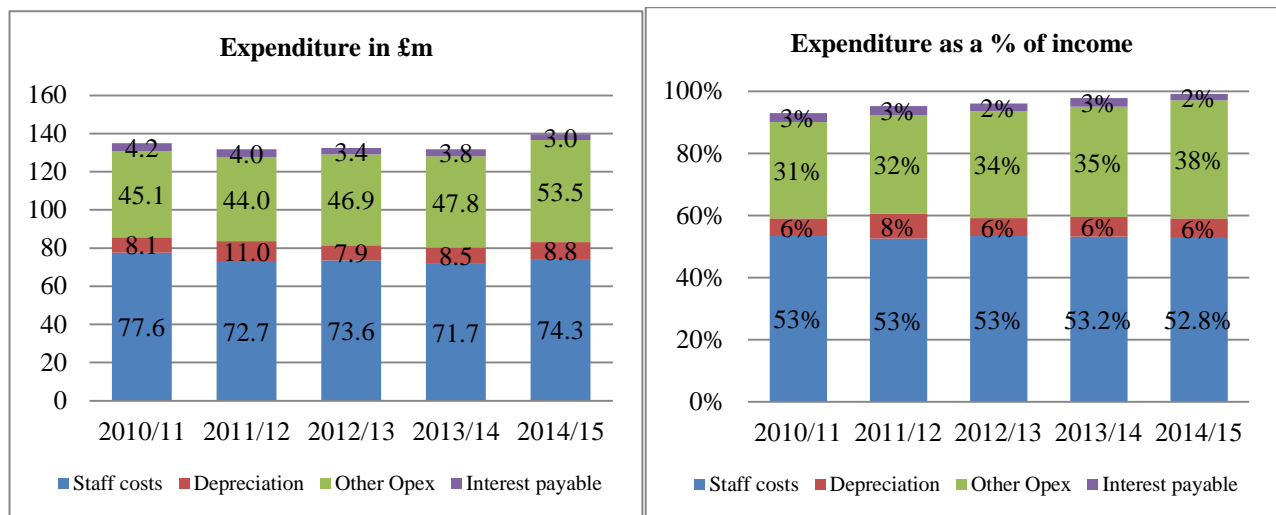
## Strategic Report

Between 2007/08 and 2010/11 income had grown steadily as a result of the introduction of higher tuition fees for full-time Home & European Union students from 2006 and growth in student numbers. The number of new students enrolling in the University then declined as a result of the introduction of £9,000 undergraduate tuition fees. The University has now begun to grow in terms of new home/EU students and has seen significant growth in the recruitment of Overseas students.

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

The large increase in 2010/11 income can be explained by one-off additional recruitment. These discontinued in 2011/12 and income was further reduced in both 2012/13 and 2013/14 by continued cuts to the HEFCE funding grant and by a reduction in the level of income generated from overseas students. There was also an additional change with regard to Teacher Training Agency (TTA) funding in 2013/14 which further depressed income.

The surplus in 2013/14 and 2014/15 has declined due to the one off costs associated with the EDISON programme and the costs associated with the establishment of both the new school structure and academic and professional career paths and related redundancy costs. The University remains focused on both income growth and cost management.



### Staff costs

Staff costs (including restructuring costs but excluding agency staff) have decreased from £77.6m in 2010/11 to £74.3m in 2014/15. As a percentage of income, staff costs (excluding agency staff) have been broadly flat over the last 5 years.

### Operating expenditure

Operating expenditure increased from 2008/09 as a result of the introduction of student bursaries alongside higher tuition fees. This began to reverse in 2012/13 and continued to fall in 2013/14 due to the replacement of bursaries with fee waivers which are accounted for by reducing income rather than being charged to expenditure. The increase in operating expenditure from 31% of income in 2009/10 to 38% in 2014/15 reflects the decline in income as well as additional expenditure particularly with regard to ICT and the significant investments in the EDISON programme and the maintenance of our estate.

### Interest

Interest payable decreased from £4.2m in 2010/11 to £3.0m in 2014/15 reflecting a reduction in borrowings outstanding and a requirement for a reduced FRS 17 interest charge compared to previous years.

### Depreciation

Depreciation has broadly increased over the 5-year period as a result of investments in the University's estate including the K2 building which came into use in November 2009, the Student Centre which came into use in 2012/13

## Strategic Report

and the Clarence Centre for Enterprise which came into use in 2013/14. The increase is expected to continue since the University has proposed further investments in the estate, additional investments in IT infrastructure and systems and has further plans to improve teaching spaces.

### *Cashflows*

The University generated a net cash outflow from operating activities of £6.1m in the year broadly comparable to the 2013/14 position of £6.0m. After accounting for the cost of the Capital Investment programme and repayment of loans the net cash position was reduced by £2.9m. Net funds reduced by £1.5m to £22.0m at 31 July 2015.

### **Pension liability**

The pension liability with the London Pension Scheme Authority (LPFA) has increased from £76.5m to £88.8m, mainly as a result of actuarial losses. The FRS 17 charge to the I&E account for the year is £2.6m (interest £1.6m and staff costs £1.0m) and an £11.0m loss is recognised in the statement of total recognised gains and losses (STRGL).

### **Creditor payment policy**

It is the University's policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later. Average creditor days during the year were 26 (2014: 25).

### **Accounting policies**

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 28-32. The University's Governing Body has reviewed the Group's accounting policies and considers them to be the most appropriate to the group's operations.

### **Subsidiaries**

South Bank University Enterprises Limited ("SBUEL") provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL has donated £0.352m in gift aid to the University this year (2014: £nil).

SBUEL is fully consolidated into the Group accounts.

### **Principal risks and uncertainties**

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

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

<b>Risk &amp; Impact</b>	<b>Mitigation Strategy</b>
Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in the competitive landscape, leading to loss of funding and greater challenge in recruitment and partnership development.	<ul style="list-style-type: none"> <li>- Strategic partner appointed to advise on sector changes communications strategies &amp; horizon scanning with a report to each Executive meeting</li> <li>- Reputational dashboard regularly reviewed by senior staff</li> <li>- Strategic approach to business intelligence through Corporate metrics dashboard,</li> </ul>

## Strategic Report

Revenue reduction if marketing and PR activity does not achieve Home/EU recruitment targets, or if strategies do not cause progression rates across undergraduate programs to rise in line with targets of Corporate Strategy.	<ul style="list-style-type: none"> <li>- Financial modelling and scenario analysis over 5 year period reviewed annually</li> <li>- Incorporation of Analytics Technology into course review and interventions processes</li> <li>- Differentiated marketing campaigns for FT, PT &amp; PG course offerings, and monthly reporting on applications cycle</li> </ul>
Income growth expected from greater research and enterprise, activity and international recruitment does not materialise, leading to weakened financial position, and challenge to current investment plans.	<ul style="list-style-type: none"> <li>- Routine R&amp;E pipeline reports to Operations Board</li> <li>- Annual review of SBUEL strategy by NEDs</li> <li>- 2 tier forecasting approach to in year activity</li> <li>- KPI review of activity</li> <li>- Regular reporting of Visa Refusal rates</li> </ul>
Loss of NHS contract relationships, leading to loss of income, staff and reputation.	<ul style="list-style-type: none"> <li>- Named customer manager roles with Trusts &amp; Clinical Commissioning Groups (CCGs)</li> <li>- Annual course quality review processes</li> <li>- Applicant support for Literacy &amp; Numeracy requirements</li> <li>- Development of BSc courses for general entry</li> </ul>
Staff pension scheme deficit increases, leading to increased pressure on maintaining a defined staff cost % and challenge to achieving planned surplus.	<ul style="list-style-type: none"> <li>- Participation in sector review activity</li> <li>- Strict control on early access</li> <li>- DC pension scheme for some staff</li> <li>- Annual FRS 17 valuation, utilising CPI inflator</li> </ul>
Management Information is not meaningful, unreliable, or does not triangulate for internal decision or external reporting, leading to poor decision making, or external penalty.	<ul style="list-style-type: none"> <li>- Data quality framework introduced</li> <li>- Systematic Internal Audit Reviews</li> <li>- Review of external returns by Business Intelligence unit</li> <li>- Cycle of training for staff on UKVI matters and process</li> </ul>

### **Going Concern**

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

2014/15 has been a year of significant change, re-structuring and investment for future success. This, coupled with in year funding cuts has resulted in significant costs which were not accounted for in the original budget. Through sound financial management, a financial surplus of £1.2m has been delivered which is ahead of the approved budget surplus for the year of £1m.

A budget surplus of £1m has been approved for 2015/16, reflecting continued investment to ensure delivery of 2020 corporate strategic and financial outcomes. The next few years will remain challenging in financial terms and the levels of surplus are expected to remain lower than the recent past whilst we are in the process of investing for growth, delivering new income streams and improving retention and progression. This is entirely consistent with the University's financial model and approved five year forecasts.

Whilst financial performance is expected to remain challenging, the University will continue to deliver annual surpluses and generate positive cash inflows from operating activities. This, together with the current strong cash position (the University has £50.2m cash and bank deposits at 31 July 2015), supports the University's ambitious investment plans.

## **Strategic Report**

### **Public Benefit statement**

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

The University has one “linked” exempt charity: the LSBU consolidated charitable fund for the welfare of students.

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

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

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

The charitable objects (under s.3 Charities Act 2011) of the University are to:

- conduct a university for the public benefit for the advancement of education, promotion of research and dissemination of knowledge;
- provide full time and part time courses of education at all levels; and
- provide facilities to promote these objects and provide associated support and welfare for students.

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

The University advances education for the public benefit by:

- providing teaching to its students in the form of lectures, seminars, personal tuition and online resources;
- delivering many courses accredited by recognised professional bodies, both full and part time; and
- setting and marking assessments and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

The University promotes research and the dissemination of knowledge by:

- undertaking academic research and publishing the results;
- publishing articles in peer-reviewed journals; and
- maintaining an academic library with access for students and academics.

The University provides associated support and welfare for students by:

- tutorial guidance, assessment and feedback;
- mentoring and coaching;
- providing student welfare and student accommodation;
- funding some individual students’ education through bursaries and fee waivers; and
- providing funds to London South Bank University Students’ Union.

### **Beneficiaries**

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

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

## **Strategic Report**

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

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. 90% of graduates were in employment or further education six months after graduating (DLHE survey results 2013-14). Over 5,000 LSBU students are sponsored to study by their employers.

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

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

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

During the year, the University has continued to roll out actions from its Equality, Diversity and Inclusion (EDI) Policy. We are committed to the promotion of equality, diversity and a supportive environment for all members of our community. In meeting the general duty, we strive to prevent and eliminate discrimination; promote fairness; and celebrate the diversity within our community. We aspire to be a truly inclusive organisation.

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

The University continues to meet the requirements of the "Two Ticks Positive about disability" Scheme, having demonstrated its commitment to the recruitment and retention of staff who are disabled on joining LSBU have or become disabled during the course of their employment.

We are also Stonewall Diversity Champions and, in 2015, have again made a submission to their annual Workplace Equality Index (WEI) that measures and externally benchmarks our progress and commitment towards lesbian, gay, bisexual and trans (LGBT) equality. In addition, we are also Athena SWAN members and have signed up to the 10 Athena SWAN principles committing us to gender equality in academia. Through Athena SWAN, we will also explore opportunities to incorporate race equality data.

Two of our established staff networks were prominent at our inaugural Staff Conference in May 2015: Equinet, our staff network for black and minority ethnic employees; and SONET, our staff network for LGBT staff and allies. Following feedback from the Staff Census in November 2014, a third staff network – dNET – has been created for disabled employees.

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



## Strategic Report

### Employment policy, diversity and training

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### Disclosure of information to auditors

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

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

### Auditor

~~A resolution to~~The Members will be asked to reappoint Grant Thornton UK LLP as auditor of the University ~~will be proposed by written resolution at the forthcoming Annual General Meeting.~~

### Directors’ report

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

### Approval

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

Mr Jeremy Cope  
Chair of the Board of Governors  
26<sup>th</sup> November 2015

Professor David Phoenix  
Vice Chancellor and Chief Executive  
26<sup>th</sup> November 2015

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

In accordance with the University's Articles of Association approved by the Privy Council, the Board of Governors is responsible for the effective stewardship of the University and Group and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the University and the Group and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Association, the HEFCE Accounts Direction, the Statement of Recommended Practice on Accounting for Further and Higher Education, other relevant accounting standards and comply with the Companies Act 2006. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between HEFCE and the Board of Governors of the University, the Board of Governors, through its Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows of the Group for that year.

In preparing the financial statements, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed; and
- Financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and the Group and prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University and Group's resources and expenditure.

Signed on behalf of the Board of Governors by:

## **Corporate Governance Statement**

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

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

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

In September 2011, the University received a positive outcome from HEFCE's five yearly assurance review, undertaken in July 2011, which examined how the University exercises accountability for the public funding it receives.

The University's Internal Auditor's annual opinion on risk management, control and governance is that it is adequate and effective.

### **Governance and Legal Structure**

London South Bank University is a company limited by guarantee and an exempt charity within the meaning of the Charities Act 2011. Its objects and powers are set out in its Articles of Association, which govern how the University is run.

The Articles provide the governance framework of the University and set out the key responsibilities of the Board of Governors and its powers to delegate to committees, the Vice Chancellor and the Academic Board.

### **Compliance with CUC Governance Code of Practice**

Adopting the HEFCE Accounts Direction 2014/15, the appropriate version of the CUC Governance Code of Practice is 2009. The Board has complied with all aspects of the 2009 CUC Code during the year under review, as demonstrated below.

#### *Role of the Board of Governors*

The University is headed by a Board of Governors which is collectively responsible for the strategic direction of the University, approval of major developments and creating an environment where the potential of all students is maximised.

All governors, when appointed, agree to abide by the standards of behaviour in public life. As the University is also a company, its governors comply with the directors' duties as set out in sections 170 – 177 of the Companies Act 2006 in addition to the duties of charity trustees when making decisions. Governors are unremunerated but may claim back reasonable expenses properly incurred in the discharge of their duties.

## **Corporate Governance Statement**

During the year, the Board met five times (seven in 2013/14, five ordinary business meetings and two for the appointment and remuneration of the Vice Chancellor). In addition, the Board held two strategy days (two in 2013/14) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chairman. In the year under review there was a 90% (2013/14: 87%) attendance rate at Board meetings.

The Board has agreed a Statement of Primary Responsibilities (on page 20), which is reviewed annually and published on the University's website.

The Board delegates day-to-day management of the University to the Vice Chancellor as Chief Executive Officer and Chief Academic Officer. The Vice Chancellor's delegated authority is set out in the Articles of Association. The Vice Chancellor is the designated officer in respect of the use of Funding Council funds.

As Chief Academic Officer, the Vice Chancellor is the Chairman of the Academic Board. The Academic Board is responsible for all academic affairs and subject to the overall responsibility of the Board of Governors for determining the educational character and mission of the institution.

Governors are reminded of their duty to exercise their responsibilities in the interests of the University as whole during their induction and throughout their term of office. The University maintains a register of interests of governors and the executive which is published on the University's website. New governors are required to complete a declaration on appointment and to inform the Secretary of any amendments to their entry. The register is reviewed annually by the Board who decide whether to authorise the declared interests. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests. In addition, governors are asked at the opening of each Board and committee meeting to declare whether they have any interests in any matters on the agenda.

The University Court enhances the University's engagement with its key stakeholders. Although not a decision making body, the University Court plays an important advisory role in the development of the University through its wide membership of prominent and distinguished individuals. The University Court meets annually in the spring and helps the University build relationships with members and identify areas for collaboration for the benefit of students. The Court's annual meeting took place in the Clarence Centre for Enterprise and Innovation on 19 March 2015.

The University's Chancellor, Richard Farleigh, acts as the principal figurehead of the University and represents the University's interests externally. His role includes hosting the annual Court event, presiding at degree ceremonies and establishing relationships with the University's stakeholders.

### *Structure and Processes*

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

In accordance with the Articles of Association the Board consisted of a majority of independent governors throughout the year and at all Board and committee meetings. All independent governors are external and independent of the University.

The appointment of independent governors to the Board is determined by the Nomination Committee and Appointments Committee, both chaired by the Chairman of the Board. A written description of the role and

## **Corporate Governance Statement**

capabilities required of governors has been agreed by the Nomination Committee. Candidates are judged against the capabilities required and the balance of skills and experience currently on the Board. The balance of skills and experience of independent governors is kept continually under review by the Nomination Committee.

Each new governor is given an appropriate induction and encouraged to attend relevant external training. New governors are appointed to at least one committee.

Independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties.

The Board of Governors is supported by the University Secretary and Clerk to the Board of Governors and his team. The Secretary provides advice on all matters of governance to the Chairman. The Secretary ensures that governors receive information in a timely manner and of sufficient quality to allow the Board to fulfil its duties.

The University publishes minutes of Board and its sub-committee meetings on its external website. Minutes are redacted when the wider interests of the University as a whole demands it and in the spirit of the Freedom of Information Act 2000.

### *Effectiveness and Performance Reviews*

During the year an independent governance effectiveness review was carried out. The scope of the review covered the Board of Governors and its sub-committee, the Academic Board, and the Executive. The overall conclusion of the review was that "LSBU has sound governance structures and that there is little risk of major governance failings". As a result of the review the Board has implemented a new committee structure.

### **Committees**

The Board operates through a number of committees which report to the Board at each of its meetings. All committees are formally constituted with appropriate terms of reference which are reviewed annually. Terms of reference and membership of each committee are available on the governance page of the University's website. All committees have a majority of independent governors, from whom its chair is drawn. The chairs of each committee are set out on page 21. The terms of reference of each committee complement the decision-making framework of the Matters Reserved to the Board, which the Board reviews annually.

Following the governance effectiveness review two new committees were established from May 2015:

- Finance, Planning and Resources;
- Major Projects and Investments.

The following committees were closed in May 2015:

- Policy and Resources Committee;
- Educational Character Committee;
- Human Resources Committee;
- Property Committee.

The following committees were in operation throughout the year:

- Audit Committee;
- Nomination Committee;
- Appointments Committee;
- Remuneration Committee.

## **Corporate Governance Statement**

### ***Board of Governors – Statement of Primary Responsibilities (approved by the Board at its meeting in May 2015)***

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

This Statement of Primary Responsibilities does not replace the provisions of the University's Articles of Association. If the two conflict, the Articles shall prevail.

## Corporate Governance Statement

### *Key individuals*

<b>Position</b>	<b>Name</b>	<b>Date</b>
Chair of the Board of Governors	Mr David Longbottom	until 31 July 2015
	Mr Jeremy Cope	from 1 August 2015
Joint Vice Chair of the Board of Governors	The Revd Canon Sarah Mullally DBE	until 31 March 2015
Joint Vice Chair of the Board of Governors	Mr Jeremy Cope	from 9 October 2014
Vice Chair	Mr Andrew Owen	From 1 August 2015
Head of Institution (Vice Chancellor and Chief Executive)	Professor David Phoenix	
Chair of Policy and Resources Committee	The Revd Canon Sarah Mullally DBE	until 16 December 2014
	Mr Jeremy Cope	from 16 December 2014
Chair of Audit Committee	Mr Andrew Owen	until 9 July 2015
	Mr Steve Balmont	from 9 July 2015
Chair of Educational Character Committee	Mr Douglas Denham St Pinnock	until 14 May 2015
Chair of Human Resources Committee	Ms Anne Montgomery	until 31 March 2015
Chair of Property Committee	Mr Ken Dytor	until 31 March 2015
Chair of Nominations Committee	Mr David Longbottom	until 31 July 2015
	Mr Jeremy Cope	from 1 August 2015
Chair of Appointments Committee	Mr David Longbottom	until 31 July 2015
	Mr Jeremy Cope	from 1 August 2015
Chair of Remuneration Committee	Ms Diana Parker	until 31 March 2015
	Ms Mee Ling Ng	from 9 July 2015
Chair of Major Projects and Investment Committee	Mr Douglas Denham St Pinnock	from 9 July 2015
Chair of Finance, Planning and Resources Committee	Mr Andrew Owen	from 9 July 2015
University Secretary and Clerk to the Board of Governors	Mr James Stevenson	

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

### **Statement on Internal Control**

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

## **Corporate Governance Statement**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2015 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in July 2011. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.



The Corporate Governance and Internal Control statements were approved by the Board of Governors on 26 November 2015 and were signed on its behalf by:

Mr Jeremy Cope  
*Chair of the Board of Governors*

Professor David Phoenix  
*Vice Chancellor and Chief Executive*

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

We have audited the financial statements of London South Bank University (the 'University') for the year ended 31 July 2015 which comprise the principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the note of consolidated historical cost surplus, the balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

As explained more fully in the Responsibilities of the Board of Governors Statement set out on page 167, the Governing Body (who are also the directors of the charitable company for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the University's affairs as at 31 July 2015 and of the group's surplus, its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated June 2014**

In our opinion, in all material respects:

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

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

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

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

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

**David Barnes**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
26 November 2015

# London South Bank University

## Consolidated Income and Expenditure Account Year ended 31 July 2015

		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
<b>Income</b>	Note		
Funding council grants	1	17,584	25,825
Academic fees and support grants	2	99,338	88,453
Research grants and contracts	3	2,358	2,255
Other operating income	4	21,182	17,890
Endowment income and interest receivable	5	311	331
		<hr/>	<hr/>
<b>Total income</b>		140,773	134,754
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	6	74,293	71,663
Depreciation	12	8,759	8,455
Other operating expenses	8	53,547	47,763
Interest payable	10	2,963	3,776
		<hr/>	<hr/>
<b>Total expenditure</b>		139,562	131,657
		<hr/>	<hr/>
<b>Surplus for the year</b>		1,211	3,097
		<hr/> <hr/>	<hr/> <hr/>

All activities consist of continuing operations.

## Consolidated Statement of total recognised gains and losses Year ended 31 July 2015

		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
	Note		
Surplus for the year	21	1,211	3,097
Actuarial losses relating to pension scheme	23	(11,030)	(12,500)
Change in market value of endowment asset investments	25	6	7
		<hr/>	<hr/>
Total recognised losses relating to the financial year		(9,813)	(9,396)
		<hr/> <hr/>	<hr/> <hr/>
Opening reserves and endowments		73,681	83,077
Total recognised losses for the year		(9,813)	(9,396)
		<hr/>	<hr/>
Closing reserves and endowments		63,868	73,681
		<hr/> <hr/>	<hr/> <hr/>

## Note of consolidated historical cost surplus Year ended 31 July 2015

		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
Reported surplus for the year	21	1,211	3,097
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	20	707	792
		<hr/>	<hr/>
Historical cost surplus for the year		1,918	3,889
		<hr/> <hr/>	<hr/> <hr/>

# London South Bank University

Company number 986761

## Balance sheets As at 31 July 2015

		Consolidated		University	
		2015	2014	2015	2014
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>	<b>Note</b>				
Tangible assets	12	174,219	176,532	174,219	176,532
Investments	13	38	38	38	38
		<u>174,257</u>	<u>176,570</u>	<u>174,257</u>	<u>176,570</u>
<b>Endowment fixed assets</b>					
Total Endowments	25	742	736	742	736
		<u>71</u>	<u>45</u>	<u>71</u>	<u>45</u>
Stocks					
Debtors	14	12,773	8,663	12,485	9,023
Bank deposits		15,620	15,540	15,620	15,540
Cash at bank and in hand		34,552	37,492	34,422	36,526
		<u>63,016</u>	<u>61,740</u>	<u>62,598</u>	<u>61,134</u>
<b>Creditors: amounts falling due within one year</b>	15	(31,830)	(32,408)	(31,910)	(31,890)
<b>Net current assets</b>		<u>31,186</u>	<u>29,332</u>	<u>30,688</u>	<u>29,244</u>
<b>Total assets less current liabilities</b>		<u>206,185</u>	<u>206,638</u>	<u>205,687</u>	<u>206,550</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(26,934)	(28,243)	(26,934)	(28,243)
<b>Pension liability</b>	18	(88,757)	(76,502)	(88,757)	(76,502)
<b>Net assets</b>		<u>90,494</u>	<u>101,893</u>	<u>89,996</u>	<u>101,805</u>
<b>Deferred capital grants</b>	19	26,626	28,212	26,626	28,212
<b>Endowments</b>					
Permanent	25	397	392	397	392
Expendable	25	345	344	345	344
		<u>742</u>	<u>736</u>	<u>742</u>	<u>736</u>
<b>Capital and reserves</b>					
Income & expenditure account excluding pension reserve	21	123,190	120,047	122,692	119,959
Pension reserve	21	(88,757)	(76,502)	(88,757)	(76,502)
		<u>34,433</u>	<u>43,545</u>	<u>33,935</u>	<u>43,457</u>
Income and expenditure account including pension reserve					
Revaluation reserves	20	28,693	29,400	28,693	29,400
<b>Total</b>		<u>90,494</u>	<u>101,893</u>	<u>89,996</u>	<u>101,805</u>

These financial statements were approved by the Board of Governors on 26 November 2015 and were signed and authorised on their behalf by:

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

# London South Bank University

## Consolidated Cash Flow Statement Year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	28	6,067	6,038
Returns on investments and servicing of finance	29	(1,062)	(1,103)
Capital expenditure and financial investment	30	(6,524)	(10,744)
		<hr/>	<hr/>
Net cash outflow before management of liquid resources and financing		(1,519)	(5,809)
Management of liquid resources	31	(80)	(10,334)
Financing	32	(1,341)	(1,115)
		<hr/>	<hr/>
Decrease in cash	33	(2,940)	(17,258)
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease in cash	33	(2,940)	(17,258)
Cash outflow from liquid resources	31	80	10,334
Net decrease in debt	34	1,349	1,470
		<hr/>	<hr/>
Change in net funds		(1,511)	(5,454)
Net funds at 1 August	33	23,507	28,961
		<hr/>	<hr/>
Net funds at 31 July	33	21,996	23,507
		<hr/> <hr/>	<hr/> <hr/>

## Principal Accounting Policies

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

### Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets, in accordance with the Companies Act 2006 and with the Statement of Recommended Practice (SORP) for Further and Higher Education 2007, and in accordance with applicable accounting standards and HEFCE's Accounts Direction. The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 13 of these accounts. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

### Consolidation of accounts

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertaking South Bank University Enterprises Limited (SBUEL). Following a change to the constitution of the London South Bank University Students' Union (LSBUSU) from August 2012, the University no longer exercises control over the LSBUSU and therefore took the decision to cease consolidating the accounts of LSBU SU within these financial statements. The University Sponsors an Academy, University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC Trust. Although the University has representation on the Board of Trustees and Governing Bodies of both schools, the Trustees and Governors act for the school and not the University. Furthermore, if either school were to fail, the University would not receive its assets or reserves. Therefore the Accounts of the Academy and the UTC are not consolidated into the University Accounts. Consolidation of subsidiaries is based on the equity method.

## Principal Accounting Policies

### Income recognition

Recurrent funding council block grants are accounted for in the period to which they relate.

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

Income from research grants, contracts and other services rendered is included when conditions attaching to its receipt have been met. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Income from the sale of goods and services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowments, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus. Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, debiting or crediting the endowment fund and is reported in the statement of total recognised gains and losses.

### Tangible fixed assets

Upon implementation of FRS 15 'Tangible Fixed Assets', the University opted to include assets in its books at historical cost/revalued amount at the date of introduction of the FRS. Properties are not carried under the valuation method and therefore regular revaluation of assets are not undertaken by the University.

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

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

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

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

Freehold buildings	2% per annum
Long leaseholds	Period of lease
Short leaseholds	Period of lease

## Principal Accounting Policies

Building improvements	6.7% per annum
IT equipment	25% per annum
Other equipment and motor vehicles	20% per annum
Furniture	6.7% per annum

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

### Investments

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

### Stocks

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

### Pension costs

The University contributes to the Teachers' Pensions Scheme (England and Wales), the London Pension Fund Authority Pension Fund (LPFAPF) and the Universities Superannuation Scheme (USS). These schemes are administered by Teachers' Pensions (on behalf of the Department for Education), the London Pension Fund Authority and USS Ltd respectively and are all of the defined benefit type. The costs in relation to these schemes are accounted for in accordance with FRS 17 (Retirement benefits).

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. Endowment and investment income includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

### Taxation status

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

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

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to



## Principal Accounting Policies

the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

### Agency arrangements

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

### Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term. Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the institution, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

### Maintenance

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

### Reserves

Designated reserves represent retained reserves generated by activities not funded by the HEFCE. Any surplus or deficit for the year is transferred from the income and expenditure reserve to designated reserves. Where fixed assets were revalued prior to the implementation of FRS 15, the gain or loss on revaluation was credited or debited to the capital reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve. The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 23).

### Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty. Liquid resources comprise of assets, which in normal practice are generally convertible to cash. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

### Financial Instruments

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

### Foreign currency translation

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

### Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is

## Principal Accounting Policies

discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

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

### **Charitable donations**

#### *Unrestricted donations*

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

#### *Endowment funds*

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution. These are shown as unrestricted permanent endowments in the balance sheet.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income. These are shown as restricted expendable endowments in the balance sheet if the donation is to be retained for more than two years, and as deferred income within creditors due within one year if the donation is to be fully expended within two years.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. These are shown as restricted permanent endowments in the balance sheet.

#### *Total return on investment for permanent endowments*

Total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen. The total return, less any part of the return which has previously been applied for the purposes of the institution, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

#### *Donations for fixed assets*

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

#### *Gifts in kind, including donated tangible fixed assets*

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

<b>1. Funding council grants</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
HEFCE recurrent grant	14,811	22,102
HEFCE Non recurrent grants	808	808
Specific grants		
Pension liabilities	334	244
Teaching Agency grant	45	689
Deferred capital grants released (note 19)	1,586	1,982
	<u>17,584</u>	<u>25,825</u>
	<u><u>17,584</u></u>	<u><u>25,825</u></u>
<b>2. Academic fees and support grants</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Full-time home and EU students	51,716	43,871
Full-time international students	10,258	8,067
Part-time students	9,747	8,606
Other courses	757	721
Strategic Health Authority education contracts	26,860	27,188
	<u>99,338</u>	<u>88,453</u>
	<u><u>99,338</u></u>	<u><u>88,453</u></u>
<b>3. Research grants and contracts</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Research councils	751	689
UK based charities	338	310
European Commission	196	295
Other grants and contracts	777	678
Knowledge Transfer Partnerships	296	283
	<u>2,358</u>	<u>2,255</u>
	<u><u>2,358</u></u>	<u><u>2,255</u></u>
<b>4. Other operating income</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Residence and catering income	10,418	9,626
Other income	10,764	8,264
	<u>21,182</u>	<u>17,890</u>
	<u><u>21,182</u></u>	<u><u>17,890</u></u>
<b>5. Endowment income and investment income</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Income from permanent endowments	11	12
Income from expendable endowments	13	14
Interest receivable	287	305
	<u>311</u>	<u>331</u>
	<u><u>311</u></u>	<u><u>331</u></u>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

<b>6. Staff - consolidated</b>	<b>2015</b>	<b>2014</b>
Average staff numbers by major category:	<b>No.</b>	<b>No.</b>
Academic staff	499	491
Part time teaching staff	281	276
Student support staff	122	124
Other support staff	467	479
	1,369	1,370
	1,369	1,370
	<b>2015</b>	<b>2014</b>
<b>Costs:</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	59,824	58,276
Social security costs	4,958	5,065
Employers' pension contributions	9,511	8,322
	74,293	71,663
	74,293	71,663

Staff costs for the year include costs arising from redundancies of £3.61m (2014: £1.3m).

## 7. Remuneration of Board of Governors and Higher-Paid employees

### A. Governors

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

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	383	378
Pension contributions	53	41
	436	419
	436	419

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2015 six trustees were paid total expenses of £6,253 (2014: five trustees were paid total expenses of £3,897) for travel and subsistence.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### B. Higher paid employees

Certain employees received remuneration (excluding pension contributions) in excess of £100,000 during the Year. Eight of these employees accrued benefits under defined benefit pension schemes during the year (2014:8). These employees are grouped as follows:

	2015 No.	2014 No.
£100,000 to £109,999	1	2
£110,000 to £119,999	1	3
£120,000 to £129,999	1	-
£130,000 to £139,000	2	3
£140,000 to £149,999	1	1
£150,000 to £159,999	1	-
£160,000 to £169,999	-	1
£240,000 to £249,999	1	-
	8	10

### C. Remuneration of the Vice Chancellor

	2015 £'000	2014 £'000
Salary and taxable benefits	242	247
Pension Scheme contributions	31	20
	273	267

All remuneration was to the current Vice Chancellor, Professor David Phoenix. The Vice Chancellor is the highest paid Governor. Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 24. The Vice Chancellor is a member of the Teachers' Pension Scheme. The nature of the scheme means it is not possible to ascertain the amount of his accrued pension at the year end.

8. Other operating expenses	2015 £'000	2014 £'000
Academic	11,076	11,487
Academic support	12,316	5,845
Other support	6,706	5,668
Premises	14,812	16,912
Residence and catering	3,697	1,758
Other expenses	4,940	6,093
	53,547	47,763

Group other operating expenses are stated after charging:

	2015 £'000	2014 £'000
Auditors' remuneration		
<i>External audit</i> Grant Thornton UK LLP*	54	49
<i>Internal audit</i> ** PricewaterhouseCoopers LLP	91	98
<i>Other services</i> ** Grant Thornton UK LLP	5	3

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

Rentals under operating leases	Plant and machinery	119	356
Loss on disposal of fixed assets		70	50
		<u>189</u>	<u>406</u>

\* Includes £50,154 attributable to the University (2014: £44,714)

\*\* All attributable to the University

### 9. Taxation

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

The amount of the asset not recognised is ~~£11,744~~ (2014: £24,147). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>10. Interest payable</b>		
Loans not wholly repayable within five years	1,372	1,423
Unwinding of discount in respect of pension liability less expected return on pension assets (see note 18)	1,590	2,341
Finance leases	1	12
	<u>2,963</u>	<u>3,776</u>

### 11. Surplus of parent company

The income and expenditure account of the parent company (London South Bank University) has not been presented as part of these accounts. This dispensation is allowed under section 408 of the Companies Act 2006. The surplus, after depreciation of assets at valuation, of London South Bank University was £0.8m (2014: £3.1m).

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### 12. Tangible fixed assets (University and Consolidated)

	Equipment, Furniture and Motor Vehicles		Land and buildings		Assets in Course of Construction	Total £'000
	Freehold £'000	£'000	Long Leasehold £'000	Short Leasehold £'000		
<b>Cost or Valuation</b>						
At 1 August 2014	40,681	177,725	47,281	52	9,545	275,284
Additions	25	4	-	-	6,495	6,524
Disposals	(225)	(1,666)	(48)	(8)	-	(1,947)
Transfers	1,673	472	-	-	(2,152)	(7)
At 31 July 2015	42,154	176,535	47,233	44	13,888	279,854
<b>Depreciation</b>						
At 1 August 2014	(27,418)	(45,760)	(25,529)	(45)	-	(98,752)
Charge for the year	(3,063)	(4,403)	(1,293)	-	-	(8,759)
Disposals	175	1,652	41	8	-	1,876
At 31 July 2015	(30,306)	(48,511)	(26,781)	(37)	-	(105,635)
<b>Net book value</b>						
At 31 July 2015	11,848	128,024	20,452	7	13,888	174,219
At 31 July 2014	13,263	131,965	21,752	7	9,545	176,532

If the land and buildings detailed above had not been revalued, tangible fixed assets would have been included in these financial statements at 31 July 2015 at the following amounts:

	Equipment, Furniture and Motor Vehicles		Land and buildings		Assets in Course of Construction	Total £'000
	Freehold £'000	£'000	Long Leasehold £'000	Short Leasehold £'000		
Cost	40,681	97,325	24,807	44	13,888	176,745
Depreciation	(27,418)	(28,620)	(16,886)	(37)	-	(72,961)
Net book value	13,263	68,705	7,921	7	13,888	103,784

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### Assets held under Finance Leases

Consolidated and University equipment, furniture and motor vehicles include assets held under finance leases as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Cost	2,863	2,870
Accumulated depreciation	(2,863)	(2,815)
Net book value	-	55
Depreciation charge for the year	47	192

### 13. Investments

	<b>Consolidated</b>		<b>University</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CVCP Properties plc	38	38	38	38

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

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

#### South Bank University Enterprises Limited

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

#### London Knowledge Innovation Centre Limited

SBUEL holds 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies but now dormant. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2015 (2014: £nil).

#### Other investments

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



# London South Bank University

## Notes to the accounts Year ended 31 July 2015

14. Debtors: amounts falling due within one year	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	9,577	5,284	9,574	5,430
Amounts owed by group undertakings	-	-	-	554
Other debtors	264	271	262	198
Prepayments & accrued income	2,582	2,758	2,299	2,491
<b>Total debtors due within one year</b>	<b>12,423</b>	<b>8,313</b>	<b>12,135</b>	<b>8,673</b>
Debtors: amounts falling due after one year: amounts owed by related parties (note 24)	350	350	350	350
	<b>12,773</b>	<b>8,663</b>	<b>12,485</b>	<b>9,023</b>

15. Creditors: amounts falling due within one year	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank and other loans	1,309	1,294	1,309	1,293
Obligations under finance leases	-	55	-	55
Trade creditors	993	1,997	993	1,997
Amounts owed to group undertakings	-	-	458	-
Other creditors	1,175	957	1,081	892
Social security and other taxation payable	1,319	1,354	1,319	1,354
Accruals and deferred income	27,034	26,751	26,750	26,299
	<b>31,830</b>	<b>32,408</b>	<b>31,910</b>	<b>31,890</b>

16. Creditors: Amounts falling due after more than one year	Consolidated and University	
	2015 £'000	2014 £'000
Bank and other loans	26,934	28,243
	<b>26,934</b>	<b>28,243</b>

17. Borrowings	Consolidated and University	
	2015 £'000	2014 £'000
Bank loans and finance leases are repayable as follows:		
Due in less than one year (note 15)	1,309	1,349
Due between one and two years	1,325	1,309
Due between two and five years	4,097	4,039
Due after five years	21,512	22,895
<b>Total due after one year (note 16)</b>	<b>26,934</b>	<b>28,243</b>
	<b>28,243</b>	<b>29,592</b>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

Details of bank loans:

The loan from Allied Irish Bank (GB) in respect of the Dante Road hall of residence is repayable over 26.5 years to 2027. The amount outstanding at 31 July 2015 was £4.623 million (2014: £5.000 million). The loan bears interest at a rate of 6.67% per annum. The loan is secured on the property to which it relates.

There is a loan facility from Barclays Bank of £37 million, secured on David Bomberg House halls of residences. Within the facility, the following balances are outstanding at 31 July 2015:

An amount of £5.130 million in respect of David Bomberg House was outstanding at 31 July 2015 (2014: £5.441 million). This borrowing is repayable over 25 years to 2032 and bears interest at a fixed rate of 5.67% per annum.

A further £21.830 million of the Barclays facility was drawn down to finance the K2 building. Of this amount, £18.290 million was outstanding at 31 July 2014 as follows: £5.000m (2014: £5.000m) is interest-only, repayable in April 2029, and bears interest at a fixed rate of 5.25% per annum; £8.316m (2014: £8.625m) is repayable over 23.25 years to 2032 and bears interest at a fixed rate of 5.54% per annum, and £4.974 (2014: £5.271m) is repayable over 23 years to 2032 and bears interest at a variable rate of 0.225% above LIBOR per annum.

### 18. Pension liability

The pension liability has been measured in accordance with the requirements of FRS 17 and relates to the London Pension Fund Authority pension scheme (LPFA).

	<b>Consolidated and University</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	76,502	62,211
Current service cost	4,843	4,228
Settlements and curtailments	304	104
Contributions	(5,512)	(4,882)
Other finance cost (note 23)	1,590	2,341
Actuarial losses recognised in STRGL (note 23)	11,030	12,500
	<hr/>	<hr/>
<b>Balance at 31 July</b>	<b>88,757</b>	<b>76,502</b>
	<hr/> <hr/>	<hr/> <hr/>

### 19. Deferred capital grants

#### Consolidated and University

	<b>Land and buildings</b>	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 August 2014	26,944	1,268	28,212
Release to income and expenditure account (note 1)	(1,254)	(332)	(1,586)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 July 2015</b>	<b>25,690</b>	<b>936</b>	<b>26,626</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

20. Revaluation reserves	Consolidated and University	
	2015 £'000	2014 £'000
Balance at 1 August	29,400	30,192
Transfer to income & expenditure reserves being excess depreciation on revalued assets (note 21)	(707)	(792)
<b>Balance at 31 July</b>	<b>28,693</b>	<b>29,400</b>

21. Income and expenditure account	Consolidated	University
	2015 £'000	2015 £'000
<b>Reserve</b>		
Balance at 1 August 2014	120,047	119,959
Surplus for the year	1,211	801
Transfer from revaluation reserve (note 20)	707	707
Net FRS 17 pension costs transferred to pension reserve	1,225	1,225
Balance at 31 July 2015	123,190	122,692
<b>Pension reserve</b>		
Balance at 1 August 2014	(76,502)	(76,502)
Actuarial loss	(11,030)	(11,030)
Net FRS 17 pension costs transferred from income and expenditure reserve	(1,225)	(1,225)
<b>Balance at 31 July 2015</b>	<b>(88,757)</b>	<b>(88,757)</b>

## 22. Designated reserves

The income and expenditure account of the Group does not include any amounts which are designated reserves (2014: £nil).

## 23. Pension arrangements

The University participates in the Teachers Pension Scheme (TPS) and the Universities Superannuation Scheme Limited (USS) for academic employees and the London Pension Fund Authority (LPFA) Pension Fund for non-academic employees.

### A. The Teachers' Pension Scheme

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

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

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

From 1 April 2001, the account has been credited with a real rate of return of 3.5%, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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

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

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

At 31 July 2015 the University had 1,027 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 14.1% (2014: 14.1%) of salaries and the University's contribution to the TPS for 2015 was £3,574,565 (2014: £3,590,765).

Under the definitions set out in FRS 17 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

### **B. The Universities Superannuation Scheme**

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The 2014 valuation has recently been finalised and the audit process is in progress. Therefore the latest available audited triennial actuarial valuation of the scheme was at 31 March 2011 ("the valuation date"), which was carried out using the projected unit method. The 2014 valuation indicates that employer contributions will increase to 18% from 1 April 2016.

The 2011 valuation was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

The Financial Assumptions of that Valuation are as follows:

	<b>2015</b>	<b>2014</b>
Discount Rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

At 31 July 2015 the University had 51 active members participating in the scheme. The total cost charged to the income and expenditure account is £461,367 (2014: £414,047). The scheme has tiered employer contribution rates of between 6% and 9% depending on employee earnings.

### C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 1997. To finance these benefits, assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2013 with the valuation results taking into account changes to the scheme from 1 April 2014. The results showed the market value of the Fund's assets attributable to the University as £92.17m. The actuarial value of those assets represented 69% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2014 are 15.2% of pensionable salaries to cover the cost of future service plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years. During 2014/15 this lump sum payment amounted to £1,417,704.

### Pension costs under FRS 17

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15 year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	<b>31 July 2015</b>	<b>31 July 2014</b>
	<b>% per annum</b>	<b>% per annum</b>
Salary increases	4.4%	4.5
Pension and price increases	2.6%	2.7
Discount rate	3.8%	4.2

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

On the advice of our actuaries we have assumed that members will exchange half of their commutable pension for cash at retirements. In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2012 model, allowing for a long term rate of improvement of 1.5% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	<b>Males Years</b>	<b>Females Years</b>
Current pensioners	21.9	25.1
Future pensioners	24.3	27.3

### Fund assets

For the year ending 31 July 2015 a single expected rate of return of 5.8% has been used to determine the income and expenditure charge for the year. Comparative figures for the year ending 31 July 2014 show the expected returns based on the long-term future expected investment return for each asset class as at the beginning of that period as follows:

	<b>Expected rate of return at 31 July 2015</b>	<b>Fair value as at 31 July 2015 £'000</b>	<b>Expected rate of return at 31 July 2014</b>	<b>Fair value as at 31 July 2014 £'000</b>
Equities	5.8%	46,573	6.7%	44,008
Target return portfolio	5.8%	20,464	6.1%	28,644
Cash	5.8%	13,833	3.2%	13,803
Cashflow matching	5.8%	15,229	3.4%	6,116
Infrastructure	5.8%	5,655	6.3%	3,343
Commodities	5.8%	473	6.1%	1,067
Property	5.8%	3,307	5.6%	2,745
Total fair value of assets		<u>105,534</u>		<u>99,726</u>

### Net pension liability

The following amounts at 31 July related to London South Bank University measured in accordance with the requirements of FRS 17:

	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Fair value of Employer Assets	105,534	99,726	96,319	80,635	78,471
Present value of funded obligations	(182,439)	(164,260)	(146,774)	(143,181)	(121,971)
Net underfunding in funded plans	(76,905)	(64,534)	(50,455)	(62,546)	(43,500)
Present value of unfunded obligations	(11,852)	(11,968)	(11,756)	(12,118)	(11,840)
Net Pension Liability	<u>(88,757)</u>	<u>(76,502)</u>	<u>(62,211)</u>	<u>(74,664)</u>	<u>(55,340)</u>

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

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	4,843	4,228
Curtailments and settlements	304	104
Enhancements to former employees (recoverable in full from HEFCE (note 1))	334	249
Total operating charge	<u>5,481</u>	<u>4,581</u>

### Analysis of the amount included in interest payable for the year

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	(5,810)	(5,209)
Interest on pension scheme liabilities	7,400	7,550
Net charge	<u>1,590</u>	<u>2,341</u>

### Analysis of the amount recognised in STRGL

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	(1,438)	(2,910)
Experience gains and losses	493	10,002
Changes in assumptions underlying the present value of scheme liabilities	(10,085)	(19,592)
Actuarial losses recognised in STRGL	<u>(11,030)</u>	<u>(12,500)</u>

### Analysis of movement in the present value of scheme liabilities

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August	176,278	158,530
Current service cost	4,843	4,228
Interest cost	7,400	7,550
Actuarial losses	9,592	9,590
Losses on curtailments	304	104
Benefits paid	(4,963)	(4,248)
Contributions by scheme participants	1,475	1,323
Unfunded pension payments	(638)	(849)
At 31 July	<u>194,291</u>	<u>176,228</u>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of movement in the fair value of scheme assets</b>		
At 1 August	99,776	96,319
Expected return on scheme assets	5,810	5,209
Actuarial losses	(1,438)	(2,910)
Contributions by employer	4,874	4,033
Contributions by scheme participants	1,475	1,323
Benefits paid	(4,963)	(4,248)
	<u>105,534</u>	<u>99,726</u>
At 31 July	<u>105,534</u>	<u>99,726</u>

The projected pension expense for the year to 31 July 2015 is £8,761,000 (2014: £6,141,000)

### Experience gains & losses in year

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Difference between the actual and expected return on pension scheme assets	(1,438)	(2,910)	11,058	(4,000)	1,206
Experience gains and losses arising on scheme liabilities	493	10,002	(237)	(374)	12,593

### Sensitivity Analysis

	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	190,804	194,291	197,846
Projected service cost	5,142	5,254	5,369
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of total obligation	190,804	194,291	197,846
Projected service cost	5,388	5,254	5,123

### D. London South Bank University Defined Contribution Scheme.

The University provides a defined contribution pension scheme through Friends Life for employees of London South Bank University Enterprises Limited (SBUEL). At 31/7/15 the University had 9 members participating in the scheme. The University's contribution to the Friends Life scheme for 2015 was £52,031 (2014: £22,750) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2015 were nil (2014: nil)



# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### 24. Related party disclosures

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

During the year the University paid £5,616 in respect of recruitment fees to Robert Walters Plc, a company for which a member of the Board was a director during the year. During the year the University paid £6,750 in respect of hire of sports pitches and £4,606 in respect of research costs to Kings College, London, a university for which a member of its board was a visiting professor during the year.

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these accounts and therefore the University has taken exemption under FRS 8 not to disclose transactions between the SBUEL and the University. There were no transactions during the year between London Knowledge Innovation Centre Limited (LKIC) or CVCP Properties PLC and the University.

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

The Vice Chancellor of the University is a member of the University Academy of Engineering South Bank (UAESB) and the University is a member of South Bank Engineering UTC, both of which the University sponsors. During the year UAESB paid the University £8,778 in reimbursement of actual expenses incurred on behalf of the Academy. During the year the UTC paid the University £47,182 in reimbursement of actual expenses incurred on behalf of the UTC. The balance between the University and both the UAESB and the UTC at the year-end was £nil.

The Vice Chancellor of the University, Professor David Phoenix received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to purchase a specified property. The loan is repayable on 30 October 2018 (or later as agreed). As of 31 July 2015 the outstanding balance was £350,000. The loan is fully secured by way of legal mortgage on the property in favour of London South Bank University.

### 25. Endowments

	<b>Consolidated and University</b>			
	<b>Unrestricted Permanent £'000</b>	<b>Restricted Expendable £'000</b>	<b>2015 Total £'000</b>	<b>2014 Total £'000</b>
Balance at 1 August	392	344	736	729
Investment income	11	13	24	26
Expenditure	(11)	(13)	(24)	(26)
Increase in market value of investments	5	1	6	7
Balance at 31 July	<u>397</u>	<u>345</u>	<u>742</u>	<u>736</u>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### 26. Operating lease commitments

At 31 July 2015 the University and the Group were committed to making the following annual payments in respect of operating leases on land and buildings:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Expiring within two and five years	51	-
Expiring in over five years	-	51
	<u>51</u>	<u>51</u>

### Consolidated and University

### 27. Capital commitments

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted at 31 July	4,671	5,369
	<u>4,671</u>	<u>5,369</u>

### 28. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Surplus after depreciation of assets at valuation	1,211	3,097
Depreciation (note 12)	8,759	8,455
Loss on disposal of fixed assets	71	50
Investment income	(311)	(331)
Interest payable (note 10)	2,963	3,776
Increase in stocks	(26)	(27)
Increase in debtors	(4,110)	(841)
Decrease in creditors	(539)	(5,609)
Decrease in provisions	(365)	(550)
Deferred capital grants released to income (note 19)	(1,586)	(1,982)
	<u>6,067</u>	<u>6,038</u>

### 29. Returns on investments and servicing of finance

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments (note 5)	24	26
Interest receivable (note 5)	287	305
Interest paid (note 10)	(1,373)	(1,434)
	<u>(1,062)</u>	<u>(1,103)</u>

### 30. Capital expenditure and financial investment

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Payment to acquire tangible fixed assets	(6,524)	(10,744)
	<u>(6,524)</u>	<u>(10,744)</u>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

<b>31. Management of Liquid Resources</b>	<b>2015</b>	<b>2014</b>	
	<b>£'000</b>	<b>£'000</b>	
Cash added to fixed term	(80)	(10,334)	
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(80)</b>	<b>(10,334)</b>	
<b>32. Financing</b>	<b>2015</b>	<b>2014</b>	
	<b>£'000</b>	<b>£'000</b>	
Capital element of bank loan repayments	(1,294)	(1,277)	
Capital element of finance lease repayments	(47)	(193)	
Capital grants received in year	-	355	
<b>Net cash outflow from financing</b>	<b>(1,341)</b>	<b>(1,115)</b>	
<b>33. Analysis of changes in net funds</b>	<b>At 31 July 2014</b>	<b>Cash flow 2015</b>	<b>At 31 July 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	37,492	(2,940)	34,552
Endowment asset investments	67	-	67
	<b>37,559</b>	<b>(2,940)</b>	<b>34,619</b>
Fixed Term deposits	15,540	80	15,620
Debt due within one year (note 16)	(1,349)	40	(1,309)
Debt due after more than one year (note 16)	(28,243)	1,309	(26,934)
<b>Net funds</b>	<b>23,507</b>	<b>(1,511)</b>	<b>21,996</b>
<b>34. Analysis of changes in financing during the year</b>	<b>2015</b>	<b>2014</b>	
	<b>£'000</b>	<b>£'000</b>	
<b>Bank and Other Loans</b>			
Balance at 1 August	29,592	31,062	
Capital repayments	(1,349)	(1,470)	
Balance at 31 July	28,243	29,592	
<b>35. Teacher Training Bursaries</b>	<b>2015</b>	<b>2014</b>	
	<b>£'000</b>	<b>£'000</b>	
Balance at 1 August	(77)	(190)	
Funding council grant	102	682	
Disbursed to students	(66)	(569)	
Balance at 31 July	(41)	(77)	

# **London South Bank University**

## **Notes to the accounts Year ended 31 July 2015**

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

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

	PAPER NO: BG.73(15)	
Board/Committee:	Board of Governors	
Date:	26 November 2015	
Paper title:	Written resolution to reappoint Grant Thornton as External Auditors with delegation of remuneration to Executive	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Jerry Cope, Chairman of the Board	
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	N/A	

### Summary

The Board is requested to approve the written resolutions set out below regarding the reappointment and remuneration of Grant Thornton as external auditors.

An email will follow to members to enable them to signify consent prior to the meeting.



**Company Number: 00986761**

**The Companies Act 2006**

**Ordinary Resolutions**

**of**

**London South Bank University**

**(University)**

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006 (**Act**), the Governors/directors of the University propose that the following resolutions (**Resolutions**) are passed as ordinary resolutions:

**Ordinary Resolutions**

1. That the University reappoint Grant Thornton UK LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are approved by the directors.
2. That the University delegate approval of the remuneration of the auditors, Grant Thornton UK LLP, for the year ending 31 July 2016 to the Executive.

**Agreement**

The members of the University who were entitled to vote on the Resolutions on 26 November 2015 irrevocably agree to the Resolutions and authorise the Chairman to sign on their behalf:

..... **Dated**.....

**Jeremy Cope, Chairman of the Board of Governors**





	CONFIDENTIAL
	PAPER NO: BG.74(15)
Paper title:	Governance of LSBU sponsored academies
Board/Committee	Board of Governors
Date of meeting:	26 November 2015
Author:	Michael Broadway, Governance Manager
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To update the Board on proposed changes to the governance of the LSBU sponsored academies
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Access to Opportunity: we will sponsor and support three Academies or University Technical Colleges to help develop aspiration and enable early engagement with pupils
Recommendation:	To note the proposed governance structure of the LSBU sponsored academies

Matter previously considered by:	Executive	On: 18 November 2015
Further approval required?	DfE	

### **Governance of LSBU sponsored academies**

LSBU currently sponsors two academies: the University Academy of Engineering South Bank (opened September 2014) and the South Bank Engineering UTC (due to open in September 2016). Currently these are run as separate companies.

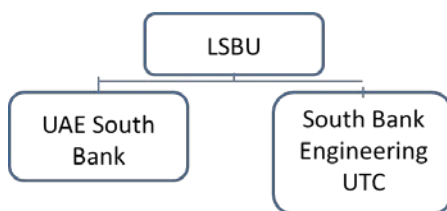
The Department for Education (DfE) now require these two academies to be run by a single company, under a multi-academy trust model. The Board of Directors of the company would be responsible for both schools. Bringing the schools together in one company should make it easier to share good practice in learning & teaching, resources etc.

We have written to the DfE with a revised governance structure as set out below.

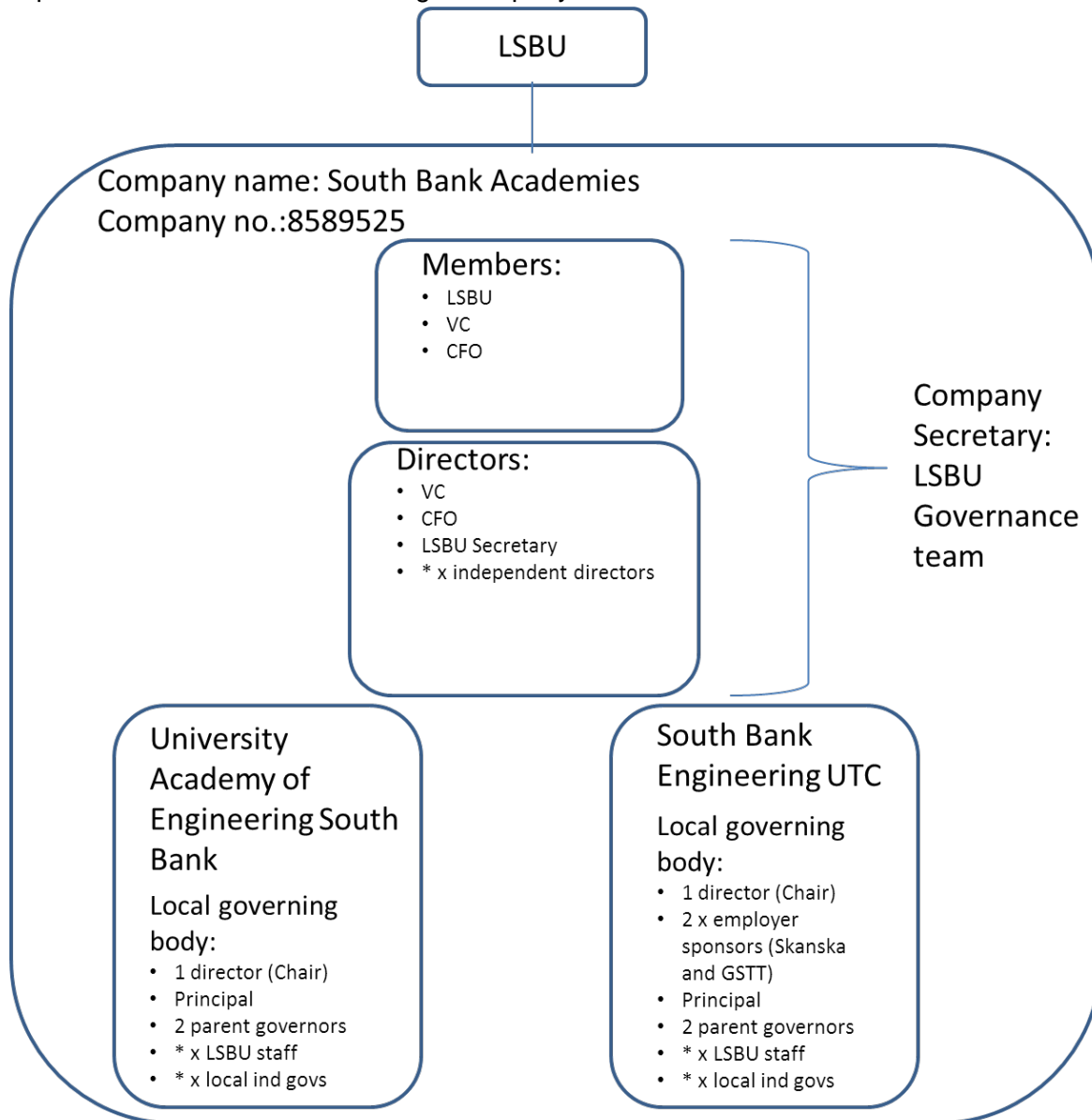
The Board is requested to note the changes.

# London South Bank University

Current structure:



Proposed initial structure of the single company:



These proposals are based on using the existing University Academy of Engineering company as the multi-academy trust company. The current UTC company would, in time, be wound up.

Changes will be made to complete this structure over December 2015 and January 2016.

	PAPER NO: BG.75(15)	
Paper title:	Report on decisions of Committees	
Board/Committee	Board of Governors	
Date of meeting:	26 November 2015	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsors:	Relevant committee chairs	
Purpose:	To update the Board on committee decisions	
Recommendation:	To note the report To approve minutes of the final meetings of the closed committees	
Matter previously considered by:	As indicated	N/A
Further approval required?	No	N/A

### Summary

A summary of Committee decisions is provided for information. Minutes and papers are available on the governors' sharepoint.

The minutes of the Board sub-group to authorise legal completion of the purchase of Hugh Astor Court of 9 July 2015 are attached in appendix 1 for information.

The Board is requested to approve an amendment to the terms of reference of the Major Projects and Investment Committee to lower the quorum for the committee from 3 independent governors to 2 independent governors – attached in appendix 2.

The Board is requested to approve an amendment to the terms of reference of the Academic Board that the Deputy Vice Chancellor should chair the Academic Board (rather than the Vice Chancellor) – attached in appendix 3.

The Board is requested to note the reports.



## Summary of Committee decisions

### South Bank University Enterprise Board meeting – 14 October 2015 and 11 November 2015

The Board approved:

- accounts for 2014/15 after consideration of the audit findings report and the letter of representation to the auditors.
- the tenant strategy. The aims of the strategy were to improve engagement between the tenants and the University.

### Finance Planning & Resources Committee – 27 October 2015

The Committee discussed:

- the management accounts to 30 September 2015. The forecast as at September 2015 was to meet the budgeted surplus of £1m;
- the draft Annual Accounts 2014/15 for which the reported full year result was a surplus of £1.2m;
- the Chief Operating Officer's report. Key matters included centralisation of technical support services, the restructure of ICT, the central timetabling project and work with the Institute of Customer Service;
- the insurance programme renewal and report on claims. LSBU's claims record is low. The current insurance agreement (via London Universities Purchasing Consortium) was tendered in 2012 and commenced on the 6<sup>th</sup> March 2012. This is to be re-tendered in March 2016;
- the Annual Report on Fundraising and Charitable Funds expenditure. There were no matters to report under the Gift Acceptance Policy;

The Committee noted:

- its membership and Terms of Reference;
- recent disruption to the email system. The service from IBM would be reviewed in late November 2015;
- the SU financial performance for the year ended 31 July 2015. Net outgoing resources were £41,606. LSBU's subvention grant to the SU was £741,600.

### Major Projects and Investment Committee – 27 October 2015

The Committee recommended to the Board for approval:

- an amendment to its terms of reference to lower the quorum for the committee from 3 independent governors to 2 independent governors.

The Committee discussed:

- planned capital spend for 2015/16: Hugh Astor Court (£10.35m), the new Media Centre (£2.1m) and budgeted ICT/AV capital investment funds.
- planned post investment reviews, which would be reviewed by the Committee: a review of the IBM contract would take place at the end of 2015/16 financial year; and PIRs for Hugh Astor Court and the new Media Centre would be brought to the Committee after 12 months.

The Committee noted:

- the renewal of the Security Services contract (approved by the Board at its meeting of 21 October 2015);
- the Estates Master Plan;
- its membership and Terms of Reference.

#### **Audit Committee – 5 November 2015**

The Committee approved:

- the going concern review and recommended that the Board signs the accounts (which are prepared on a going concern basis);
- the draft audit committee annual report to the Board (paper **BG.72(15)**), as recommended by the executive. The final report, signed by the Chair of the Audit Committee would be submitted to HEFCE;
- the re-appointment of Grant Thornton as External Auditors for an additional 12 months. At the end of this extension the committee agreed that the contract would be re-tendered – more detail is available in the CFO report.

The Committee recommended to the Board:

- the letter of representation to the auditors which was recommended to the committee by the Executive. The committee recommended the letter to the Board for approval (paper **BG.74(15)**);
- the draft report and accounts for 2014/15 which showed a surplus of £1.2m. The committee recommended the accounts to the Board for approval (paper **BG.75(15)**).

The Committee noted:

- that the Identity and Access Management (IAM) project would be completed by the end of February 2016. An update will be given at the next meeting;
- that it would do a self-assessment of its effectiveness every two years. A light touch effectiveness review would be carried out in alternate years;

- the final internal audit annual report which would be sent to HEFCE;
- that during the year 2014/15, Grant Thornton had provided corporate tax advisory services with a value of £4,110;
- the annual review of effectiveness of internal controls. The review provides assurance for the statement of internal control in the statutory accounts;
- the corporate risk register. The risks relating to international recruitment and the impact of the green paper and comprehensive spending review would be updated;
- the committee noted the internal audit progress report. Three planned internal audits were being scoped and would be reported to the audit committee meeting of 11 February 2016;
- the annual value for money report which demonstrated how the university had met its value for money obligations during 2014/15;
- the anti-fraud, bribery and corruption report. No matters had been identified since the last meeting;
- the speak up report. No matters had been raised under the speak up policy since the last meeting;
- that an audit by Penningtons had been undertaken on international recruitment. The report would be brought to the audit committee when the work is complete.

### **Academic Board meeting – 11 November 2015**

The Academic Board recommended to the Board of Governors an amendment to its terms of reference that the Deputy Vice Chancellor should chair the Academic Board (rather than the Vice Chancellor).

The Academic Board approved:

- Open Access Policy and Research Data Management Policy

The Academic Board discussed:

- The Deputy Vice Chancellor's report which updated the Board on student recruitment, summer schools, the Centre for Research Informed Teaching and the EDISON project;
- National Student Survey results;
- Progress against the academic KPIs;
- The Higher Education Green Paper





## Appendix 1

Minutes of a Meeting of a sub-committee of the Board of Governors  
held at 3pm on Thursday, 9 July 2015  
in 1B16, Technopark, London SE1

### Present

Jerry Cope	Chair
Prof David Phoenix	Vice Chancellor ( <i>for minutes 1-15</i> )
David Longbottom	Chairman of the Board
Richard Flatman	Chief Financial Officer

### Legal Adviser

Elizabeth Thomas	Mills and Reeve LLP ( <i>via conference call</i> )
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### In attendance

Ian Mehrtens	Chief Operating Officer
Carol Rose	Director of Estates
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

### Welcome and apologies

1. The Chair welcomed governors and attendees to the meeting.
2. The Chair reported that the sub-committee had delegated authority from the Board of Governors to give final approval for legal completion for the purchase of the leasehold of Hugh Astor Court from Peabody (minutes 22 to 25 of 12 February 2015 and minute 8 of 14 May 2015 refer).
3. The Chair reported that apologies had been received from Kevin McGrath and that David Longbottom, Chairman of the Board had been co-opted to the committee to replace him.

### Declarations of Interest

4. No interests were declared on any item on the agenda.

## Acquisition of Hugh Astor Court

5. The committee noted that at its meeting of 12 February 2015, the Board had approved the business case for the acquisition of the leasehold of Hugh Astor Court for £11,358,000 (paper **HA.01(15)**). The purchase will include the 93 year remainder of the lease.
6. The committee reviewed the due diligence of the purchase. Legal due diligence had been carried out by the University's solicitors, Mills and Reeve who confirmed that the contract was reasonable for LSBU.
7. Due diligence on the planning history of the site had been undertaken by BDP who had established that there were no conditions or legal agreements in place which tied the site to affordable housing.
8. A near final version of the contract was approved.
9. A number of consents were necessary following exchange of contracts:
  - i) Peabody's consent from the Homes and Community Agency; and
  - ii) Peabody's consent or relevant statement to comply with the Charities Act 2011.

Legal completion is subject to consents i) and ii) being granted.
  - iii) The Landlord's consent will be required for any change of user and structural alterations by LSBU.
  - iv) Local planning consent for change of use will be also required.

Legal completion is not subject to consents iii) and iv) being granted.
10. The committee approved the exchange of contracts for the purchase of the leasehold of Hugh Astor Court. Any authorised signatory may execute the contract on behalf of LSBU.
11. The committee noted that completion was planned for April 2016 when the site would be delivered with vacant possession. The sub-committee would review the landlord's consent prior to final legal completion.
12. It was noted that a joint press release would be prepared by LSBU and Peabody on exchange of contracts.

**Close of meeting**

There being no further business the Chairman closed the meeting.

.....

**Chairman**



## **Appendix 2 – proposed changes to the Major Projects and Investment Committee terms of reference**

### **Major Projects and Investment Committee**

#### **2. Membership**

2.1 Membership shall consist of up to five independent governors including the Chair of the Board, the Vice Chancellor, two student governors and one staff governor.

| 2.2 A quorum shall consist of at least ~~3~~2 independent governors.

2.3 The chair shall be an independent governor.

2.4 Members of the committee shall not be members of the Audit Committee.



## **Appendix 3 – proposed changes to the Academic Board terms of reference**

### **Academic Board**

#### **Terms of Reference**

2.1 The Chair of Academic Board is the Deputy Vice Chancellor or in their absence a Pro Vice Chancellor or Dean.