

Meeting of the Board of Governors

4.00 - 6.00 pm* on Thursday, 23 November 2017
in 1B27 - Technopark, SE1 6LN

* 3.30pm – 4pm pre-Board presentation on research

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		JC
2.	Declarations of Interest <i>Governors are required to declare any interest in any item of business at this meeting</i>		JC
3.	Minutes of previous meeting	3 - 10	JC
4.	Matters arising	11 - 12	JC
Chair's business			
Items to discuss			
5.	Vice Chancellor's report	13 - 22	DP
6.	Chief Financial Officer's report	23 - 38	RF
7.	Key performance indicators report 2016/17 and targets for 2017/18	39 - 42	RF
8.	Corporate strategy progress report	43 - 54	PB
9.	Health and safety annual report, 2016/17	55 - 74	ME
Year end reporting and approvals, 2016/17			
10.	Audit Committee annual report	75 - 84	JS
11.	External audit findings	85 - 110	RF
12.	Letter of representation to the auditors	111 - 120	RF
13.	Annual report and accounts	121 - 170	RF
14.	Annual Academic Board report	171 - 176	PB
15.	Quality assurance return to HEFCE	177 - 178	PB
16.	Prevent annual return	179 - 190	DP

No.	Item	Pages	Presenter
Items to note			
<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>			
17.	Reports on decisions of committees	191 - 196	JS
18.	Annual declarations of interest	197 - 208	JS
19.	Any other business		JC

**Date of next meeting
4.00 pm on Thursday, 15 March 2018**

Members:	Jerry Cope (Chair), David Phoenix, Sodiq Akinbade, Steve Balmont, Duncan Brown, Julie Chappell, Michael Cutbill, Douglas Denham St Pinnock, Kevin McGrath, Peter Fidler, Carol Hui, Hilary McCallion, Jenny Owen, Tony Roberts and Suleyman Said
External auditor:	Fleur Nieboer (from item 10)
Apologies:	Shachi Blakemore and Mee Ling Ng
In attendance:	Pat Bailey, Richard Flatman, James Stevenson and Michael Broadway

Supplement (for information only):

- Marked up version of the accounts following the meetings of the Audit and Finance, Planning and Resources Committees
- Public Benefit guidance

Agenda Item 3

	CONFIDENTIAL
Paper title:	Minutes of the meeting of 12 October 2017
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	Michael Broadway, Deputy University Secretary
Sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To approve the minutes of the last meeting as a correct record and note the redactions for publication.

Executive Summary

The Board is asked to approve the minutes of its meetings of 12 October 2017 and note the proposed redactions (in grey) for publication on LSBU's website.

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**Minutes of the meeting of the Board of Governors
held at 4.00 pm on Thursday, 12 October 2017
Boardroom - Technopark, SE1 6LN**

Present

Jerry Cope (Chair)
Douglas Denham St Pinnock (Vice-Chair)
David Phoenix
Sodiq Akinbade
Steve Balmont
Shachi Blakemore
Duncan Brown
Julie Chappell
Michael Cutbill
Peter Fidler
Hilary McCallion
Kevin McGrath
Jenny Owen
Tony Roberts
Suleyman Said

Apologies

Carol Hui
Mee Ling Ng

In attendance

Pat Bailey
Richard Flatman
James Stevenson
Michael Broadway
Paul Ivey
Markos Koumaditis (for minute 9)

1. Welcome and apologies

The Chair welcomed members to the meeting including Duncan Brown and Peter Fidler to their first Board meeting.

The above apologies were noted.

The Chair noted that the Board had just received an informative pre-Board presentation on the proposed designs for the St George's Quarter. Planning permission for the scheme would be sought during October 2017 with a decision expected in April 2018.

The Board noted that estates development proposals had been discussed at the Major Projects and Investment Committee meeting of 21 September 2017. The committee had agreed the proposals in principle and discussed the challenges around funding.

2. **Declarations of Interest**

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

3. **Minutes of previous meeting**

The Board approved the minutes of the meeting of 13 July 2017 and their publication with the proposed redactions subject to redacting an additional paragraph in minute 7.

4. **Matters arising**

The Board noted that following review, the proposal to take the health-related provision of BPP would not proceed.

The Board noted that the terms of the proposed charge over the Passmore Centre were awaited from London Borough of Southwark. The Executive is following up.

5. **Chair's business**

The Board noted with sadness the recent passing of Gerry Bernbaum, former Vice Chancellor of the University. The Board's condolences would be sent to his family.

The Chair updated the Board on the appointment of the Chancellor. Due to circumstances outside the University's control, the announcement of the new Chancellor would have to be delayed until May 2018. Richard Farleigh, the current Chancellor, would continue in post.

The Board noted that the House of Commons reception to mark the 125th anniversary of LSBU had been successful.

The Chair updated the Board on public interest in Vice Chancellor remuneration and was reviewing whether to publish minutes of the Remuneration Committee. The Committee for University Chairs had in any event been asked to put together a code of practice for senior remuneration.

6. **Vice Chancellor's report**

The Vice Chancellor updated the Board on student recruitment and retention for 2017/18. Firm acceptances for full time undergraduates were around 2500

but enrolment was lower than expected. The Executive was forecasting a £7m income shortfall in current year from under-recruitment.

The Executive is reviewing the future shape of the University, including investigating potential growth markets and undertaking a strategic portfolio review.

Final numbers for new students and retention would be known after enrolment closes on 13 October 2017.

The Board discussed undergraduate fee levels.

The Board discussed the proposed joint venture with Applied Science University in Bahrain (minute 10, 13 July 2017 refers) to provide training and consultancy services in Bahrain, Kuwait and the Eastern Province of Saudi Arabia. The Executive and the Board of SBUEL had reviewed the outline business case. The Board supported the establishment of a joint venture with Applied Science University, subject to an exit approach being prepared.

The Vice Chancellor updated the Board on potential funding options for the estate development plans. An opportunity had arisen for a joint venture with an external partner to unlock the value of the Technopark site. The Executive is exploring this opportunity and is preparing an exclusivity agreement to summer 2018, to allow the partner to develop a business plan. The exclusivity agreement would not commit the University to pursue any transaction, which would be subject to due diligence, value for money and compliance with procurement regulations.

Paul Ivey left the meeting

7. Chief Financial Officer's report

The Board noted the Chief Financial Officer's report, which updated the Board on current financial position, forecast surplus of £1.8m for 2016/17 (subject to audit), 2017/18 recruitment, risk and control.

The year end audit would finish on 19 October 2017. No significant issues had been raised by the auditors.

The Board noted that the draft internal audit annual report for 2016/17 had been reviewed by the Audit Committee. The report and the auditor's opinion was positive.

8. Project Larch update

The Board noted the update report on Project Larch and the current state of negotiations with the Transaction Unit (TU). The decision on LSBU and Lambeth College's case would be made by a Minister in the Department for Education.

9. **Equality and Diversity annual report**

Markos Koumaditis joined the meeting

The Board discussed the equality and diversity annual report for 2016/17.

Four equality networks for staff had been established and work was being undertaken to apply for the Race Charter Mark in 2018.

The Board welcomed the report and the improvements in equality and diversity in the organisation. The Board noted the challenges including addressing the 'attainment gap' between white and BME students and improving EDI data collection.

The Board emphasised the need for diversity when recruiting new governors.

Markos Koumaditis left the meeting

10. **Risk appetite**

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

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

11. **Corporate risk register - annual detailed review**

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

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

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

The Board requested that the Executive updates the key strategic risks of the organisation for the Board meeting of 15 March 2018.

12. **Fire assessment report**

The Board noted the report, in particular that:

“there were no buildings surveyed that raised concerns over cladding and the requirement or benefit from installing sprinklers in these premises from a life

safety perspective was deemed as not required and disproportionate. ... It is clear to see that the control measures identified all reduce the risk to persons occupying or resorting to these buildings”.

13. Board strategy day report

The Board noted that the report of the Board strategy day of 28 September 2017 would be circulated to governors after the meeting for information.

14. Reports on decisions of committees

The Board noted the reports.

The Board approved that Nicole Louis, Chief Marketing Officer, is added to the University’s bank mandate as a B signatory.

The Board approved the terms of reference of the Group structure sub-committee.

15. Standing orders review

The Board approved the proposed changes to the Standing Orders.

16. Annual work plan

The Board noted its work plan for the year.

**Date of next meeting
4.00 pm, on Thursday, 23 November 2017**

Confirmed as a true record

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**BOARD OF GOVERNORS - THURSDAY, 12 OCTOBER 2017
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
4.	Matters arising	Follow up on the Passmore Centre charge	Before 23 Nov 2017	Pat Bailey	In Progress
11.	Corporate risk register - annual detailed review	Review risk register	Before 15 Mar 2018	Richard Flatman	To do
13.	Board strategy day report	Circulate strategy day notes		James Stevenson	Completed

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	CONFIDENTIAL
Paper title:	Vice Chancellor's Report
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	David Phoenix, Vice Chancellor
Executive sponsor:	David Phoenix, Vice Chancellor
Purpose:	To update the Board on University matters
Recommendation:	To note the report.

Executive Summary

Home/EU under-graduate recruitment is now currently at 2340 against a target of 2500 but may raise to closer to 2400 as the remaining partially enrolled students are followed up. Recruitment to post-graduate courses from Home/EU students across full and part-time provision remains -11% compared to the previous year. We will seek to offset some of this shortfall through January starts. Clean progression (year 1 to 2) is currently looking to be approximately 74.7% which is also 2.9% down on last year (77.6%) and we are currently reviewing the data. Financial implications are included in the CFO's report.

We have still not had the Secretary of State's decision on Lambeth and, based on recent conversations with ESFA, this is now likely to be at the end of November when I meet with the ESFA's CEO.

Our work around building the university's reputation continues with delivery of a short series of round tables. The first held last month addressed the dramatic decline in part-time higher education and was attended by key people from the sector and related organisations and has led to the development of a thought piece targeted at the Secretary of State for Education.

Vice Chancellor's Report November 2017

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

1.0 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.

1.1 TEF Subject Pilot Confirmation

I am pleased to say that we have been selected to participate in the TEF subject level pilot. This will allow us to confidentially participate in the pilot and enable us to understand our performance by subject, whilst shaping the future process. Whilst this will generate some significant work it will provide a helpful lever to ensure Schools are aware of the impact of performance on grade.

There is some evidence these accolades are beginning to feed through into the wider environment. For example whilst our recruitment is down by c 4-5% this year other institutions in our section of the market have reported drops averaging 10%. A recent analysis by Wonkhe looked at proportional changes in interest for all universities as evidenced by UCAS data (see Table 1 below). This showed that engagement with LSBU for 2018 entry has shown one of the highest increases in the country which is a positive indication – although is very early in the cycle.

Table 1: Changes in proportional interest September 2016 – September 2017

	Change in proportional interest September 2016- September 2017	TEF Award level	2018 CUG ranking
1	Oxford	Gold	2
2	Coventry	Gold	43
3	St Andrews	Gold	3
4	Cambridge	Gold	1
5	Huddersfield	Gold	72
6	Nottingham	Gold	18
7	Birkbeck	Silver	116
8	London South Bank	Silver	108
9	Suffolk	Bronze	129
10	Bristol	Silver	17

1.2 Lambeth College

As the Board will recall we provided a counter offer to that made by DfE through the Transaction Unit (TU). The TU had offered a conditional grant of £25m with proceeds from the sale of Clapham being used to pay back this grant. The College and LSBU have suggested an alternative commercial structure in which the full £25m is treated as grant with the condition that where net capital receipts from the disposal of Clapham and development of Vauxhall exceed £13m then the net capital receipts will be shared on a 50/50 basis with up to £13m being payable to TU. We have requested that the remaining £12m of the grant should be written off as it relates to historical debts which the University has had no control over. A proposal has gone to the Secretary of State for Education as we have now exhausted existing process but we are not aware of details of the proposal. It may therefore be that any agreement is unacceptable to LSBU.

In terms of governance there are some details that need resolving but we have not engaged to further develop any form of heads of terms until we are clear on financial position.

On estates the college is preparing a bid to the LEAP to secure the £20M required as part of the Vauxhall development. Whilst our COO is attending project meetings we are not leading this work or accepting any costs hence there is a risk that this bid fails in which case the Lambeth business case as constructed would also fail – the submission date is in January 2018.

The TU were due to communicate their final offer by the end of October 2017. Based on recent conversations with ESFA this is now likely to be by the end of November with a meeting between the VC and Peter Lauener, CEO ESFA, due to be scheduled in the coming weeks.

1.3 Student Retention

We now have re-enrolment data for 2017-18. Initial analysis would indicate that clean progression has fallen from 77.6% last year to 74.7%. The data is now being analysed but the schools showing greatest drops at this time are Engineering, Built Environment and Arts & Creative Industries.

In year monitoring of withdrawals and interruptions for August - October 2017/18 show that the total number of withdrawals and interruptions for the first three months of this academic year is lower than previous years. For the year to date 110 students have withdrawn or interrupted versus 138 in 15/16 and 121 in 14/15 for the equivalent periods.

	Aug	Sep	Oct	Total (Aug – Oct)
14/15	4	43	80	127
15/16	2	28	91	121
16/17	36	21	81	138
17/18	0	10	100	110

2.0 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.

2.1 REF 2021

On August 31 2017, HEFCE disseminated their initial decisions on the 2nd Research Excellent Framework (REF2021). For LSBU the key decisions were:

- Impact's weighting has increased from 20 % to 25 % and the Impact template (20% of the REF2014 Impact Element) has been subsumed into the Environment Element, so increasing the value of the Impact case studies by 56%;
- The weighting of Research Outputs had decreased from 65 % to 60 %;
- All staff who have a significant responsibility to undertake research are be submitted to the REF.

The principal REF2021 decisions remaining concern:

- Portability of research outputs for staff transferring between UK Higher Education Institutions during the REF cycle;
- How significant responsibility for research is defined and evidenced by submitting Institutions;
- No. of outputs required per FTE member of staff.

The REF Strategy Group will take these actions forward and I will update the Board on progress.

The PVC (Research and External Engagement) is giving a presentation to the Board on research and REF.

2.2 Research, Enterprise and Innovation

For the 2017/18 academic year we have to date (Sept 2017) secured £395k of research income against a target of £3.4m. For the remainder of the year we have contracted research income of £2.7m, leaving a potential shortfall of £336k. There are currently 40 projects in the pipeline with a total value of £4m.

To date we have £1.7m of enterprise income against a budget target of £10.5m (excluding Transnational Education). For the remainder of the year we have contracted enterprise income of £6.6m giving us total income with some certainty of £8.3M. This leaves a shortfall against budget of £2.1m for which we have an enterprise bid pipeline of £4.4m.

2.3 Recruitment Agency

The Recruitment Agency is due a soft launch in late November 2017 with the launch of the Graduate Recruitment Scheme, which will be administered through the Agency. This will provide a bank of underemployed and unemployed graduates from the 16/17 cohort to be put forward for internships or temporary roles within the University. The first graduates to be paid through the Agency will be from week commencing 4th December 2017. A promotional launch is due for January 2018.

2.4 Training agency

A business case for the development of a training agency for non-accredited courses via SBUEL is currently being prepared and should be completed by December 2017 for launch later this academic year.

3.0 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.

3.1 Full Time Under-Graduate Recruitment

At the end of clearing, Home / EU generated 2,636 firms accepts versus 2,775 last year (-5%). This represents a good recovery throughout clearing, given the additional impact in the reduction of national applicants available at the start of the second cycle.

- The breakdown of firm accepts was 80% home, 11% international and 9% EU. This represents a strengthening of demand from non-UK students who were targeted to generate 17% of total firm acceptances.
- To date, 2,341 full-time Home and EU under graduate students are fully enrolled for Semester 1 against a target of 2,500. A further 61 home / EU students are partially enrolled and it is expected that the vast majority of these will convert, giving a potential out-turn of 2,402 students.

3.1.1 Part Time Under-Graduates

Applications for part time places declined throughout the recruitment cycle which in total generated 648 firms accepts, 41 less than prior year (-6%). However conversion held up and to-date 560 Home & EU students are fully enrolled with a further 19

partially enrolled. This gives a potential out-turn of 579 students or 97% of target and 13 above prior year.

3.1.2 HSC Commissions

HSC commissioned courses continued to see the impact of the removal of bursary funding and generated 711 firm accepts versus 782 prior year (-9%). However conversion is 100% with 705 students now fully enrolled and a further 6 students partially enrolled giving a potential out-turn of 711 which is -99 down on prior year (-12%).

3.1.3 Post Graduate Recruitment

Applications for post-graduate courses from Home/EU students declined for both full time and part-time provision, with full-time courses more heavily impacted. In total 1,413 firm accepts were generated for full and part time courses versus 1,587 prior year (-11%).

- To date, 664-full time Home/EU students are fully enrolled with a further 31 partially enrolled, giving a potential out-turn potential of 695 students which is 80% of target and -113 down in prior year.
- For part-time, 569 students are fully enrolled with a further 21 partially enrolled giving a potential out-turn of 590 which is 97% of target and -70 down on prior year.

3.2 International Recruitment

For International and European there is a broadly similar pattern. A big rise in interest and applications mid -cycle followed by a long hiatus, then a last minute surge. The explanation given by agents is that the events in London in late Spring stalled interest. We have yet to see how the wider sector has fared but even more so than home students there is little difference in accepted entry requirements between Russell group and LSBU.

In terms of International recruitment:

- To date, 169 overseas full-time under-graduate students are fully enrolled for Semester 1 against a target of 200, representing 85% of target achieved. A further 8 overseas students are partially enrolled giving a potential out-turn of 177 students or 89% of target and -13 adverse to prior year.
- For Postgraduate courses there was an increase in both applications and firm accepts from overseas students, in total 697 FAs versus 639 in prior year (+9%). Conversion has been below prior year and to date, 155 overseas students are fully enrolled with a further 4 students partially enrolled meaning the likely turnout of 159 which is 49 below prior year.

In addition to the above we have 120 study abroad students that spend part of the year with us. The current total enrolment for all overseas students is therefore 456 and is just under the 500 semester 1 target. The income target for the year requires us to reach at least 700 students by year end. Both Europe and International have

intakes in January and while the course choice is still limited this is a growing market for LSBU and the more courses that can be offered the greater our recruitment will be.

As previously reported EU numbers (which count against the 2500 target) showed numbers have held at 480 against 484 for the same period last year. A further uplift is expected on this figure in January excluding any Erasmus or other non-fee paying arrangements.

3.2.1 Basic Compliance Assessment

For UKVI metrics, whilst we are allowed up to 10% refusals we had set a target of 5%. We just fell out of the 5% largely because of the number of students we attracted in autumn who did not then arrive in time for their studies. Course completion is acceptable but we could do better as an organisation:

- Refusal rate: 5.58%
- Enrolment rate: 97.55%
- Course completion: 87.55%

3.3.2 Collaborations

BUE had an excellent conference a few weeks ago and the LSBU BUE connection is firmly on the map with a visit from the Egyptian Minister for Education to LSBU during October. Going from strength to strength the LSBU numbers are at 4200 for this year and in line with plans.

LSBU staff are now in place in ASU Bahrain and the focus is now on aligning systems and processes to ensure the first exam boards are a success. They have recruited this year to the feeder year for our engineering programs hence we will start with c 30 students for 2019 entry.

In terms of new initiatives the strategy of moving into the big markets of Turkey and China is showing results. Talks are underway with the University of Health Sciences around Nursing run by the Nissantasi Group which have 4 universities in Turkey, (including North Cyprus), and they are looking for a global partner. Offers of sites in Beijing and Nanjing have come from China for semi-autonomous operations which would allow LSBU to put their name on teaching operations. Supported by the Ministry of Education and the Beijing Education Council China would like to secure the help of LSBU in promoting enterprise education and expanding the HE sector. It would be expected that these two operations could deliver 1500+ TNE students in China and significant student inflows to LSBU Southwark.

Substantial interest remains in supporting LSBU/China initiatives in promoting the international/student experience though improved accommodation, teaching and conference facilities. We will continue to develop these leads and to assess potential benefits as we move forward.

OnCampus have recruited well, doubling their foundation intake from last year. This partner group based on campus deliver a year 0 course in the UK and support overseas students into UK universities. Progression however remains weak with a sub 70 figure coming through hence a programme of support and conversion will be agreed at a meeting in November.

3.4 Apprenticeships

LSBU enrolled 185 new apprentices during September/October 2017. Together with the 133 ongoing apprentices the university is currently teaching 318 apprentices from over 85 employers within the Schools of Engineering, BEA and Health and Social Care. Further enrolments are planned in the School of Business for January 2018 and on a rolling basis within the School of Health and Social Care. The forecast for apprentice enrolment for academic year 2017/8 is over 500 apprentices. Anecdotal evidence suggests that LSBU currently has one of the largest cohorts of apprentices within the university sector.

We are planning to expand our apprenticeship offer and academic staff are actively involved in selected employer trailblazer groups which are creating new apprenticeship standards (e.g. Architecture Degree Apprenticeship). There remain a number of standards which LSBU is ready to deliver as soon as they receive government approval. These include the 10 Construction standards within the School of BEA and the Nursing Associate Degree Apprenticeship in the School of Health and Social Care. All of these already have employers ready to send their apprentices to LSBU.

3.5 South Bank Academies Update

We are enhancing the learning resources at the Academy by creating a model engineering facility in the atrium. Student recruitment at the UTC continues to be a challenge and we are reviewing the Trust central services to enhance marketing support to the schools. The Academy continues to be attractive to parents as reflected by strong student recruitment, in particular into Year 7. We are enhancing the student learning and pastoral support at the Academy to ensure that the students are well supported as the first cohorts of students prepare for final examinations in 2018.

3.5.1 South Bank Engineering UTC

204 students enrolled in September at the UTC, but the student numbers following the withdrawals and transfers is currently 185. Although this number is financially viable, we have increased the marketing effort to improve student recruitment. Now that the UTC is in its permanent accommodation, we expect the recruitment to improve for next year. Attendance at the open events we have organised so far for 2018 admissions suggests that there is significant increased interest in the UTC.

Staff recruitment, particularly into engineering continues to be a challenge. Links with employers remain strong with significant employer input into student projects, site visits and work placements. The Baker Dearing Trust and DfE continue support us strongly. We are now considering various options in terms of extending the educational offer to ensure UTC's sustainability into the future. LSBU's computing staff are offering workshops on building apps and programming for students.

3.5.2 University Academy of Engineering South Bank

The Academy currently has 567 students in total and we expect this number to continue to grow as more students transfer during the term. We recruited staff successfully to all vacant posts. Our immediate priority at the Academy is to put in place interventions where they are required to ensure that the students have the appropriate learning support as they prepare for the examinations. Two of our Year 12 students left the Academy to take up apprenticeships with Atkins and Arups. Enrichment activities at the Academy are strong and continue to grow. We are investing in additional equipment at the Academy as student numbers grow and advanced years teaching is offered.

3.6 Public Affairs and Civic Engagement

We continued to engage with MPs and were invited to meet with James Frith MP, Roberta Blackman-Woods MP (APPG Universities Chair) and Helen Hayes MP. Discussions centred around higher education funding, skills and Lambeth College. Helen has subsequently written to the Secretary of State and others in support of our ambitions with Lambeth College. On 3 October 2017 I participated in an event hosted by MillionPlus at the Conservative Party Conference alongside Universities Minister Jo Johnson, the NUS and CBI.

On 27 September 2017 we held the first of a short series of round tables with key opinion formers. The first addressed the dramatic decline in part-time higher education and was attended by key people from the sector and related organisations. It led to a joint letter from the VCs of LSBU, OU and Birkbeck to the Secretary of State for Education. We have continued to work with OU and Birkbeck to draw attention to the fall in part-time education. UUK has now agreed to undertake a full review of the issue. A second roundtable on 26 October 2017 explored the role of universities in addressing the UK skills gap and will be followed shortly by an article on the subject published by UUK. The final round table in this series will take place on 22 November and will be on the subject of local education provision.

On 11 October 2017 we held a reception at the House of Commons reception to celebrate the University's 125th anniversary and recent awards. It was well attended and resulted in useful outcomes with a number of guests including the shadow minister for further and higher education.

We continue to make submissions to relevant parliamentary consultations and I have now been invited to provide verbal evidence to the Education Committee Inquiry on Value for Money in Higher Education on 14 November 2017.

On 10 October 2017 we hosted a visit from HRH Duke of Kent to see the University's engineering facilities and to meet with staff and students and the Egyptian Minister for Education visited on 30 October 2017.

4.0 Strategic Enablers

4.1 2017/18 Pay Award

In September, LSBU implemented the nationally negotiated pay award for staff in grades 2 – 10 backdated to 1st August 2017:

- 1.72% - 2.43% increase on spine points 2 to 16
- 1.7% increase on spine points 17 to 51
- 1.7% increase in London Weighting.

The pay award was applied to senior management grades where applicable. The three unions recognised at LSBU, UCU, GMB and Unison, all accepted the offer.

4.2 UCU action regarding potential USS changes

A national consultative ballot by UCU of their members on the future of the University Superannuation Scheme (USS) resulted in a 86.6% yes vote (on a turnout of 55.8% of those eligible to vote) to take industrial action in order to defend USS pension rights. UCU is organising a Special HE Sector Conference on 9 November 2017 at which a special meeting of the pre-92 branches, plus one or two additional universities formed more recently that offer USS as a major pension scheme, when it is anticipated that the decision to move to a statutory ballot will be taken.

LSBU offers USS only to new staff who are already in the scheme and have no break in service on joining LSBU. We currently have 50 members of staff in USS, and there have been no indications at local or national level that UCU members at institutions that offer TPS will become involved in the dispute.

Agenda Item 6

	CONFIDENTIAL
Paper title:	Report from the Chief Financial Officer
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
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:</p> <ul style="list-style-type: none">• to note the report which provides a progress update on 2017/18 and an update on year end reporting matters;• to approve the financial commentary explaining any significant variations from the data submitted to HEFCE in the July 2017 financial forecast submission. This requires approval before submission to HEFCE as part of the Annual Accountability Return (deadline 1 December 2017). The detailed tables showing the actual performance and position for 2015/16 and 2016/17 do not need to be submitted this year but have been included in this report for internal information only.

Attachments:

Appendix 1: Commentary on financial variations

Appendix 2: Updated financial tables (for information only – not for submission to HEFCE)

Report from the Chief Financial Officer: November 2017

1. Management accounts to 30 September 2017

The full year forecast as at 30 September 2017 is trending towards a surplus of £1.5M. This would deliver the University on budget.

Following a challenging recruitment and re-enrolment round in Semester 1, the University is forecasting that we will fall short of our Corporate Income target by approximately £5M. To ensure that we deliver to the surplus target set by the Board we have taken 3 steps to balance the budget;

- Firstly we have released the £3M contingency in exceptional items that was created by rebasing the staff cost budget
- Secondly we have reduced our Staff Restructuring provision by £0.5M to £1.0M and
- Finally we have challenged both Schools and Professional Functions to deliver £1.5M of savings in their budgeted levels of Operating Expenses.

This position will deliver: EBITDA at 10.9% which is slightly ahead of the 17/18 target of 10.5%, a recurring staff cost expressed as a % of income of 55.3% which is marginally above the 55% target and Corporate Income Growth of 0.7% which is below the 4% target for the year.

Next steps:

- We continue to closely monitor all requests for new and replacement staff to ensure that the recurring staff cost as a % of income is brought below the 55% target. The September management accounts show spend lower than budget by £564k in the first two months and this is after accounting for the backdated pay uplift which was processed in September.
- We are working closely with the Schools and Professional Functions to identify areas that will deliver appropriate savings in Operating Expenses.
- The Registry team are working closely with the Admissions Team to ensure that Students who are currently Enrolled with Outstanding Requirements transition to Fully Enrolled to maximise the Tuition Fee income from our current cohort.
- Gate One have been commissioned by the Chief Operating Officer to review current processes within professional services and this work is expected to report in the next couple of months.

- The Executive is reviewing the shape of the workforce taking a considered approach based on future need. This is seeking to agree implementation over the next 12-18 months. We would, however, hope to deliver some further efficiency against budget this year to help re-establish the step change project investment fund.
- The detailed market analysis of recruitment performance is continuing.

As a result of this work we will be in a better position early in the New Year to update our financial forecasts.

2. Year-end reporting matters

HESA student return – potential clawback

Following submission of student data to HESA our HEFCE grant is re-calculated and then compared to our HEFCE grant that was based on the HESES submission made the previous December. As HESES contains a number of estimates – for example, student non-completion and second semester enrolments – there is always a risk of clawback following the HESA submission.

The university has now submitted the final 2016/17 HESA student return and re-calculated grant shows a reduction in HEFCE grant of £166,414 when compared to HESES16 submitted in December 2016. The main driver for this reduction is a deterioration of funding completion rates compared to previous years and therefore to forecasts made in HESES16. This is consistent with the reported reduction in progression rates.

As HEFCE have a fixed budget they will also apply a further adjustment to funding at the end of the cycle when individual allocations are adjusted as necessary to ensure the sum of all allocations matches the funds they have available. This adjustment is usually small but is unknown at this stage.

Year-end accounts

The audit is almost complete and KPMG have not identified any misstatements requiring adjustment. There are 3 control recommendations around journal authorisation, back up documentation to journals and maintenance of the fixed asset register. All three recommendations are rated as medium risk and have been accepted by management.

No significant concerns have been raised around the key audit risk areas of revenue

recognition, pension schemes, opening balances, fixed assets and use of funds.

The statutory financial accounts are presented in a separate paper to the board. The operating surplus reported is £1.9m, compared to budget of £1.0m.

A full compliance statement on our systems of internal control is included in the financial statements. A detailed report went to November Audit Committee setting out the various sources of assurance underpinning this statement. No matters have arisen since audit committee which would change our opinion in this regard.

The Board agree when signing the accounts that they think it appropriate to prepare the statements on a going concern basis and a detailed going concern paper was also reviewed by Audit Committee in November and approved.

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

3. Annual accountability return (AAR)

The annual accountability return is due for submission to HEFCE on 1 December 2017 and will inform their overall assessment of risk for LSBU through the Annual Provider Review process. Currently LSBU is rated as “not at higher risk at this time”.

The majority of the financial and control related papers that comprise this return have already been to Audit Committee, or Finance, Planning and Resources Committee under separate cover, including:

- Audit committee annual report (Nov Audit Committee)
- Audited financial statements (Nov Audit Committee & FP&R)
- External audit findings report (Nov Audit Committee)
- Internal audit annual report (Nov Audit Committee).

Financial tables were approved at the July 2017 Board meeting setting out details of our forecast financial position, our balance sheet and cashflow for the period 2016/17 to 2019/20. The tables are consistent with agreed corporate KPIs, and our longer term financial objectives to deliver the following by 20/21:

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

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

Consistent with HEFCE guidance we are now required to submit as part of our AAR

submission, a commentary on the 16/17 forecast element of the July submission compared with the actual reported results to 31 July 2017 and this requires approval by Board before submission. The 16/17 financial submission was based on the University's forecast position at the end of April 2017 and there have been a number of changes between the forecast and year end position. The final position for the year showed a surplus of £1.9M which was an increase of £0.4M from the April forecast of £1.5M. Our cash and cash equivalents finished the year £1.0M ahead of our forecast position at £32.1M whilst our total net assets at Year End year were £89.6M, an increase of £12.1M compared to forecast as a result of year end pension movements.

This commentary is attached as Appendix 1 for approval. We are not required to submit the financial tables but these are included as Appendix 2 for internal purposes only.

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Appendix 1

AAR Financial Commentary - 2016/2017

The July 2017 Financial Submission to HEFCE was based on the Full Year Forecast as at April 30 2017 and in the final 3 months of the year there have been a number of movements particularly in the areas of Surplus, Income, Staff costs, Capital Expenditure and Pensions Liability between that forecast and the final accounts produced as at July 31st.

Surplus

One change between the April forecast and the year end was the increase in the University's final surplus. The final position for the year showed a surplus of £1.9M which was an increase of £0.4M from the April forecast of £1.5M. This was driven by a number of factors including a decrease in Staffing costs, an increase in Operating Expenses, a decrease in Depreciation and a decrease in Interest and Other Finance costs.

The surplus as a % of income also increased from the forecast 1.0% to a final 1.3%.

Income Changes

As detailed above, the positive movement in our surplus was primarily driven by expenditure factors. In terms of income, our final position was £0.1M down as compared to our April Forecast on income of £144.5M. This was driven by 4 factors.

- **Tuition Fees & Education Contracts**

In terms of Tuition Fees, our final mix was slightly different to the original forecast. Tuition fees from part time students were ahead of forecast, as were fees received from the Department of Health. The net impact of the above was that our final tuition fee income was in excess of £109.1M, an increase of £4.0M as compared to the April forecast.

- **Funding Body Grants**

In terms of grants, the university finished slightly behind forecast with a final outcome of over £14.8M. The mix of funding partners was slightly different to forecast but the change was primarily driven by a reduction in the HEFCE Student Opportunity Grant. The net impact of the above was a decrease of £0.3M as compared to the April forecast.

- **Research Grants & Contracts**

In terms of funding for Research, the university finished ahead of forecast following a strong fourth quarter. In particular income from BEIS Research Councils was up and this enabled us to finish £0.7M ahead of forecast with a final outturn of £3.1M.

- **Other Income**

In terms of Other Operating income the university finished slightly behind forecast. Income from Residences and Catering operations finished slightly ahead of forecast at £11.7M following a strong performance from our Summer schools and ended the year £0.2M ahead of forecast. Other income declined by £4.7M to £5.5M. This was primarily due to CPD income within the School of Health of Social Care being classified as Tuition Fee income in the final outturn rather than due to an actual year on year decline. The net impact of the above was that Other Income finished the year at £5.5M, a 17.5% increase over last year and a reduction compared to forecast of £4.7M.

After the above changes, the University finished the year with £144.5M in income, an increase of 4.7% as compared to 2015/16.

Expenditure Analysis

Our total expenditure at £142.6M was £0.5M lower than the anticipated expenditure of the April forecast.

- **Staff costs**

The University remains focused on balancing the costs of staff at an appropriate percentage of income generated and our total staff costs in the year end submission were £4.8M better than forecast at £75.1M, excluding 3rd party staff. Our recurring staff costs were £2.4M better than forecast following a delay in staff recruitment. There was a further saving against the provision in the final quarter of 2015/16 for staff restructuring. We had been forecasting that a provision in line with the budget of £1.5M would be required however the final position was a charge of £0.6M. There was also a writeback of £1.5M following the annual review of the Holiday Pay accrual required under FRS 102.

- **Operating Expenses**

The increase in Operating Expenses of £6.3M between the April Forecast and the July outturn is primarily driven by an increase in the legal and professional costs associated with expanding the LSBU family and, more significantly, in the development of our Estate. We took the opportunity to write off demolition costs associated with development, preliminary design costs associated with estates projects, as well as a significant number of other projects following a review of our 'Assets in the Course of Construction' (AICOC) balance sheet account. The final expenditure of £53.5M is £4.7M higher than the amount invested in 14/15.

- **Depreciation**

There was a decrease of £1.6M in the depreciation charge compared to forecast and this was driven by a delay in capital expenditure as compared to forecast and by the write off of assets within AICOC mentioned above.

- **Interest and Other finance costs**

There was a £0.4M saving between the forecast interest and other finance costs driven by savings in Pensions Interest.

The net impact of the above was that our total expenditure for the year was £142.6M, an increase of 5.7% as compared to 2015/16

Balance Sheet Movements

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

The net position was a £12.1M improvement in the Total Net Assets of the university as compared to the April forecast.

- **Fixed Assets**

Our Fixed Assets are £15.7M less than forecast and the mix is slightly different. Our Intangible Assets have increased to £2.0M and this reflects the change in treatment of Software under Accounting Standard FRS 102. Our Tangible Assets were £17.7M less than forecast; this was primarily due to less capital expenditure than originally planned as well as the accelerated write of Capital Assets at year end. The net position was that the University finished the year with Fixed Assets valued at £218.9M a reduction of £6.9M on the 2015/16 position.

- **Current Assets**

The increase in current assets of £6.8M as compared to the previous submission reflects the fact that our cash outlay on capital expenditure was less than forecast and so our cash reserves finished £3.2M higher than forecast. There were also some changes to working capital including a £2.3M increase in Debtors and an increase in Pre-payments of £1.1M. The increase in Debtors included £1.9M of Tuition Fee debt.

- **Creditors**

Creditors that are due within 1 year fell by £9.7m against forecast and finished the year at £37.4M. The April forecast assumed that there would be no change in the year on year working capital position however the 15/16 position was higher than trend due to the purchase of an asset on our Estate right at the year end 2016. The final Creditors position for 2016/17 is consistent with 2014/15 and is driven by the level of accruals and deferred income on the balance sheet.

- **Net Current Assets**

The increase in net current assets of £16.5M from the previous forecast 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.

- **Creditors: amounts falling due after more than one year**

Creditors fell faster than forecast and ended the year at £48.1M, this was due to lower than expected Bank loans and external borrowing.

- **Pension Liability**

Finally, the University's pension liability on the balance sheet decreased by a net £8.7M to £113.8M. The key driver was the change in pension liability with the London Pension Scheme Authority (LPFA), which decreased mainly as a result of actuarial gains. The total actuarial gain in respect of all the University's pension schemes was £11.7M and is the key reason for the increase in Total comprehensive income for the year as compared to the Forecast

The net impact of the above was that our total net assets at Year End year was £89.6M, an increase of 17.9% as compared to 2015/16.

Cash Flow movements

In terms of Cash flow statement and the reconciliation of the surplus for the year to net cash flow there were 3 key differences that reflect the changes to surplus described above and the changes in working capital.

- **Net Cash inflow from operating activities**

Cash inflows were £0.4M higher than forecast due to our increased surplus.

- **Adjustment for non-cash items**

The Adjustment for non-cash items was £16M less than forecast reflecting the lower levels of depreciation than the original forecast and due the change in working capital and in particular the reduction in Creditors following the purchase of Hugh Astor Court.

- **Cash flows from investing activities**

Following the purchase of Hugh Astor Court, the University held back its capital

expenditure as we planned for the next stage of the development of our Estate, as a result the University spent almost £17M less than forecast on Capital expenditure.

The net impact of the above was that our cash and cash equivalents finished the year £1.0M ahead of our forecast position at £32.1M.

Appendix 2

Financial results and forecasts: July 2017 submission vs July 2017 Outturn

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Financial indicators (automated table)

Financial indicators are shown for indicative purposes only.

	Restated 2014-15	Actual 2015-16	Forecast 2016-17	Actual 2016-17	Difference 2016-17
Surplus/(deficit) as a % of total income	-0.8	2.4	1.0	1.3	0.2
Unrestricted reserves as a % of total income	71.9	54.4	53.0	61.4	8.4
External borrowing as a % of total income	20.0	19.5	19.6	17.7	-1.8
Net cash flow as a % of total income	4.5	17.5	11.9	0.8	-11.1
Net liquidity days	139	154	126	134	8
Staff costs as a % of total income	53.1	51.8	55.3	52.0	-3.3

Adjusted net operating cash flow (automated table)

	Restated 2014-15 £000	Actual 2015-16 £000	Forecast 2016-17 £000	Actual 2016-17 £000	Difference 2016-17 £000
1. Net cash flow from operating activities	6,384	24,156	17,255	1,204	-16,051
2. Add: cash received from investment income	0	0	197	185	-13
3. Add: endowment cash received	0	0	0	0	0
4. Deduct: cash paid on interest on borrowings	-1,372	-1,303	-1,244	-1,244	0
5. Deduct: cash paid on interest element of finance leases	-1	0	0	0	0
6. Adjusted net operating cash flow	5,011	22,853	16,208	144	-16,064

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

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

Table 1: Consolidated statement of comprehensive income and expenditure

	Restated 2014-15 £000	Actual 2015-16 £000	Forecast 2016-17 £000	Actual 2016-17 £000	Difference 2016-17 £000
1. Income					
1a. Tuition fees and education contracts	99,338	102,793	105,141	109,119	3,978
1b. Funding body grants	17,583	15,684	15,135	14,845	-290
1c. Research grants and contracts	2,358	2,232	2,388	3,089	701
1d. Other income	20,932	16,960	21,762	16,910	-4,852
1e. Investment income	311	313	197	184	-13
1f. Total income before donations and endowments	140,522	137,982	144,623	144,146	-477
1g. Donations and endowments	599	195	0	332	332
1h. Total income	141,121	138,177	144,623	144,478	-145
2. Expenditure					
2a. Staff costs	74,898	71,581	79,954	75,160	-4,794
2b. Fundamental restructuring costs	0	0	0	0	0
2c. Other operating expenses	53,912	48,822	47,217	53,488	6,271
2d. Depreciation	8,759	9,749	11,175	9,620	-1,556
2e. Interest and other finance costs	4,724	4,755	4,777	4,369	-409
2f. Total expenditure	142,293	134,907	143,124	142,636	-487
3. Surplus/(deficit) before other gains/losses and share of surplus/(deficit) in joint ventures and associates	-1,172	3,270	1,500	1,842	342
4. Gain/(loss) on disposal of fixed assets	0	0	0	0	0
5. Gain/(loss) on investments	6	12	0	52	52
6. Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0
7. Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0
8. Surplus/(deficit) before tax	-1,166	3,282	1,500	1,893	394
9. Taxation					
9a. Taxation on research and development expenditure credit	0	0	0	0	0
9b. Other taxation	0	0	0	0	0
9c. Total taxation	0	0	0	0	0
10. Surplus/(deficit) for the year	-1,166	3,282	1,500	1,893	394
11. Unrealised surplus on revaluation of land and buildings	0	0	0	0	0
12. Actuarial gain/(loss) in respect of pension schemes	-9,285	-29,519	0	11,715	11,715
13. Change in fair value of hedging financial instrument(s)	0	0	0	0	0
14. Other: enter details in the text box under validation check 1	0	0	0	0	0
15. Total comprehensive income for the year	-10,451	-26,237	1,500	13,608	12,109
16. Total comprehensive income for the year represented by:					
16a. Endowment comprehensive income for the year	6	12	30	52	22
16b. Restricted comprehensive income for the year	0	0	0	0	0
16c. Unrestricted comprehensive income for the year	-10,457	-26,248	1,470	13,557	12,087
16d. Revaluation reserve comprehensive income for the year	0	0	0	0	0
16e. Attributable to the University	-10,451	-26,236	1,500	13,608	12,108
16f. Attributable to the non-controlling interest	0	0	0	0	0
16g. Total	-10,451	-26,236	1,500	13,608	12,108
17. Surplus for the year attributable to:					
17a. Non-controlling interest	0	0	0	0	0
17b. University	-1,166	3,282	1,500	1,893	394

Table 1a: Analysis of income

	Restated 2014-15 £000	Actual 2015-16 £000	Forecast 2016-17 £000	Actual 2016-17 £000	Difference 2016-17 £000
1. Tuition fees and education contracts					
1a. Full-time UG home and EU	49,588	50,442	51,907	51,659	-248
1b. Full-time postgraduate home and EU	3,080	4,068	5,942	5,514	-428
1c. Part-time fees - home and EU	8,859	10,990	10,396	12,350	1,954
1d. Home and EU domicile fees paid by the Department of Health	27,201	27,233	25,717	28,407	2,690
1e. Apprenticeships fee income	0	0	0	0	0
1f. Non-EU domicile students	10,610	8,794	11,179	11,189	9
1g. Other fees and support grants	0	1,266	0	0	0
1h. Total tuition fees and education contracts	99,338	102,793	105,141	109,119	3,977
2. Funding body grants					
2a. HEFCE - teaching grant	14,811	11,425	9,163	9,253	90
2b. HEFCE - research grant	1,141	1,820	1,766	1,771	5
2c. HEFCE other grants	1,586	1,060	3,079	2,695	-384
2d. ESFA funding	0	0	0	0	0
2e. NCTL funding	45	0	0	0	0
2f. Capital grants recognised in the year	0	1,379	1,126	1,126	0
2g. Total funding body grants	17,583	15,684	15,135	14,845	-290
3. Research grants and contracts					
3a. BEIS Research Councils	675	583	624	1,667	1,043
3b. UK-based charities	378	249	266	80	-187
3c. Other research grants and contracts	1,305	1,400	1,498	1,342	-155
3d. Total research grants and contracts	2,358	2,232	2,388	3,089	701
4. Other income					
4a. Other services rendered	0	1,324	0	0	0
4b. Residences and catering operations (including conferences)	10,245	10,931	11,475	11,716	241
4c. Income from health and hospital authorities (excluding teaching contracts for student provision)	0	0	0	0	0
4d. Other operating income	10,687	4,705	10,287	5,526	-4,761
4e. Total other income	20,932	16,960	21,762	17,242	-4,520
5. Investment income	311	313	197	159	-39
6. Total income before donations and endowments	140,522	137,982	144,623	144,452	-171
7. Donations and endowments	599	195	0	26	26
8. Total income	141,121	138,177	144,623	144,478	-145

Table 1b: Analysis of staff costs

	Restated 2014-15 £000	Actual 2015-16 £000	Forecast 2016-17 £000	Actual 2016-17 £000	Difference 2016-17 £000
1. Salaries and wages	56,922	54,775	59,672	56,894	-2,778
2. Social security costs	6,741	6,486	7,066	6,202	-864
3. Employer pension costs	11,235	10,811	11,777	12,063	286
4. Changes to pension provisions	0	0	0	0	0
5. Other staff related costs	0	-491	1,438	0	-1,438
6. Total staff costs	74,898	71,581	79,954	75,160	-4,794
7. Staff numbers (FTEs academic and other)	1,367	1,340	1,476	1,374	-102

Note: FTE = full-time equivalent.

Table 2: Consolidated balance sheet

	Restated Year ended 31-Jul-15 £000	Actual Year ended 31-Jul-16 £000	Forecast Year ended 31-Jul-17 £000	Actual Year ended 31-Jul-17 £000	Difference Year ended 31-Jul-17 £000
1. Non-current assets					
1a. Intangible assets	0	0	0	1,991	1,991
1b. Goodwill	0	0	0		0
1c. Negative goodwill	0	0	0		0
1d. Net amount of goodwill and negative goodwill	0	0	0		0
1e. Fixed assets	216,165	225,735	234,560	216,881	-17,679
1f. Heritage assets	0	0	0		0
1g. Investments	38	38	38	38	0
1h. Investment in joint venture(s)	0	0	0		0
1i. Investments in associate(s)	0	0	0		0
1j. Total non-current assets	216,203	225,773	234,598	218,910	-15,688
2. Current assets					
2a. Stock	71	11	11	8	-3
2b. Trade and other receivables	12,778	14,956	14,956	18,378	3,422
2c. Investments	16,363	16,465	16,465	16,620	155
2d. Cash and cash equivalents	34,552	36,238	28,913	32,146	3,233
2e. Other (e.g. assets for sale)	0	0	0		0
2f. Total current assets	63,764	67,670	60,345	67,152	6,807
3. Creditors - amounts falling due within one year					
3a. Bank overdrafts	0	0	0		0
3b. Bank loans and external borrowing	1,309	1,325	1,309	1,347	38
3c. Obligations under finance leases and service concessions	0	0	0		0
3d. Loans repayable to funding council	0	0	0		0
3e. Interest rate hedges (swaps)	0	0	0		0
3f. Other (including grant claw back)	33,479	42,993	43,009	33,306	-9,703
3g. Total creditors (amounts falling due within one year)	34,788	44,318	44,318	34,653	-9,665
4. Share of net current assets/(liabilities) in associate	0	0	0	0	0
5. Net current assets/(liabilities)	28,976	23,352	16,027	32,499	16,472
6. Total assets less current liabilities	245,179	249,125	250,624	251,409	784
7. Creditors: amounts falling due after more than one year					
7a. Bank loans and external borrowing	26,934	25,609	26,989	24,262	-2,727
7b. Obligations under finance leases and service concessions	0	0	0		0
7c. Loans repayable to funding council	0	0	0		0
7d. Interest rate hedges (swaps)	0	0	0		0
7e. Other (including grant claw back)	26,311	25,038	23,658	23,794	136
7f. Total creditors (amounts falling due after more than one year)	53,245	50,647	50,647	48,056	-2,591
8. Provisions					
8a. Pension provisions	89,732	122,512	122,512	113,778	-8,734
8b. Other provisions	0	0	0		0
8c. Total provisions	89,732	122,512	122,512	113,778	-8,734
9. Total net assets	102,202	75,966	77,465	89,575	12,109
10. Reserves					
Restricted reserves					
10a. Income and expenditure reserve - endowment reserve	742	754	754	807	53
10b. Income and expenditure reserve - restricted reserve	0	0	0		0
Unrestricted reserves					
11a. Income and expenditure reserve - unrestricted	72,767	47,243	48,743	61,386	12,643
11b. Revaluation reserve	28,693	27,969	27,969	27,382	-587
12. Total restricted and unrestricted reserves	102,202	75,966	77,466	89,575	12,108
13. Non-controlling interest (enter as negative)	0	0	0	0	0
14. Total reserves	102,202	75,966	77,466	89,575	12,108

Table 3: Consolidated statement of cash flows

	Restated 2014-15 £000	Actual 2015-16 £000	Forecast 2016-17 £000	Actual 2016-17 £000	Difference 2016-17 £000
1. Cash flow from operating activities					
1a. Surplus for the year	-1,166	3,282	1,500	1,893	394
2. Adjustment for non-cash items					
2a. Depreciation	8,759	9,749	11,175	9,620	-1,555
2b. Amortisation of intangibles	0	0	0		
2c. Benefit on acquisition	0	0	0		
2d. Amortisation of goodwill	0	0	0		
2e. Loss/(gain) on investments	-6	-12	0		
2f. Decrease/(increase) in stock	-26	60	0	3	3
2g. Decrease/(increase) in debtors	-4,110	-2,178	0	-3,422	-3,422
2h. Increase/(decrease) in creditors	-2,032	8,241	0	-10,932	-10,932
2i. Increase/(decrease) in pension provisions	164	-191	0	-145	-145
2j. Increase/(decrease) in other provisions	0	0	0		
2k. Receipt of donated equipment	0	0	0		
2l. Share of operating (surplus)/deficit in joint venture	0	0	0		
2m. Share of operating (surplus)/deficit in associate	0	0	0		
2n. Other: enter details in the text box under validation check 15	0	12	0		
3. Adjustment for investing or financing activities					
3a. Investment income (enter as negative)	6	0	-197	-184	13
3b. Interest payable	4,724	4,755	4,777	4,369	-408
3c. Endowment income (enter as negative)	0	0	0		
3d. Loss/(gain) on the sale of fixed assets	71	438	0		
3e. Capital grant income (enter as negative)	0	0	0		
4. Net cash inflow from operating activities	6,384	24,156	17,255	1,204	-16,051
5. Cash flows from investing activities					
5a. Proceeds from sales of fixed assets	0	0	0		
5b. Proceeds from sales of intangible assets	0	0	0		
5c. Capital grants receipts	0	0	0		
5d. Disposal of non-current asset investments	0	0	0		
5e. Withdrawal of deposits	0	0	0		
5f. Investment income	0	0	197	185	-13
5g. Payments made to acquire fixed assets	-6,524	-19,757	-20,000	-2,756	17,244
5h. Payments made to acquire intangible assets	0	0	0		
5i. New non-current asset investments	-86	-102	0		
5j. New deposits	0	0	0	-155	-155
5k. Total cash flows from investing activities	-6,610	-19,859	-19,803	-2,726	17,076
6. Cash flows from financing activities					
6a. Interest paid	-1,372	-1,303	-1,244	-1,244	0
6b. Interest element of finance lease and service concession payments	-1	0	0		
6c. Endowment cash received	0	0	0		
6d. New secured loans	0	0	0		
6e. New unsecured loans	0	0	0		
6f. Repayments of amounts borrowed	-1,294	-1,309	-1,325	-1,325	0
6g. Capital element of finance lease and service concession payments	-47	0	0		
6h. Other: enter details in the text box under validation check 16	0	0	0		
6i. Total cash flows from financing activities	-2,714	-2,612	-2,569	-2,570	-1
7. (Decrease)/Increase in cash and cash equivalents in the year	-2,940	1,685	-5,117	-4,092	1,025
8. Cash and cash equivalents at the beginning of the year	37,492	34,552	36,237	36,238	1
9. Cash and cash equivalents at the end of the year	34,552	36,237	31,120	32,146	1,026

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	CONFIDENTIAL
Paper title:	Key performance indicators report 2016/17 and targets for 2017/18
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	John Baker, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To update the Board on performance against the KPIs for 2016/17 and to agree targets for KPIs for 2017/18
Recommendation:	The Board is requested to: <ul style="list-style-type: none">• note performance for 2016/17; and• approve targets for 2017/18

Executive Summary

The report sets out the full set of results for 16/17, with the exception of the appraisal completion rate which is awaiting ratification by the Organisational Development team, and proposed targets for 2017/18.

The Board is requested to:

- note performance for 2016/17; and
- approve targets for 2017/18

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Report Date		8th November 2017		Past Performance Baselines			Benchmark	Target	Result	DoT	Target		Ambition	17/18 Rating Criteria		
Corporate Strategy Goals	20/20 Success Measures	#	Key Performance Indicators	13/14	14/15	15/16	Aspirational Group 15/16 average	16/17 (* = forecast)	YoY	17/18	Exec. Lead	20/21	Green	Amber	Red	
Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	1	Graduate level employment &/or Further study (EPI population)	49%	68%	76.0%	67.1	77%	81.8%	↑	80%	PVC (SE)	80%	80 % +	77 - 79 %	< 77 %
Student Experience	Top quartile of all universities in NSS	2	NSS scores – overall satisfaction (First Degree respondents)	80%	82%	82%	82.4%	84%	82%	→	84%	DVC	89%	84 % +	80 - 83 %	< 80 %
		3	International Student barometer (% recommending LSBU)	72.40%		77%	not available	78%	77%	→	78%		81%	78% +	75 - 77%	< 75 %
		4	PGT experience (% satisfaction)	77%	74%	74%	not available	76%	74%	→	77%		82%	77 % +	73 - 76 %	< 73 %
		5	Student Staff Ratio	17.2:1	16.4:1	17.1	17.6:1	17.5:1	16.6:1 (*)	↓	17:1		18:1	<=17	17 - 18	> 18
Employability	95% students in employment / further study (EPI)	6	DLHE Positive Outcomes; employment or further study (EPI)	85.5%	90.2%	90.8%	92.0%	92%	94.6%	↑	95%	PVC (SE)	95%	95 % +	90 - 94 %	<90 %
	Top 10 UK universities for student start ups	7	Number of Student start ups	1	30	50	53.6	70	65 (*)	↑	90	PVC (R&E)	150	90 +	85 - 89	< 85
Research & Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non Hefce)	£1.8	£2.0	£1.9	£10.3	£2.6	£2.8	↑	£3.1	PVC (R&E)	£6.0 m	£3.1 m +	£2.9 - 3.0 m	<£2.9 m
		9	Enterprise Income	£8.4m	£8.1	£7.8	not available	£9.9	£9.2	↑	£10.5		£19.0 m	£10.5 m +	£10 - 10.4 m	<£10 m
Access	Top London Modern for LPN recruitment	10	% recruits from low participation neighbourhoods (Young FT FD)	7.4%	7.7%	8.4%	6.8%	7.5%	9.2%	↑	8.2%	CMO	9.0%	8.2% +	7.9 - 8.1 %	<7.9 %
		11	% FT UG students (excluding HSC contract) recruited before Clearing	73.6%	71.8%	71.8%	not available	72%	71.1%	↓	75%		90%	75 % +	71 - 74 %	< 71 %
	Exceed expectations on completion	12	First Degree Completion projection (at or above benchmark)	-9.5%	-7 %	-5.8%	-2.5%	-4%	-5.5%	↑	-2%	DVC	+3%	>=-2 %	-3 to -4 %	<-4 %
		13	Year 1 progression	69.9%	73.1%	77.2%	not available	79%	74.7% (*)	↓	80%		85%	80 % +	77 - 79%	<77%
		14	Good Honours	61.0%	61.2%	66.4%	67.4%	63-67%	69.1% (*)	↑	63 - 67%		63 - 67%	63-67%	68-69% 61-62%	>69% <61%
15	PGT completion	54.8%	61.5%	58.7%	not available	65%	69%	↑	70%	85%	70% +	66-69%	< 66%			
International	4 QS Stars	16	QS Star Rating	2 (prov.)	3 stars	3 stars	not available	3	4 stars	↑	4	VC	4	4	3	2
		17	Overseas student income (millions)	£9.3 m	£11.2	£9.8	£31.9 m	£10.7	£11.2	↑	£13.1	PVC (R&E)	£20m	£13.1 m +	£12 - 13 m	<£12 m
People and Organisation	Rated as a good employer	18	Appraisal completion % (Amongst all eligible staff)	37%	90%	91%	not available	95%	tbc		100%	EDHR	100%	100%	95 - 99 %	< 95 %
		19	Average Engagement Score as as %	-		58%	70%	62%	62%	↑	66%	EDHR	75%	66%	63 - 65 %	< 63 %
Resources & Infrastructure	Grow our income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of income	2.3%	0.9%	2.4%	3.0%	0.7%	1.3%	↓	1.0%	CFO	5.0%	1 % +	0.8 - 0.9 %	< 0.8%
		21	Income (£m)	£134.8m	£140.8m	£138.2	£202.8m	£144.5m	£144.5	↑	£150.5m		£170.0m	£150.5 m +	£145 - 150 m	< £145 m
		22	EBITDA margin (EBITDA expressed as % of income)	11.4%	9.2%	11.8%		11.7%	12.0%	↑	13.0%		15.0%	13% +	12 - 12.9%	<12%
	Student satisfaction with facilities & environment in top UK quartile	23	Student satisfaction ratings with facilities & environment (FD)	83.0%	87.7%	90.0%	86.5%	90.0%	87.2%	↓	90.0%	COO	90%	90 % +	86 - 89 %	< 86%
		24	ICS Service Index %	-	68%	76%	-	78%	66%	↓	76%		80%	76% +	72-75%	<72%
Overall	Top London Modern university (excl UAL)	25	Times - League table ranking	122/123	120 / 127	120 / 128	98	115	106 / 128	↑	103	VC	85	103 or higher	104 - 108	109 or lower
		26	Guardian – League table ranking	112/116	111 / 119	107 / 119	86	102	92 / 121	↑	87		70	87 or higher	88 - 92	93 or lower
		27	Complete University Guide – League table ranking	120/123	119 / 126	115 / 127	90	110	108 / 129	↑	105		87	105 or higher	106 - 110	111 or lower

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	CONFIDENTIAL
Paper title:	Corporate Strategy Progress Report.
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	John Baker – Corporate & Business Planning Manager
Executive sponsor:	Pat Bailey – Deputy Vice-Chancellor
Purpose:	To present an overview of the progress in the second half of the 16/17 academic year for each of the goals of the Corporate Strategy
Recommendation:	The Board is requested to note the report.

Executive Summary

The progress report is structured by each goal of the Corporate Strategy, with an additional section for league table performance.

The narrative sections address the progress made since the last report to the Board in May 2017 against the 16/17 priorities identified in the Corporate Roadmaps with the end of cycle results against each of the corporate KPIs.

For the four results starred with an asterisk, the external return containing this data has not yet been submitted, but the result is not expected to see any material change. The appraisal data is in the process of being ratified by the OD team.

Progress against the corporate strategy was discussed at the September 2017 board strategy day. The report is now here formally to note.

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Corporate Strategy Progress Report (November 2017 Board Meeting)

DVC Executive Summary:

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

The 2016/17 academic year has been a remarkable one for LSBU, with a striking range of achievements that have been externally recognized. Nevertheless, the HE Sector is both challenging, and in a state of considerable flux, and we have already seen how difficult it is to recruit our target student numbers at the start of the 2017/18 academic year. However, this report primarily concerns the 12 months until 31 August 2017, highlights of which include:

- Times Higher Education (THE) Entrepreneurial University of the Year
- In the two international league tables (top 1000 universities globally) for the first time
- Achieved QS 4 star rating for international quality
- Income up to £145.4M (from £138M in 2015/16), and £1.9M surplus
- Progression rate (UG-FT) from year 1-to-2 up by 3%
- Times/Sunday Times 'University of the Year for Graduate Employment'
- In the top 100 of the Guardian League Table
- Achieved TEF silver rating (valid for 3 years)

The Teaching Excellence Framework (TEF) rating will undoubtedly be a key factor in student choice and league table position, especially as almost all other London moderns were bronze. Crucial will be to build on this in the next 3 years, when the next institutional TEF review is scheduled, although subject-level and PGT TEF exercises will probably run in 2 years time. Whilst our NSS score in 2016/17 remained at 81% for overall satisfaction, the sector median has dropped by 2%, so our position is improving against our competitors. We are also introducing our own Employment Agency for students, which should further boost our excellent DLHE results – 95% of graduates in employment/further study after 6 months, with 82% working/studying at graduate-level. A major area for LSBU are the Higher Apprenticeships, with >500 students expected to be enrolled on these courses in 2017/18. The support team will be based in the Passmore Centre from September 2018, for which a £5M grant from Southwark Borough Council is allowing a major refurbishment of that historic building; over £3M of HEFCE funding further underlines the confidence that external bodies have in our ability to deliver success in this new funding area, which aligns perfectly with our commitment to real world impact and job-related education.

Our widening access is demonstrated by 9.2% of students coming from low participating areas (target 8%), and we continue to work closely with FE Colleges and other providers to offer opportunities for all able students to enter HE. The two members of our Multi-Academy Trust, the University Technical College (UTC) and the University Academy of Engineering (UAE), have flourished, with the UAE achieving Ofsted 'good' rating across all areas and, following its opening in 2017, the UTC now occupies new buildings on Brixton Hill. We still await the outcome of our proposal to bring Lambeth College into the LSBU family of educational providers, which would lead to more routes for prospective HE students.

The 2016/17 year started with the THE Entrepreneurial University of the Year Award, and we have seen a rapid increase in enterprise activities (income up 16%). Our 42% increase in research income aligns well with the newly formed research institutes, centres and groups, and with our Annual University Research Audit (AURA), all of which are helping us prepare for REF2021. On the international stage, our league table and QS star ratings reflect a greater global engagement, with over 3000 TNE students studying at the British University in Egypt, and numbers projected to rise to 10,000 by 2020. Underpinning such developments are improving staff confidence (Pulse Survey in April 2017), the new staffing database (iTrent), investment in new facilities (including meeting our 2020 carbon reduction target), and a range of equality and diversity initiatives. The coming year will undoubtedly be challenging, especially concerning recruitment and retention, but we are well placed to continue our upward trajectory.

Goal 1:		Teaching & Learning					
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
1	Graduate level employment (EPI population)	67.1 %	49%	68%	76%	77%	81.8%

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

LSBU achieved a Silver rating for teaching excellence under the Government's Teaching Excellence Framework (TEF). The University was particularly praised for its focus on personalised learning and emphasis on supporting graduates into employment, with courses designed to give our students the skills, knowledge and confidence that employers want.

The graduate employment result placed LSBU as the top modern London institution from a league table perspective, at 23rd in the UK, with the performance against the sector average doubling to +8%.

The Educational Framework was approved by Academic Board for operation from September 2017, and all courses, including those requiring formal validation will be required to represent their Course Specifications in this format during 17/18. This includes the articulation of engagement of employers & other stakeholders in the curriculum development process.

The staffing for the Centre for Research Informed Teaching (CRIT) has been consolidated with the appointment of two new academic developers. CRIT is also delivering a series of 'Enhancing Course Design' events to support academic staff in this re-statement of course specifications, as well as a series of open practice events.

The 'Moodle' virtual learning environment has been upgraded to an updated version, with an improved interface for staff and student engagement, and which enables additional functionality, including the ability to customise function at assessment level, and to enable anonymous marking, which will be piloted in 17/18 once appropriate course or subject area have been confirmed.

The number of HEA Fellows looks set to rise by a further 50, with 25 staff being supported through the internal 'Achieve' accreditation scheme, and 25 Senior and Principal direct submissions.

The CRITICAL Conversations seminar series is developing a community of practice, having delivered 6 sessions for course and module leaders, and has stimulated the inception of two School led projects to review the use of assessment and feedback.

A new student achievement data report has been developed to provide Course Teams with immediate access to the achievement statistics presented against the range of student metrics required for the course Annual Monitoring process.

A validation cycle informed by market insight has been approved by Quality & Standards Committee for the oversight of portfolio developments during 17/18.

Related Risk Matters

The continued uncertainty around the operation of the TEF at subject level means there is a real risk it could focus attentions and effort on metrics that have no real link with pedagogy or teaching excellence, or could expose some sections of the LSBU portfolio.

The HEA Achieve accreditation needs to be re-submitted in October, to allow continued operation.

The digitally enhanced learning (DEL) action plan, deriving from principles presented to the Academic Board & Board in May, depends on a funding proposal due for Exec review during November.

Goal 2:		Student Experience					
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
2	NSS scores – overall satisfaction	82.4 %	80%	82%	82%	84%	82%
3	International Student barometer (% recommending LSBU)	not available	72.40%		77.0%	78%	77 %
4	PGT experience (% satisfaction)	not available	77%	74%	74%	76%	74 %
5	Student Staff Ratio	17.6:1	17.2:1	16.4:1	17:1	17.5:1	16.5:1

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

The Student Journey Transformation Project (Student Record System) presented the results of the discovery phase to the July Operations Board, and is now embarking on a series of Benefits & Impact modelling workshops in order to develop a business case for this major change project.

Although our NSS overall satisfaction result appears to remain constant, the sector average fell by two percentage points, meaning we have improved our relative position, and did comparatively well in the new survey questions, scoring above the sector average for the learning community and student voice.

Welcome Week 2017 included a Guidebook app for student advance download, which brought together all key information in an accessible and integrated format with modern digital functionality.

A personalised timetable project was established for new students in 17/18, which blended induction activities and teaching timetables for the first time, which enables a bespoke view for each student, which update with any amendments in near real time. It has also enabled academic view of class lists in large courses and modules where the cohorts are scheduled in sub groups.

A systems development has enabled direct student access to personalised Student Status Letters and Council Tax Exemption Certificates through MyLSBU following enrolment, improving timeliness of provision.

A new “What to do, When” student support and referral tool has been soft launched to academic staff through the OurLSBU [intranet](#). This is designed to improve our approach to safeguarding and make decision-making easier for staff who encounter student issues, using a dynamic decision tree to outline what to do, who to contact, and what support is available for common scenarios.

A new approach to supporting students through re-enrolment has been delivered, with a dedicated phone number and e-mail address staffed by the engagement intern team, also taking a proactive approach to contacting students where reports show they are not flowing through online systems.

A customised student engagement approach has been led by the Student Administration team. One element of this work is 362 students having had interviews with support advisors following contact regarding withdrawal & interruption. Previously these students would have simply filled in the withdrawal/interruption form and left LSBU without understanding the consequences.

Related Risk Matters

We need to maintain our capability to ensure the consistent quality of the student experience across all of our provision (NSS impact), including that delivered in partner institutions in the UK and overseas.

Many projects and initiatives involve information technology, and there is a risk delivery within anticipated timescales could be challenging or post installation support or culture change could be under-resourced. To mitigate, the Executive collaborate to prioritise high impact activity, and the project pipeline is reviewed by the ICT Infrastructure Board.

Goal 3:			Employability				
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
6	DHLE entry to employment or further study (EPI)	92.0 %	85.5%	90.2%	90.4%	92%	94.6%
7	Number of Student start ups	53.6	1	30	50	70	65 (Forecast)

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

LSBU was named 'University of the Year for Graduate Employability and Prospects' in The Times 2018 League table, who noted in particular "London South Bank has an outstanding record for graduate employment. It is a shining example of all the best qualities held by the modern university sector. Year after year, the university appears close to the top of our tables for graduate employment and graduate salaries."

The DLHE positive outcomes result was a continued improvement on 15/16, and within a hair's breadth of the 20/21 target.

The InPlace software solution for managing & quality assuring student placements is now in use in the School of Health & Social Care, and in the Education division in Law & Social Sciences, with all policies & documentation available to staff on MyLSBU.

Over 5000 students engaged in enterprise activities including workshops and start up support programmes, with a focus on developing entrepreneurial mindsets, and we have commenced a partnership with the Association of Independent Professionals and the Self Employed (IPSE) to support students in developing freelance and portfolio careers, which will help us achieve the 2020 KPI target.

The software build has been completed for the Higher Education Achievement Report (HEAR), and a launch event for students and staff is planned for October. The work to build in academic references for students is now at the exploration stage, and the 16/17 cohort will be the first to receive them in 2019.

The LSBU employment and temping agency, 'LSBU Employment' now has a project manager in place, was soft launched in October, and a formal launch is scheduled for January 2018.

The Student and Business Engagement Manager is now in post, has drafted a business development strategy, and we have seen a 200% increase on student engagement compared to 15/16, with over 3000 unique visitors during 2016/17.

We have invested nearly half a million pounds into specialist industry standard facilities. A suite of Digital Architecture Studios on the 7th Floor of the Keyworth Centre which will support current UG & PG provision as well as exciting new fields such as Digital Architecture & Robotic Construction. Highlights of the new facility include;

- High Resolution 3D printing and Fabrication suite
- A Photo Video Editing Suite
- Robot Digital Manufacture
- Large format drawing reproduction

The Modelling and Prototyping Workshops in Borough Road were also upgraded and enhanced which has enabled a purpose built teaching space for practical activities, upgrades to the discipline specific workshop tooling and supporting equipment and infrastructure, a dedicated machine shop for projects, and a self-contained work environment for dust intensive prototyping work.

Related Risk Matters:

There are risks associated with the new employment agency, but a series of cross institution meetings are addressing these, and an internal audit report into placement management found 5 recommendations for improved practice, of which 4 have already been implemented.

Goal 4:			Research & Enterprise				
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
8	Research Income (Without Hefce QR)	£10.3	£1.8	£2.0	£1.9	£2.6	£2.8
9	Enterprise Income	not available	£8.4m	£8.1	£7.8	£9.9	£9.2

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

The Annual University Research Audit (AURA) was completed by 243 members of academic staff, and identified 338 research outputs during the period surveyed. The results are utilised in quarterly School review meetings, developing a strategic approach to supporting units of assessment for the REF2021.

Further awareness of LSBU research activity was achieved through the formal launch event of the 14 Research Centres and 33 Research Groups on 18th October.

The London Doctoral Academy was launched in July, and now provides a physical space in London Road for research students to create a community of practice, and has provided clarity and consistency of administration through agreed institutional codes of practice, and a new student and supervisor handbook, supported by a fractional appointment of a sales manager to promote PHDs to funders.

A new key skills programme, organised with CRIT and OSD, provides a range of training & development events for staff at all stages of research maturity, targeted at institutional need and AURA analysis.

Pre and post award management processes have been enhanced by the shift to a common pipeline management process using Raisers Edge for all REI activity, a Sharepoint workflow system for management of all bids, and a project management infrastructure accessible to all relevant staff.

The research income outturn was a good result, an increase of 42% on the 15/16 total and ahead of target, and the volume of activity already contracted for 17/18 looks positive for a good result in 17/18, with recent research bid success including 2 awards from the EPSRC; a £400K award for a project modelling the mechanism of cats' whiskers for spacecraft design, and £200K for a project exploring heat re-use from sewers, and a further £600K of funding through the Welding Institute partnership, which has provided significant contribution to income growth.

Enterprise income was £0.7m behind target, but represented a 16% increase on the previous year, with excellent performance from BEA (+£313k); the Confucius Institute (+£330k) & Residences (+£373k). Sport lost £266k, a significant proportion due to 'free gym membership' provided for 1st years. The 17/18 enterprise income budget is £10.5m, with £6.2m contracted and £4.2m to find in year.

We have 3 incubator business premises on campus, which incorporate 90 tenants at 100% occupancy rates, and a combined turnover of £175 million. These provide benefits to schools and students. LSBU is also #2 London Modern for KTPs, and SBUEL led on sales of commercial enterprise with a total volume of £4.4m during 16/17.

Related Risk Matters

A significant shortfall in HSC CPD income (-£972k) prevented achievement of target, but a focus on income pipelines and targeted work around CPD for Health Professionals is planned to counteract this.

Work is needed to ensure that workload is balanced across support teams, and to ensure full compliance across academic areas in relation to the open access publication of outputs necessary for REF eligibility, and to ensure impact details is articulated during project delivery.

The UK's eventual departure from the European Union, and the potential impact on EU funding remains a threat to our planned growth. The highest perceived risk is to ERDF and research grants.

Goal 5:		Access					
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
10	% recruitment from low participation neighbourhoods	6.8%	7.4%	7.7%	8.4%	7.5-8.5%	9.2%
11	% FT UG students (excluding HSC) recruited before Clearing	not available	73.6%	71.8%	71.8%	72%	71%
12	First Degree Completion (at or above benchmark)	-2.5%	-9.5%	-7 %	-5.8%	-4%	-5.5%
13	Year 1 progression	not available	69.9%	73.1%	77.2%	79%	74 7% (*)
14	Good Honours	67.4%	61.0%	61.2%	66.4%	63-67%	69.1% (*)
15	PGT completion	not available	54.8%	61.5%	58.7%	65%	69%

Executive Commentary: (C.M.O. – Nicole Louis)

The 2017/18 cycle has been challenging with a reduction in applications from home UG and PG students. A concerted clearing effort resulted in 2,316 fully enrolled FT UG Home & EU (90% of target) with the potential to reach 2,400 through conversion of partially enrolled students (94% of target).

HSC commissioned courses have achieved 86% of target equal to 705 fully enrolled students. The shift to student loans from bursaries has seen fewer applications and a lower ratio of firm acceptances (FAs) but the conversion rate of FAs has been 100%.

The Recruitment team are working with our school and college partners delivering bespoke outreach activity. To date, we have engaged over 20,000 prospective students. By improving efficiencies and rationalising our activity, we will have exceeded last year's engagement figure by the end of the cycle.

The percentage of students recruited from Low Participation Neighbourhoods (LPNs) increased by 0.8% to 9.2%, progress linked to the wide range of outreach measures detailed in the Access Agreement provided to the Office for Fair Access (OFFA).

22 new Higher and Degree Apprenticeships are now being offered for 2017-8 entry within 5 Schools. The newly established Apprenticeships Team oversaw the enrolment of 105 apprentices during 16/17, of whom 98% progressed, and the number is predicted to rise to 500 during this academic year.

We have now taken possession of the new building on Brixton Hill for the UTC, where teaching commenced in September following a year in temporary accommodation. A new permanent principal has been appointed for the UAE, which recruited to target for the 17/18 entry cohort, and which also received a 'Good' rating in its first Ofsted assessment. Students from the UAE have been invited to speak at the DFE's national MAT conference later in the year.

Related Risk Matters

Despite the range of measures detailed in sections 1 & 2 targeted at supporting student achievement, there has been a fall in the Y1 progression rate. More detailed analysis of data drilling down to review circumstances of those students not progressing is now underway.

Established market patterns of activity around recruitment continue to be disrupted by sector changes, combined with fewer 'clearing' applicants and competitor institutions lowering tariffs in order to admit greater numbers of new students each year.

We are embarking on a major overhaul of brand positioning, brand architecture and communication of the proposition to ensure better fit with the aspirations of applicants. We also need to determine the optimum portfolio mix across subject areas and course type including ensure course development aligns with identified demand for both the UG and PG segments.

Goal 6:		Internationalisation					
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
16	QS Star Rating	not available	2 (prov.)	3 stars	3 stars	3	4 stars
17	Overseas student income (millions)	£31.9 m	£9.3 m	£11.2	£9.8	£10.7	£11.2

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

The submission to QS in June resulted in LSBU being awarded 4 stars overall, a 2021 target achieved ahead of time, and along with inclusion in both the QS & THE international rankings for the first time, should help increase LSBU's visibility overseas.. The QS Stars audit evaluates an institution against over 50 different indicators, and awards universities between one and five stars over eight wider fields, as well as this overall rating.

LSBU's revised approach to Internationalisation has been set out in a strategy which was presented to Operations Board, and which contains a proposal for a re-structuring of the International team, and which should be completed by the end of the year. This enables align with strategic priorities, and includes new Partner Manager roles which develop relationships and engage academic staff.

The working group led by the Director International has resulted in the creation of the International Steering Group, a forum which meets to review all emerging Partnership proposals, and make recommendations to the PVC R&E for approval, in the context of the newly established gold silver and bronze partnership tiers.

A Memorandum of Understanding was signed in October with Chaoyang Community College in Beijing and Sino Campus, and which sets out plans to establish the 'London-Beijing New Silk Road CBD Sino-UK Innovation & Enterprise Learning Centre'.

TNE income from overseas partnerships came in on budget at £1.6M, contributing to a strong performance for KPI 17, a 14 % increase on the 15/16 result, with a UKVI visa refusal rate of 5.6%, well below the 10% threshold.

With regard to the 17/18 recruitment cycle, Both EU & Overseas recruitment activity has generated a 10% increase in the number of Firm Accepts year on year, but we wait for confirmation of enrolment levels. School led and bespoke summer programmes generated £181k of income, 4.5 times the 15/16 figure.

18 LSBU students represented GB along with Swansea university in the UK China Sports week in Zhuhai, China, and were silver medal winners in the Rugby competition.

LSBU hosted a joint conference with TNE partner the British University in Egypt in October, which announced the establishment of a new centre on campus to develop exchange and engagement between the partners, for both staff and students.

Related Risk Matters:

Pre Brexit uncertainty in the international marketplace is having a significant impact on the attractiveness of the UK as a study destination. We continue to manage compliance with our Tier 4 licence, but the relocation of all UKVI processing to the UK is having an impact on turnaround times for our applicants.

The international student recruitment opportunities may be limited by the fact it still does not currently look likely that students will be excluded from the immigration stats, despite the release of data that contradicts the political assertions made using the International Passenger Survey ONS data.

Goal 7:		People & Organisation					
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
18	Appraisal completion %	not available	37%	90%	91%	95%	tbc
19	Average Engagement Score as as %	70%	58%		58%	62%	62%

Executive Commentary (*EDHR - Mandy Eddolls*)

The engagement score in the pulse survey increased by 4% to hit target. Schools and PSGs are continuing with their engagement plans, with most actions rated amber or green; some local action planning groups to ensure continual monitoring, and these are reviewed bi-monthly by Operations Board.

The HR iTrent IT system has now rolled out the modules which enable recording of absence for leave and sickness as well as the online processing of staff expenses and timesheets through the MyWorkplace platform.

HEFCE identified our work on the Prevent agenda as leading UK practice, which led to a Foreign Office nomination and ongoing partnership work, rolling out our approach internationally, including Bangladesh.

LSBU will be included in the 1st annual “Best Employers for Race” listing, which will be formally launched in October. We are also now Disability Confident badge holders until August 2019, following the review of our self-assessment submission, and extending this to ‘Leader’ status is an ambition for the year ahead.

The updated OurLSBU intranet has received over 200,000 visits, and 13,000 searches from users.

LSBU participated in the annual Pride parade through central London, launching a new “Love to Learn, Learn to Love’ campaign with bus banners and snapchat filters on social media, and with 150 staff & students marching with themed t-shirts demonstrating commitment to LGBT equality & inclusivity.

The Dignity At Work (DAW) scheme was launched in January 2017, with 14 members of staff trained as advisors. Over the last 8 months only 5 cases have been noted, but none of them proceeded to the formal stage. We continue raising awareness of the scheme, and from September the DAW Advisors will attend the University Induction sessions and the Schools and PSGs Operations cascade meetings.

The staff conference and awards goes from strength to strength, with 677 attendees, 24 stands in the exhibition, and 52 sessions, presentations and workshops, with 98% of ratings excellent or good.

The Managers’ Forum took place in July, with 117 delegates, of whom 90% rated the event as positive and relevant to their roles, and 119 delegates have attended the Leadership Academy development modules since May, including six new management development modules.

The Race Charter Mark programme plan of activities is progressing well. We have already undertaken student and staff surveys to understand LSBU experiences, and this is supported by data analysis. We intend to submit in July 2018.

We modernised and updated several policies, including the Health and Safety Policy, Fire Safety, Work at Height Alcohol and Drug and reviewed Halls of Residence fire risk assessments, which provide assurance for safe evacuation in light of the Grenfell tragedy.

Related Risk Matters

To avoid an overload of new systems, the iTrent appraisal module has been deferred for a year, and we will use the interim solution developed by ICT that proved successful last year. We plan to introduce the iTrent module in 2018/19 and MidlandHR has confirmed development costs will be held at current levels.

Goal 8:			Resources & Infrastructure				
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
20	Surplus as % of income	3.0%	2.3%	0.9%	2.4%	0.7%	1.2%
21	Income (£m)	£202.8 m	£134.8m	£140.8m	£138.2 m	£144.5m	£144.5
22	EBITDA margin (EBITDA % of income)		11.4%	9.2%	11.8%	11.7%	12%
23	Student satisfaction facilities & environment	86.5%	83.0%	87.7%	90.0%	90.0%	87.2%
24	ICS Service Index %	-	-	68%	76%	78%	66%

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

The Transformative Estates Development Plan was presented to the September MPIC meeting which supported the development of the St Georges and London Road schemes to planning stage.

The MIKE (Management Information Knowledge Exchange) interface, built in IBM's Cognos Business Intelligence suite, and linked to a brand new data warehouse, has now been made available to all staff who request access in accordance with data protection requirements. This enables staff to have direct access to a range of academic performance measures, with external benchmarking information, in pre built interactive data visualisation dashboards, as well areas for self-guided analysis and insight.

15 lecture theatres have had live capture technology installed to enable subsequent video streaming of teaching sessions. An assessment of this technology has concluded that we need to look at more simple to use facilities. Therefore a demo area has been set up to pilot 4 different types of lecture capture facility. This will be piloted with both academics and students to help decide on the best solution to roll out, subject to funding availability.

CMIS Go, a web based portal for viewing LSBU's timetabling system was launched in advance of the 2017/18 term. While timetables are still created and managed in CMIS, this utilises an automated data feed from QL to display personalised timetables to students and allows for teaching events to be sub-grouped. It provides long term stability and resilience, an improved user interface, ability to embed timetables in students' smart phone calendars and the ability to directly message all students assigned to a teaching event if it is cancelled or changed.

Energy saving initiatives and projects implemented this year have achieved a carbon emission reduction of 4,929 tCO₂. This has resulted in LSBU achieving a reduction of 42%, surpassing the HEFCE commitment of 35% by 2020, and which was reflected in the recently published Brite Green University Carbon Report which ranked LSBU in the top ten Universities delivering against their commitment .

Installation of Automated Meter Readers on the majority of campus water metering points has enabled weekly consumption analysis with consumption reduced by approximately 11,000,000 litres (-11%).

A new Customer Service Adviser was appointed in June and has delivered a detailed plan to support our 4 accredited areas for the mid-point survey required by the Institute of Customer Service in October 2017, with whom we have renewed our partnership until 2020. The reduced ICS score was due to the introduction of new areas to the survey and is expected to increase in 17/18.

Related Risk Matters

The Internal Audit report into Data Security revealed some potential weaknesses with the current environment and controls, and action is almost complete to address these findings.

A PWC led Risk Review workshop is planned with Executive to review institutional preparedness for the General Data Protection regulations (GDPR) in 2018 and prepare a compliance action plan.

University Level:			9: League Tables				
#	KPI	Aspirational Group 15/16 average	13/14	14/15	15/16	16/17 Target	Result
25	Times - League table ranking	98	122/123	120 / 127	120 / 128	115	106 / 128
26	Guardian – League table ranking	86	112/116	111 / 119	107 / 119	102	92 / 121
27	Complete University Guide – table ranking	90	120/123	119 / 126	115 / 127	110	108 / 129

Executive Commentary (*DVC – Pat Bailey*)

Guardian League Table 2018:
 LSBU has moved up 15 places into the top 100, which sees LSBU now appearing above Greenwich, Hertfordshire, East London and Westminster amongst the aspirational competitor group. At subject level Accountancy & Finance was ranked 4th of 99 institutions, and Law as 13th of 98.

All measures utilised in the methodology showed improvement, albeit small in most areas. The biggest single change in terms of score related to graduate outcomes (an improvement of 7.9%, and improvement of rank of 11 places against this measure). This table utilises the 15/16 result, and so the further improvement this year should see further positive impact in next year table.

The most significant movement in terms of rank against individual measure was against value added (23 places). This was despite a relative modest improvement in score. This improvement is as a result of LSBU increasing the number of firsts/2:1s in 2015/16. The measure itself looks at actual levels of first/2:1s compared to predicted levels based upon tariff on entry of students.

Despite maintaining spend per student levels and Staff Student Ratios, LSBU saw a lowering of rank against these measures, due to the sector as a whole increasing reported spend or staffing. The 2018 table used a new tariff calculation method, making comparisons difficult.

Times League Table 2018:
 LSBU has moved up 14 places, increasing score by 11% from 400 to 443 points, the 8th biggest increase in the league table. A further 3 points would have resulted in a 1 place increase in rank, and a further 7 points would have resulted in a 6 place improvement to position 100th.

LSBU improved in rank against all measures with the exception of Student Staff Ratio and Research. SSR declined by 6 places, despite an improvement from 17.2:1 to 17:1, and these declines were not result of a material deterioration in performance, but other institutions entering the table or improving.

Particularly strong improvement in rank against constituent measures was seen for the two NSS aspects, where LSBU gained 34 and 27 places, and graduate prospects where LSBU gained 28 places. LSBU falls outside the top 100 in 3 of the 8 measures: Entry standards (124th), Good Honours (111th) and Completion rate (123rd)

Within the LSBU Aspirational Group, four of the seven institutions have shown an overall improvement in rank, with LSBU achieving the greatest improvement, followed by Westminster (11 places) and East London (9 places). Improvements were seen in rank for DLHE and SSR for Westminster, and East London made significant gains as a result of improvements in their NSS measures this year. The institutions that declined in overall rank were City (25 places), Middlesex (17 places) and Greenwich (2 places). This was mainly due to declining rank in NSS or DLHE and in the case of City and Middlesex also a decline in rank by SSR.

At subject level, LSBU appears in the top three quartiles in 15 out of 30 subject tables. The top performers are: Law (40%), Social Work (44%), Subjects allied to medicine (45%).

	CONFIDENTIAL
Paper title:	Annual Health, Safety and Wellbeing Report covering 2015 to 2017
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Authors:	Dr. Markos Koumaditis, Ed Spacey, Dave Garioch, Andrea Allen and Sam-Kee Cheng (Health, Safety and Resilience)
Executive sponsor:	Mandy Eddolls, Executive Director HR
Purpose:	To report the progress made on health safety and wellbeing.
Recommendation:	The Board is requested to review the report.

Executive Summary

This report is to inform the Board of Governors of the progress made in the areas of health, safety and wellbeing across LSBU over the last two academic years.

An executive summary is included at section 1 of the report.

Annual Health, Safety and Wellbeing Report 2015 to 2017



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1.0 Executive Summary

Health, Safety and Wellbeing continued to evolve and improve across the University, during 2015/16 and 2016/17. This has been achieved through significant programmes of

- wellbeing activities and events;
- policy development;
- training;
- better communications through School and Professional Service Group health and safety meetings and
- enhanced accident/incident reporting.

Our achievements:

- brought wellbeing to life by adopting a 360° approach to employee lifecycle
- awarded Mayor of London Healthy Workplace Commitment Level Award in 2015 and the Achievement Level Award 2016. More recently the Excellence award was achieved in 2017.
- introduced a stress survey across all Schools and Professional Service Groups leading to action plans for improvement being developed alongside the staff engagement survey works
- awarded the Royal Society for the Prevention of Accidents (RoSPA) health and safety management bronze award in 2016 and the RoSPA silver award in 2017;
- modernised and updated several policies, including the Health and Safety Policy, Fire Safety, Working at Height, Alcohol and Drug; and
- reviewed Halls of Residence fire risk assessments, which provided assurance for safe evacuation in light of the Grenfell tragedy.

Our challenges

- further increasing the profile of Health and Wellbeing in the University's core business practices and improve engagement by managers and academics;
- changing organisational culture to embrace the philosophy that health and safety is everyone's business;
- improving fire safety through the significant need for maintenance of the building fabric along with improving the fire evacuation procedures to deal with fire alarm activations; and
- to further embed the practice of obtaining external speaker approvals to comply with the Prevent Duty.

2.0 The Health & Safety report for 2015/16 and 2016/17

2.1 Updates to Legislation

During the last two years there have been several updates and changes to legislation, with an effect on the University. The most important are:

- The Construction Design and Management Regulations 2015.
- The Control of Asbestos at Work Regulations 2012.
- The Control of Electromagnetic Fields at Work Regulations 2016.

The Health, Safety and Resilience Team is working with appropriate Schools and Professional Service Groups to ensure the above are complied with and is reviewing existing policies to bring them up to the new standard.

2.2 Accident/Incident Reporting in 2015/16 and 2016/17

The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) requires certain types of incident to be reported to the Health and Safety Executive. Below are details of the incidents for 2015-2017 and a comparison with the 2014/15 data. Over the last three years no specific pattern is identifiable, see table 2.2.1.

Table 2.2.1 Details of the incidents for 2014/15, 2015/16 and 2016/17

Person / Year	2014/15	2015/16	2016/17
Staff	3	1	1
Student	-	-	2
Contractor	1	1	-
Customer / Member of Public	-	-	2
Total	4	2	5

Table 2.2.2 Details of the reportable incidents for 2015/16 and 2016/17

Category	Details
2015/16	
Over 7 day absence	a member of staff fell on floor as the chair had been removed
Over 7 day absence	a contractor tripping and falling on Kell Street

Category	Details
2016/17	
Over 7 day absence	A member of staff slipped on a wet floor.
Taken to hospital for treatment	A student's finger was injured by a broken chair
Taken to hospital for treatment	A student drilled the index finger with hand drill.
Taken to hospital for treatment	A 15Kg weight fell on her toe of a customer.
Taken to hospital for treatment	A two year old child received a needle-stick injury.
Reportable Police	Lost chemicals subsequently found.

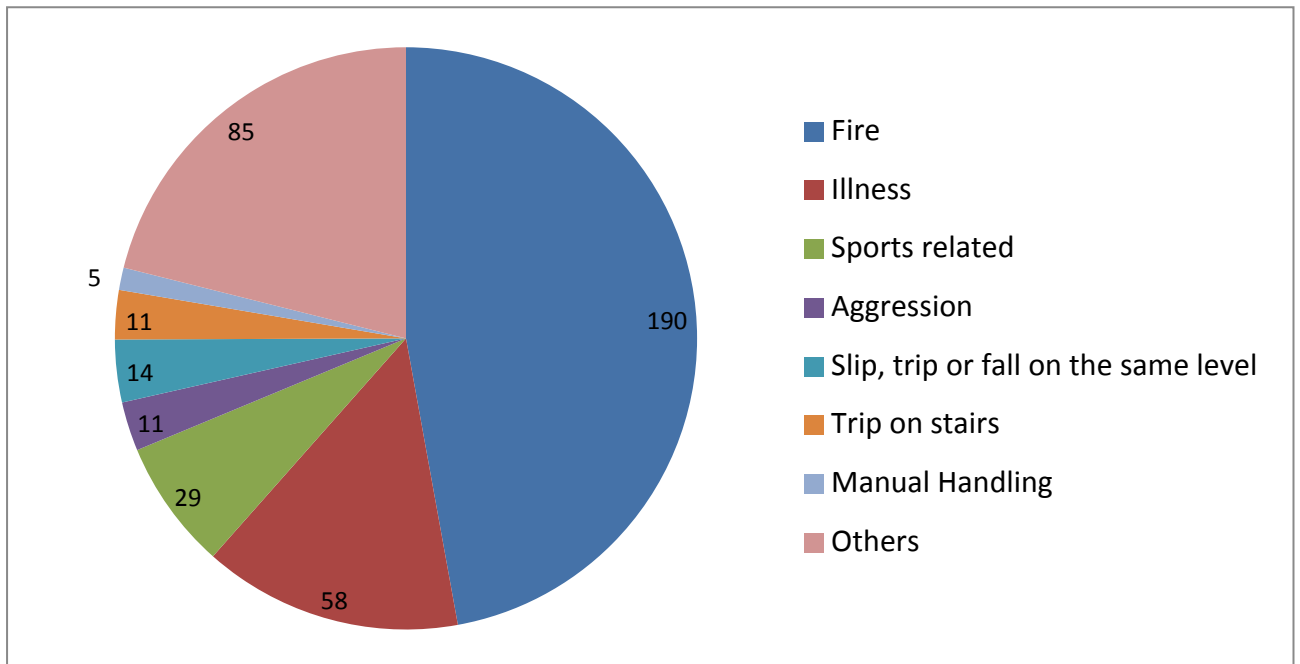
Compared to other Universities for 2014/15 and 2015/16 (see Table 2.2.3) our Employee accident rate reporting is higher, which indicates we are better at reporting, as it is widely recognised that there is significant under-reporting of accidents in the University Sector. The RIDDOR numbers are small so any change in number can create a significant change in the rate. There is no comparison with 2016/17 data as that has yet to be provided by the University Safety and Health Association.

Table 2.2.3 LSBU comparison with latest USHA data

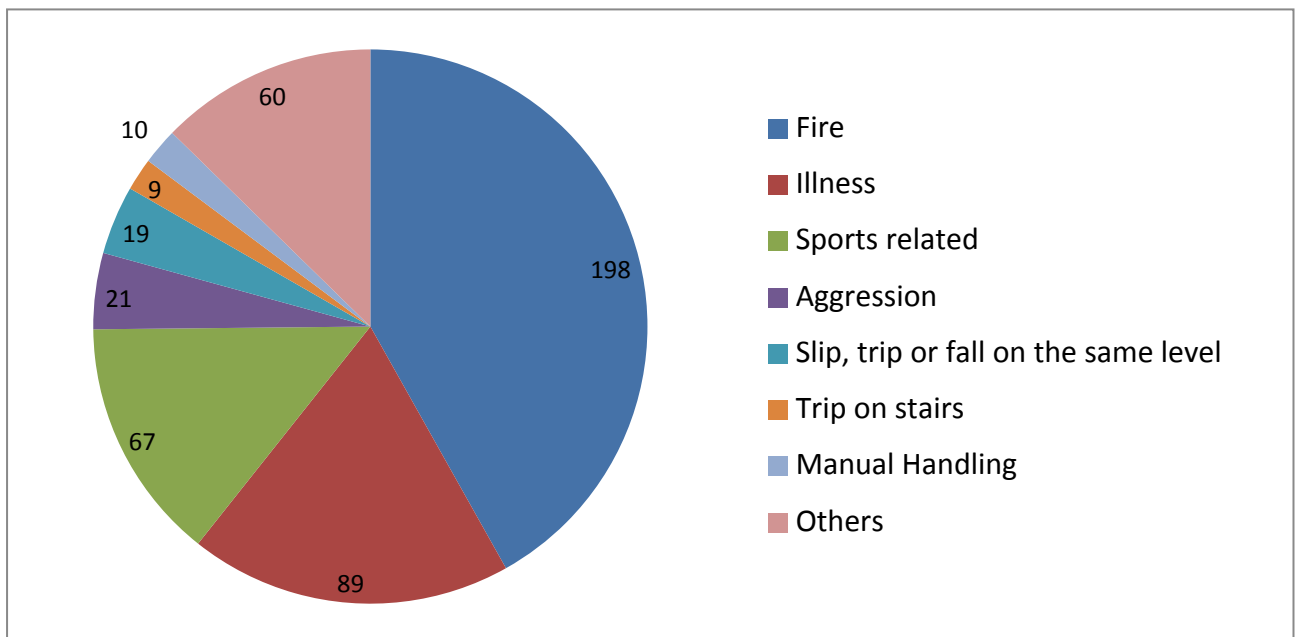
Year	2014/15		2015/16	
	USHA	LSBU	USHA	LSBU
Universities				
Employee RIDDOR rate (per 1000 fte)	1.02	2.19	1.08	0.75
Student RIDDOR rate (per 1000 fte)	0.09	0.00	0.11	0.17
Employee accident rate (per 1000 fte)	37.67	58.48	40.08	78.53

The reporting of issues across the University includes accidents, incidents and near misses, as the sooner something is reported the less likely it is to cause an injury accident. The graphs below provide information reported by staff and students, identifying fire alarm activations as the most common issue across the campus. Fire alarm activations are mainly caused by cooking activities in the Halls of Residence; this information has been shared with Halls Managers. A reduction in the number of activations caused by the use of aerosols was achieved between 2015/16 and 2016/17 by demonstrating to students that this could only be achieved by deliberate actions and would result in disciplinary action.

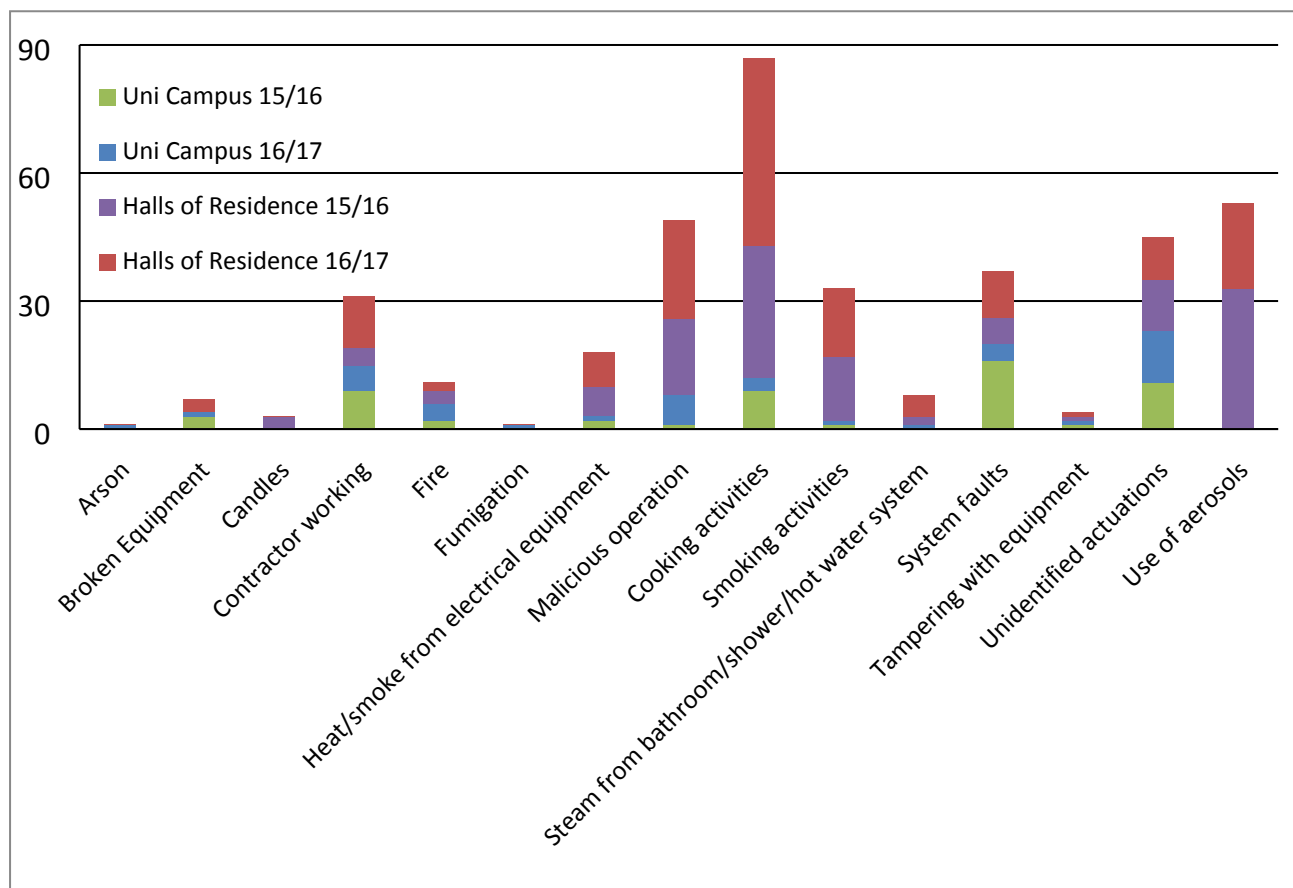
Graph 2.2.1 Number of reported incidents and accidents during 2015/16



Graph 2.2.2 Number of reported incidents and accidents during 2016/17



Graph 2.2.3 Reasons for Fire Alarm Activations 2015/16 & 2016/17



2.3 Fire Safety

Improving fire safety across the University, including Halls of Residence has been a major focus of the Health, Safety and Resilience Team over the last two years. Significant improvements include a completed review of the policy to provide clearer information on the roles and responsibilities for senior managers, all staff, students, contractors and tenants. This should lead to improved fire evacuation management and provision of information to the fire brigade in an emergency, ensuring improved compliance with the Regulatory Reform (Fire Safety) Order 2005. Further, new improved evacuation procedures are being developed, including the simplification of the Green Route phased evacuation.

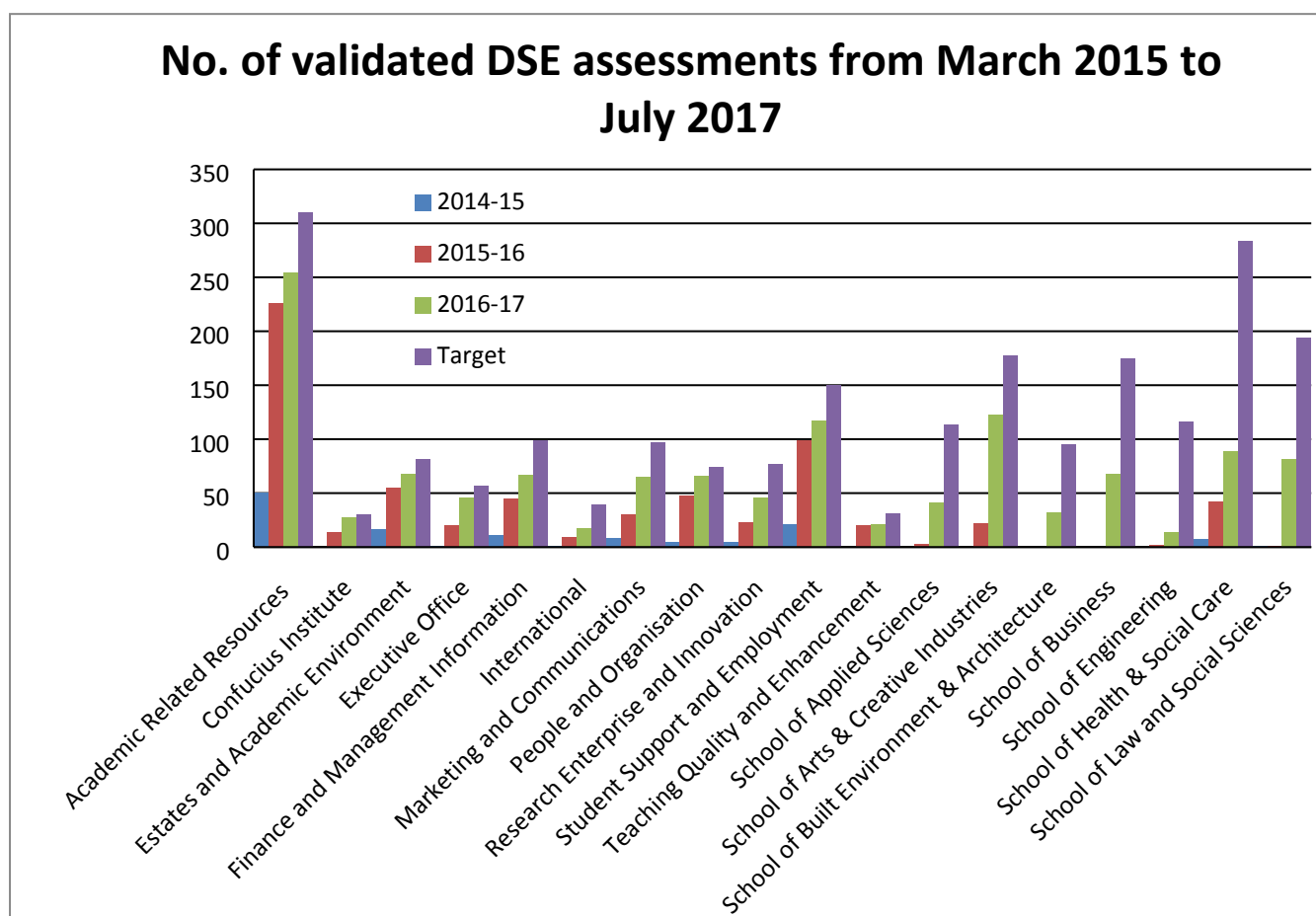
All our buildings have updated Fire Risk Assessments and work is ongoing regarding issues identified in the action plans developed from them, especially fire stopping of compartment walls and doors. Reviews of the building fire risk assessments are ongoing and the Health, Safety and Resilience Team are working with Estates and Academic Environment to ensure appropriate action plans are developed from the risk assessments and corrective works undertaken in a timely manner.

All our Halls of Residence were inspected by an external fire safety specialist during summer 2017. The University received assurance the buildings would not be affected by fire in the same way as Grenfell tower.

2.4 Display Screen Equipment Workstation Assessment Compliance

The number of completed assessments continues to improve each year. Graph 2.4.1 shows the progress made since the launch of the DSE workstation project in March 2015.

There remain pockets of low completion rates, especially in the Schools. The Health, Safety and Resilience Team are working with the schools to help them meet their legal obligations.



Graph 2.4.1 Number of completed Display Screen Equipment Workstation Assessments

2.5 Training

The HSR team are focussed on improving competence within the University by revitalising the health and safety training programme. The team run the nationally recognised IOSH Managing Safely Certificate as part of this programme.

Other areas covered include,

- the safety use of hazardous substances
- working at height safely
- fire safety
- use of Evac-Chairs
- travel safety
- Display Screen Equipment assessor
- manual handling safely
- reporting accidents

Training has also been made available to teams on request an example being the provision of Manual Handling for the Academy of Sport and the use of Evac-Chairs for Security.

The drop in numbers of staff attending on-line training is mostly due to a decrease in the number of staff undertaking computer safety training as they had completed it the previous year. There has also been some reorganisation of course provision and a couple of courses related to stress are now being organised and reported on by Organisation Development.

Table 2.5.1 Summary of training provided during 2015/16 and 2016/17

Course Type	2015/16	2016/17
Full day / Four day	90	44
Half day	98	132
60 – 90 minutes	389	312
Online training	815	541
Total	1392	1029

The HSR team plan for 2017/18 is to work with Schools, PSGs and organisational development colleagues to map out training needs to help develop targets for the different areas of the University, which will be added to the data dashboard to help identify if the necessary training is being undertaken by managers and staff.

2.6 Sickness absence

Sickness absence data is aligned to the Universities and Colleges Employers Association (UCEA) reporting standard and is based on the current sickness absence recording system. Compared to the latest data across the sector from UCEA for 2015/16 which stands at 6.0 days on average per employee, LSBU rate of 3.7 days is significantly lower. It is recognised by UCEA there is significant under reporting of sickness absence in universities especially among academic staff and our data supports this, with three schools (Arts & Creative Industries, Business and Engineering) reporting sickness absence rates below, or just above 1 day per full time equivalent in 2016/17.

Our new HR system expects managers to record staff sickness and notes the number of occasions of sickness absence, this will allow quarterly reports to be monitored by the senior management team and take active responsibility in managing staff sickness.

Mental health is identified in the UCEA data as the most common reason for sickness absence in the sector (21.2%). At LSBU stress as a reason for absence has been reduced significantly over the last two years.

Both the UCEA and LSBU have identified colds, coughs and flu as the most common reason for short term absence.

Nearly a quarter (24%) of recorded sickness absence has no detailed identifiable reason. This will need to be addressed in discussion with HR services.

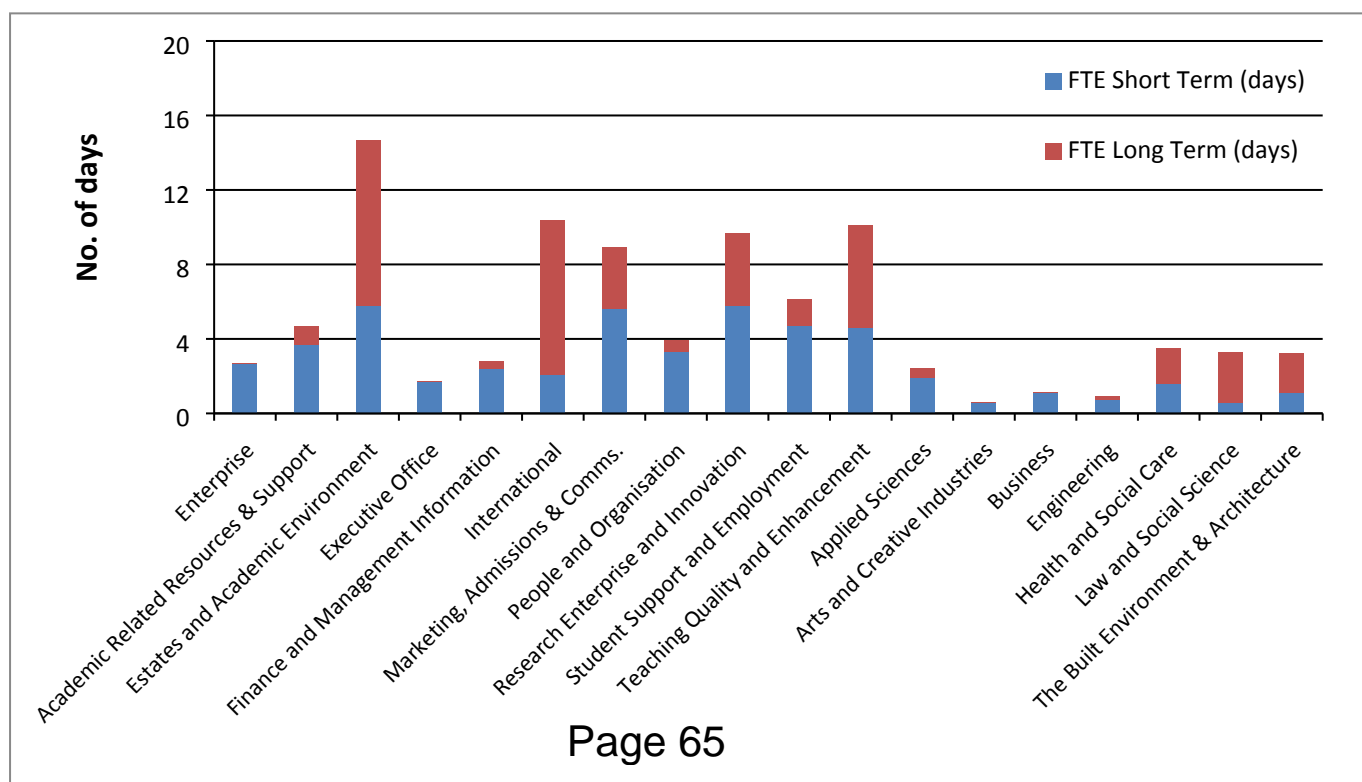
Table 2.6.1 Summary of sickness absence for the last three years

Period	1/11/14 - 31/10/15	1/11/15 - 31/10/16	1/8/16 - 31/7/17
No of working days reported sick	5577	4413	5655.5
Average no of days sickness per staff full time equivalent.	4.5	3.7	4.6
No of occasions sickness absence	Not available	Not available	1063
% Sickness days due to Stress	6.6	0.4	2.5

Table 2.6.2 Top three reasons for short & long term and total sickness absence

Reason	Short Term (days & percentage)		Long Term (days & percentage)		Total (days & percentage)	
	Days	Percentage	Days	Percentage	Days	Percentage
Cold, cough, flu	796	24.5%			823	14.6%
Sickness			536	22.2%	769.5	13.6%
Operation, recovery & medical			519	21.5%	762	13.5%
stomach, digestive & gastrointestinal problems	368	11.3%				
musculoskeletal	322	9.9%				
cancers and tumours			240	10.0%		

Graph 2.6.1 Staff Sickness Short & Long Term Absence per Full-Time Equivalent



3.0 Wellbeing

The Wellbeing agenda commenced in 2015 with the implementation of a strategy, that provided a positive framework for delivering the Wellbeing agenda.

Our Vision

“A fairer, healthier and happier LSBU” where Wellbeing is vital in making our staff feel supported, valued and recognised for their achievements.

Our Commitment

London South Bank University believes there is a fundamental link between staff wellbeing and student satisfaction: engaged, committed healthy and motivated staff promote the best learning environment, quality of education and life chances for our students.

Having a clear staff wellbeing programme can help lead to a reduction in sickness absence, improve staff retention and recruitment, reduce stress and mental health problems and help break down the barriers of silo working across the organisation.

To manage the ever necessary ongoing change agenda faced within higher education, we have to ensure we have invested in the wellbeing of our employees to equip them with sufficient resilience to meet future challenges.

When everyone is better engaged and able to fully contribute to the implementation of our Corporate Strategy, the university will perform better and serve our students to the best effect.

Our Impact

1. Motivated healthy staff
2. Fulfilling our EPIIC values (Excellence, Professionalism, Integrity, Inclusivity, Creativity)
3. Engaged colleagues
4. Healthy Environment

Our Approach

- Engagement of Wellbeing champions
- Strategic action plan month by month
- Programme of events
- Development of metrics and data
- Effective on-going communication strategy

3.1 First Steps – 2015/16

We adopted the model of the Mayor of London’s Healthy Workplace Charter which provided a clear structure for developing a Health, Safety and Wellbeing programme. We submitted extensive evidence of best practice across key Health and Wellbeing areas:

- Corporate Support for Wellbeing
- Health & Safety requirements
- Tobacco
- Healthy eating
- Attendance Management
- Mental Health
- Physical Activity
- Alcohol and Substance misuse

LSBU achieved the Commitment award in November 2015, which raised the profile of Wellbeing and set the tone for infusing it into everyday operations and business practices. A wide range of activities were delivered throughout the year. For example:

- The Wellbeing conference in April successfully promoted our agenda and helped to embed a culture of wellbeing.
- New and free health initiatives were implemented at both Southwark and Havering campuses e.g. onsite influenza vaccinations and glucose and cholesterol testing.
- We continued to provide free yoga and discounted gym membership for staff.



- Outdoor activities were encouraged including lunchtime walks/walking meetings to historical local sites and the green spaces gardening club promoted the benefits of physical activity outdoors.

3.2 Progress for 2016/17

In November 2016 we were granted the ‘Achievement’ award for the Mayor of London’s Healthy Workplace Charter. To achieve this we:

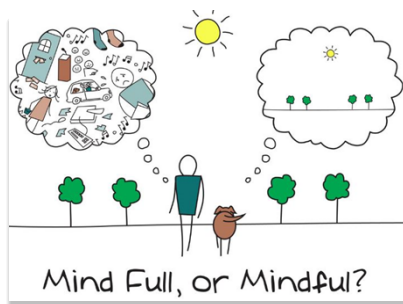
- Delivered a high quality and inspiring Wellbeing Activity Day. 350 members of staff attended the event which encouraged healthy lifestyles and promoted the ‘Our University, Your Wellbeing’ concept.
- Negotiated a range of discounted Health plan and on-line GP service. The intention is to expand the range of benefits in 2018.



- LSBU hosted a Wellbeing Business breakfast in October 2016 in collaboration with the Mayor of London's office. The event raised the profile of the University by bringing together a number of cross sector organisations through the sharing of good practice and initiatives.
- Achieved formal recognition as an Alcohol Aware Employer™. Staff and students have access to 'Drink Checker', a bespoke on-line alcohol awareness tool.



- Grew our reputation as a lead member of Southwark Health Network, additionally our new membership of Healthy Universities UK provides an opportunity to engage with other higher education institutions.
- Collaborated with Procurement to implement a new system for monitoring business travel safety.
- Gained over 500 staff to participate through a range of Yammer Wellbeing groups which present numerous opportunities for staff to socialise and network.
- Made positive progress regarding our application for the prestigious Mayor of London Healthy Workplace Charter Excellence Award. Extensive evidence will demonstrate our commitment to embedding a culture of Wellbeing across the University. On 24 October at City Hall, LSBU will be the only higher education institution under-going in-depth interviews and a formal verification process.



- Collaborated with the School of Health and Social Care, to deliver the first Mindful Based Stress Reduction (MBSR) course to staff.

- Entered the Virgin Pulse International 100 day challenge for the first time. 2 teams were selected to represent the University in this fun initiative which improves psychological and physical health. Participants track their activity with a pedometer which is linked to the tailored app and online monitoring platform. It is effectively a trial run, in preparation for rolling it out to the whole University for the next

challenge in May 2018, whereby departments will compete against one another and businesses worldwide.

- LSBU joined Mindful Employer®, an NHS initiative which provides easy access to information and local support in relation to staff experiencing anxiety, depression or other mental health problems.

3.3 Latest update – October 2017

The University has recently gained the Mayor of London’s Healthy Workplace Excellence level award. We are the first university to achieve this.

3.4 Staff engagement

A distinction should be made between the 3 types of interventions that can be utilised for encouraging staff engagement in our Wellbeing agenda (table 3.3.1). The importance of primary interventions cannot be overstated. For example; the Flexible Working policy and elements of Wellbeing being incorporated into new and ongoing OD (Organisational Development) initiatives and improving Managerial styles in the Leadership Academy.

Table 3.4.1

Types of Interventions	LSBU approach
Primary: alleviating or removing the root causes of stressors	Management practices, design of work processes, job content, employee suitability for role, improving leadership styles.
Secondary: Treating the effects of exposure to stressors	Yoga, social events, motivational courses, mindfulness classes, away days etc.
Tertiary: Clinical intervention	Occupational Health, GP.

Our key priority is to genuinely promote and value the health and Wellbeing of our staff with consequent gains for performance, productivity and retention. To this end:

- We regularly collaborate with the staff engagement team to promote our programmes and initiatives;
- 25 Wellbeing Champions continue to share best practice and promote the Wellbeing agenda;
- The Employee Engagement Champions support our agenda and consistently support our Wellbeing initiatives;
- Our ‘Focus on Havering’ engages Havering staff via discussion forums and needs mapping exercises. A number of initiatives have resulted, for example installation of the first shower for staff, a summer Wellbeing BBQ, discounted rates at a local gym and allocation of space for a Wellbeing zone/chill out area;

- Wellbeing related information is disseminated across campus via the School Executive Administrators, the HSJC, staff networks, Yammer, Staff Notices and posters.

3.5 Stress

The Health and Safety Joint Committee asked the Health, Safety and Resilience Team to conduct a project on stress in the workplace to identify how significant an issue it may be for the University. This resulted in a Staff Stress Survey being carried out in 2016/17. The HSE (Health & Safety Executive) Management Standards question set was used as the basis for the on-line survey.

The tables 3.5.1 to 3.5.4 below show results of the stress survey for the University, Schools and PSGs. Using the HSE Management Standards Survey analytical tool a score is calculated for each area identified as potential workplace stressor. The actual score is colour coded and compared with the HSE benchmark. The analytical tool also recommends an interim target for each area.

Table 3.5.1 - Colour	Description
	Doing very well - need to maintain performance
	Good, but need for improvement
	Clear need for improvement
	Urgent action needed

The HSE Benchmark has been developed from data across different industries and large organisations in the UK over several years.

Table 3.5.2 - LSBU (N=480, 28%)

	Current Result	Interim Target	HSE Benchmark
Demands	2.83	3.06	4.25
Control	3.54	3.82	4.33
Management Support	3.43	3.70	4.60
Peer Support	3.68	3.97	4.75
Relationships	3.71	4.00	4.75
Role	3.91	4.22	5.00
Change	2.72	2.93	4.00

Table 3.5.3 - Schools (N=225, 21%)

	Current Result	Interim Target	HSE Benchmark
Demands	2.58	2.78	4.25
Control	3.44	3.71	4.33
Management Support	3.21	3.47	4.60
Peer Support	3.55	3.84	4.75
Relationships	3.51	3.79	4.75
Role	3.77	4.07	5.00
Change	2.52	2.72	4.00

Table 3.5.4 – PSGs (N= 255, 39%)

	Current Result	Interim Target	HSE Benchmark
Demands	3.07	3.32	4.25
Control	3.64	3.93	4.33
Management Support	3.63	3.93	4.60
Peer Support	3.81	4.11	4.75
Relationships	3.90	4.21	4.75
Role	4.05	4.37	5.00
Change	2.90	3.13	4.00

These results were similar to the staff engagement survey scores and as a consequence stress reduction improvements were being integrated into the work of the staff engagement working groups.

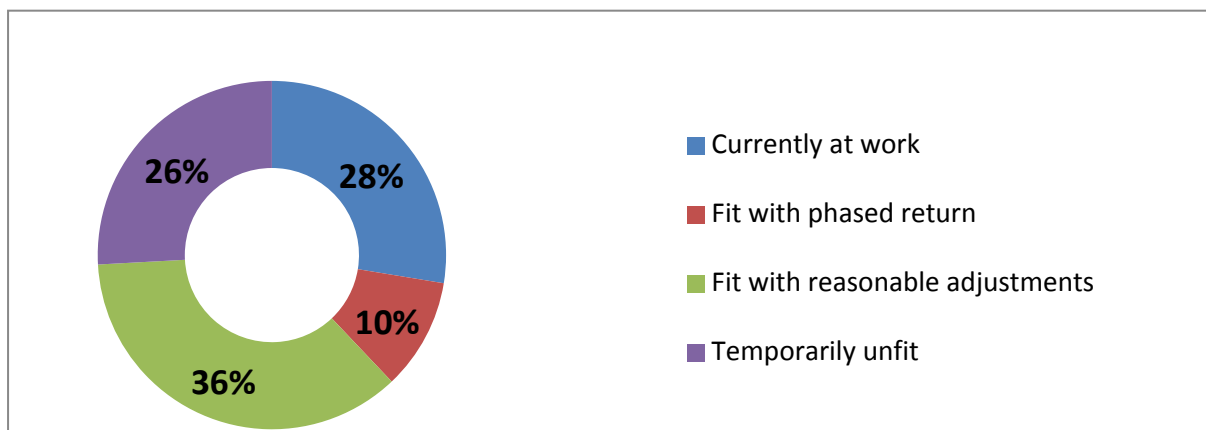
The result of the 2017/18 survey will be compared with the 2016/17 results to check the actions being taken are having a positive effect of reducing workplace stress at the University.

3.6 Occupational Health

We have expanded the provision of services to include an OH nurse on site 2 days a week, free business travel vaccinations for staff and periodic free cholesterol and glucose testing sessions. The referrals processes between OH and the Human Resource Business Partners is improved and the service received 100% positive feedback from users completing the satisfaction survey as at July 2017.

As expected the two areas accounting for most referrals (64%) were, stress related & musculoskeletal problems.

Graph 3.6.1 Work outcome from attending OH service referral

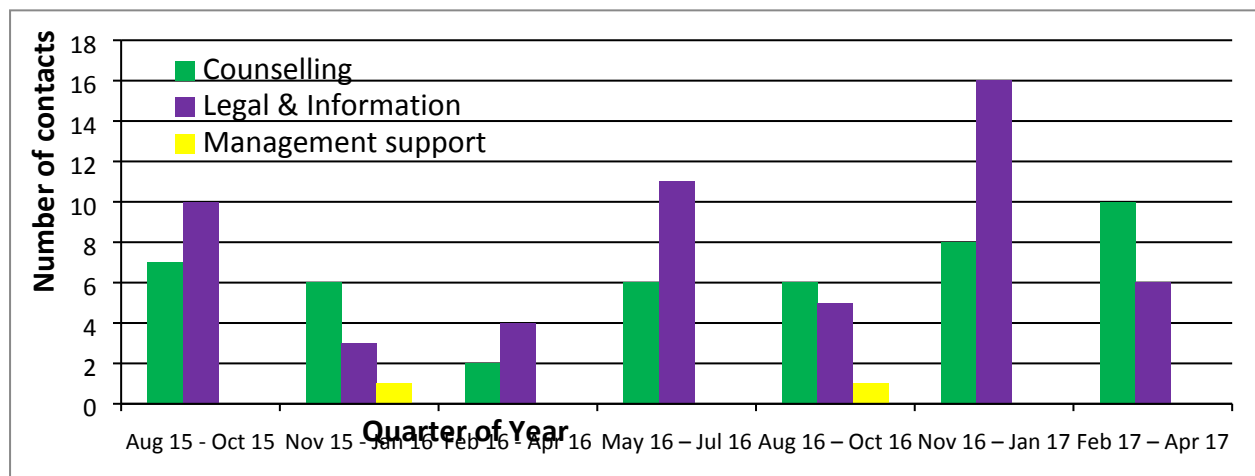


74% of staff were able to attend work after attending OH services

3.7 Employee Assistance Programme

In March 2017, the responsibility for the EAP contract was given to Health, Safety and Resilience. Contract monitoring measures over a number of months, identified areas for improvement. Consequently a new provider was appointed. This delivers enhanced counselling services and a wide range of e-services and information. Whilst the service is underused at 5.5% (consistent with the national average uptake of 3%), we are keen to increase uptake through a number of campaigns which will promote the benefits of this free and valuable resource.

Graph 3.7.1 EAP type of services used



Resilience at work is now recognised as a defining characteristic of employees who deal well with the stresses and strains of the modern workplace. Consequently, we will be implementing a number of initiatives to help our staff create personal strategies and increase resilience.

Wellbeing initiatives alone will not create a workplace where Wellbeing is truly embedded. They need to be underpinned by a culture, leadership and people management approach which is all aligned to supporting employee Wellbeing.

4.0 Safeguarding and Prevent

4.1 First Steps 2015/16

The statutory “Prevent” Duty is designed to stop people being drawn into terrorism, and commenced for Higher Education in September 2015. The Head of Health Safety and Resilience achieved significant success in leading the approach for the University.

Highlights include:

- Launched an External Speakers Policy;
- Launched a full new Safeguarding Policy including a required Prevent Risk Assessment and Action Plan;
- Successfully met with HEFCE Senior Management at the outset of the new duty to share outline procedures and approach;
- Being selected as a university demonstrating good practice to participate in a pilot self-assessment evaluation submission to HEFCE, which received positive feedback;
- Submitted a statutory self-assessment to HEFCE, 12 /14 categories ranked as the highest rating possible (A) and two at B (possible range A-E). This was approved by HEFCE;
- Designed created and launched a bespoke online training programme, which was recognised as good practice by HEFCE;
- Successfully engaged with external agencies. Local Authority Prevent Co-ordinators, Police and HEFCE Senior Managers;
- Formed a Safeguarding Committee;
- The Head of Health Safety and Resilience chairs the London Region Higher Education Prevent Training Group;
- Successfully dealt with a small number of referrals, each of which did not lead to any further required investigation or action by police, or other agencies;
- Submitted an Annual Prevent Report to the Board of Governors which was used as the basis of our statutory Annual Report to HEFCE in December 2016. This achieved the highest possible outcome category and was fully compliant with the statutory duty.

4.2 Progress for 2016/17

During 2016/17 work has continued to embed and further develop our approach to Prevent. This has led not only to good practice internally, but significant recognition nationally and internationally.

There were no Prevent referrals which led to any further action by the Police or other agencies.

Highlights include:

- HEFCE identified our work on Prevent as leading UK practice. This led to a nomination to the Foreign Office and ongoing partnership working rolling out our approach and ideas internationally, including Bangladesh;
- HEFCE Annual Report featured LSBU as a good practice case study, particularly our approach to training;
- HEFCE request that the Head of Health Safety and Resilience may be contacted by them for advice to discuss positive approaches to Prevent for wider dissemination / media purposes;
- The Head of Health Safety and Resilience invited to be guest speaker at a HE Prevent Conference October 2017;
- The structure of the Safeguarding Committee improved to enable a series of sub groups to be formed to support operational analysis of specific topics;
- Review of the Safeguarding Policy.

In addition to the work on Prevent, in the 2016/17 Academic Year the Head of Health Safety and Resilience led a successful bid for £43,000 of HEFCE Catalyst Funding for Student Safeguarding, based around tackling sexual assault.

	CONFIDENTIAL
Paper title:	Audit Committee Annual Report to the Board and Accountable Officer
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Steve Balmont, Chair of the Audit Committee
Recommendation:	To approve the report from the Audit Committee to the Board of Governors.

Introduction

The Audit Committee is required under the Memorandum of Assurance and Accountability with HEFCE to produce an annual report of the committee to the Board of Governors and the Accountable Officer (the Vice Chancellor). The report will also be submitted to HEFCE in December.

Guidance from HEFCE is that it 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

During the year to 31 July 2017, the Audit Committee was chaired by Steve Balmont and met four times.

Matters completed by the Committee during the year include:

- review and clearance of the University's annual report and accounts for 2016/17 (paragraph 9);

- appointment of KPMG as external auditors, to replace Grant Thornton on expiry of contract;
- approval of the plan for PwC's internal audit review work for the year (paragraph 13);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 13);
- four meetings with PwC, three meetings with Grant Thornton UK LLP and one meeting with KPMG UK LLP in the absence of all University staff;
- 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 31).

Opinions

The committee's opinions have been included at the end of the report and are set out below.

"The committee's opinion on:

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

Recommendations

The Board is asked to review and note the annual report.

Annual Report of the Audit Committee to the Board of Governors and the Accountable Officer 2016/17

Executive summary

During the year to 31 July 2017, the Audit Committee was chaired by Steve Balmont and met four times.

Matters completed by the Committee during the year include:

- review and clearance of the University's annual report and accounts for 2016/17 (paragraph 9);
- appointment of KPMG as external auditors, to replace Grant Thornton on expiry of contract;
- approval of the plan for PwC's internal audit review work for the year (paragraph 13);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 13);
- four meetings with PwC, three meetings with Grant Thornton UK LLP and one meeting with KPMG UK LLP in the absence of all University staff;
- 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 31).

Introduction

1. This report covers the financial and academic year from 1 August 2016 to 31 July 2017 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 2016/17, the Audit Committee was chaired Steve Balmont, an independent governor. Other members of the Committee during the year were: Mee Ling Ng, Shachi Blakemore and Roy Waight (independent co-opted member). Duncan Brown was appointed to the committee on 1 August 2017. The Audit Committee considers it has individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively.
4. All members of the Committee are independent of management. James Stevenson, University Secretary & Clerk to the Board, served as secretary to the Committee throughout the year.
5. The Committee held four business meetings during the financial year to 31 July 2017. The Vice Chancellor, Chief Financial Officer and other members of the Executive were present. The internal auditors and the external auditors were present at all four meetings. For the financial & academic year 2017/18 the Committee will also hold four business meetings (October, November, February, June.)
6. The Committee's terms of reference are reviewed annually in the autumn. The Committee has an agreed forward business plan which is used to plan its agendas during the year and is reviewed at each meeting.

External Audit

7. Grant Thornton UK LLP served as the University's external auditors, until the expiry of its contract on 31 March 2017. Following a tender process, KPMG UK LLP was appointed as the University's external auditors from 31 March 2017.
8. At its meeting of 8 June 2017, the Committee approved the external audit plan for the financial year 2016/17.

9. At its meeting of 9 November 2017, the Committee considered and recommended to the Board for approval the draft financial statements for the year ended 31 July 2017. The Committee considered in detail an audit opinion from KPMG UK LLP. The Committee considered and recommended to the Board for approval the letter of representation from the Board of Governors to KPMG UK LLP.
10. Performance indicators have been agreed against which the performance of the external auditors is measured. At its meeting of 9 November 2017, the Committee received a report on performance against indicators. The external auditors met all of the agreed performance indicators.
11. On 9 November, the Committee met KPMG UK LLP in the absence of any University employees to discuss the year end audit and other matters.
12. Non-audit work provided by KPMG for LSBU Group for the year ended 31 July 2017 is as follows:
 - Tax computation services (£4k)

Internal Audit

13. The University's Internal Auditors for the year were PricewaterhouseCoopers (PwC). PwC worked to an internal audit plan of 127 days approved by the Committee at its meeting of 9 June 2016. 128 days of work were delivered. The Committee has received progress reports from PwC against the plan at every meeting.
14. During the year 11 internal audits were undertaken (2016: 9.) The Continuous Audit programme of key financial systems and student data was undertaken throughout the year.
15. The internal auditor's annual report for 2016/17 (dated September 2017) provided a positive assurance statement. The internal audit annual report found:

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

16. "Our [PwC's] view on London South Bank University's operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There has been one high risk rated report, two medium risk rated reports and two low risk rated reports prepared during the financial year. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2016/17 have an overall classification of critical risk."
17. The Committee met PwC prior to each meeting, in the absence of any of the University's employees.
18. Following a tender process in 2014/5, PwC was re-appointed as internal auditors from 1 August 2015. The contract is for three years with the possibility of a further two 12 month extensions, subject to performance.

Risk management, control and governance

19. The Committee reviewed the corporate risk register at each meeting. In addition, the committee annually reviews risk strategy and risk appetite and makes recommendations to the Board of Governors. The University's corporate risk framework is aligned to the Corporate Strategy.
20. During the year PwC undertook an internal audit on risk management controls which concluded the control environment is effective and there is a low risk to the University.
21. At its meeting on 3 October 2017, the committee reviewed the effectiveness of internal controls and approved the full compliance statement for inclusion in the annual report and accounts.

Economy, Efficiency and Effectiveness

22. PwC considers value for money as part of its work on LSBU's systems of internal control. Its assessment is that LSBU's value for money processes are in accordance with good practice.
23. At its meeting of 10 November 2016, the committee considered a value for money report for 2015/16. Following changes to HEFCE guidance, an updated value for money report for 2016/17 will be reviewed by the committee at its meeting of 8 February 2018.

Management and Quality Assurance of Data submitted to HESA and HEFCE

24. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.
25. Following two reports on the continuous auditing of student data controls during the year 2016/17, the Internal Auditors “have not identified any significant exceptions regarding student data controls, but we [PwC] have seen an increase in exceptions over the course of the year”.

HEFCE’s Assessment of Institutional Risk

26. In a letter dated 8 February 2017, the committee received HEFCE’s assessment of the University’s institutional risk by the Annual Provider Review (APR) Group. “The APR Group “identified no concerns on financial sustainability, good management and governance matters”. The final conclusion was that LSBU was “not at higher risk” at this time. HEFCE has given the same opinion each year since 2007.

HEFCE Assurance Review

27. On 26 January 2017, HEFCE undertook its five yearly assurance review of the University covering 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”.

Public Interest Disclosure

28. Under the “speak up” policy the University Secretary reported on speak up activity at every meeting of the Audit Committee. The Chair of the Audit Committee acts as the independent point of contact for anyone wishing to raise a speak up matter outside line management, and reviews the conclusion of any subsequent investigation.
29. Four Speak Up matters were reported during the year.
 - The first alleged age discrimination, as part of a restructure: following an investigation by management, the conclusion was that “there is no evidence of direct or indirect age discrimination arising from the change proposal process”.

- The second alleged unfair management practice in relation to Halls of Residence: following investigation, no evidence was found of unfair practice.
- The third was an allegation of unfairness in a university process: following investigation, no evidence was found of deliberate malpractice.
- The fourth was an external matter to be reported to the relevant professional body and, if necessary, the police.

Another Speak Up matter, relating to terms of employment in the wholly-owned subsidiary, was raised after the year end and reported to the Audit Committee meeting of 3 October 2017. This remains under review.

Anti-Fraud

30. Under LSBU's anti-fraud policy the Chief Financial Officer reported on any fraud matter at every business meeting. During the year 2016/17 no irregularities were reported. After the year end, a suspected fraud was identified in payroll and reported to the Audit Committee meeting of 9 November 2017. This suspected fraud was below the threshold for reporting to HEFCE.

Audit Committee effectiveness assessment

31. The Audit Committee undertook an effectiveness review in May 2017 and received a report on the findings at its meeting on 8 June 2017. The recommendations from the report have been implemented.

Opinion of the Audit Committee

Risk Management, Control and Governance

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

33. This opinion is based on:

- the Internal Audit annual report for 2016/17 which gave the opinion that "we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over risk management, control and governance"; and
- the Executive's detailed review of internal controls. This review was considered by the Audit Committee on 3 October 2017.

Economy, Efficiency and Effectiveness

34. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.
35. This opinion is based on the Internal Audit annual report, 2016/17 which gave the opinion that "[PwC's] work indicates that LSBU has processes in place to ensure value for money which are in accordance with good practice". This is demonstrated through use of purchasing consortiums, adherence to financial controls, and an internal value of money working group.

Management and quality assurance of data submitted to HESA and HEFCE

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

This annual report was approved by the Audit Committee on 9 November 2017.

Signed
Steve Balmont
Chairman of the Audit Committee

[To be signed at the Board meeting of 23 November 2017]

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	CONFIDENTIAL
Paper title:	External Audit Findings
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	KPMG, external auditors
Executive/Operations sponsor:	Richard Flatman – CFO
Purpose:	To present the findings from the audit for the year ending 31 st July 2017.
Recommendation:	It is recommended that the Board notes the attached audit findings from KPMG.

Executive Summary

At its meeting of 9 November 2017, the Audit Committee reviewed the external audit findings in detail. Since Audit Committee, two changes to this report have been made:

- P4 removed references to outstanding procedures;
- P16 added the contract variance to the uncorrected audit differences and revised the capital difference from £986k to £771k.

As both are well below materiality thresholds, no changes to the accounts are required.

The Board is asked to note main findings and recommendations

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Audit Highlights Memorandum

London South Bank University

Year ended 31 July 2017

-

23 November 2017

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This report is made solely to the Board of Governors of London South Bank University, in accordance with the terms of our engagement. It has been released to London South Bank University on the basis that this report shall not be copied, referred to or disclosed, in whole (save for the Board of Governor's own internal purposes) or in part, without our prior written consent. We acknowledge that London South Bank University will disclose this report to the Higher Education Funding Council for England (HEFCE), to enable HEFCE to verify that a report to the Board of Governors by way of management letter has been commissioned by the Board of Governors and issued by the University's auditors, and to facilitate the discharge by HEFCE of its functions in respect of the University. Matters coming to our attention during our audit work have been considered so that we might state to London South Bank University those matters we are required to state to the Board of Governors in this 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 Board of Governors, for our work referable to this report, for this report, or for the opinions we have formed.

Please note that this report is confidential between London South Bank University and this firm and between HEFCE and this firm. Any disclosure of this report beyond what is permitted above will prejudice this firm's commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If London South Bank University or HEFCE ('you') receive a request for disclosure of this report under the Freedom of Information Act 2000, having regard to these actionable disclosure restrictions you must let us know and you must not make a disclosure in response to any such request without our prior written consent.



Introduction

Structure of this report

This report is structured as follows:

- The executive summary outlines the headline messages;
- Sections 1 and 2 outline the progress on significant audit risks and other audit issues identified in our Audit Strategy and Planning Memorandum;
- Section 3 outlines how we have considered a number of significant judgments and estimates affecting the University; and
- Section 4 provides an update on other information of interest to the Audit Committee.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

The purpose of our audit

The main purpose of our audit which is carried out in accordance with International Auditing Standards (ISAs) issued by the Auditing Practices Board, is to report to the University whether in our opinion the financial statements:

- Give a true and fair view of the state of the affairs of the Group and University as at 31 July 2017 and of the Group's and University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102)) and the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP);
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2016/17 financial statements*; and
- have been properly prepared in accordance with the Companies Act 2006.

We also give an opinion on matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992, that, in all material respects:

- Funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes;
- 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 to higher education institutions for 2016/17 financial statements have been met.

Executive summary - Audit progress and key audit issues

The purpose of this report is to set out certain matters which came to our attention during the course of our audit of the accounts of London South Bank University (the University) for the year ended 31 July 2017, fulfilling our obligation under International Standard on Auditing (ISA) 260 to provide a summary of the work we have carried out to discharge our statutory audit responsibilities to those charged with governance at the time they are considering the financial statements.

This report also covers the key findings arising from the audit of the University's subsidiary, South Bank University Enterprises Ltd.

Issue	Summary
<p>Audit progress and status</p> <p>We anticipate being able to provide clean audit opinions on both the financial statements and use of funds audits</p>	<p>Our audit is now complete and will report in our opinion that the financial statements:</p> <ul style="list-style-type: none"> — give a true and fair view of the state of the affairs of the Group and University as at 31 July 2017 and of the Group's and University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended; — have been properly prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and the FEHE SORP; — meet the requirements of HEFCE's Accounts direction to higher education institutions for 2016/17 financial statements; and — have been properly prepared in accordance with the Companies Act 2006. <p>We also provide an opinion on certain other matters prescribed in the HEFCE Audit Code of Practice and anticipate being able to report that, in all material respects:</p> <ul style="list-style-type: none"> — Funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes; — 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 to higher education institutions for 2016/17 financial statements have been met. <p>Finally, we will report that in our opinion the information given in the Strategic Report of London South Bank University for the financial year for which the financial statements are prepared is consistent with the financial statements.</p>

Executive summary - Audit progress and key audit issues (cont.)

Issue	Summary
Financial Position and going concern	We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.
Audit adjustments identified	Our audit has not identified any misstatements greater than our triviality threshold. We identified several minor presentational adjustments which have all been corrected by the University. A comprehensive summary is listed at Appendix 3.
Recommendations arising from our audit	<p>We have identified three recommendations which we are required to bring to your attention. These relate to the following issues:</p> <ul style="list-style-type: none"> ■ The Financial Controller conducts a monthly review of all journals posted. However the volume of journals posted on a monthly basis means this is a time consuming exercise, and not all journals are reviewed in detail prior to posting. ■ During our testing we identified a number of transactions that were not supported by backing documentation on the Agresso system, and further instances where the backing did not provide sufficient evidence to enable us to corroborate the accuracy or the reasonableness of the journal that was posted. ■ Through our testing of Fixed Assets we identified £407k worth of assets for which evidence of their existence or current use could not be provided. All assets had been fully depreciated meaning there is no impact on the surplus/deficit figure for the year, but could indicate that the cost and accumulated depreciation figures within the Fixed Assets note is overstated. <p>We have reviewed the University's response to recommendations raised by the previous external auditor. The University has implemented five of the seven recommendations raised in the prior year. The two recommendations that have not been implemented relate to journals authorisation and are superseded by the recommendation we have raised within Appendix One.</p>
Other significant matters	We have a responsibility to consider fraud and we considered the risk of fraud in our assessment of your controls framework. We have also considered your arrangements for the prevention and detection of fraud and corruption, and do not have any significant matters to bring to your attention.

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Executive summary - Audit progress and key audit issues (cont.)

Issue	Summary
Subsidiary audits There were no significant matters arising from our audit	We have carried out an audit of South Bank University Enterprises Ltd. pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006. We did not identify any significant matters during the course of our work.
Independence	ISA 260 ' <i>Communication of audit matters with those charged with governance</i> ' requires us to communicate at least once a year regarding all relationships between KPMG and London South Bank University that may be reasonably thought to have bearing on our independence. KPMG conforms to the highest governance standards at all times and we will ensure that any additional services are approved in advance as appropriate in order to ensure transparency. The KPMG audit team have made enquiries of all KPMG teams providing services to the University and in their professional judgement are satisfied that KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partners and audit staff is not impaired. See Appendix 5 for more details.

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Acknowledgements

We would like to take this opportunity to thank the Chief Financial Officer, Financial Controller, Finance Team and all other staff we met during our audit for their co-operation and assistance.

Section one

Significant risks

The following provides an update on significant audit risks identified in our Audit Strategy and Planning Memorandum.

Significant risk	Summary of findings
<p>Fraud risk from revenue recognition</p> <p>There were no significant matters arising from our audit in respect of this significant risk</p>	<p>We have considered the extent to which the University's finance, student records and planning functions are integrated to ensure complete and timely data and information in areas such as:</p> <ul style="list-style-type: none"> ■ the University's fee matrix for calculating tuition fee values; and ■ reconciliation processes, especially the reconciliation for year end and the associated evidence base. <p>During the year under review:</p> <ul style="list-style-type: none"> ■ We have reviewed the completeness of fee income for student fees raised through the student record system by reviewing the year-end reconciliation with the general ledger. ■ We reviewed the calculation of tuition fees for a sample of students by reviewing the classification of students and recalculating the fee based on the University's fee matrix. We agreed a sample of invoices issued to students back to underlying records to assess whether the correct fee had been applied. ■ We have considered income recognition and debtor recoverability. ■ We substantively tested research grant income to confirm the completeness and accuracy of balances and did not identify any indication of fraudulent reporting. ■ We completed substantive procedures over other income (HEFCE funding, deferred income, other income and investment income). <p>No significant concerns arose from our work in these areas.</p>
<p>Management override of controls</p> <p>There were no significant matters arising from our audit in respect of this significant risk</p>	<p>As a result of our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud or management override were identified.</p> <p>We note that there is no automated authorisation of journals that are posted to the ledger. A lack of segregation of duties means that individuals with access to the ledger could post journals that misrepresent the University's performance. Through our substantive testing of high risk journals we have been able to assure ourselves that there are no material journals of this nature that have been posted. We have raised one recommendation in this respect in Appendix One.</p>

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Significant risks

Significant risk	Summary of findings
<p>Defined benefit pension schemes</p> <p>There were no significant matters arising from our audit in respect of this significant risk</p>	<p>KPMG actuaries have reviewed the actuarial valuation for the LPFA and USS pension schemes. They have also considered the disclosure implications and compared the actuarial valuation to KPMG’s internal benchmarks.</p> <p>We have reviewed the accounts to consider whether the pensions disclosures are appropriate and we have reviewed the accounting treatment for annual pension charges through the Statement of Comprehensive Income. We have also reviewed the disclosures in respect of the Teacher’s Pension Scheme and the London South Bank University Defined Contribution Scheme.</p> <p>We note that the University has opted to use the Barnett Waddingham assumptions to calculate the deficit of the USS pension scheme, to ensure consistency with the calculation method of the LPFA scheme. This is consistent to the approach taken in the prior year. We have performed sensitivity analysis over the assumptions and calculated that the difference (£66k) in the USS pension provision between the two assumptions is below our triviality threshold.</p> <p>We have also confirmed with the auditor of the LPFA that there are appropriate controls in place to ensure that data passed to the actuary is complete and accurate.</p> <p>Overall we consider the assumptions adopted to be within our benchmark range, producing a net liability that is within our benchmark range. See Appendix 4 for more details.</p>

Section two

Other areas of audit focus

The following provides an update on other audit issues identified in our Audit Strategy and Planning Memorandum.

Other areas of audit focus	Summary of findings
Opening balances	<p>In line with professional auditing standards we met with Grant Thornton as the outgoing auditor to ensure that key information and significant findings were communicated to us. Where possible we placed reliance on their findings. We agreed the opening balances to the audited 2015/16 financial statements.</p> <p>We performed substantive procedures over the opening balances included within the fixed assets note, and raised one recommendation in this respect. We did not identify any significant issues that impact on our overall opinion.</p>
Valuation of fixed assets	<p>Through our work we considered the capitalisation and classification of additions to the estate. We reviewed the costs capitalised as assets under construction and assessed whether these had been appropriately classified as at the balance sheet date. We reviewed any judgements made over the capitalisation of costs to confirm their appropriateness.</p> <p>We considered the approach the University has taken to review potential impairments to its estate.</p> <p>We reviewed capital projects held as assets under construction, and assessed the appropriateness of their classification. For assets that have been transferred out of assets under construction (AUC) we reviewed how the University had identified the cost as assets are brought into use.</p> <p>We also considered the disclosures in relation to capital commitments and the presentation and disclosure of the funding and borrowing associated with the University's estates plans.</p> <p>Through our testing of fixed assets we identified £407k worth of assets for which evidence of existence or current use could not be provided. All assets had been fully depreciated meaning there is no impact on the net asset figure for the year or any requirement to write off capital costs to the income and expenditure account. This does however indicate that the cost and accumulated depreciation figures within the fixed assets note is overstated. We have raised a recommendation in respect of this in Appendix One. We have no other significant matters to report in respect of this work.</p>
Transaction with Lambeth College – Project Larch	<p>We discussed the transaction with management and reviewed minutes of the Board of Governors in relation to Project Larch. The transaction has not progressed to a stage where the University exerts control over the Lambeth College, meaning consolidation was not required in the 2016/17 financial statements.</p> <p>We did not identify any significant transactions with Lambeth College during the course of our audit, and we did not identify any matters that would require disclosure as a post balance sheet event. We therefore did not identify any significant issues that impact on our overall opinion.</p>
Use of funds	<p>We have completed our use of funds audit programme to confirm compliance with the requirements of the HEFCE Memorandum of Assurance and Accountability, and in addition our testing of controls and substantive items of expenditure has tested whether in all material respects funds have been used for the purposes given (including all sources of grant funding). We have no issues to report in respect of the above.</p>

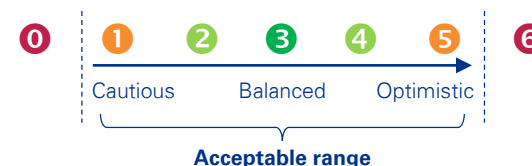
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Section three

Key accounting judgements

During the audit we have considered a number of key accounting judgements and estimates affecting the University this year and alongside the summary of significant risks and other matters arising in Section One above, we have summarised our findings below to give the Audit Committee a view as to whether we believe these judgements are reasonable:

Level of prudence



Subjective areas	2016/17	Commentary
Provisions	3	The University's total bad debt provision is £5.2m. £4.2m of this balance relates to tuition fees that are not recovered from the Student Loans Company. The University calculates the provision based on an estimated position at year-end. At the date of our fieldwork (three months after year end) we reviewed payments received that had been estimated by management. The difference between actual receipts and management's estimate was well below our triviality threshold, leading us to conclude that this estimate is balanced.
Property, Plant and Equipment (asset lives)	2	We have reviewed the University's policy for depreciating assets through our review of the depreciation charge. The University assigns different useful economic lives depending on the category of the asset. The University holds a number of assets on the fixed asset register with a nil net book value, which may indicate that the useful economic lives allocated are in some cases prudent. We have raised a recommendation in this respect in Appendix One.
Pensions	2	The pension deficit within the funded LGPS has decreased over the year by £8.8m. Our actuarial team has reviewed the assumptions that make up this calculation, and have noted that the CPI assumption of 2.7% is prudent when compared to benchmarked results (2.35%), and results in higher liability. However we identified that the discount rate of 2.7% applied was more optimistic than the KPMG actuarial assumption of 2.45%, reducing the liability. Overall we have therefore judged this as a prudent assumption, as the variance between the CPI assumption and the benchmarked range (which results in a higher liability) is greater than the variance between the discount factor and the benchmarked range. Further information is included in Appendix Three.

Section three

Key accounting judgements

Going concern

The financial statements have been drawn up on the basis that the University is a going concern and will continue as such for the foreseeable future. The following table summarises the budgeted income and expenditure for 2017/18.

	£'000
Income	
Tuition fee and education contract	109,626
Funding body grants	14,075
Research grants and contracts	2,200
Other income	24,491
Investment income	150
Total income	150,541
Expenditure	
Staff costs	84,990
Other operating expenses	48,514
Depreciation	11,130
Interest and other finance costs	4,408
Total expenditure	149,042
Surplus/deficit	1,500

- The majority of the University's income is derived from tuition fee income. In 2016/17 the University exceeded its tuition fee and education contract forecasts by 3.8%. We note that the University's forecast income for 2017/18 is 0.5% higher than the actual income. The number of applications received was down 2% in year, compared to a national average drop of 5%. If student recruitment were to drop 5% (in line with the national average drop in applications) the University would lose approximately £1.125m in income, meaning the University would still make an in-year surplus, which supports the going concern assumption.
- The University has forecast a rise in staff costs of 6%, however this will be offset in part by the increase in tuition fee income. In 2016/17 the University spent £4.8m less in staff costs than forecast. We also note that there is £3m of contingency to off-set any in-year student recruitment shortfall.
- The University has a strong cash position, holding £48.8m in cash and liquid investments at year end, which is enough to cover all of the University's short term creditors.
- The University has forecast a surplus of £1.5m for 2017/18. In 2016/17 the University recorded an actual surplus of £1.9m, which was £0.3m better than forecast.

The above points support the University's ability to forecast accurately and show positive financial performance. This supports the assumption that the University's accounts should be prepared on the going concern basis.

Section four

Other matters

Strategic report

We read all the financial and non-financial information in the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

We have reviewed the University's annual report and can confirm it is not inconsistent with the financial information contained in the audited financial statements.

Corporate governance statement

The University is required to include in its annual financial statements a statement on internal control (corporate governance). In formulating their statement, the University is required to have regard to best practice guidance, including guidance from the British Universities Finance Directors Group.

We are required to review the University's statement to assess whether the description of the process adopted by the University in reviewing the effectiveness of the system of internal control is consistent with our understanding of the process and report any inconsistencies in our opinion. We are not required to provide an opinion on the University's system of internal control.

We have reviewed the corporate governance statement and consider it consistent with our understanding of the process followed by the University during the year.

Fraud

We have a responsibility to consider fraud and we addressed this in our assessment of your controls framework. We have also considered your arrangements for the prevention and detection of fraud and corruption, alongside our accounts audit work.

We have nothing significant to report in this respect.

Management representations

In accordance with ISA 580 *Written representations*, we request written representations from those charged with governance on certain matters relating to the audit of the University.

The draft written representations will be provided within the papers for the meeting on 9 November 2017. We require a signed copy of your management representations before we issue our audit opinion.

Internal audit

In accordance with ISA 610 *Considering the work of Internal Audit* we have considered work carried out by the internal auditors during the year, where appropriate including:

- The overall scope of their work as set out in their strategic and annual plan;
- The detailed work they have carried out in the areas identified within the annual plan, specifically the areas related to core financial systems.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report.



Appendices

Recommendations arising from our audit

We have given each recommendation a risk rating and agreed what action management will need to take.

The University should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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Priority rating for recommendations

1	High priority: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Medium priority: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	Low priority: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.
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No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	2	<p>Journals authorisation</p> <p>Currently the Financial Controller conducts a monthly review of all journals posted. However the volume of journals posted on a monthly basis means this is a time consuming exercise, and not all journals are reviewed in detail prior to posting.</p> <p>Management has been working to implement an authorisation workflow within the Agresso system, to ensure certain types of journals are authorised before being posted. We recommend that automated journal approval is introduced to ensure that all journals are reviewed in detail with most (other than those that are simply moving transactions between cost centres) being reviewed prior to posting.</p>	<p>Agreed</p> <p>We will put in place a process for the authorization of journals with most being authorized prior to posting and only in limited circumstances allowing journals to be authorized retrospectively</p> <p>Responsible officer: Natalie Ferer, Ravi Mistry</p> <p>Deadline: 30 November 2017</p>

Recommendations arising from our audit

We have given each recommendation a risk rating and agreed what action management will need to take.

The University should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	2	<p>Attaching supporting documentation to journals</p> <p>During our testing we identified a number of transactions that were not supported by backing documentation on the Agresso system, and further instances where the backing did not provide sufficient evidence to enable us to corroborate the accuracy or the reasonableness of the journal that was posted.</p> <p>The University should ensure that each journal has sufficient backing documentation to corroborate the accuracy and reasonableness of the journal prior to it being approved for posting. If possible the automated approval process should require backing documentation to be attached to the journal, and this should be checked by the approver prior to posting.</p>	<p>Agreed</p> <p>guidance notes detailing supporting documentation required to be attached will be updated and staff given further training in this area. a monthly review of all journals posted will take place to ensure adequate supporting documentation is attached</p> <p>Responsible officer: Natalie Ferer, Ravi Mistry</p> <p>Deadline: 30 November 2017</p>
3	2	<p>Cleansing of the Fixed Asset Register</p> <p>Through our testing of PPE we identified £407k worth of assets for which evidence of their existence or current use could not be provided. All assets had been fully depreciated meaning there is no impact on the reported results for the year, but it does mean that the cost and accumulated depreciation figures within the fixed asset note are overstated.</p> <p>We recommend that management undertake a one off exercise to clear all nil net book value assets that are no longer in use from the Fixed Asset Register. The University should consider whether any of the assets at nil NBV are still in use, and if so, whether the allocated useful economic life is reasonable.</p>	<p>Agreed</p> <p>we will undertake a one off exercise to verify the existence of all assets held on our fixed asset register and then on will conduct an annual exercise to verify the existence of assets and if they are still in use.</p> <p>Responsible officer: Natalie Ferer</p> <p>Deadline: 31st March 2018</p>

Summary of audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 July 2017.

We report on all audit differences over our triviality threshold of £105k.

We are required by ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance to communicate all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to those charged with governance to assist it in fulfilling its governance responsibilities.

Corrected audit differences

We did not identify any corrected audit differences during the course of our audit.

Uncorrected audit differences

We identified the below misstatements during the course of our work. However as they are not above our materiality threshold, we do not require the University to adjust for these amounts.

Issue	Income and expenditure account (£000)		Balance sheet (£000)	
	Dr	Cr	Dr	Cr
We identified an over accrual of both income and expenditure in relation to a catering contract. The impact on the surplus/deficit figure is £nil.	£875k	£875k		
We identified £936k of expenditure that related to capital projects above the University's capitalisation threshold that had not been capitalised.		£771k	£771k	
We identified £124k of income that related to 2017/18, and therefore should have been deferred.	£124k			£124k

Presentational issues

In addition to the above we identified a small number of presentational issues during our audit and these have all been amended by the University.

- Computer lease – we identified a computer lease in the TB with a cost of £2.9m and accumulated depreciation of £2.9m. However as the lease had finished and the computer equipment had been replaced this should have not been included in the cost or accumulated depreciation figure. There is no impact on the total NBV figure.
- LSBU has correctly presented software as an intangible asset, however the prior year comparators had not been included in the note.
- We identified £1,079k of depreciation in the fixed assets note which related to the amortisation of software.

South Bank University Enterprises Ltd.

We have no other matters to report to you in this respect.

Summary of financial performance - retirement benefits

Accounting requirements

The Local Government Pension Scheme (LGPS) is a Defined Benefit Pension Scheme and participating education employers are required to report their pensions obligations in relation to the scheme under the FRS102 accounting standard. Under FRS102, the balance sheet position is calculated on an 'accounting basis', which must be determined based on principles prescribed by the FRS102 accounting standard. The accounting assumptions used are required to represent the Actuary's 'best estimate' of the cost of providing the promised benefits, with the calculations based on market conditions at the respective date.

Cash contributions

As a result of the prescribed basis, the pension expense and balance sheet liabilities stated in the employers FRS102 accounts have no bearing on the actual cash contributions that the employer currently pays, or will pay in the future. An employers' ongoing cash obligations to the LGPS Fund they participate in is to pay the contributions to cover the build-up on accruing benefits for current employees, and contributions towards recovering any deficit revealed at the most recent LGPS funding valuation. This may be, and usually is, very different to an accounting basis.

The ongoing contributions required to be paid by the employer are determined by the Actuary at each valuation on a 'funding' basis. The funding basis is based on market conditions and the respective LGPS funding methodology of the advising Actuary firm. Contributions can therefore be volatile over time. Whilst current contributions may be sustainable, employers should consider whether future adverse experience or a change in the funding methodology used by their LGPS Funds could result in increase in obligations and a necessary increase in contributions to their LGPS Funds.

There is a significant lack of consistency across the approaches taken to valuing employer funding liabilities across the four LGPS Actuary firms. This means that some employers are paying considerable more, or less than employers in other Funds for identical benefits for employees. Paying a lower rate of contributions in the short term will lead to either the need for a higher level of contributions to be paid in the longer term, or require investment assets to outperform current expectations. Consideration should be given to the effect that a significant increase in the level of contributions required would have on the employers overall business plans and objectives.

Ultimate employer obligations

Whilst prudent assumptions are required to be used in the LGPS funding valuation, employers should also bear in mind that their ultimate obligation to the LGPS Funds are the cessation liabilities. Under the LGPS regulations, when an employers' last active member leaves a participation (i.e. on cessation of accrual), a termination (exit) debt will be triggered will need to be paid to the LGPS Fund. The termination liabilities are the expected cost of providing all the benefits promised to members, determined on basis that is in usually more prudent than the ongoing funding basis. The termination debt is the difference between the liabilities and the employers assets held within the Funds. If an employer not admitting new employees into the Fund then there may be a potential cessation debt which should be understood by the employer.

Further assistance

Employers who require further advice in relation to the management of their LGPS, TPS or USS pension liabilities should contact David Spreckley (David.Spreckley@KPMG.co.uk) or Emma Patterson (Emma.Patterson@KPMG.co.uk) in KPMG's Public Service Pensions team.

Appendix three

Summary of financial performance - retirement benefits

Below we have compared the assumptions used by the LPFA actuary (Barnett Waddingham) to the assumptions used by the KPMG Actuarial team. All the assumptions used by Barnett Waddingham fall within our tolerable range, and are therefore considered reasonable.

	Employer assumption	KPMG Central assumption	Assessment	KPMG Comments
Overall				
Discount rate	2.7%	2.45%		The proposed assumption is less prudent than our central assumption, placing a lower value on the liabilities. The assumption is within our usual range of tolerance and can be considered reasonable.
CPI inflation/Pension increases	2.7%	2.35%		The proposed assumption is more prudent than our central assumption, placing a higher value on the liabilities. The assumption is towards the upper end of our usual range of tolerance and moving to the edge of our central range of tolerance could decrease liabilities by 1.1-1.2%.
Net discount rate (Discount rate – CPI)	0%	0.1%		The net discount rate is within our acceptable range.
Salary growth	4.2%	1%-2.5% above CPI		As the assumptions are reflective of the Employer's long term salary expectations, we consider this assumption to be reasonable.
Life expectancy				
Current male/female pensioner (age 65)	21.2/24.2 years	22.2/24.3 years		The assumption has been set in line with demographic assumptions in the most recent triennial valuation. This approach can be considered reasonable.
Future male/female pensioner (age 45)	23.6/26.5 years	24.0/26.2 years		



Outside of KPMG's benchmark range. Potential audit difference.

Within a reasonable tolerance of KPMG's central assumption.

In line with the KPMG central assumption.

Summary of financial performance - retirement benefits

Assumption	KPMG methodology
Discount rate	Based on valuing sample pension scheme cash flows with different durations using a yield curve approach and to calculate the single equivalent discount rate for each set of cash flows. Therefore the appropriate discount rate can vary by scheme depending on the liability profile and duration of the scheme. The yield curve used in our models is the AA Corporate yield curve published by Merrill Lynch, extrapolated beyond 30 years using swap curves and Nelson-Siegel-Svensson methodology.
RPI inflation	Similar to discount rate, based on valuing sample pension scheme cash flows with different durations to calculate a single equivalent inflation assumption, based on inflation spot rate projections published by the Bank of England. Therefore the appropriate inflation rate can vary by scheme depending on the liability profile and duration of the scheme.
CPI inflation	RPI inflation less 1.00%, to reflect structural differences in the way CPI and RPI are constructed, historical differences as well as prevailing market practice.
Salary growth	Should reflect the long-term remuneration policy of the employer. Typical range seen across companies is 0% -1.5% above RPI inflation. May not be applicable if scheme is closed to future accrual and benefits are no longer linked to future salary growth.
Pension increases	“Black-Scholes” model used with a volatility assumption of 1.85% and 1.55% for RPI- and CPI-linked pension increases respectively to calculate the average single rate that will be applicable to future pension increases, allowing for the expected future impact of caps and floors. The appropriate CPI / RPI inflation measure should be used in line with scheme rules.
Life expectancy	Typically set by first considering a mortality table to reflect current expected experience, and then an appropriate allowance for future improvements in longevity: — Default base tables: SAPS table S2PXA (normal, all pensioners), but any best estimate scheme specific base table with supporting evidence is acceptable. — Future improvements: CMI 2015 projections with a long term improvement rate of 1.25% for males / females. There are a number of difficulties in deriving best estimates. In particular, many schemes are not large enough to rely on their own experience and UK life expectancies are known to be increasing at a rapid but uncertain rate. For companies that have yet to move to a scheme specific approach, consideration should be given to the overall assumption. Life expectancy may also vary with factors such as socio-economic group, size of pension and geographical location. Therefore, although our central base tables are suitable for a typical UK scheme, we would expect the base table adopted by a Company to reflect the UK Scheme’s specific membership.
Commutation	Should be in line with expected scheme experience. It is typical in UK schemes for members to commute some of their pension into tax-free cash.
CETV take up rate	No allowance made for transfers, unless the company or pension scheme has carried out an exercise that may affect the future take up of this option (e.g. a communications exercise to deferreds and/or actives), in which case the assumption should be reviewed to reflect a best estimate of future take up.

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Summary of financial performance - retirement benefits

Assumption	Methodology	Consistency	Reasonableness
Discount rate	The discount rate is based on the Merrill Lynch AA-rate corporate bond yield curve at the appropriate duration.	This is consistent with the methodology used last year.	See duration-specific comments.
RPI inflation	The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields based on data published by the Bank of England.	This is consistent with the methodology used last year.	Used to derive the CPI assumption. See duration-specific comments on CPI assumption.
CPI inflation	RPI inflation less 0.9% p.a.	This is consistent with the methodology used last year.	See duration-specific comments.
Salary growth	Salary increase assumption from 2016 valuation (in line with CPI to 2020 then CPI +1.5% p.a. after)	The approach used to derive the assumption is consistent, (i.e. based on the most recent triennial valuation) but updated to reflect the 2016 valuation, which was completed since the previous accounting period.	The salary growth assumption should reflect the long term remuneration policy of each employer. If the assumptions are reflective of the employers' long term salary expectations, then we would consider these assumptions to be reasonable.
Pension increases	In line with CPI.	This is consistent with the methodology used last year.	This assumption can be considered reasonable.
Life expectancy	In line with the demographic assumptions adopted at the triennial valuation of the fund at 31 March 2016.	The approach used to derive the assumption is consistent, (i.e. based on the most recent triennial valuation) but updated to reflect the 2016 valuation, which was completed since the previous accounting period.	An assumption in line with the most recent actuarial valuation of the fund would usually be considered reasonable.
Commutation	In line with the demographic assumptions adopted at the triennial valuation of the fund at 31 March 2016.	The approach used to derive the assumption is consistent, (i.e. based on the most recent triennial valuation) but updated to reflect the 2016 valuation, which was completed since the previous accounting period.	An assumption in line with the most recent actuarial valuation of the fund would usually be considered reasonable.
CETV take up rate	In line with the demographic assumptions adopted at the triennial valuation of the fund at 31 March 2016.	The approach used to derive the assumption is consistent, (i.e. based on the most recent triennial valuation) but updated to reflect the 2016 valuation, which was completed since the previous accounting period.	An assumption in line with the most recent actuarial valuation of the fund would usually be considered reasonable.

Summary of financial performance – retirement benefits

Approach typically used by Barnett Waddingham

We have based our comments on Barnett Waddingham's approach on their IAS19 results report dated 14 April 2017.

The asset share for each individual employer is rolled forward from the previous year (as at 31 December 2016) allowing for 'net new money' (i.e. each employer's contribution less benefits paid) and a pro rata share of the investment return earned by the fund as a whole.

At each triennial valuation, a pro rata adjustment is made to ensure that the sum of the asset shares for each individual employer equals the total fund value. This adjustment then flows through as an experience item on the assets. We note from Barnett Waddingham's IAS19 report that the asset values were updated to be those available from the fund as at 31 December 2016.

Where asset shares have not previously been calculated then the approach is generally to give an initial asset share based on a pro rata share of the liabilities, e.g. if an employer had a 10% share of the liabilities, an initial asset share would be set up equal to 10% of the total assets.

Limitations of the method

Assets in LGPS funds are not ring fenced at employer level and it is therefore impossible to run these funds without some degree of cross subsidy between employers. The extent of any cross subsidy will depend on the methods used.

The approach involves an element of approximation. Due to, for example, differences in timing of cash flows and investment returns on those amounts, an adjustment or "miscellaneous" item split across employers will be necessary from time to time to ensure that the sum of individual asset shares will exactly match the total assets.

Other disadvantages of the methodology include:

- The calculations can be difficult to follow for participating employers.
- A change for one employer could have a knock on effect on other employers.

- The total asset figure for the whole fund does not easily reconcile with the estimated asset shares derived for FRS102 reporting (due to different accounting year end dates and the fact not all employers request FRS102 figures).

Alternative method – unitisation

Unitisation is a systematic mechanism whereby assets are allocated between subsections of the overall fund. It is a formal arrangement with a good audit trail.

Assets of the fund are notionally converted to units with each employer holding a share of overall units.

All incoming and outgoing cashflows are separately tracked for each employer.

Employers with a positive cashflow will buy more units from time to time (as money is invested) whereas those with a negative cashflow will sell units from time to time (as money is disinvested).

Unit prices are updated regularly to reflect the performance of the underlying assets. Investment returns will be allocated to each employer depending on the number of units held.

Such a system would be the most accurate way of splitting assets between employers but also the most complex to implement and maintain.

Pooling

In some LGPS funds, groups of employers are "pooled", meaning that for cash funding purposes they share risk and pay the same contribution rate.

For those employers in a "pool", further investigation would be required to understand the impact of this on the asset share under the accounting standard and in particular whether the asset share is reflective of the average experience of the pool or of the individual employer itself.

Conclusion

In our view, Barnett Waddingham's approach is pragmatic (in the absence of full unitisation) and should result in a reasonable split of assets between employers which is appropriate for the purpose of reporting under the accounting standard.

Confirmation of independence and objectivity

Assessment of our objectivity and independence as auditor of London South Bank University

Professional ethical standards require us to communicate to you as part of planning all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of Fleur Nieboer and the audit team. This letter is intended to comply with this requirement although we will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Breaches of applicable ethical standards;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Permissible non-audit services that auditors may perform for their audit clients are enshrined in the APB's Ethical Standard 5. The principal threats to an auditor's objectivity and independence are; self interest, self review, acting as management, acting as advocate, familiarity, and intimidation.

As a result we operate a proprietary global system (Sentinel) to ensure that all requests from London South Bank University via local KPMG offices, for KPMG to provide non-audit services are considered in the context of company policy and our professions ethical standards. Where necessary, further information is sought and specific approvals obtained from the Audit Committee.

In relation to all services provided, consideration is given to any threats to our objectivity and independence. In relation to non audit services which may impact on the financial statements, we apply appropriate safeguards. These include separation of personnel from the audit team and ensuring no decisions or accounting judgements were made by KPMG LLP on behalf of management. In particular, in relation to tax compliance, we do not provide tax accounting schedules.

In summary, in the light of the above safeguards, our assessment is that the above matters have been properly addressed in accordance with APB Ethical Standards and do not threaten our objectivity or independence.

Summary of fees

Any additional services provided by KPMG to you are approved by management under delegated authority from the Board of Governors to ensure transparency. In addition to the audit of the financial statements, during 2016/17 KPMG has also undertaken other work as follows:

- Corporation Tax Compliance.



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	CONFIDENTIAL
Paper title:	Letter of Representation to the Auditor
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	KPMG, external auditor
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide representations to the external auditor about the financial statements.
Recommendation:	The Board is requested to approve the Letter of Representation.

Executive Summary

The letter of representation requires the Board of Governors to give written representations to the auditors over matters regarding the financial statements and the year-end audit. Following approval, the Chair of the Board will be required to sign the original. The attached letter contains standard representations only; there are no items that have been inserted specific to LSBU.

Recommendation

The Executive has reviewed the letter and recommends that the Board approves the attached Letter of Representation.

Attachments:

- Letter of Representation

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(London South Bank University Letterhead)

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

[Date]

Dear Sirs

This representation letter is provided in connection with your audit of the Group and University financial statements of London South Bank University (“the University”), for the year ended 31st July 2017, for the purpose of expressing an opinion as to whether the financial statements:

- i. give a true and fair view of the state of the Group’s and University’s affairs as at 31st July 2017 and of the Group’s and University’s income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- ii. have been properly prepared in accordance with, including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)* and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (FEHE SORP);
- iii. meet the requirements of HEFCE’s Accounts Direction to higher education institutions for 2016-17 financial statements; and
- iv. have been prepared in accordance with the Companies Act 2006.

These financial statements comprise the Group and University balance sheets as at 31st July 2017, the Group and University Statements of Comprehensive Income, the Group and University Statements of Changes in Reserves, and the Group Statement of cash flows, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Governing Body confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Governing Body confirms, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Governing Body has fulfilled its responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of financial statements that:
 - give a true and fair view of the state of the Group’s and the University’s affairs as at the end of its financial year and of the Group’s and University’s income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and

- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the FEHSORP; and
- have been prepared in accordance with the Companies Act 2006.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Governing Body in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which Section 32 of FRS 102 (*Events after the End of the Reporting Period*) requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Governing Body has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Governing Body for the purpose of the audit;
 - unrestricted access to persons within the Group and the University from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Governing Body confirms the following:
 - (i) The Governing Body has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- (ii) The Governing Body has disclosed to you all information in relation to:
 - (a) Fraud or suspected fraud that it is aware of and that affects the Group and the University and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
 and
 - (b) allegations of fraud, or suspected fraud, affecting the Group and the University's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Governing Body has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Governing Body has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with Section 21 of FRS 102 and the FEHE SORP all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Governing Body has disclosed to you the identity of the Group and the University's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Section 33 of FRS 102.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

11. The Governing Body confirms that:
 - (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the University's and Group's ability to continue as a going concern as required to provide a true and fair view.
 - (b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the University and the Group to continue as a going concern.
12. On the basis of the process established by the Governing Body and having made appropriate enquiries, the Governing Body 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 the requirements of section 28 of FRS 102 .

We agree with the findings of Barnett Waddingham as the University's actuarial specialists in preparing the London Pension Fund Authority Pension Fund pension valuations. The Governing Body did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact in the independence or objectivity of the specialists.

13. The Governing Body further confirms that:
 - (a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;

- funded or unfunded; and
 - approved or unapproved,
- have been identified and properly accounted for; and

(b) all settlements and curtailments have been identified and properly accounted for.

14. The Governing Body confirms that costs or credits attributable to the agreement of a deficit recovery plan for the Universities Superannuation Scheme (USS) are calculated using assumptions that are consistent with its knowledge of the business. In particular, the Governing Body confirms that the assumptions for assumed salary inflation in each year during the life of the plan and assumed USS membership changes during the life of the plan are consistent with the University's projected employee population profile.

15. In particular the Governing body confirms that:

- There are no significant matters that have arisen that would require a restatement of the corresponding figures.
- There are no issues arising from the finalisation of student data for the year ending 31 July 2017 which has been used to produce the University's 2017 HESA return/re-creation of HESES16 which would have a material impact on the HEFCE teaching funding or English undergraduate fee income recognised in the financial statements.
- to the best of our knowledge and belief the University has complied with the terms and conditions of any capital grant funding received during the year and in respect of other capital grant funding received in prior years. In all instances, the University is satisfied that the agreed outputs against which each project will be assessed will be delivered.
- to the best of our knowledge and belief the University has complied with the terms and conditions of any revenue grant funding (for example research funding) received in recent years and where agreed outputs are to be delivered as part of the grant agreement, the University has or anticipates delivering these.
- To the best of our knowledge and belief we are satisfied that no impairment provision is necessary in respect of the University's estate.
- In all material respects funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes during the year ended 31 July 2017;
- In all material respects the University has complied with the requirements of its Memorandum of Assurance and Accountability with the Higher Education Funding Council for England during the year ended 31 July 2017.

This letter was tabled and agreed at the meeting of the Governing Body on [insert date].

Yours faithfully,

[Chair]

Optional cc Audit Committee

Appendix A to the Representation Letter of London South Bank University: Definitions

Financial Statements

A complete set of financial statements comprises:

- Group and University balance sheets as at the end of the period;
- Group and University Statement of Comprehensive Income for the period;
- Group and University Statements of Changes in Reserves for the period;
- Group Statement of Cash Flows for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix B to the Management Representation Letter of London South Bank University

Summary of unadjusted audit differences

Under the requirements of ISA 260 we are required to present any unadjusted audit differences, other than those which are clearly trifling, to the Audit Committee.

We list below the unadjusted audit differences:

	Income and expenditure account (£000)		Balance sheet (£000)	
	Dr	Cr	Dr	Cr
We identified £936k of expenditure that related to capital projects above the University's capitalisation threshold that had not been capitalised.		£936k	£936k	
We identified £124k of income that related to 2017/18, and therefore should have been deferred.	£124k			£124k

Adjusted audit differences

ISA 260 also requires us to report differences found during our audit which have been adjusted by management in arriving at the final results for the University. These adjusted amounts need to be considered by the Audit Committee as they may indicate broader failures in systems of controls which will need addressing.

There were no adjusted differences identified during the course of our audit.

There were also a number of other presentational adjustments made to the accounts following our review including grossing up of balances and reclassification of other balances. These have all been adjusted for and are reflected in the financial statements.

	CONFIDENTIAL
Paper title:	Annual Report and Accounts for the year ending 31 July 2017
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	Natalie Ferer, Financial Controller
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To the Annual Report and Accounts for the year ending 31 July 2017
Recommendation:	That the Board approves the attached Report and Accounts

Executive summary

The audit for the year ended 31 July 2017 is complete. The report and accounts are presented here and KPMG have finalised their audit report.

Governors should in particular give attention to the following sections in the accounts:

- A commentary on the financial results for the year is shown on pages 8-12. Results for the year have previously been considered in the July management accounts. These accounts are in line with those management accounts.
- Pages 4-6 of the 'Strategic Report' sets out the University's objectives and strategy for achieving those objectives in its performance through the year and its prospects for the future. This narrative is taken from the Corporate Strategy Progress Report presented to the Board.
- A description of the principal risks and uncertainties facing the University is shown on page 7.
- An assessment of the University as a going concern is shown on page 12.
- Relevant sections on the remuneration of higher paid staff, including the Vice Chancellor, include:
 - Staff numbers by category (page 34)
 - Remuneration of higher paid staff (pages 34-35)
 - Key Management Personnel (page 35)

- Related Party Disclosures (page 36)

Amendments

Following review by the Audit and Finance, Planning & Resources committees, the report and accounts have been updated to reflect the comments received. The main amendment has been a streamlining of the 'Principal risks and uncertainties' (page 7). A version of the report and accounts showing all tracked changes is available as a separate supplement to this pack.

Recommendation

It is recommended that the Board approves the attached report and accounts.



Report and Financial Statements

31 July 2017

Version 6 15/11/17

Report and financial statements 2017

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Report and financial statements 2017

Strategic Report

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

London South Bank University (LSBU) 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 16-21 and the members of the Board of Governors during the year ended 31 July 2017 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 Higher Education Funding Council for England (HEFCE). All Governors are also charitable trustees. The University is regulated principally by HEFCE under a Memorandum of Assurance and Accountability. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

Solicitors

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1 Colmore Square
Birmingham B4 6AA

Mills and Reeve LLP
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100 Hills Road
Cambridge CB2 1PH

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

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

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

Report and financial statements 2017

Strategic Report

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2017 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Miss Temi Ahmadu	Retired 30 June 2017
Mr Sodiq Akinbade	Appointed 1 July 2017
Mr Steve Balmont	
Mrs Shachi Blakemore	
Ms Julie Chappell	Appointed 1 July 2017
Mr Michael Cutbill	
Mr Douglas Denham St Pinnock	
Professor Neil Gorman	Retired 31 July 2017
Mrs Carol Hui	
Professor Hilary McCallion CBE	
Mr Kevin McGrath	
Dr Mee Ling Ng OBE	
Mr Andrew Owen	Retired 31 July 2017
Ms Jenny Owen	
Mr Tony Roberts	
Mr Suleyman Said	Appointed 1 July 2017
Mr Calvin Usuanlele	Retired 30 June 2017

Changes in Governors since 31 July 2017:

Mr Duncan Brown	Appointed 1 August 2017
Professor Peter Fidler CBE	Appointed 1 August 2017

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Strategic Report

Principal Officers:

Name	Position
Professor David Phoenix	Vice Chancellor
Professor Patrick Bailey	Deputy Vice Chancellor
Mrs Mandy Eddolls	Executive Director of Organisational Development and HR
Mr Richard Flatman	Chief Financial Officer
Professor Paul Ivey	Pro Vice Chancellor (Research and External Engagement)
Miss Nicole Louis (appointed 2 May 2017)	Chief Marketing Officer
Mr Ian Mehrtens	Chief Operating Officer
Mr James Stevenson	Secretary and Clerk to the Board of Governors
Professor Shân Wareing	Pro Vice Chancellor (Education and Student Experience)

A separate Corporate Governance Statement is shown on pages 16-21.

Objectives and Activities

London South Bank University has been transforming lives, communities and businesses for 125 years. At its creation, its aims were to improve social mobility for the people of south London by improving their employment opportunities, and to support the community by providing access to the 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 that are 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.

Our mission is to be recognised as an enterprising civic university that addresses real world challenges. London South Bank University's Corporate Strategy 2015–2020 sets out how the University will achieve its vision of becoming London's top modern university by 2020. The University's strategy has three key outcomes:

Student success

- Ensuring we are externally recognised for providing a personalised, high calibre education which equips graduates for employment and prepares them to make a positive contribution to society.

Real world impact

- Ensuring we provide dynamic evidence-based education which is underpinned by highly applied research and enterprise activity.

Access to opportunity

- Building opportunity through partnership: ensuring we are actively widening participation, engaging with our communities and are a partner of choice.

The University has had a very good year in terms of financial and strategic outcomes.

Report and financial statements 2017

Strategic Report

Student Success

We aim to ensure that our teaching remains highly applied, professionally accredited and demonstrably linked to research and enterprise, delivering the attributes that will make our graduates highly sought after. Students are seen as participants in their learning and their voices are encouraged and listened to. We provide students with an individualised learning experience to develop the skills and aspirations that enable them to enter employment, further study or start their own business. Our approach continues to pay dividends:

- LSBU achieved a Silver rating for teaching excellence under the Government's new Teaching Excellence Framework (TEF). The University was particularly praised for its focus on personalised learning and emphasis on supporting graduates into employment, with courses designed to give our students the skills, knowledge and confidence that employers want.
- LSBU was named 'University of the Year for Graduate Employability and Prospects' in The Times 2018 League table, which noted in particular "London South Bank has an outstanding record for graduate employment. It is a shining example of all the best qualities held by the modern university sector. Year after year, the University appears close to the top of our tables for graduate employment and graduate salaries."
- LSBU is in the top 25 of all UK universities for graduate employment and further study. 82% of LSBU leavers were in graduate employment and further study (UK average 75%).
- LSBU is a top 12 UK university for Graduate Starting Salaries [The Times Good University Guide].
- The Destination of Leavers from Higher Education (DLHE) survey again generated positive results with 94.6% of graduates in employment or further study, showing a continued improvement on 2015/16.
- Our National Student Survey (NSS) overall satisfaction result remained constant at 82%, whilst the sector average fell by two percentage points, meaning we have improved our relative position.
- Our project to manage student appeals more effectively was shortlisted in the Outstanding Student Services Team category in the 2017 Times Higher Education Leadership & Management Awards (THELMAs).
- LSBU was ranked 32nd of all UK universities for "value added" by the Economist magazine, which used published data to analyse the "value added" by individual universities to their students based on actual and expected earnings.
- HEFCE identified our work on the Prevent agenda as leading UK practice, which led to a Foreign Office nomination and ongoing partnership work, rolling out our approach internationally.

Our work to enhance the student experience continues. The Student Journey Transformation Project implemented a wide range of programmes. These included initiatives to encourage greater student participation in extracurricular activities to support their employability. We also implemented the InPLace software solution for managing and quality assuring student placements to support our policy of offering all students work experience or study abroad opportunities. Alongside we implemented new software to deliver the Higher Education Achievement Report (HEAR) with the 2016/17 cohort being the first to receive these in 2019. The new LSBU employment and temping agency, 'LSBU Employment' is scheduled to launch in January 2018, and will connect current students to opportunities for part time work, and 3rd years and graduates with full time opportunities. We have already seen a 200% increase on student engagement with Employability initiatives, with over 3000 unique visitors in year.

Real World Impact

We aim to deliver outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research to the real world through commercial activities and social enterprise.

The profile of our research within and beyond LSBU has been enhanced with new Research and Enterprise Institutes, all with increased supporting activity. The Annual University Research Audit (AURA) informed preparations for further research development and led to the creation of 33 research groups and 15 research centres. Particular achievements during the year have included:

- LSBU's research centres in non-destructive testing and coatings and resins at the Cambridge Technology Park attracted projects worth over £10m in their first year.
- LSBU's new London Doctoral Academy now provides a physical space for research students to create a community of practice.

Report and financial statements 2017

Strategic Report

- Research income showed an increase of 42% on 2015/16 total and ahead of target
- Contracted activity for 2017/8 is strong with recent research bid successes including two awards from the Engineering and Physical Sciences Research Council; a £400K award for a project modelling the mechanism of cats' whiskers for spacecraft design, a £200K for a project exploring heat re-use from sewers, and a further £600K of funding through the Welding Institute partnership.
- LSBU is now the number 2 London Modern for Knowledge Transfer Partnerships; South Bank Enterprises led on sales of commercial enterprise with a total value of £4.4m during 2016/17.
- Over one hundred and fifteen bids were submitted for research funding which was ahead of target, SME partnerships exceeded three hundred and fifty during the year.
- Two European Regional Development Fund projects have been secured around access to innovation and simulation for digital health. Both will work with around four hundred SME's over the next three years and will have a total value of around two million pounds. LSBU is also a partner organisation for two further ERDF projects with a total value of one million pounds.
- The Centre for Research Informed Teaching has been established to generate greater awareness of pedagogic developments and assist in ensuring our research activities inform our teaching.

Access to Opportunity

There are two strands to this part of the LSBU strategy. Locally, LSBU works with partners to provide opportunities for students with the potential to succeed.

- We have invested in a new Higher and Degree Apprenticeship programme to provide students and employers with a more diverse education and skills offer. Up to 25 higher and apprenticeship programmes are being offered for 2017/18 within five Schools. LSBU is a leader in the HE sector and one of only 18 institutions to receive funding from the HEFCE degree apprenticeship development fund. 105 apprentices were enrolled during 2016/17, and the number is predicted to rise to 500 during 2017/18.
- LSBU is establishing a new Institute for Professional and Technical Education to support educational pathways into higher and degree level technical education and, with partners, is investing over £12m in increasing provision for apprenticeships.
- The University Academy of Engineering (UAE), which recruited to target for the 2017/18 entry cohort, received a 'Good' rating in its first Ofsted assessment.
- The University Technical College (UTC) has now taken up residence in its new Brixton Hill facility.

The University has also been strengthening its internationalisation activities to meet its aim of developing a multi-cultural community of students and staff. Through international alliances and partnerships LSBU is building its capacity and capabilities in education, research and enterprise and is already making significant progress:

- LSBU featured in the Times Higher Education (THE) World University Rankings in 2016/17 for the first time and is one of only 93 UK institutions featured in the international ranking.
- LSBU achieved a 4 star rating in the QS World Rankings 2017/18 with 5 stars for internationalisation. "LSBU is highly visible and involved in a high number of collaborations with other top higher education institutions" (QS World Ranking Report). This was a 2021 target achieved ahead of time.
- LSBU's partnership with the British University in Egypt (BUE) is the now the largest site for transnational education (TNE) in the Middle East and North African region with nearly 4000 students.
- Following approval by the Ministry of Education in Bahrain, LSBU Engineering programmes will begin at the Applied Science University in Bahrain in September 2018.

Report and financial statements 2017

Strategic Report

Principal risks and uncertainties

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

The Corporate Risk Register is the subject of careful and frequent review, and is aligned to the Corporate Strategy. The principal risks which the institution faces, considering external factors in the main, and the associated mitigation strategies are as follows:

Risk and Impact	Mitigation Strategies
Revenue reduction	<ul style="list-style-type: none"> • Brand strategy and articulation • Ongoing review of portfolio • Range of outreach activity • Interventions and support activity to drive better retention and progression • Significant investment in Higher and Degree apprenticeship programme • New Institute for Professional and Technical Education • Strengthening internationalisation activity • Named customer manager roles with NHS Trusts and Clinical Commissioning Groups and detailed annual quality review processes for NHS contract delivery.
Meeting capital investment requirements	<ul style="list-style-type: none"> • Range of options under consideration for estate development • Working closely with external advisers to develop funding plans.
Increasing pensions deficit	<ul style="list-style-type: none"> • Regular review and consideration of potential options for future provision • Modelling / scenario analysis of future costs and projected movements in assets & liabilities • Group defined contribution scheme established • Strict controls over early access to pensions.
Potential impact of Brexit	<ul style="list-style-type: none"> • Regular participation in government and sector forums • Partnership approach to EU student recruitment • Reviewing carefully the impact on staff and supporting them as necessary • A range of Research Institutes with academic leads building strategic relationships.
Data risks, including GDPR (General Data Protection Regulation)	<ul style="list-style-type: none"> • Mandatory training for all staff • Regular vulnerability assessments • Development of GDPR options appraisal and action plan.

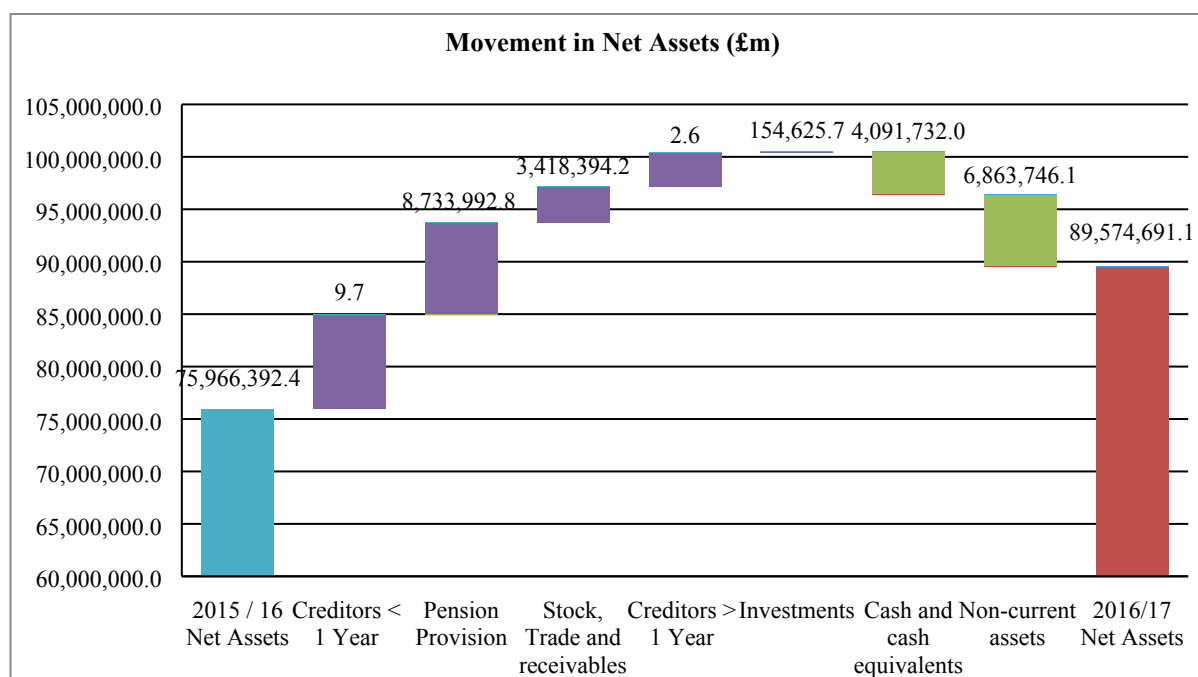
Report and financial statements 2017

Strategic Report

Financial Review

Balance sheet and liquidity

The Group's net assets increased by 18% during the year moving, from £76.0m to £89.6m. The principal reason for the change is the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme which is included within Other Comprehensive Income within the year.



The University always plans to have sufficient liquid assets to meet its liabilities as they fall due and the reduction in cash balances will not compromise the group's ability to do so. Cash balances and bank deposits have decreased from £52.7m to £48.8m. Bank and other loans have reduced from £25.6m at 31 July 2016 to £24.3m at 31 July 2017 reflecting loan repayments made during the year. No new loans were taken out during the year.

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

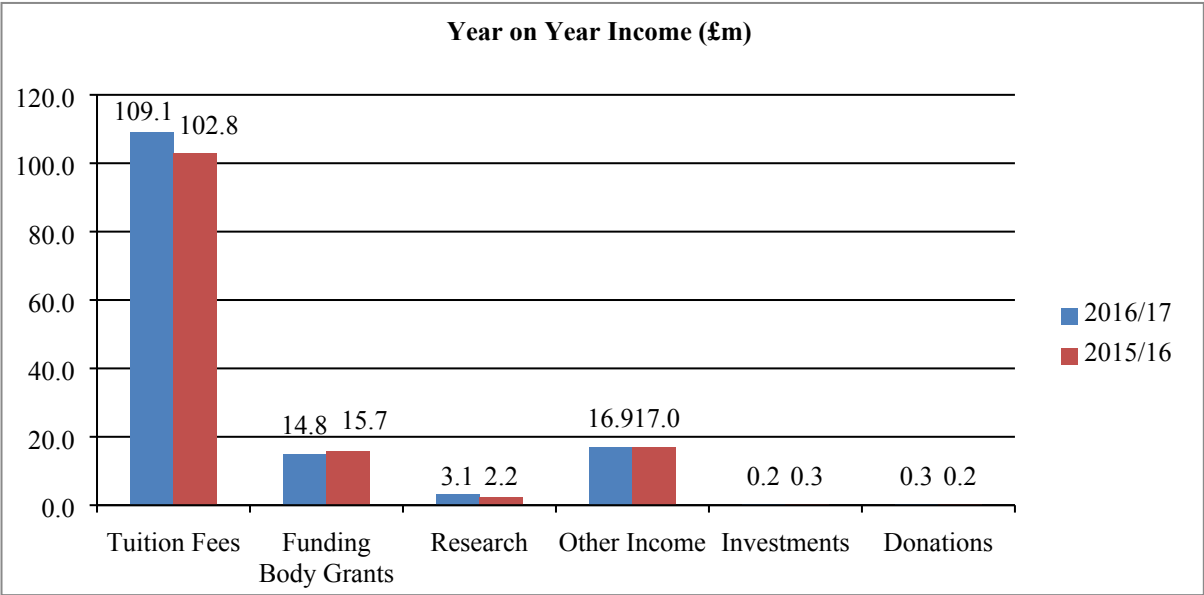
Result for the Year

Financial Summary in £m			Variance from 2015 / 16 £m	
	2016/17	2015/16		
Income	144.5	138.2	6.3	4.6%
Expenditure	142.6	134.9	7.7	5.7%
Surplus for the year	1.9	3.3	-1.4	-42.4%
Surplus %	1.3%	2.4%		

The operating surplus of £1.9m is ahead of the agreed budget of £1.0m and the forecast surplus of £1.5m submitted to HEFCE in July 2017. In the context of the continuing investment being made by the University and the recruitment challenges across the sector in 2016/17, particularly with regard to changes in the full time undergraduate demographic and the decline of the part time student market, this is considered a strong result.

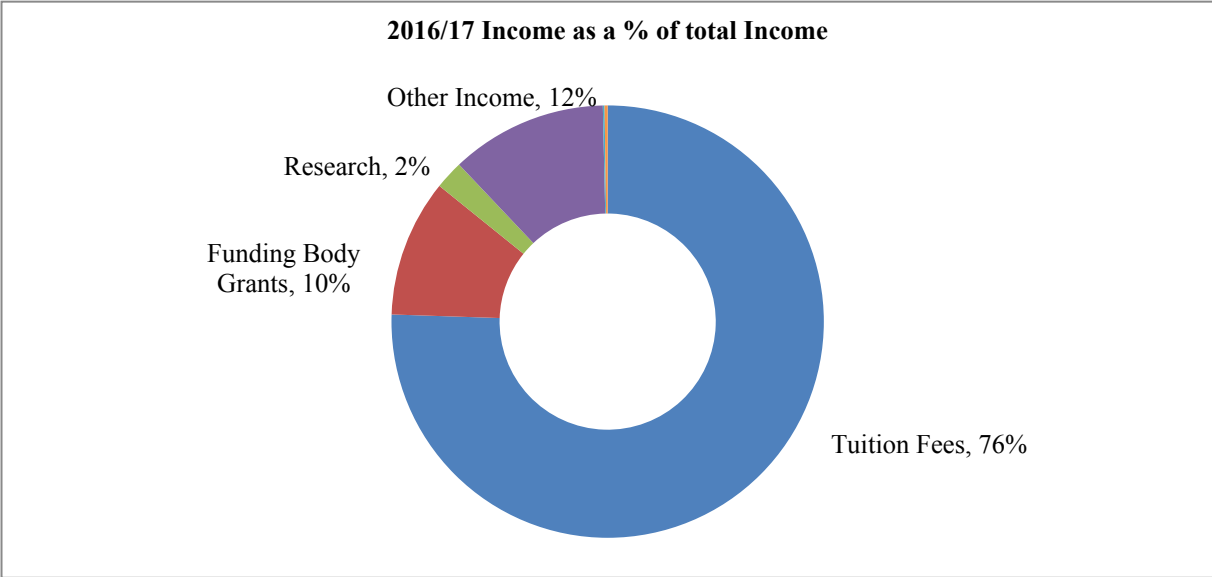
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Strategic Report

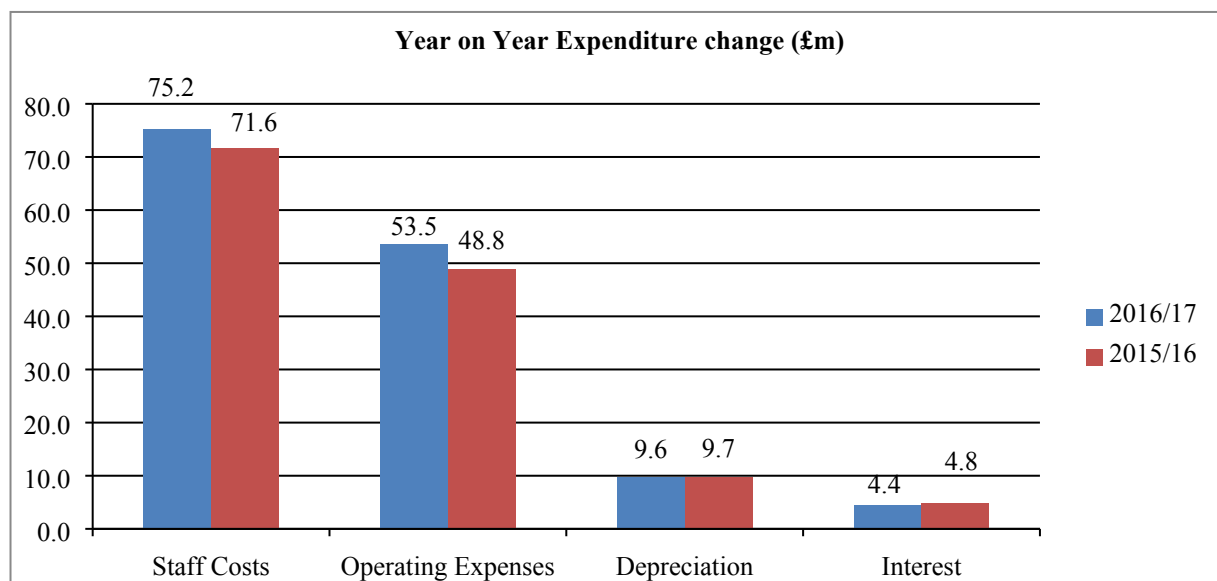


Total income increased by 4.6% (6.3m) to £144.5m (2015/16: £138.2m). Academic fees (including NHS contract income) and Funding Council grants remain the main sources of income for the University representing 75.5% and 10.3% respectively (2015/16 = 74.4% and 11.4%). There was a reduction in Funding Grant due to the continued impact of the new fee regime for both undergraduate (UG) and Postgraduate (PG) students. This fall, however, was offset by an increase in Full Time Home / EU undergraduate fees and a significant increase in fees from Home / EU Postgraduate students. The other factors affecting income were an increase in International student income and an increase in income from students sponsored by the NHS.

The key driver for the decline in grant income is the introduction of the new fee regime for Undergraduate students.

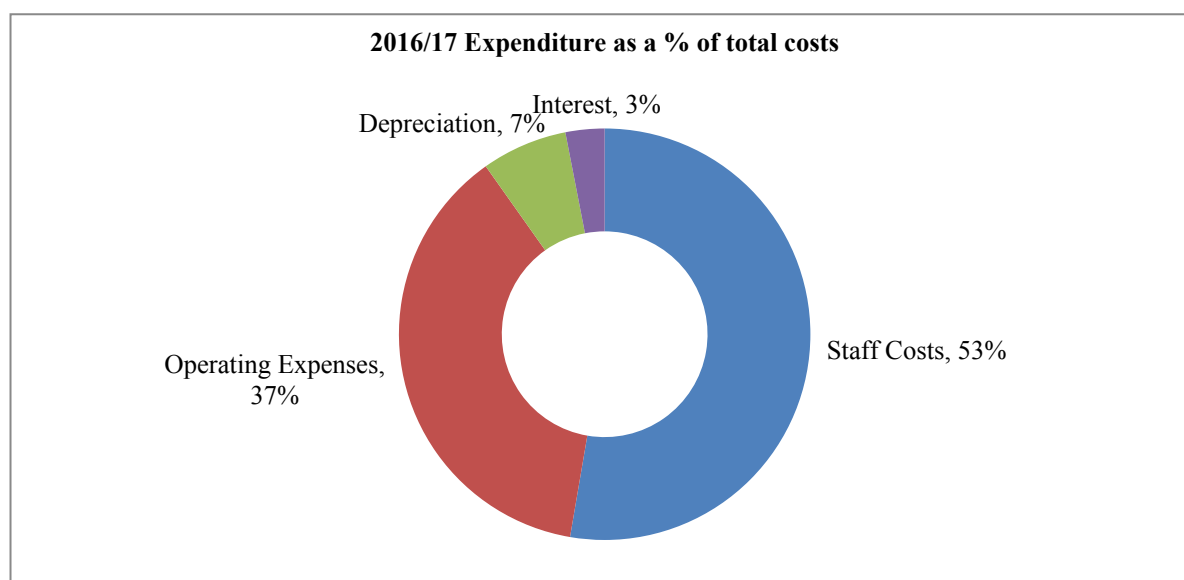


Report and financial statements 2017 Strategic Report



In terms of Expenditure, Staff costs increased by 5.0% from £71.6m in 2015/16 to £75.2m in 2016/17 representing 52.0% of income (2015/16: 51.8%). After including agency staff costs, which are included in the accounts as operating expenditure, total staff costs represent 54.3% of income. This is better than our target of 55%. Although this year's performance is strong, staff costs remain an area of continued focus for the University in 2017/18.

Other operating expenses increased by 9.6% from £48.8m in 2015/16 to £53.5m. There were some large one off costs in 2016/17 primarily relating to the preliminary development costs of the University's estate, computing software consultancy as we review our digital infrastructure and costs associated with the development of the LSBU family. Other significant increases include the increase in security and cleaning costs due to the full implementation of the London living wage, an increase in Overseas Agent Fees due to the increase in Overseas Student recruitment and an increase in the cost of Bursaries as the University invests in Research activities.



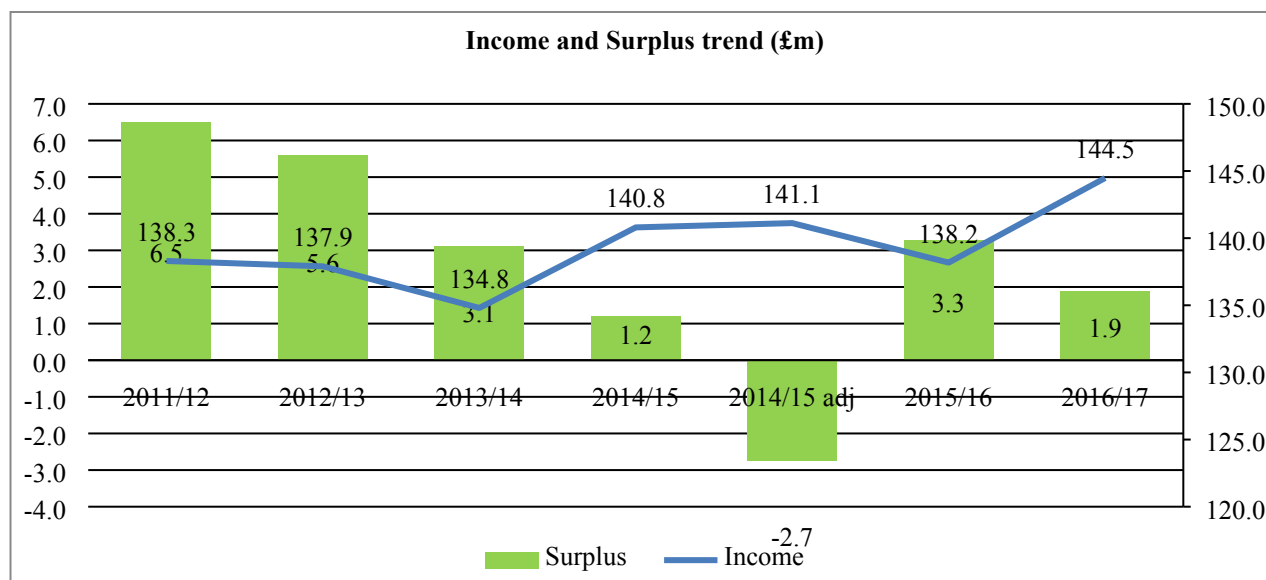
The University's fixed assets decreased by £6.9m during the year. The reduction of assets was primarily due to depreciation. There were no asset disposals.

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Financial trend analysis

2014/15 adjusted for FRS 102 adjustments



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

Income growth in 2014/15 was due to extraordinary levels of International recruitment and one off deferred income released. The income growth in 2016/17 is due to increased retention and progression from Undergraduate students as well as significant increase in Postgraduate and International income. There were also increases in Research and Enterprise income in line the University's strategic aspirations.

The University remains focused on both income growth and cost management in order to ensure the University grows sustainably. The University delivered a surplus of £1.2m in 2014/15, reported as a deficit of £1.2m after FRS 102 adjustments.

Pension liability

The pension liability with the London Pension Fund Authority (LPFA) has reduced from £121.5m to £112.7m, mainly as a result of actuarial gains. The charge to staff costs for the year is £7m, interest £3.0m and an £11.7m gain is charged to other comprehensive income and expenditure.

Creditor payment policy

It is the University's policy to abide by the terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later. Average creditor days during the year were 29 (2016: 28).

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.

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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 donated £nil in gift aid to the University (2016: £0.19m).

SBUEL is fully consolidated into the Group accounts.

Going Concern

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

2016/17 has been a successful year with income growth of 4.6 % to £144.5m in line with budget, building on earlier change, re-structuring and investment for future success. Full time undergraduate recruitment remained challenging but this was offset by increases in postgraduate, overseas student income and health contract income together with better than anticipated numbers of re-enrolling students reflecting improvements in progression and retention. A financial surplus of £1.9m is reported (ahead of the approved budget surplus for the year of £1m) as a result of continued sound financial management and effective cost control. This is after accounting for the write off of costs associated with the demolition of Hugh Astor Court and the preliminary costs associated with estate development projects.

A budget surplus of £1.5m has been approved for 2017/18, reflecting the need for continued surplus whilst maintaining appropriate levels of investment spend to drive the necessary corporate strategic outcomes. Enrolment and re-enrolment are continuing but the early signs are that clearing is even more challenging this year. Student numbers are expected to fall short of target as a result of a number of factors including a downward national trend in the number of applications, increased levels of market competition as a result of this downward trend and the removal of health bursaries. However, we are confident that we can manage this position in year and still deliver to the agreed budget surplus through the implementation of actions agreed and in the process of development. A longer term strategic response will be developed but this does not put the going concern basis at risk and income in 2017/18 is expected to be in line with previous year or marginally higher.

The University continues to generate positive cash inflows from operating activities and has a strong cash position with £48.8m cash and bank deposits at 31 July 2017.

Public Benefit statement

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

Charity Commission Guidance on Public Benefit

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

Charitable Objects

The charitable objects (under s.3 Charities Act 2011) of the University, as set out in its Articles of Association, are to:

- conduct a university for the public benefit for the advancement of education, promotion of research and dissemination of knowledge;
- provide full time and part time courses of education at all levels; and

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- 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;
- setting and marking assessments, giving feedback to students and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

The University promotes research and the dissemination of knowledge by:

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

The University provides student support and services for students through:

- wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- student advice and guidance services via a one-stop-shop and student helpdesks across both campuses;
- employability services, supporting students who are working while studying, helping students source work experience and graduate opportunities;
- money advice, including debt management;
- specific support services for particular groups of students, including care leavers, carers and pregnant students;
- mentoring and coaching;
- providing student accommodation;
- funding some individual students' education through bursaries and fee waivers;
- providing funds to London South Bank University Students' Union (LSBUSU).

Beneficiaries

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

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

Like other universities LSBU must charge tuition fees. However, maintenance loans are available to home full time undergraduates 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 has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £761,457 on 31 July 2017 (2016: £755,551). The funds are managed with the aim of securing capital growth and an annual income. In 2016/17 the income received was £24,427 (2015/16: £18,420). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

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The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2016, 84.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2016 – 17). Over 7,746 LSBU students are sponsored to study by their employers, including NHS funded students.

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

Disclosure of information to auditors

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

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

Auditor

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

Directors' report

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

Approval

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

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

Statement of Responsibilities of the Board of Governors

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

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

Chair of the Board of Governors
23 November 2017

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

Governance and Legal Structure

London South Bank University is a company limited by guarantee and an exempt charity within the meaning of the Charities Act 2011. Its objects and powers are set out in its Articles of Association. The Articles provide the governance framework of the University and set out the key responsibilities of the Board of Governors and its powers to delegate to committees, the Vice Chancellor and the Academic Board.

Compliance with the CUC Higher Education Code of Governance

The Board has materially complied with all aspects of the Higher Education Code of Governance (CUC, December 2014) during the year under review, as demonstrated below. References to paragraphs of the code are shown in brackets below.

Decision making

London South Bank University is led by a Board of Governors, which is collectively responsible for the strategic direction of the University, approval of major projects and partnerships and ensuring that the potential of every student is maximised (1.1).

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and where appropriate, its committees make decisions by consensus at meetings or electronically (2.4). The schedule is reviewed on an annual basis.

During the year, the Board met five times (five times in 2015/16) plus once for an extraordinary meeting. In addition, the Board held two strategy days (two in 2015/16) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was an 83% (2015/16: 93%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on pages 12-14 (1.2). It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability through the Audit Committee (1.3).

Compliance

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

Corporate Governance Statement

HEFCE undertook its five-yearly assurance visit in January 2017. The Chair of the Board of Governors and the chairs of the Audit Committee and the Finance, Planning and Resources committee were interviewed along with members of the Executive team as part of this process. HEFCE concluded that it could place reliance on LSBU's accountability information, the highest opinion of the four possible.

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

The Board receives annual reports from the Students' Union in relation to its democratic processes and finances (2.5).

Sustainability

The Board is responsible for the sustainability of the institution and approves the annual budget, which is aligned to the five year corporate strategy (3.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing Key Performance Indicators (KPIs), management accounts and five year forecasts (3.3). Overall financial control is delegated to the Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required.

Academic governance

The Board has oversight of academic governance across the institution, twice yearly meeting with the Academic Board to discuss strategy. The Board has reviewed the quality process and agreed an assurance statement during the year under review.

The Board has regard to the principle of academic freedom (4.1, 4.2, 4.3).

External activities

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

Equality and Diversity

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

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (6.3, 6.4, 6.5).

Structures and processes

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on page 3. The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (7.2). On appointment, governors also agree to act in accordance with the seven principles of public life and the University values. (1.2, 2.1).

Corporate Governance Statement

Committees

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually (3.6). Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee has a majority of independent governors. The chairs of each committee are independent governors and are set out below under Key Individuals. The following principal committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee
- Remuneration Committee.

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

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

There is a Remuneration Committee which decides the remuneration of senior post-holders, including the remuneration of the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.). Details of the remuneration of higher paid staff and emoluments of the Vice Chancellor are shown in note 8 to these accounts.

The Board completed an interim effectiveness review in July 2017. Following this review no major changes to the Board's structure have been proposed.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Andrew Owen (retired 31 July 2017) Douglas Denham St Pinnock (appointed 1 August 2017)
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont
Chair of Finance, Planning and Resources Committee	Andrew Owen (retired 31 July 2017) Professor Hilary McCallion CBE (appointed 1 August 2017)
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope

Corporate Governance Statement

Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng
University Secretary and Clerk to the Board of Governors	James Stevenson

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

Statement of Primary Responsibilities of the Board of Governors

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

Corporate Governance Statement

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.

Statement on Internal Control

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 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 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;

- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- Senior Managers meet regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;
- Formal risk management and internal control procedures have been embedded within ongoing operations. Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2017. 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 23 November 2017 and were signed on its behalf by:

Mr Jeremy Cope

Chair of the Board of Governors
23 November 2017

Independent auditor's report to Board of Governors of London South Bank University

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2017 which comprise the University and its subsidiary, South Bank University Enterprises Limited and related notes, including the principle accounting policies.

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 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016/17 financial statements; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information, which comprises the Strategic Report, the Statement of Responsibilities of the Board of Governors and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report, the Statement of Responsibilities of the Board of Governors and Corporate Governance Statement, which together constitute the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion the directors' report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 15, the Board of Governors (who are the Directors of the University 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; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- 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.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988 (*for post-1992 institutions*). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 15 Canada Square
 Canary Wharf
 London
 E14 5GL
 9 November 2017

**Consolidated and University Statement of Comprehensive
Income and Expenditure
Year ended 31 July 2017**

	Note	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Income					
Tuition fees and education contracts	1	109,119	102,794	109,119	102,794
Funding body grants	2	14,845	15,684	14,358	15,141
Research grants and contracts	3	3,089	2,232	2,866	2,122
Other income	4	16,910	16,960	15,106	15,467
Investment income	5	184	313	183	310
		<hr/>	<hr/>	<hr/>	<hr/>
Total income before other grants and donations		144,147	137,983	141,632	135,834
Donations and endowments	6	332	195	332	195
		<hr/>	<hr/>	<hr/>	<hr/>
Total income		144,479	138,178	141,964	136,029
Expenditure					
Staff costs	7	75,160	71,581	73,771	70,380
Other operating expenses	9	53,488	48,822	52,334	47,894
Depreciation and Amortisation	12,13	9,620	9,749	9,620	9,749
Interest and other finance costs	11	4,369	4,755	4,369	4,755
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure		142,637	134,907	140,094	132,778
		<hr/>	<hr/>	<hr/>	<hr/>
Surplus before other gains and losses		1,842	3,271	1,870	3,251
Gains on investments	20	52	12	52	12
		<hr/>	<hr/>	<hr/>	<hr/>
Surplus for the year		1,894	3,283	1,922	3,263
Actuarial gain / (loss) in respect of pension schemes	26	11,715	(29,519)	11,715	(29,519)
Gift aid received					36
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income / (expenditure) for the year		13,609	(26,236)	13,637	(26,256)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Represented by:					
Endowment comprehensive income for the year		52	12	52	12
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income / (expenditure) for the year		13,557	(26,248)	13,585	(26,268)
		<hr/>	<hr/>	<hr/>	<hr/>
		13,609	(26,236)	13,637	(26,256)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All activities consist of continuing operations.

London South Bank University

	Note	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
		Endowment	Unrestricted		
Consolidated		£'000	£'000	£'000	£'000
Balance at 1 August 2015		742	72,767	28,693	102,202
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	3,271	-	3,271
Other comprehensive income / (expenditure)		12	(29,519)	-	(29,507)
Transfers between revaluation and income and expenditure reserve	21	-	724	(724)	-
Total comprehensive income / (expenditure) for the year		12	(25,524)	(724)	(26,236)
Balance at 1 August 2016		754	47,243	27,969	75,966
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,842	-	1,842
Other comprehensive income	26	52	11,715	-	11,767
Transfers between revaluation and income and expenditure reserve	21	-	587	(587)	-
Total Comprehensive income / (expenditure) for the year		52	14,144	(587)	13,609
Balance at 31 July 2017		806	61,387	27,382	89,575
University					
Balance at 1 August 2015		742	72,633	28,693	102,068
Surplus from the statement of comprehensive income and expenditure		-	3,252	-	3,252
Other comprehensive income / (expenditure)		12	(29,519)	-	(29,507)
Transfers between revaluation and income and expenditure reserve		-	724	(724)	-
Total comprehensive income / (expenditure) for the year		12	(25,543)	(724)	(26,255)
Balance at 1 August 2016		754	47,090	27,969	75,813
Surplus from statement of other comprehensive income and expenditure		-	1,870	-	1,858
Other comprehensive income		52	11,715	-	11,767
Transfers between revaluation and income and expenditure reserve		-	587	(587)	-
Gift aid received		-	36	-	36
Total Comprehensive income / (expenditure) for the year		52	14,172	(587)	13,660
Balance at 31 July 2017		806	61,286	27,382	89,473

Consolidated and University Statement of Changes in Reserves

London South Bank University

Consolidated and University Balance sheets As at 31 July 2017

	Notes	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Intangible assets	12	1,991	3,011	1,991	3,011
Tangible fixed assets	13	216,881	222,724	216,881	222,724
Investments	14	38	38	38	38
		<u>218,910</u>	<u>225,773</u>	<u>218,910</u>	<u>225,773</u>
Current assets					
Stocks		8	11	8	11
Trade and other receivables	15	18,378	14,956	18,135	14,780
Investments	22	16,620	16,465	16,620	16,465
Cash and cash equivalents	22	32,146	36,238	31,484	35,778
		<u>67,152</u>	<u>67,670</u>	<u>66,247</u>	<u>67,034</u>
Creditors: amounts falling due within one year	16	<u>(34,653)</u>	<u>(44,318)</u>	<u>(33,839)</u>	<u>(43,834)</u>
Net current assets		<u>32,499</u>	<u>23,352</u>	<u>32,408</u>	<u>23,200</u>
Total assets less current liabilities		<u>251,409</u>	<u>249,125</u>	<u>251,318</u>	<u>248,973</u>
Creditors: amounts falling due after more than one year	17	(48,056)	(50,647)	(48,056)	(50,648)
Provisions					
Pension provisions	19	<u>(113,778)</u>	<u>(122,512)</u>	<u>(113,778)</u>	<u>(122,512)</u>
Total net assets		<u><u>89,575</u></u>	<u><u>75,966</u></u>	<u><u>89,484</u></u>	<u><u>75,813</u></u>
Restricted reserves – endowment reserves	20	807	754	807	754
Unrestricted reserves Income and expenditure reserve		61,386	47,243	61,295	47,090
Revaluation reserve	21	<u>27,382</u>	<u>27,969</u>	<u>27,382</u>	<u>27,969</u>
Total Reserves		<u><u>89,575</u></u>	<u><u>75,966</u></u>	<u><u>89,484</u></u>	<u><u>75,813</u></u>

These financial statements were approved by the Board of Governors on 23 November 2017 and were signed and authorised on their behalf by:

London South Bank University

Consolidated Statement of Cash Flows Year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus for the year		1,894	3,283
Adjustment for non cash items			
Amortisation / Depreciation	12,13	9,620	9,749
Investment income	5	(184)	(313)
Interest payable	11	4,369	4,755
Decrease in stock		3	60
Increase in debtors	15	(3,422)	(2,178)
(Decrease) / increase in creditors	16	(10,931)	8,241
Pension costs less contributions payable	26	(145)	(191)
Adjustment for investment or financing activities			
Loss on disposal of assets	13	-	438
Investment income	5	21	21
Interest receivable	5	163	292
Net cash inflow from operating activities		1,388	24,157
Cashflows from investing activities			
Payment to acquire tangible fixed assets	13	(2,756)	(19,757)
Cash added to fixed term deposits	22	(155)	(102)
		(2,911)	(19,859)
Cashflows from financing activities			
Capital element of bank loan repayments		(1,325)	(1,309)
Interest element of bank loan repayments	11	(1,244)	(1,303)
		(2,569)	(2,612)
(Decrease) / Increase in cash and cash equivalents during the year		(4,092)	1,686
Cash and Cash equivalents at the start of the year	22	36,238	34,552
Cash and Cash equivalents at the end of the year		32,146	36,238

Principal Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets.

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 12 of these accounts. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the University's accounting policies.

Consolidation of accounts

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertaking South Bank University Enterprises Limited (SBUEL). Following a change to the constitution of London South Bank University Students' Union (LSBUSU) from August 2012, the University no longer exercises control over LSBUSU and therefore took the decision to cease consolidating the accounts of LSBUSU within these financial statements from that date.

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

Consolidation of subsidiaries is based on the equity method. Intragroup loans or balances are recognised at fair value.

Income recognition

Income from the sale of goods and services is credited to the Consolidated Statement of Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

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

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions is deferred on the balance sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Government capital grants are recognised in income over the expected useful economic life of the asset. Other capital grants are recognised in income when the University is entitled to funds subject to any performance related conditions being met.

Principal Accounting Policies

Donations and endowments with donor imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Income is retained within the restrictive reserve until such a time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Any realised gains or losses from dealing in the related assets are retained within the restricted reserve in the balance sheet and reported in the Statement of Comprehensive Income and Expenditure.

Donations with no restrictions are recorded within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income.

Investment income is credited to the statement of Comprehensive Income and Expenditure on a receivable basis.

Intangible assets

Software costing less than £10,000 per individual item or group of items is written off to the Statement of Comprehensive Income and Expenditure in the year of acquisition. All other software is capitalised as an intangible asset and amortised at 25% per annum.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that have been revalued to fair value on the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Properties are not carried under the valuation method and therefore regular revaluations 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 Statement of Comprehensive Income and Expenditure in the year of acquisition. All other equipment is capitalised.

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

Freehold buildings	2% per annum
Long leaseholds	Period of lease
Short leaseholds	Period of lease
Building improvements	6.7% per annum
IT equipment	25% per annum
Other equipment and motor vehicles	20% per annum
Furniture	6.7% per annum

As LSBU is not a research intensive University, all equipment purchased with research grants is assumed to have a life equal to the length of the research project and will be depreciated accordingly. Assets purchased using research funds, including computers and software, costing less than £10,000 per individual item or group of related items are written off in the year of acquisition in line with the University's normal accounting policy regarding depreciation of fixed assets. All other items are capitalised and depreciated over the remaining life of the research project.

Freehold land is not depreciated as it is considered to have an indefinite useful life. No depreciation is charged on assets in the course of construction.

At each financial year end the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered a diminution in value. If any such indication exists, the recoverable amount 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.

Principal Accounting Policies

Investments

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

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

Stocks

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

Pension costs

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

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

For other defined benefit schemes, including the LPFAPF, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that return on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The University has a defined contribution pension scheme for employees of its subsidiary, SBUEL. The University pays contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of unused entitlement.

Taxation status

The University is an exempt charity within the meaning of part 3 of the Charities Act 2011, and as such is a 'charity' within the meaning of Section 467 of the Corporation Tax Act (CTA) 2010. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478 of the 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

Principal Accounting Policies

periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Agency arrangements

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

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The Finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Maintenance

Maintenance expenditure is charged to the Consolidated Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

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

Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Where fixed assets were revalued prior to the implementation of FRS 102, the gain or loss on revaluation was credited or debited to the revaluation 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 26).

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty.

Liquid resources comprise assets which in normal practice are generally convertible to cash and cash equivalents. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Financial instruments

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

Principal Accounting Policies

Judgements and estimates

Accounting policies are supplemented by estimation techniques where judgement is required to establish the monetary amounts of assets, liabilities, gains and losses included in the accounts and the estimates and associated assumptions are believed to be reasonable and prudent. In all cases these judgements and estimates are either based on past experience or are prepared by qualified advisors. In preparing these financial statements management have made the following judgements and estimates:

The present value of the Local Government Pension Scheme and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price increase and any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability.

Land has been revalued at 31/7/14 resulting in one off adjustment to increase the deemed cost of land by £41,946,000. The valuation was prepared by qualified valuers in accordance with the Red Book. The fair value depends on the classification of assets and a number of material assumptions including the condition of properties, ground and services, estimated market value and estimated rental income at the date of valuation.

The Provision for bad debt is calculated based on the University's past experience of collecting student and other debt. It is estimated that, at the date of signing the accounts and after making deductions where a repayment arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

Foreign currency translation

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

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

Contingent assets arise where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the University. These are disclosed by way of a note, where there is a probable, rather than a present asset arising from a past event.

Notes to the accounts
Year ended 31 July 2017

Consolidated and University

1. Tuition fees and education contracts	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Full-time home and EU students	57,173		54,511	
Full-time international students	9,250		8,438	
Part-time students	12,373		11,347	
Other courses	1,916		1,266	
Strategic Health Authority education contracts	28,407		27,232	
	<u>109,119</u>		<u>102,794</u>	

2. Funding body grants	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
HEFCE recurrent grant	12,973	13,396	12,973	13,396
HEFCE Non recurrent grants				
Specific grants	487	543	-	-
Pension liabilities	240	201	240	201
Other grants	1,126	1,379	1,126	1,379
Teaching Agency grant	19	165	19	165
	<u>14,845</u>	<u>15,684</u>	<u>14,358</u>	<u>15,141</u>

3. Research grants and contracts	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Research councils	1,667	718	1,444	608
UK based charities	80	249	79	249
European Commission	854	191	854	191
Other grants and contracts	345	814	345	814
Knowledge Transfer Partnerships	143	260	144	260
	<u>3,089</u>	<u>2,232</u>	<u>2,866</u>	<u>2,122</u>

4. Other income	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Residence and catering income	11,716	10,931	11,716	10,931
Other income	5,194	6,029	3,390	4,536
	<u>16,910</u>	<u>16,960</u>	<u>15,106</u>	<u>15,467</u>

5. Investment income	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Interest on short term investments	21	21	21	21
Endowment income and interest receivable	163	292	162	289
	<u>184</u>	<u>313</u>	<u>183</u>	<u>310</u>

Notes to the accounts

Year ended 31 July 2017

		Consolidated and University	
		2017	2016
		£'000	£'000
6. Donations and endowments			
Unrestricted donations		332	195
		<u>332</u>	<u>195</u>
7. Staff		Consolidated	
		2017	2016
Average staff numbers by major category:		No.	No.
Academic staff		766	732
Student support staff		117	116
Other support staff		491	492
		<u>1,374</u>	<u>1,340</u>
		<u>1,374</u>	<u>1,340</u>
		Consolidated	
		2017	2016
		£'000	£'000
Costs:			
Wages and salaries		56,895	55,960
Social security costs		6,202	5,284
Employers' pension contributions		12,063	10,337
		<u>75,160</u>	<u>71,581</u>
		<u>75,160</u>	<u>71,581</u>
		<u>73,771</u>	<u>70,380</u>
		<u>73,771</u>	<u>70,380</u>

Staff costs for the year include costs arising from redundancies of £0.6m (2016 credit £0.49m arising from over accrual of prior year costs).

8. Remuneration of Board of Governors and higher paid employees

A. Governors

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

The salaries and pension contributions below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University. These employees were not the same in 2016 and 2017.

	2017	2016
	£'000	£'000
Salaries	406	331
Pension contributions	42	54
	<u>448</u>	<u>385</u>
	<u>448</u>	<u>385</u>

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2017 five trustees were paid total expenses of £3,095 (2016: six trustees were paid total expenses of £2,331) for travel and subsistence.

B. Determining pay of senior staff

Senior pay, including the pay of the Vice Chancellor, is overseen, and for designated posts is determined, by a Remuneration Committee, composed of Independent Board Members, and chaired by an experienced Independent Member. The Vice Chancellor is not a Member of this Remuneration Committee.

Notes to the accounts

Year ended 31 July 2017

The Committee, in making its determination, considers remuneration levels in a number of comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on the performance of Senior post holders against individual measurable stretching objectives and may award bonuses of up to 10% for clear achievement of those objectives, but only providing the overall financial performance of the University has been met.

C. Emoluments of the Vice Chancellor	2017	2016
	£'000	£'000
Salary	258	243
Taxable benefits	12	12
Pension Scheme contributions	18	40
	<hr/>	<hr/>
Total emoluments and remuneration	288	295
	<hr/> <hr/>	<hr/> <hr/>

The Vice Chancellor is the highest paid Governor. Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 8(E). The Vice Chancellor is a member of the Teachers' Pension Scheme. The nature of the scheme means it is not possible to ascertain the amount of his accrued pension at the year end.

D. Remuneration of other higher paid staff

Certain employees, excluding the Vice Chancellor, received remuneration (excluding pension contributions) in excess of £100,000 during the year. Seven of these employees accrued benefits under defined benefit pension schemes during the year (2016:7). These employees are grouped as follows:

	2017	2016
	No.	No.
£110,000 to £119,999	1	1
£120,000 to £129,999	1	1
£130,000 to £139,000	1	2
£140,000 to £149,999	1	1
£150,000 to £159,999	1	1
£160,000 to £169,999	2	2
£170,000 to £179,999	1	-
	<hr/>	<hr/>
	8	8
	<hr/> <hr/>	<hr/> <hr/>

E. Key management personnel

Key Management personnel include members of the University Executive Group, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excluding employers pension contributions). Members of the University Executive are listed on page 4 of these accounts.

	2017	2016
	£'000	£'000
Key management personnel	1,326	1,245
	<hr/> <hr/>	<hr/> <hr/>

Notes to the accounts

Year ended 31 July 2017

F. Related party disclosures

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these accounts and therefore the University has taken exemption under FRS 102 not to disclose transactions between the SBUEL and the University.

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

During the year the LSBU Students' Union received financial support from the University of £855,000 (2016: £855,000) 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 (2016: £nil).

A member of the Board, Hilary McCallion, is a visiting professor at Kings College London. During the year the University paid Kings College London £78,844 in respect of seconded staff.

A member of the Board, Jeremy Cope, is a board member of the Universities and Colleges Employer Association (UCEA). During the year the University paid £15,236 (2016: £5,195) in respect of membership and conference fees.

The Vice Chancellor of the University, Professor David Phoenix and the University are both members of the board of South Bank Academies. There were no transactions between South Bank Academies and the University during the year. During the year South Bank Academies paid the University £nil (2016 £189,017) in reimbursement of actual expenses incurred.

The Vice Chancellor of the University is a member of the board of Universities UK. During the year the University paid Universities UK £33,654 (2016: £28,632) in respect of membership fees and conference attendance. The Vice Chancellor of the University is a visiting professor at Kings College London. During the year the University paid £78,844 in respect of seconded staff.

The Vice Chancellor of the University received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to purchase a specified property. The loan is repayable on 30 October 2018 (or later as agreed). As of 31 July 2017 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.

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
9. Other operating expenses				
Academic	11,971	8,675	11,971	8,675
Academic support	9,148	7,173	9,148	7,173
Other support	7,292	6,769	7,292	6,769
Premises	15,636	14,627	15,636	14,627
Residence and catering	4,644	4,197	4,644	4,197
Other expenses	4,797	7,381	3,643	6,453
	<u>53,488</u>	<u>48,822</u>	<u>52,334</u>	<u>47,894</u>

Notes to the accounts

Year ended 31 July 2017

Group other operating expenses are stated after charging:	2017	2016
	£'000	£'000
Auditors' remuneration		
<i>External audit</i> Grant Thornton UK LLP*	-	65
<i>External audit</i> KPMG LLP	63	-
<i>Internal audit</i> ** PricewaterhouseCoopers LLP	93	91
<i>Other services</i> ** Grant Thornton UK LLP		4
<i>Other services</i> ** KPMG LLP	4	-
Rentals under operating leases Plant and machinery	217	212
Loss on disposal of fixed assets	-	22
	<u> </u>	<u> </u>

* Includes £59,280 attributable to the University (2016: £51,156)

** All attributable to the University

10. Taxation

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

The amount of the asset not recognised is £7.7k (2016: £5.7k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated and University	
	2017	2016
	£'000	£'000
11. Interest and other finance costs		
Loans Interest	1,244	1,303
Net charge on pension scheme	3,125	3,452
	<u> </u>	<u> </u>
	<u>4,369</u>	<u>4,755</u>

12. Intangible Assets

Software

	Consolidated and University	
	2017	2016
	£'000	£'000
Opening balance	3,011	229
Additions	-	3,788
Amortisation charge for the year	(1,020)	(1,006)
Closing balance	<u> </u>	<u> </u>
	<u>1,991</u>	<u>3,011</u>

Notes to the accounts

Year ended 31 July 2017

13. Tangible Fixed assets (Consolidated and University)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold land and buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold land and buildings £'000	Assets in Course of Construction £'000	Total Fixed Assets Total £'000
Cost or Valuation							
At 1 August 2016	53,000	164,887	47,210	45,745	44	22,508	333,394
Additions	-	2	-	-	-	2,754	2,756
Transfers	11,368	137	-	935	-	(12,440)	-
At 31 July 2017	<u>64,368</u>	<u>165,026</u>	<u>47,210</u>	<u>46,680</u>	<u>44</u>	<u>12,822</u>	<u>336,150</u>
Depreciation							
At 1 August 2016	-	(50,203)	(28,058)	(32,372)	(37)	-	(110,670)
Charge for the year	-	(4,411)	(1,281)	(2,907)	-	-	(8,599)
At 31 July 2017	<u>-</u>	<u>(54,614)</u>	<u>(29,339)</u>	<u>(35,279)</u>	<u>(37)</u>	<u>-</u>	<u>(119,269)</u>
Net book value							
At 31 July 2017	<u>64,368</u>	<u>110,412</u>	<u>17,871</u>	<u>11,401</u>	<u>7</u>	<u>12,822</u>	<u>216,881</u>
At 31 July 2016	<u>53,000</u>	<u>114,684</u>	<u>19,152</u>	<u>13,373</u>	<u>7</u>	<u>22,508</u>	<u>222,724</u>

Software, previously reported as fixtures, fittings and equipment, are now shown in note 12 as intangible assets.

14. Investments

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
CVCP Properties plc	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>

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

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

South Bank University Enterprises Limited

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

London Knowledge Innovation Centre Limited

SBUEL held 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. 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 2017 (2016 : £nil). The company dissolved on 12 September 2017.

Other investments

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

Notes to the accounts
Year ended 31 July 2017

15. Debtors: amounts falling due within one year	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors	13,684	11,425	12,967	11,100
Amounts owed by group undertakings	-	-	664	224
Other debtors	278	190	275	188
Prepayments and accrued income	4,066	2,991	3,879	2,918
Total debtors due within one year	18,028	14,606	17,785	14,430
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	350	350	350	350
	18,378	14,956	18,135	14,780

16. Creditors: amounts falling due within one year	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank and other loans	1,347	1,325	1,347	1,325
Trade creditors	1,586	1,004	1,586	991
Other creditors	1,934	11,555	1,844	11,495
Social security and other taxation payable	1,481	1,485	1,481	1,466
Accruals and deferred income	28,305	28,949	27,581	28,557
	34,653	44,318	33,839	43,834

17. Creditors: amounts falling due after more than one year	Consolidated and University	
	2017 £'000	2016 £'000
Bank and other loans	24,262	25,609
Deferred income	23,794	25,038
	48,056	50,647

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

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Government	8,584	8,957	8,178	8,867
Non-government	2,717	2,334	2,619	2,292
Capital grants	24,122	25,248	24,122	25,248
	35,423	36,539	34,919	36,407

Notes to the accounts

Year ended 31 July 2017

18. Borrowings

Consolidated and University

	2017 £'000	2016 £'000
Bank loans and finance leases are repayable as follows:		
Due in less than one year (note 16)	1,347	1,325
Due between one and two years	1,367	1,347
Due between two and five years	4,079	4,135
Due after five years	18,816	20,127
Total due after one year (note 17)	24,262	25,609
	<u>25,609</u>	<u>26,934</u>

Details of bank basic loans

Lender	Term	Interest rate	Security	2017 £'000	2016 £'000
Barclays Bank	25 years to 2032	5.67% fixed	David Bomberg House	4,508	4,819
Barclays Bank	To April 2029	5.25 % fixed	Unsecured	5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed	Unsecured	7,653	7,993
Barclays Bank	23 years to 2032	0.225% over Libor	Unsecured	4,380	4,677
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	3,868	4,245
Salix	Variable	Interest free	Unsecured	200	200
				<u>25,609</u>	<u>26,934</u>

19. Provisions for liabilities (Consolidated and University)

	USS pension £'000	LPFA pension £'000	Total £'000
Balance at 1 August 2016	1,012	121,500	122,512
Utilised during the year	-	(7,120)	(7,120)
Charged to comprehensive income and expenditure	17	(1,631)	(1,614)
Balance at 31 July 2017	<u>1,029</u>	<u>112,749</u>	<u>113,778</u>

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

20. Restricted reserves

Endowments Consolidated and University

	Restricted Permanent £'000	Restricted Expendable £'000	2017 Total £'000	2016 Total £'000
Balance at 1 August	634	120	755	742
Increase in market value of investments	44	8	52	12
Balance at 31 July	<u>678</u>	<u>128</u>	<u>807</u>	<u>754</u>

Notes to the accounts

Year ended 31 July 2017

21. Unrestricted reserves	Consolidated and University	
	2017	2016
	£'000	£'000
Revaluation reserve		
Balance at 1 August	27,969	28,693
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(587)	(724)
Balance at 31 July	<u>27,382</u>	<u>27,969</u>

22. Cash and cash equivalents			
	At 1 Aug	Cashflows	At 31 July
	2016		2017
	£'000	£'000	£'000
Consolidated			
Investments	16,465	155	16,620
Cash at bank and on deposit	36,238	(4,092)	32,146
Balance at 31 July	<u>52,703</u>	<u>(3,937)</u>	<u>48,766</u>

Investments comprise of funds held in fixed term deposits for periods not exceeding three months at 31 July 2017. Cash and cash equivalents comprise funds held in bank and on deposit not exceeding 3 months.

23. Capital commitments	Consolidated and University	
	2017	2016
	£'000	£'000
Commitments contracted at 31 July	4,249	804

24. Lease obligations		
At 31 July 2017 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:		
	2017	2016
	£'000	£'000
Expiring within two and five years	17	57
Expiring in over five years	481	491
	<u>498</u>	<u>548</u>

25. Amounts disbursed as agent - Teacher Training Bursaries	2017	2016
	£'000	£'000
Balance at 1 August	14	(41)
Funding council grant	142	352
Disbursed to students	(153)	(297)
Balance at 31 July	<u>3</u>	<u>14</u>

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

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

Notes to the accounts

Year ended 31 July 2017

26. Pension arrangements

Different categories of staff were eligible to join one of four different schemes:

- Teachers' Pension Scheme (TPS)
- Universities Superannuation Scheme Limited (USS)
- London Pension Fund Authority (LPFA) Pension Fund
- London South Bank University Defined Contribution Scheme, administered by Friends Life.

A. The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales including teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

Retirement and other pension benefits are provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Teachers' contributions are credited to the Exchequer under arrangements governed by the above act. The Teachers' Pension Regulations require that an annual account, the Teachers' Budgeting and Valuation Account, be kept of receipts and expenditure, including the cost of pension increases.

From 1 April 2001, the account has been credited with a real rate of return of 3.5%, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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

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

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

At 31 July 2017 the University had 1043 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 16.48% (2016: 16.48%) of salaries and the University's contribution to the TPS for 2017 was £4,171,742 (2016: £4,021,187).

Under the definitions set out in FRS 102 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

B. The Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (the scheme). The scheme is a defined benefit plan and the assets of the scheme are held in a separate trustee-administered fund.

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

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

Notes to the accounts

Year ended 31 July 2017

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2017	2016
Discount Rate	2.6%	3.6%
Pensionable salary growth	n/a	n/a
Price inflation and pension increases (CPI)	2.4%	2.2%

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

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

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

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme Assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

In addition, because the scheme is in deficit and a funding plan has been agreed, section 28 of FRS 102 also requires individual employers to recognise a liability for the contributions payable that arise from the agreement to fund the scheme (to the extent that they relate to the deficit) and the resulting expense in the profit and loss. It also requires disclosure of how any liability recognised has been determined. The University has used a deficit modeller produced by USS to assist with meeting this requirement and the resulting additional charge to expenditure for the year was £17,000.

At 31 July 2017 the University had 58 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £599,508 (2016: £620,418) with tiered employer contribution rates of between 6% and 9% depending on employee earnings.

Notes to the accounts

Year ended 31 July 2017

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 2013. 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 2016 with the valuation results taking into account changes to the scheme from 1 April 2017. 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 2017 are 12.71% 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 the year ending 1 April 2017 this payment amounted to £1,975,000.

At 31 July 2017 the University had 1,103 active members participating in the scheme.

Pension costs under FRS 102

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15 year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	31 July 2017	31 July 2016
	% per annum	% per annum
Salary increases	4.2%	3.9%
Pension and price increases	2.7%	2.1%
Discount rate	2.7%	2.5%

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2015 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:

	Males	Females
	Years	Years
Current pensioners	21.2	24.2
Future pensioners	23.6	26.5

Notes to the accounts

Year ended 31 July 2017

Fund assets

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

	Fair value as at 31 July 2017 £'000	Fair value as at 31 July 2016 £'000
Equities	82,009	57,655
Target return portfolio	27,749	27,250
Cash	9,273	4,662
Cashflow matching	-	9,793
Infrastructure	6,028	7,917
Commodities	-	599
Property	8,712	4,190
	<u>133,771</u>	<u>112,066</u>
Total fair value of assets	<u>133,771</u>	<u>112,066</u>

Net pension liability

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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Fair value of Employer Assets	133,771	112,066	105,534	99,726	96,319
Present value of funded obligations	(234,955)	(221,698)	(182,439)	(164,260)	(146,774)
Net underfunding in funded plans	(101,184)	(109,632)	(76,905)	(64,534)	(50,455)
Present value of unfunded obligations	(11,565)	(11,868)	(11,852)	(11,968)	(11,756)
Net Pension Liability	<u>(112,749)</u>	<u>(121,500)</u>	<u>(88,757)</u>	<u>(76,502)</u>	<u>(62,211)</u>

The movement for the year in the net pension liability is shown in note 19.

Analysis of the amount included in staff costs for the year

	2017 £'000	2016 £'000
Service cost	6,985	5,484
Enhancements to former employees	240	201
Total operating charge	<u>7,225</u>	<u>5,685</u>

Analysis of the amount included in interest payable for the year

	2017 £'000	2016 £'000
Interest on the defined liability (asset)	2,953	3,270
Administration expenses	146	158
Total interest charge	<u>3,099</u>	<u>3,428</u>

Notes to the accounts

Year ended 31 July 2017

Analysis of the amount recognised in Other Comprehensive Income	2017	2016
	£'000	£'000
Return on fund assets in excess of interest	14,351	1,473
Other actuarial gains on assets	2,164	-
Change in financial assumptions	(14,972)	(31,077)
Change in demographic assumptions	3,550	-
Experience gains and losses on defined benefit obligation	6,622	85
	<u>11,715</u>	<u>(29,519)</u>

Analysis of movement in the present value of scheme liabilities	2017	2016
	£'000	£'000
At 1 August	233,566	194,291
Movement in the year:		
Current service cost	6,810	5,014
Interest cost	5,786	7,296
Changes in financial assumptions	14,972	30,839
Change in demographic assumptions	(3,550)	-
Experience loss / (gain) in defined benefit obligation	(6,622)	(85)
Past service costs, including curtailments	175	456
Estimated benefits paid net of transfers in	(5,429)	(4,987)
Contributions by scheme participants	1,548	1,478
Unfunded pension payments	(736)	(736)
	<u>246,520</u>	<u>233,566</u>
At 31 July		

Analysis of movement in the fair value of scheme assets	2017	2016
	£'000	£'000
At 1 August	112,066	105,534
Interest on assets	2,833	4,026
Return on assets less interest	14,351	1,221
Other actuarial gains	2,164	-
Administration expenses	(146)	(158)
Contributions paid	8,668	7,166
Estimated benefits paid plus unfunded net of transfers in	(6,165)	(5,723)
	<u>133,771</u>	<u>112,066</u>
At 31 July		

The projected pension expense for the year to 31 July 2018 is £10,998,000.

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Friends Life for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2017 the University had 20 members participating in the scheme. The University's contribution to the Friends Life scheme for 2017 was £77,257 (2016: £78,822) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2017 were £7,672 (2016: £6,538).

27. Post Balance Sheet Events

There are no events after the reporting date to report in these accounts.

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	CONFIDENTIAL
Paper title:	Academic Board annual report
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	Pat Bailey, Deputy Vice Chancellor and Chair of Academic Board
Purpose:	To update the Board on the work of the Academic Board over the year.
Recommendation:	The Board is requested to note the report.

Executive summary

Academic Board is responsible for academic standards and the direction and regulation of academic matters. Where Academic Board delegates responsibility it maintains oversight through reports from the Student Experience Committee; from the Quality and Standards Committee; and from the Research Committee.

- In this document, assurance is provided for the development of academic strategy;
- monitoring progress against academic key performance indicators;
- demonstrate the oversight of the development of the academic environment;
- demonstrate the oversight of academic ethics; report on the approval of the academic regulations and oversight of their enactment; and,
- report on the granting of honorary degrees and academic titles.

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Executive summary

Academic Board is responsible for academic standards and the direction and regulation of academic matters. Where Academic Board delegates responsibility it maintains oversight through reports from the Student Experience Committee; from the Quality and Standards Committee; and from the Research Committee.

In this document we provide assurance for the development of academic strategy, monitoring progress against academic key performance indicators; demonstrate the oversight of the development of the academic environment; demonstrate the oversight of academic ethics; report on the approval of the academic regulations and oversight of their enactment; and report on the granting of honorary degrees and academic titles.

During the year to 31 July 2017, Academic Board was chaired by the Deputy Vice Chancellor (DVC) Professor Pat Bailey and met three times during the year. Two joint strategy days were held for members of the Academic Board and Board of Governors.

1. HEFCE Quality Assurance Report

Academic Board reviewed the quality assurance report to HEFCE, which was the initial submission under the new reporting framework, the Annual Provider Review (APR). The Board confirmed that the appropriate internal quality assurance processes had been completed and that standards are appropriate. The Board recommended the APR to the Audit Committee which reviewed it on behalf of the Board of Governors.

2. Key performance indicators

Academic Board reviewed the academic KPIs at each meeting. In June 2017 it discussed the Guardian league tables and LSBU's very encouraging performance, particularly when compared to other London modern universities. The Board noted that LSBU had risen from 107th position to 92nd.

3. Quality and standards assurance

Academic Board discussed improvements to examination boards to make them more consistent and efficient including improved use of external information. The Board discussed the report of the university's first Institutional Examiner.

Academic Board discussed the National Student Survey results and the quality of student experience. The Board explored initiatives to improve the student experience. For part-time students, a task-and-finish-group was established, reporting to both Academic Board and Operations Board that assessed the specific issues that affect part-time students, and made 10 recommendations for improving their experience.

4. Teaching Excellence Framework (TEF)

Academic Board discussed the new TEF and an application was submitted to the initial tranche in January 2017. LSBU was awarded a silver classification for “delivering high-quality teaching and outcomes for its students”, and consistently exceeding “national quality requirements for UK higher education”.

5. Educational Framework

Academic Board discussed the development of the Educational Framework and how it could be embedded within the curriculum. The Board agreed that graduate attributes should identify the expected outcomes for each course, and that LSBU’s EPIIC values (excellence, professionalism, integrity, inclusivity and creativity) provide a clear set of themes for these.

Academic Board noted the impact of the heightened compliance requirements in relation to course specifications from the Competition and Markets Authority (CMA). The Board discussed the importance of the role of Course Director in relation to CMA compliance and to improving the outcomes for students as identified in the National Student Survey.

6. Academic Regulations

The Academic Regulations of the University provide the means through which the standards of the University’s academic awards, including research degrees, are assured. The Academic Regulations are supported by a number of procedures which clarify the way in which the university ensures that students are fairly treated. The Academic regulations are agreed each year by Academic Board. Suggested amendments are received from staff and academics across the University and then discussed at QSC. The amendments were received and logged on a continuous basis throughout the 16/17 academic year by the AQE team.

Amendments to the Academic Regulations were approved by the Quality and Standards Committee in May 2017 and then approved by the Academic Board in June 2017. The Plain English Campaign also approved the continued use of the Crystal Mark 22140 on the Academic Regulations for 2017/18. The revised regulations and associated procedures were published on the LSBU website and can be found at

<http://www.lsbu.ac.uk/about-us/policies-regulations-procedures>

7. Academic portfolio and environment

Academic Board discussed changes to the academic portfolio and environment and established a timeline for Schools to review and finalise their portfolios. The Board commissioned an audit of validation activity and discussed a more strategic approach to validating new courses including a focus on generating

growth in student recruitment. The Board discussed entry tariffs and approved the principle that the Certificate of Higher Education should prepare students to progress to a full degree with the provision of adequate support.

8. Partnerships

Academic Board noted the new approval pathway for LSBU's international partnerships, including with the British University in Egypt. The Board discussed the importance of Link Tutors in maintaining the quality of international provision and the need to provide consistent support to those in the role. It noted that the role should be explicitly identified within the Academic Framework. The Board noted the need for guidelines to develop consistent practice across the university.

9. Ethics

Academic Board noted that training was being developed to support Ethics Coordinators in Schools. The Board was strongly supportive of using HAPLO Research Manager software to manage all ethics applications, and this is now being used.

10. Research structure

Academic Board discussed the new research structure and environment. The key developments included:

- to strengthen the Professoriate Group to promote research culture.
- to identify and finalise the research centres and groups in consultation with Deans and Directors of Research and Enterprise. The Board noted there are now 4 research institutes, 14 centres, and 33 groups.
- the Annual University Research Audit (AURA) which has been successful in collating much of LSBU's current research data and which will be critical to the Research Excellence Framework (REF) 2021.

11. Joint strategy days with Board of Governors

Academic Board held two joint strategy days with the Board of Governors. Topics covered included: retention and completion, quality assessment and TEF, student experience in higher education, and apprenticeships.

12. Appointment of professors

Academic Board agreed that three new panel members should be appointed to the Promotions Panel each year and these were approved for 2016/17 through Chair's Action. The Board noted the appointment of six emeritus professors since 2016, and approved the revised criteria for making Honorary Awards.

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	CONFIDENTIAL
Paper title:	HEFCE Annual Assurance Return for Academic Quality
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	Janet Bohrer, Director of Academic Quality Enhancement
Executive/Operations sponsor:	Shân Wareing, Pro Vice Chancellor (Education and Student Experience)
Recommendation:	The Board is requested to approve the annual quality assurance statement to HEFCE

Executive Summary

1. In 2016/17, HEFCE introduced a revised operating model for quality assessment by higher education institutions. This operating model requires the governing body to provide assurance to HEFCE about the quality of HE provision.
2. Accordingly, the Board is requested to approve the following assurances to HEFCE:
 - “The governing body has received and discussed a report and accompanying action plan relating to the continuous improvement of the student academic experience and student outcomes. This included evidence from the provider’s own periodic review processes, which fully involve students and include embedded external peer or professional review.
 - The methodologies used as a basis to improve the student academic experience and student outcomes are, to the best of our knowledge, robust and appropriate.
 - The standards of awards for which we are responsible have been appropriately set and maintained”.
3. The evidence for these assurances has been reviewed by the Quality and Standards Committee, Academic Board and the Audit Committee.
4. At its meeting of 1 November 2017, the Academic Board reviewed and confirmed that the appropriate internal quality assurance processes have been

completed and that standards are appropriate. In addition, the Academic Board provides an annual report to the Board of Governors (enclosed in this Board pack).

5. At its meeting of 9 November 2017, the Audit Committee discussed, on behalf of the Board, a report on quality assurance within LSBU, including the following:
 - an accompanying action plan for 2016/17 (updated with progress) and 2017/18; and
 - an overview of the quality and standards processes undertaken in 2016-17 and how these are in line with European Standards and Guidelines and the UK Quality Code.
6. In addition to the above reports, the committee noted that aspects of quality assurance are regularly reported to the Board through the Vice Chancellor's report, Key Performance Indicators report and the corporate strategy progress report.
7. The full Audit Committee report is available to any governor on the modern.gov website.

Recommendation to the board

8. Based on assurances from the Academic Board as to the appropriateness of LSBU's quality processes, the Audit Committee is satisfied that the Board of Governors may give the required assurance to HEFCE as above in paragraph 2.
9. Accordingly, the Board is requested to authorise the Vice Chancellor (as accountable officer) to sign the assurance statement on its behalf.

	CONFIDENTIAL
Paper title:	Prevent Annual Report
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	Dr. Markos Koumaditis and Ed Spacey
Sponsor:	Ian Mehrtens, Chief Operating Officer
Purpose:	To provide assurance that the required submission to HEFCE can be approved.
Recommendation:	The Board is requested to approve the report and the statement to HEFCE.

Executive Summary

The Board is required to provide the following assurances to HEFCE relating to the Prevent Duty:

“Throughout the academic year and up to the date of approval, London South Bank University:

- *has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)*
- *has provided to HEFCE all required information about its implementation of the Prevent duty*
- *has reported to HEFCE in a timely way all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted.”*

The attached Annual Report evidences how LSBU has met its requirements under the Prevent Duty during 2016/17. The report has been reviewed by the Executive and the Audit Committee.

The Board is requested to approve the report and the statement to HEFCE.

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Prevent Annual Report

1.0 Background and Purpose

- 1.1 To provide an annual report on the implementation of the “Prevent Duty”. The “Prevent Duty” is the responsibility to stop people being drawn into terrorism.
- 1.2 The monitoring framework requires the University to submit an annual return to the Higher Education Funding Council for England (HEFCE) by **1 December 2017**. The report covers the period of the last academic year and developments to date.

2.0 Previous evaluation and summary of key developments

London South Bank University has:

- received the full compliance category outcome (highest level) from the HEFCE Annual Report of 1 December 2016. HEFCE did **not** highlight any areas for development or concern in their January 2017 outcome letter;
- featured in HEFCEs own Annual Report as a case study of good practice on “Prevent”;
- continued to play an active role in the London Region Higher Education Prevent Network Group;
- been identified by HEFCE to work with the Foreign Office on an international model of Prevent;
- been selected by HEFCE to attend meetings with the Department for Education to advise on Prevent and Extremism.

3.0 HEFCE Required Statement of Assurance

Recommendation

The Board of Governors approves the Annual Report and confirms the statement overleaf.

Throughout the academic year and up to the date of approval, London South Bank University:

- has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)
- has provided to HEFCE all required information about its implementation of the Prevent duty
- has reported to HEFCE in a timely way all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted.

Note that there have not been any serious reportable incidents to HEFCE.

4.0 Senior management governance and partnership working

- 4.1 The Vice Chancellor is fully engaged with the approach to Prevent and the Chief Operating Officer is Executive Lead. Governance arrangements and postholders remain the same as the information previously supplied to HEFCE, in the December 2016 return.
- 4.2 The Chief Operating Officer chairs an overarching Safeguarding Committee, as reported in the last annual return. The Safeguarding Committee structure comprises wider senior management including the Dean of School level.
- 4.3 The Director of Student Support and Employment is a member of the Safeguarding Committee, and this further emphasises Prevent is an integral part of safeguarding and welfare.
- 4.4 The structure is continuously reviewed and tested. An example includes the Safeguarding Committee discussing if a combined adult/child protection sub group should be separated into 2 sub groups to improve workflow. (Safeguarding Committee Meeting August 2017).
- 4.5 The Chair of the Board of Governors remains the designated Health Safety and Wellbeing Sponsor. Safeguarding and Prevent is managed by the Head of Health, Safety and Resilience.
- 4.6 The 2016/17 Annual Health Safety and Wellbeing Report to the Executive and Board of Governors is required to include more general developments on Prevent. This is in addition to the Board of Governors receiving and approving the formal Annual Prevent Return, for submission to HEFCE.
- 4.7 A new requirement was introduced and implemented for Prevent to feature in reports made three times per year to the Health and Safety Joint Committee

(meetings in February, June and October). This meeting is jointly chaired by the Executive Director of HR and a senior trade union official. Attendance includes the Chief Operating Officer, President of the Student Union and a range of senior managers and staff from across the organisation. This further helps engagement and awareness.

- 4.8 The Head of Health Safety and Resilience has contact with Southwark Local Authority in relation to Prevent. He also continues to chair the London Regional Higher Education Prevent Training Sub Group, and regularly attends the London Regional Higher Education Prevent Network.
- 4.9 The Head of Health Safety and Resilience was nominated by HEFCE and London Prevent Co-ordinators to work with the Foreign Office on an international model of Prevent. Meetings took place, training materials were supplied to the Foreign Office and advice was provided. An ongoing working relationship was established. The Head of Health Safety and Resilience was offered the opportunity to travel to Bangladesh with the Foreign Office in November 2017.
- 4.10 There is an ongoing good working relationship established with Prevent Coordinators and Police Prevent leads. London South Bank University has requested a Prevent Co-ordinator to deliver refresher/awareness training to the Board of Governors. This supplements previous awareness training, delivered by the Head of Health Safety and Resilience.
- 4.11 The Head of Health Safety and Resilience has been recently selected and nominated by HEFCE to attend consultation meetings with the Department for Education (DfE) on Prevent and Extremism. The first meeting took place in October 2017. These meetings will be used by the DfE to provide wider advice to the new Government Extremism Committee, being formed by the Prime Minister.
- 4.12 London South Bank University works in partnership with HEFCE, and invites the HEFCE Prevent Lead to meetings to demonstrate and evidence its approach e.g. meeting of 30 October 2017 chaired by the Chief Operating Officer, and attended by Michael Clark, HEFCE Prevent Lead for London and the South East.

5.0 Safeguarding Policy, Risk Assessment, Action Plan and External Speakers Policy

- 5.1 The University has a fully approved Safeguarding Policy including Prevent, which has continued to be promoted and widely advertised, throughout the last academic year and to date.

Forms of dissemination are continuously reviewed and include:

- Discussion at Deans Meetings and promotion by the Dean of the School of Law;

- Emails from Executive Members to all staff;
- “Yammer” internal staff social networking facility;
- Induction Meetings;
- School Executive Administrator Forum discussions;
- Training;
- Using internal communications channels;
- Universe staff magazine;
- Intranet;
- Cascade meetings;
- Face to face discussions.

- 5.2 The Safeguarding Policy contains a Prevent Risk Assessment, Action Plan and External Speakers Policy. Evidence of the original documents was previously submitted to HEFCE as part of our April 2016 return. They were also fully audited by our internal auditors PWC as previously reported. Minor changes were made in the 2016 review.
- 5.3 The Safeguarding Committee, chaired by the Chief Operating Officer, is responsible for the regular review and update of all of the above documents.
- 5.4 The Safeguarding Policy, Prevent Action Plan, Risk Assessment and External Speakers Policy have been further reviewed in November 2017.
- 5.5 The Student Union Events Officer, our Head of Equalities Diversity and Inclusion, and representatives from Academic Schools have been directly engaged in the process of reviewing our documentation. This enables us to ensure both fitness for purpose, and greater ownership and engagement.
- 5.6 An example of a change resulting from ongoing review relates to our system for dealing with External Speaker requests. The original manual hard copy form system was effective, but could be made more efficient by having an electronic process.
- 5.7 A new electronic recording system was designed in house and successfully implemented. This maintains the same approval standards as the paper system, but is less time consuming to complete. In addition the Security and Reception Services Manager has full access to all information on the system, for monitoring purposes.

6.0 Referrals

- 6.1 There have been no referrals to Channel during 2016 to date, nor were there any in the previous annual report. Channel is a multi-agency intervention panel.
- 6.2 Over the last year 2016/17 there were 6 occasions where potential prevent issues were raised internally for consideration under our policy.
- 6.3 3 did not fit the remit of Prevent, or require, further escalation.
- 6.4 The remaining 3 required advice from the Police Prevent Lead /Local Prevent Co-ordinator.
- 6.5 In each case where advice was sought, no further action was necessary.
- 6.6 Two of the three issues related to Students and one to a visiting Alumni Student. Of the three instances, a professional services staff member reported one, a lecturer another, and a visiting Alumni Student the other.
- 6.7 Each referral is then used to further test and evaluate the effectiveness of our policy. The issue relating to the visiting alumni student was in connection with a web search. A more detailed screening process is now used to issue logins to alumni students.

7.0 External Speaker Requests

- 7.1 288 external speaker requests have been received and processed since 2016 to date. No external speakers have been denied access or had applications rejected.
- 7.2 Since the last annual report, 4 events were considered for further investigation.
- One planned Social Work Conference did not supply an approved speaker request form. This was identified and raised prior to the event. The Lecturer immediately supplied full details, thus allowing the event to proceed.
 - One proposed student event did not contain a suitable balance of speakers. It was also flagged up in advance by a Student Union Society Officer. The event was cancelled by the Student Union, working in partnership with the University.
 - One conference involved a foreign policy. It was checked, speaker forms were provided, a balanced programme scheduled, and the event went ahead.
 - One planned event organised by a trade union did not contain a suitable balance of speakers, or attendee pre-registration controls. The event was suspended, and the organiser given an opportunity to reschedule to meet policy requirements.

7.3 London South Bank University remains an active member of the London Regional Higher Education Prevent Network, whose terms of reference also specifically include sharing information about external speakers.

8.0 Training

8.1 London South Bank University successfully developed its own fully auditable online training package, details of which were reported last year. This featured as a case study in HEFCE's own 2016 annual report.

8.2 Throughout 2016, information about the approach and detail of the training arrangements were shared at meetings of the London Region Higher Education Prevent Network, and in day to day discussions with other institutions. Where other organisations expressed interest in the approach, information was provided and meetings took place.

8.3 Recently in October 2017, the Head of Health Safety and Resilience was invited as a speaker at a Westminster Forum Conference Event on Prevent. This was also attended by a number of institutions, HEFCE and the Foreign Office.

8.4 The Safeguarding Committee oversees Prevent training quality, timetables and completion data.

8.5 One example of continuous development is that Prevent training data is now also included in quarterly dashboard training updates distributed to the Operations Board. This highlights the importance of compliance and directly links to operational management overview.

8.6 Since September 2016, a further 214 staff have successfully undertaken online training. The content has been reviewed but has not significantly changed since the initial launch, as feedback and ease of practical application was positive.

8.7 In addition more detailed face to face training has been carried out for an additional 83 staff.

8.8 The above figures bring the total number of people trained since the outset of the Prevent Duty to 1393 (77% of staff). This will be further increased by a planned internal communications campaign, further data monitoring and regular reporting to senior management.

8.9 The new Leadership Foundation training material will be used as a cross reference, but not a direct replacement for the tried and tested content already in place.

8.10 Plans for 2017/18 include raising the profile of Safeguarding including Prevent by adding further extra information to joining literature for new staff.

9.0 The Press and media

- 9.1 In early 2017, The Head of Health Safety and Resilience was selected by HEFCE to be on a list of their contacts to provide positive media comments re Prevent. This would be enacted if HEFCE needed information to balance negative media articles about the sector. To date this has not been required.
- 9.2 London South Bank University featured in the Guardian and Evening Standard in 2017 for raising prevent awareness amongst Cleaners and Security Staff. This directly followed the publication of the HEFCE annual report case study.
- 9.3 The university communications team pro-actively monitored this coverage, which was published without input. The Head of Health Safety and Resilience and HEFCE Prevent Lead worked in partnership effectively together, and had a positive discussion regarding the approach to the article.

10.0 Committee structure

- 10.1 The previous annual report outlined a range of sub committees working under the main Safeguarding Committee. These remain in place and actively engaged. The only change has been to the combined adult/child protection sub group – see paragraph 4.4.

11.0 Research

- 11.1 There have not been any academic requests to legitimately research any terrorist related information or material during the period of this annual report.
- 11.2 The previous annual report to HEFCE fully set out how any such requests would be considered via the ethics committee.

12.0 Student Union

- 12.1 There is a very positive working relationship between London South Bank University and the Student Union, as referenced in the previous annual report to HEFCE. This relationship continues to grow.
- 12.2 Examples of an established and positive relationship include:
- Evidence of knowledge and practical application of the external speaker process A Student Union Officer flagged an events issue (paragraph 7.2), worked with the University and actively supported and facilitated the event cancellation;
 - Inclusive participation and decision making

The Student Union Events Lead is a proactive member of the working group which reviews the Safeguarding Policy, Prevent Risk Assessment, Action Plan, and External Speaker Policy;

- Joint working

As part of the agreed engagement plan for 2017/18, the Head of Health Safety and Resilience will be working together with the Student Union to promote Safeguarding including Prevent. This will include meetings with a range of Student Union Society Officers, and promoting jointly designed literature.

12.3 Welfare provision for Students has been further enhanced throughout 2016/17. The links between low levels of student wellbeing and increased potential to be drawn into radicalisation or terrorism has been recognised.

12.4 Increased support for students who may be vulnerable, isolated or have mental health issues has been improved by the new introduction of “Silvercloud” online counselling and support services. This is in addition to face to face support from the Student Wellbeing Team.

12.5 The Chief Operating Officer and Head of Health Safety and Resilience both still continue to regularly and independently meet with the Chief Executive of the Student Union and the President of the Student Union. This ensures the voice of the Student is reflected in our approach. Robust arrangements for directly engaging the Student Union and Societies are fully in place.

13.0 HEFCE Catalyst Funding relating to Safeguarding

13.1 The Head of Health Safety and Resilience has proactively led bids for 2 HEFCE funding projects where there is potential to improve student welfare, and reduce the likelihood of students being drawn into vulnerable situations. Both included multi agency partnership working.

13.2 London South Bank University successfully gained £43,000 of matched funding for its “Stand Up, Speak Out” Project. This project is to protect against sexual assault and exploitation.

13.3 London South Bank University successfully gained £49,000 of matched funding for its “Stop the Hate Trait” Project . This is to protect against hate crime and online exploitation, as well as creating a safe reporting haven.

14.0 Freedom of Information Requests

14.1 During the course of this reporting period, there has been an increase in the volume of Freedom of Information Requests relating to Prevent. These require sensitive

handling. London South Bank University would welcome further sector guidance from HEFCE.

- 14.2 Where requests are made by one Higher Education institution to another, it would seem more appropriate for requestors to liaise with the Area Prevent Network Group. This would facilitate more effective partnership working across the sector.

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	CONFIDENTIAL
Paper title:	Report on decisions of Committees
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	Michael Broadway, Deputy University Secretary
Board sponsors:	Relevant committee chairs
Purpose:	To update the Board on Committee decisions
Recommendation:	To note the report

Executive Summary

Committee reports

A summary of Committee decisions is provided for information. The agenda and papers (and in some cases the draft minutes) are available on modern.gov (links are available for each meeting). The Board is requested to note the Committee reports.

Modern Slavery Act Statement

The Board is requested to note that at its meeting of 9 November 2017, the Audit Committee reviewed the Modern Slavery Act Statement and no changes were recommended by the Executive.

The statement continues to be published on LSBU's website.

Summary of Committee decisions

South Bank Academies Board - [14 September 2017](#) and Strategy Day – 21 November 2017

The Board discussed:

- CEO report:
 - A new principal had been appointed to University Academy of Engineering
 - Safeguarding update;
 - Student recruitment; and
 - Joint staff development events.
- MAT draft strategic plan;
- KPIs 2016-17 and targets for 2017-18;
- School Development Plans;
- MAT Risk Register;
- Board annual work plan; and
- Board membership – to be reviewed during the year

South Bank Academies Strategy Day will be held on 21 November 2017. The agenda includes:

- Creating a Family of Educational Institutions
- South Bank Academies – a Multi-Academy Trust
- Growth strategy
- Marketing and branding

Major Projects and Investment Committee – 31 October 2017 (cancelled)

The meeting scheduled for 31 October 2017 was cancelled. An update on Project Larch is provided in the VC Report to the Board.

Academic Board – [1 November 2017](#)

The Academic Board recommended the:

- The Quality Assurance return to HEFCE (“annual provider review”) to the Audit Committee and the Board of Governors; and
- Annual Academic Board report to the Board of Governors.

The Academic Board discussed:

- Academic portfolio and environment – in particular validations and the role of Course Directors;

- 13 month masters courses and funding for students;
- Student academic outcomes;
- National Student Survey: analysis and planning; and
- Academic Framework.

The Board noted:

- Institutional Examiner report update;
- Academic KPIs; and
- Part-time student issues report.

SBUEL Board (accounts) – [7 November 2017](#)

The Board approved:

- subject to minor presentational changes, the annual report and accounts, which are consolidated into the University's accounts;
- the external audit letter of representation, which contained standard representations only; and
- the staff bonuses, as recommended by the CEO.

The Board noted:

- The Board noted the audit findings report. There were no specific findings following the audit relating to SBUEL.

Group Structure Committee – [9 November 2017](#)

The committee discussed the principles of the group structure and agreed the following:

- That each group company should have an audit committee which would report to the LSBU/group audit committee;
- There should be visibility of performance of the group to the LSBU Board;
- Each academic establishment would have a committee focused on academic quality and standards;
- Higher education remains the core business of the group;
- Clarity of powers and roles is important;
- To be wary of creating a top-down structure;
- Simple, uncomplicated structure;
- Key principles set by LSBU to be followed by subsidiary companies

Audit Committee – [9 November 2017](#)

The committee reviewed and recommended to the Board:

- External audit findings - no material weaknesses had been identified;
- External audit letter of representation, which contained standard representations only;
- Draft report and accounts – subject to minor amendments while the audit was being completed;
- Quality assurance return to HEFCE; (“annual provider review”)
- Prevent annual report to HEFCE; and
- Audit Committee annual report, subject to minor amendments

The committee reviewed:

- The final internal audit annual report;
- Internal audit progress report;
- IT risk diagnostic update;
- External audit performance against KPIs;
- External audit – review of non-audit services;
- General Data Protection Regulation (GDPR) update; and
- Annual Value for Money update

The committee approved:

- The Modern Slavery Act statement
- The going concern statement for inclusion in the annual report

The committee noted:

- Anti-fraud, bribery and corruption report. One issue of suspected fraud had arisen since the last Audit Committee meeting. The committee noted that the suspected fraud was likely to be the result of a phishing scam. The amount of the fraud was below the threshold for reporting to HEFCE;
- Audit Committee annual business plan; and
- Speak Up report. One new issue had been anonymously raised – further details would be requested through the Safecall system and the committee would be kept updated.

Honorary Awards Joint Committee – 13 November 2017

- This meeting has been re-scheduled for 1 February 2018.

Finance, Planning and Resources Committee – [14 November 2017](#)

The committee discussed:

- Management accounts to 30 September 2017, which forecast a surplus of £1.5m, in line with budget;
- The KPI report;
- Draft annual reports and accounts, 2016/17;
- Student recruitment and re-enrolment. Analysis on the drop in student progression was requested for the next meeting of 27 February 2018;
- The students' union draft accounts, 2016/17 which showed a small surplus. The committee noted the students' union's affiliation with the NUS; and
- The COO report.

South Bank Academies Audit Committee – 15 November 2017

- This meeting has been re-scheduled for 29 November 2017.

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	CONFIDENTIAL
Paper title:	Annual Conflicts of Interest Declarations
Board/Committee:	Board of Governors
Date:	23 November 2017
Author:	Michael Broadway, Deputy University Secretary
Sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To authorise declared interests of governors and Executive members
Recommendation:	That the Board authorises the interests of its members.

Executive summary

1. Under the Companies Act 2006, governors have a duty to avoid a "situation" in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of LSBU, unless this has previously been authorised by the Board. Following a declaration process during October 2017, the Register of Interests has been updated and is attached. Declarations have been made by governors and the Executive. Additions and amendments to the register are highlighted in red.
2. The Board is requested to review existing interests and authorise new interests. Please note, that any new interests or changes to the authorised interests will need to be approved by unconflicted members of the Board. This means that governors must not participate in the authorisation of their own interests.
3. When authorising interests, unconflicted governors will need to consider whether to attach any conditions to the authorisation, for instance to not disclose confidential LSBU information.
4. Governors will continue to have a duty to inform the University Secretary if their interests change throughout the year.
5. Governors will also continue to have a duty to declare any conflicts of interest in items on the agenda at each meeting.
6. The Board is requested to authorise the declared situational conflicts of its members.

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London South Bank University Register of Interests 2017-18

INDEPENDENT GOVERNORS

Steve Balmont					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
The Law Debenture Pension Trust Corporation p.l.c.	Pension Professional pension trusteeship	Director (paid)	2000		25/11/2010
<p>Note: The Law Debenture Pension Trust Corporation plc, of which Steve Balmont is a director, and Safecall Ltd, which provides an independent speak up line to the University, are both subsidiary companies of Law Debenture Corporation plc. As Chairman of the Audit Committee, Steve Balmont is the independent governor contact for issues raised through the reporting line provided by Safecall. Mr Balmont has confirmed that he has no day-to-day influence, control or contact with Safecall or any of its employees.</p>					
Civil Service Motoring Association	Member services	Principal Representative of Pension Scheme	2001		25/11/2010
GSK		Principal Representative of Pension Schemes			25/11/2010
Taylor Wimpey	Housebuilding	Principal Representative of Pension Scheme	2001		25/11/2010
Kelda Water		Principal Representative of Pension Scheme			25/11/2010
Lloyds Register		Principal Representative of Pension Scheme			25/11/2010
Low & Bonar Plc		Principal Representative of Pension Scheme			25/11/2010
Syngenta		Principal Representative of Pension Scheme			03/10/2012
DHL		Principal Representative of Pension Scheme			03/10/2012

Mitcham RUFC Limited	Sporting	Director	c1996		25/11/2010
PriceWaterhouseCooper LLP	Financial Services	Principal Representative to Three Trusts			24/11/2011
Western Power Distribution Group	Electricity distribution	Principal Representative of Pension Scheme			21/11/2013
EDF Energy Generation	Electricity generation	Principal Representative of Pension Scheme	2014		08/07/2014
Johnson Service Group Plc	Textile services and facility management	Principal Representative of Pension Scheme	2014		08/07/2014
Superannuation Arrangements of University of London	Pension Scheme for 49 Higher Education Institutions	Principal Representative of Pension Scheme	2014		08/07/2014
UK Power Networks	Electricity distributor	Principal Representative of Pension Scheme	2014		08/07/2014
Mercedes-Benz UK Limited	Manufacture and sale of Motor vehicles	Principal Representative of Pension Schemes	2014		20/11/2014
Morgan Advanced Materials PLC	Engineering and ceramics	Principal Representative of Pension Schemes	2015		21/10/2015
UK Asset Resolution plc	Financial Services	Principal Representative to two associated Pension Schemes	June 2016		To be approved
Law Debenture Governance Services Limited	Governance service	Director	July 2016		24/11/2016
Virgin Money PLC	Financial Services	Principal Representative of Pension Scheme and of Independent Governance Committee	August 2016		To be approved
Shachi Blakemore					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Buzzacott LLP	Accountancy	Employee (paid)	2005		21/11/2013

Duncan Brown					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
PricewaterhouseCoopers LLP	Professional Services	Retired partner (annuity payable)	31/12/2016		To be approved
Julie Chappell					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
London and Partners Ltd	Promotional Agency	Employee (paid)	April 2011		To be approved
London and Partners Ventures Ltd	Promotional Agency	Executive Director	Dec 2015	Commercial subsidiary	To be approved
Dot London Domains Ltd	Promotional Agency	Executive Director	April 2014	Commercial subsidiary	To be approved
Gerry Cope					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
tt-three Group	Leadership Consultancy	Director (paid) and shareholder	2006		20/11/2014
Postal & Logistics Consulting Worldwide	Logistics Consultancy	Director and shareholder	2008		20/11/2014
University and Colleges Employers Association	Higher Education	Board member Vice-Chair	2016 2017		13/07/2017
Michael Cutbill					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Kellen Head	Business Consultancy	Owner (100%)	2015		17/03/2016
Richmond Crescent Flats Ltd	Freehold int. in 21 Richmond Crescent	Owner (25%)			17/03/2016
South Bank University Enterprises Ltd	Commercial arm of	Director	2016		To be

	LSBU				approved
Douglas Denham St Pinnock					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Owengate Capital Ltd	Financial trading	Owner/director (paid)	1988		19/07/2012
Owengate Ltd	Financial trading	Owner/director	Pre1995	Dormant company	19/07/2012
Council for the Defence of British Universities	Higher Education	Member	2012		21/03/2013
Owengate Green Technology Ltd	Licensing, financing, manufacturing & maintaining green technology	Owner/director	July 2015	Dormant company	21/10/2015
Nanogentech Limited	Licensing, financing, manufacturing & maintaining green technology	Owner/director	July 2015		21/10/2015
AqSorp Ltd	Licensing, financing, manufacturing & maintaining green technology	Owner/director	July 2015	Dormant company	21/10/2015
South Bank Academies	Secondary Education	Director	01/06/2016		24/11/2016
West Hoathly Parish Council	Local Authority	Member	July 2016		24/11/2016
Zoe Mackey, Senior HE Policy Advisor, Quality Assessment, HEFCE (Transferring to the OFS from HEFCE on 1st April 2018 when the OFS replaces HEFCE.)	HE regulator	Son's partner			To be approved

Peter Fidler					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
No interests to declare					
Carol Hui					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Heathrow Airport Limited	Airport	Director and employee	March 2009		14/05/2015
Robert Walters plc	International Recruitment Consultancy	Non-Executive Director and Senior Independent Director	January 2012		14/05/2015
Amey plc	Infrastructure Services	Non-Executive Director	January 2017		To be approved
Hilary McCallion					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Hilary McCallion Consultancy Limited	Healthcare Consultancy	Owner and director (remunerated)	April 2013	Provision of service to NHS and possibly Educational bodies	18/07/2013
Bucks New University	HE	Visiting Professor			18/07/2013
King's College, London	HE	Visiting Professor			18/07/2013
London South Bank University	HE	Daughter is a student – Children's Nursing			21/11/2013
Dementia UK	Charity	Trustee	December 2013		20/11/2014
Bethlem Museum of the Mind	Museum, art, archives provision	Trustee	June 2012		20/11/2014
South Bank University Enterprises Ltd	Commercial arm of	Director	2016		24/11/2016

	LSBU				
Kevin McGrath					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Intcas ltd	Education – linking student and educational institutions	Non-executive director	2012		21/10/2015
Mee Ling Ng					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
PS See 2014 Habinteg Housing Association Ltd	Housing	Director	July 2011		18/07/2013
Mulan Foundation Network	Charitable Trust	Trustee	Nov 2011		21/11/2013
Transport for London Board	Transport	Non-Executive director	September 2016		24/11/2016

VICE CHANCELLOR AND CHIEF EXECUTIVE

Professor David Phoenix					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Teaching & Quality Committee (HEFCE)	HE	Committee Member	2013		20/03/2014
Government Equalities Office	Government	Ambassador	2010		20/03/2014
Million+	Think tank	Executive member & Chair			20/11/2014
Kings College	University	Visiting Professor			20/11/2014
SiChuan University	University	Chair			20/11/2014
University of Central Lancashire	University	Visiting professor			20/11/2014
University Academy of Engineering South Bank	Secondary School	Member			20/11/2014

South Bank Engineering UTC Trust	Secondary School	Member			20/11/2014
Science Museum Group	Museums	Trustee	2015		14/05/2015
British University in Egypt	HE	Trustee	Oct 2015		21/10/2015
Universities UK	HE	Member of Board	2015		21/10/2015
UK Performance Indicators Steering Group (HEFCE)	HE	Member	2015		21/10/2015
South Bank Academies Trust	Secondary education	Member and Chair	21/12/2015		17/03/2016
National Centre for Universities and Businesses	HE	Board member	2015		24/11/2016
Museum of Science and Industry	Educational charity	Board member	2015		24/11/2016

STUDENT GOVERNORS

Sodiq Akinbade					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
London South Bank Students' Union	HE	President of the Students' Union	July 2017		To be approved
Suleyman Said					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
London South Bank Students' Union	HE	Union Council Chair	July 2017		To be approved

STAFF GOVERNORS

Jenny Owen					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
No interests to declare					

Tony Roberts					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
University Academy of Engineering South Bank	Secondary education	Governor		Sponsored by LSBU	17/03/2016
South Bank Engineering UTC	Secondary education	Governor	01/09/2016	Sponsored by LSBU	24/11/2016

EXECUTIVE

Pat Bailey – Deputy Vice Chancellor					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
EFCE	HE	Member of the Teaching Excellence Framework panel	October 2016		24/11/2016
Mandy Eddolls – Executive Director of Human Resources					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Anderson Eddolls HR Services Ltd	HR Consultancy	Director	2013		21/10/2015
Bron Afon Housing Association	Community housing provider	Independent Board member	12/10/2015		21/10/2015
Eversheds	Legal services	Providing speaker services	2017		
Spark Projects (Sue Braithwaite)	Executive Coaching	Connected person – Friend. Spark have provided coaching to LSBU Senior staff		Provider not selected by ME / payments not authorized by ME	24/11/2016
South Bank University Enterprises Ltd	Commercial arm of	Director	2017		To be

	LSBU				approved
Richard Flatman – Chief Financial Officer					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
South Bank University Enterprises Ltd	Commercial arm of LSBU	Director	2002		25/11/2010
South Bank Academies	Secondary education	Director and Member Chair of Audit Committee	21/12/2015 Sept 2016		17/03/2016
South Bank Engineering UTC Trust	Secondary education	Director	21/12/2015	Dissolved July 2017	24/11/2016
SW London & St. George's Mental Health NHS Trust	NHS Trust	NED & Chair of Audit Committee	1/04/2016		24/11/2016
Paul Ivey – Pro Vice Chancellor (Research and Enterprise)					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Collaborate CIC	Public Sector partnerships	LSBU Board representative	November 2014		21/10/2015
South Bank University Enterprises Limited	Commercial arm of LSBU	Director	2014		21/10/2015
London Higher Access HE	HE Access	Vice Chair (designate)	May 2015		21/10/2015
Emirates Aviation University	Higher Education	Visiting Professor	2010		20/11/2014
London Higher Research Excellence Group	HE Research	Chair	Nov 2015		24/11/2016
Greater London Authority	Local Authority	London FE area review steering committee representative	Feb 2016		24/11/2016
Greater London Authority	Local Authority	London European Structural Investment Fund committee HE Representative	Nov 2015		24/11/2016
Battersea Academy for Skills	Public sector	Designate Board member	Tbc		24/11/2016

Excellence CIC	partnership				
Nicole Louis – Chief Marketing Officer					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
ACS International Schools	International Private Schools Group	Non-Executive Director	13/09/2017		To be approved
Ian Mehrtens – Chief Operating Officer					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
Queer Britain Ltd.	Museum	Director and Trustee	25/10/2017		To be approved
James Stevenson – University Secretary					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
South Bank Academies	Secondary education	Director	21/12/2015		17/03/2016
South Bank Engineering UTC Trust	Secondary education	Director	21/12/2015	Dissolved July 2017	24/11/2016
Shân Wareing – Pro Vice Chancellor					
Organisation with which connected	Sector	Relationship with organisation	As of date	Notes	Authorised by Board
HEFCE	HE	Member of the NSS Sub Group reporting to the Student Information Advisory Group	September 2017		To be approved

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