

Meeting of the Group Audit and Risk Committee

3.30 pm on Thursday, 5 November 2020
via MS Teams

*3:00pm pre-meeting with the auditors via MS Teams

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		DB
2.	Declarations of interest		DB
3.	Minutes of the previous meeting	3 - 10	DB
4.	Matters arising	11 - 26	DB
	• Student advice and behaviours update	Verbal report	NL
	• TRAC and TRAC(T) process review update	Verbal report	RF
	• UKVI Tier 4 update	See paper	NL
	• Cyber security update	See paper	NL
Internal audit			
5.	Internal audit progress report	27 - 34	BDO
6.	Internal audit: apprenticeships	35 - 36	FM
7.	Internal audit: risk management maturity	37 - 66	RF
8.	Internal audit annual report (final)	67 - 84	BDO
External audit			
9.	External Audit Findings	To Follow	KPMG
10.	External Audit Letter of Rep	To Follow	KPMG
11.	External audit performance against KPIs	85 - 88	RF
Year end matters			
12.	Draft Annual Report and Accounts 2019/20	89 - 154	RF
13.	Going concern statement	155 - 160	RF
14.	Public benefit statement	161 - 162	JS
15.	Corporate governance statement	163 - 164	JS
16.	Group Audit and Risk Committee Annual	165 - 174	JS

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
	Report		
17.	Modern Slavery Act Statement	175 - 180	RF
18.	Prevent Annual Return	181 - 184	FM
19.	Pension assumptions	185 - 188	RF
	Risk and control		
20.	Internal controls annual review of effectiveness	189 - 202	RF
21.	Data assurance report	203 - 204	RF
22.	Financial regulations	205 - 208	RF
	Matters to note		
23.	Data protection report	209 - 210	JS
24.	Anti-fraud, bribery and corruption report	211 - 212	RF
25.	Speak up report	213 - 214	JS
26.	Reportable events update	215 - 216	JS
27.	Committee business plan	217 - 220	JS
28.	Matters to report to the Board following the meeting		JS

**Date of next meeting
4.00 pm on Thursday, 11 February 2021**

Members: Duncan Brown (Chair), John Cole, Mark Lemmon and Rob Orr

In attendance: David Phoenix, Natalie Ferer, Richard Flatman, Kerry Johnson, Nicole Louis, Marcelle Moncrieffe-Johnson, Fiona Morey (items 6 and 18 only) and James Stevenson

On stand-by: Alison Chojna, Graeme Wolfe (item 4 only)

Internal auditors: Ruth Ireland, Gemma Wright (BDO)

External auditors: Fleur Nieboer, Jessie Spencer (KPMG)

Observer: Michael Cutbill

Supplement one – full internal audit reports:

- Apprenticeships
- SBC data quality
- SBC health and safety

Supplement two – full financial regulations

**Minutes of the meeting of the Group Audit and Risk Committee
held at 4.00 pm on Tuesday, 6 October 2020
via MS Teams**

Present

Duncan Brown (Chair)
John Cole (until minute 14)
Mark Lemmon
Rob Orr

Apologies

Ruth Ireland

In attendance

David Phoenix (until minute 14)
Alison Chojna (minute 4 only)
Natalie Ferer
Richard Flatman
Paul Ivey (until minute 14)
Kerry Johnson
Nicole Louis
Ed Spacey (minute 4 only)
James Stevenson
Graeme Wolfe (minute 4 only)

James Aston (BDO; until minute 14)
Gemma Wright (BDO)
Fleur Nieboer (KPMG; until minute 14)
Jessie Spencer (KPMG; until minute 14)

1. Welcome and apologies

The Chair welcomed members to the meeting.

No apologies had been received.

2. Declarations of interest

No interests were declared on any item on the agenda.

3. Minutes of the previous meetings

The committee approved the minutes of the meeting of 18 June 2020 and 7 September 2020 and their publication as redacted, subject to minor amendments.

4. **Matters arising**

Coronavirus business recovery update

The committee noted an update from the Vice Chancellor on coronavirus business recovery and outbreak response planning. Between 2-21 September 2020 there were four positive cases at LSBU and one positive case at Lambeth College.

The committee noted that LSBU's outbreak response plan had been approved by the local director of public health and submitted to the Department for Education.

The committee noted changes to the coronavirus risk register and the threshold levels since the previous meeting.

The committee requested future reports to include a summary of business recovery issues in SBA and SBC.

Cyber security update

With Alison Chojna and Graeme Wolfe

Following the detailed review at its meeting of 7 September 2020, the committee noted the update on progress made against the actions identified in the BDO cyber security internal audit and the associated IT security roadmap. Key matters included enabling more password complexity and re-design of the network. Early detection of ransomware attacks was under review.

The committee noted that staff capacity and budget constraints influenced the speed at which actions could be completed.

The committee requested a further update, including assurance that the allocated budget was realistic, at its next meeting.

Alison Chojna and Graeme Wolfe left the meeting

All other matters arising were noted as having been completed or in progress.

5. **CUC higher education audit committees code of practice**

The committee noted the CUC higher education audit committees code of practice, published in May 2020.

The committee noted that it already materially follows the provisions of the code.

The committee supported the Chair's proposal to carry out a light-touch self-assessment exercise, the results of which would be reported at the February 2021 meeting of the committee.

The committee recommended to the Board the adoption of the code of practice.

6. External audit: review of non-audit services

The committee noted the review of KPMG non-audit services for the year ending 31 July 2020, totaling £47,940. The majority of this spend related to KPMG's work on international tax compliance.

7. External audit progress update

The committee noted the external audit progress report and technical update from KPMG.

8. Internal audit progress report

The committee noted the internal audit progress report. All 2019/20 internal audit reports had been issued with the exception of three reports which were awaiting management comment and approval.

9. Internal audit follow-up report

The committee reviewed the internal audit follow-up report, noting the total of 104 outstanding recommendations, with 32% completed, 24% in progress and 31% not yet due.

The committee queried the 31 recommendations that were outstanding. The CFO noted that some were systemic and required IT support, but that reasonable progress was being made to address all outstanding recommendations. The executive would review the report to identify any historic actions that should be removed.

10. Internal audit: UKVI Tier 4

The committee noted the internal audit report on UKVI tier four compliance, which provided a limited level of assurance for both the control design and operational effectiveness of the controls in place. It was noted that one high risk, six medium risk and one low risk recommendations had been made and accepted by management.

The committee noted that the high risk finding related to the reporting of changes in student circumstances to UKVI. The committee noted that the findings as a whole represented challenges to do with inter-dependencies between teams and limitations of the current Student Records System (SRS). It was noted that the new SRS, being developed as part of Project LEAP, would be able to automate changes to student circumstances rather than

requiring manual workarounds. The work on the University's target operating model would clarify internal responsibilities and practices.

The committee noted that the University's Tier 4 sponsor licence was due for renewal in March 2021, and that it was common practice for UKVI to conduct an audit prior to renewal. In preparation, a manual audit of all Tier 4 student records would be carried out during winter 2020.

The committee noted that an action plan had been agreed to address the findings of the report, to be managed by the UKVI Steering Group. The Steering Group was meeting every two weeks to monitor progress against the action plan.

The committee requested a progress report at its next meeting on 5 November 2020.

11. Internal audit: estates capital programme

The committee noted the internal audit report on the estates capital programme, which provided a moderate level of assurance for both the control design and operational effectiveness. One medium risk and three low risk recommendations had been made.

12. Internal audit: student data

The committee noted the internal audit report on student data, which provided a moderate level of assurance for control design and a substantial level of assurance for operational effectiveness. One medium risk and two low risk recommendations had been made.

13. Internal audit: family transition

The committee noted the internal audit report on family transition, which provided a substantial level of assurance for both control design and operational effectiveness. One low risk recommendation had been made in relation to monitoring structures.

14. Draft internal audit annual report 2019/20

The committee discussed the 2019/20 draft internal audit annual report. Throughout 2019/20, 17 assurance audits were completed and 116 recommendations were raised across the Group.

The committee noted that the internal audit annual report was no longer required to be submitted to the Office for Students.

The committee requested that BDO review the report to provide an overall opinion on internal controls. It was agreed the BDO would discuss and review ahead of the next meeting on 5 November 2020.

15. Risk strategy and appetite

The committee discussed the 2020/21 LSBU risk appetite profile and Group risk policy.

The committee noted that the risk policy stated that the SBA and SBC risk appetite profiles would come to a future meeting for information. It was agreed that these would be circulated to the committee once the November 2020 meetings of the SBA and SBC audit committees had met.

The committee agreed to recommend the risk appetite profile to the Board for approval at its meeting of 15 October 2020.

16. Corporate risk report

The committee noted the corporate risk report, comprised of zero critical risks, eleven high risks, fourteen medium risks and one low risk. The executive will review the risks relating to cyber security, fee refunds, coronavirus response plans and affordability of capex.

The executive agreed that future reports would make it clear when a risk has been added or removed, or when a risk rating has changed.

The committee noted that a detailed risk discussion would take place at the 15 October 2020 meeting of the Board of Governors. The committee requested that it hold a detailed discussion each year ahead of the October Board meeting. It was agreed that a detailed risk discussion would be added to the GARC annual business plan for future years.

17. Internal controls annual review and effectiveness

The committee noted the annual review of effectiveness of the University's systems of internal control and the proposed 'full compliance' statement for 2019/20.

A final version of the annual review of effectiveness would come to the November 2020 meeting for approval following receipt of the final BDO internal audit annual report.

18. Pension assumptions

The committee discussed in detail the assumptions made by the LPFA scheme actuaries (Barnett Waddingham) and the assumptions used for the USS scheme. The committee noted the effect of the pension assumptions on the 2020/21 budget.

The committee noted that the assumptions were cautious and that further conversations were planned with the external auditors and actuaries regarding suitable assumptions. Following these conversations, the pension

assumptions would come back to the November 2020 committee meeting for approval.

19. Draft public benefit statement

The committee noted the draft public benefit statement for inclusion in the annual report and accounts, as required for all charities. A final draft would come back to the meeting of 5 November 2020.

20. Draft corporate governance statement

The committee noted the draft corporate governance statement 2019/20, which demonstrated how LSBU complied with the CUC Corporate Governance Code and the OfS's Public Interest Governance principles.

The statement, with some amendments to reflect the revised CUC Code and a review of the Board's standing orders, would form part of the annual report and accounts. The corporate governance statement would come back as a final draft for approval at the meeting of 5 November 2020.

21. Anti-fraud, bribery and corruption report

The committee noted that there were no new instances of fraud, bribery or corruption arising in the period since the committee last met.

22. Speak up report

The committee noted that no new speak up cases had been raised since the last meeting. The committee requested a written update on the alleged fraud case ahead of the next meeting.

23. Reportable events update

The committee noted that the opening of the Croydon campus in September 2021 had been reported to the OfS since the last meeting. The OfS had also been informed of the revolving credit facility agreement with Barclays.

24. Data protection report

The committee noted the data protection report, which included five incidents involving breaches of personal data since the last meeting. One breach had been reported to the ICO, and involved the cyber-attack on Blackbaud, an LSBU supplier.

25. GARC terms of reference and membership

The committee noted the Group Audit and Risk Committee terms of reference and membership.

26. Committee business plan

The committee noted the 2020/21 business plan. The committee agreed that, in future, up to three hours should be allowed for the October and November meetings due to the number of agenda items for discussion.

27. Matters to report to the Board following the meeting

The committee noted that the cyber security update, UKVI internal audit report, internal audit annual report, corporate risk and pensions assumptions would be reported to the appropriate Board meeting.

**Date of next meeting
4.00 pm, on Thursday, 5 November 2020**

Confirmed as a true record

..... (Chair)

This page is intentionally left blank

GROUP AUDIT AND RISK COMMITTEE – THURSDAY 6 OCTOBER ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
4.	Matters arising	More information from SBC and SBA to be included in future coronavirus business recovery updates	Ongoing	David Phoenix	Ongoing
4.	Matters arising	Further update on cyber security internal audit, including assurance on the allocated budget, to be provided at the next meeting.	5 November 2020	Nicole Louis	On agenda
5.	CUC higher education audit committees code of practice	Light-touch self-assessment exercise to be carried out and reported to February 2021 meeting of GARC	11 February 2021	Duncan Brown / James Stevenson	In progress
9.	Internal audit follow-up report	Executive to review follow-up report to identify any historic actions that should be removed	11 February 2021	Richard Flatman	In progress
10.	Internal audit: UKVI Tier 4	Progress report to be given at the next meeting	5 November 2020	Nicole Louis	On agenda
14.	Draft internal audit annual report 2019/20	Updated report providing a more substantial annual opinion to be brought to the next meeting for approval.	5 November 2020	BDO	On agenda
15.	Risk strategy and appetite	SBA and SBC risk appetites to be circulated to GARC once approved by the respective audit committees	November 2020	Kerry Johnson	To be circulated following SBA AC (24 November 2020) and SBC AC (3 November 2020) meetings.
17.	Internal controls annual review and effectiveness	Final version of the annual review to come to November 2020 meeting for approval.	5 November 2020	Richard Flatman	On agenda
18.	Pension assumptions	Pension assumptions to come back to next meeting of the committee following conversations with the external auditors and actuaries.	5 November 2020	Richard Flatman	On agenda

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
19.	Draft public benefit statement	Final draft to come back to November meeting	5 November 2020	Richard Flatman	On agenda
20.	Draft corporate governance statement	Final draft to come back to November meeting	5 November 2020	Richard Flatman	On agenda
22.	Speak up report	Written update on alleged fraud to be circulated to the committee electronically.	5 November 2020	Natalie Ferer	In progress

	CONFIDENTIAL
Paper title:	UKVI Tier 4 Update
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Nicole Louis, Chief Customer Officer
Sponsor(s):	Nicole Louis, Chief Customer Officer
Purpose:	For Information
Recommendation:	The committee is requested to note the update on actions taken following the BDO internal audit of UKVI Tier 4 compliance.

Executive summary

Following the 2020 Tier 4 compliance audit undertaken by BDO, a list of management actions were identified to address areas of non-compliance. A cross-functional team was established to monitor completion of the management actions overseen by the CCO and progress has been made in many areas including process design, information reporting, student record system scope change, policy refresh and audit. A summary of the key areas of progress are set out below.

Recommendation

The committee is requested to note the update on actions taken following the BDO internal audit of UKVI Tier 4 compliance.

1. Development of Process Map for Changes in student circumstances

The international compliance team has worked with the Registry team and the Fees & Bursaries team to agree and document a clear process for managing changes in student circumstances on the student record system, so that changes in student circumstances can be accurately reported to UKVI within the 10 day window. The process will be approved by the CCO and implemented immediately.

2. Changes to the Current Student Record System (SRS)

A request has been submitted to U4SM who supply the existing SRS to develop functionality to include course end dates in addition to the existing course session date. Because the system is used by multiple organisations, the development will only be possible if other users support the change. Consultation has been undertaken with other HEIs and at least one other HEI is supportive of the change so we now await a response from U4SM.

3. Improvements in Compliance Related Reporting

A new report is in development by the Registry function to ensure that any change to the status of a sponsored student automatically triggers an e-mail to the international compliance team. This will include changes to student statuses such as early course completion, change of course, interruptions or withdrawals. The report will be ready and launched in November

4. Changes to Student Contact Details

Student Administration have agreed to implement a twice yearly communication to all sponsored students to request confirmation of existing address or updating of change of address through My LSBU. These communications will take place in February and either July or September following examination outcomes.

5. Curriculum Compliance

TQE have nearly completed an audit of all live courses (irrespective of whether or not a sponsored student is enrolled) to assess which are not currently compliant with UKVI requirements. When completed, this will identify which courses do not meet requirements and cannot be offered to sponsored students. Course specification documentation and course promotional details will be revised as required. The sponsored student audit (see below) will identify any sponsored students currently enrolled on courses which do not meet UKVI requirements.

TQE have drafted guidance for schools on UKVI requirements for course design and this guidance is being embedded within the course validation process.

6. Placement Tracking

A Work Placement Report is in development by the Registry team which will identify any sponsored student who has been issued a CAS in relation to a course with a known compulsory placement. This information will be provided to the Employability team to ensure that these students have their placements recorded on In Place.

The Employability team has provided clear guidance to schools to convey that any sponsored student who undertakes a placement of any type must be recorded on In Place. We are awaiting confirmation from schools that all relevant students are on the system.

7. Policy Review

The LSBU attendance policy for Tier 4 students has been updated to reflect a move to engagement monitoring rather than contact point (attendance) monitoring and to reflect engagement monitoring amongst both taught and non-taught (research) students. The policy was approved by the CCO.

The CAS Issuance policy has been reviewed and updated.

Other related policies associated with UKVI (Sickness and Absence, Maternity and Work Placement) will be reviewed and updated in November.

A calendar of policy review has been agreed with the international compliance team and this will take place twice a year in February and November following updates from UKVI.

8. Engagement / Attendance Monitoring

Engagement monitoring reporting is in place for all students including tier 4 sponsored students and Student Administration have visibility through the current reporting tool in the event that engagement for sponsored students falls below the required thresholds. This triggers the required interventions with students and the international compliance team have visibility of engagement issues.

9. Audit of Sponsored Student Records

A project has commenced to audit all records of current sponsored students, currently 818 students and covers five areas of compliance. The project commenced on the 29th September and full findings and recommendations will be presented w/c 21st December.

- Personal Information
- Attendance and Absence Monitoring
- Placements
- Immigration Documents
- Application Documents

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Cyber Security Update
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Alison Chojna, Acting Executive Director of Academic Related Resources
Sponsor(s):	Nicole Louis, Chief Customer Officer
Purpose:	For Information
Recommendation:	The committee is requested to note the update on progress made against the actions identified in the BDO cyber security audit.

Executive summary

This paper provides an update on progress made against the actions identified in the BDO cyber security audit.

The IT Security Roadmap is attached and provides a unified view of issues that are replicated across the Group.

Recommendation

The committee is requested to note the update on progress made against the actions identified in the BDO cyber security audit.

This page is intentionally left blank

Cyber Security Update 5 November 2020

1.0 Purpose

- 1.1 To provide the Group Audit and Risk Committee with an update on progress against the recommendations identified in the BDO audit.

2.0 IT Security Governance

- 2.1. The first meeting of the IT Security and Resilience Board (ISRB) is taking place on 30/10/2020 with representation from leadership and technical experts across the Group. The Board will meet every 6 weeks.
- 2.2. Security and resilience KPIs have been identified and will be agreed at the first meeting. The Board will review KPI reports as a standing agenda item.
- 2.3 The Board will monitor progress against the IT Security Roadmap actions and the progress towards Cyber Essentials (CE) accreditation. SBC need to achieve Cyber Essentials accreditation in this academic year as a requirement of ESFA funding.
- 2.4 A Group IT Security staffing structure has been put in place. The LSBU Head of IT Security has Group oversight from 02/11/2020 and a Group Security Engineer role is currently progressing through the recruitment process.

3.0 Password policy and complexity increase

- 3.1 Password complexity was introduced at LSBU on 01/10/2020.
- 3.2 The new password reset tool will be available from 30/11/2020. Staff will be advised to reset their passwords over the December period. The expiry date will be reduced from 365 to 180 days in the first week of January 2021.

4.0 Network segregation

- 4.1 Funding approval for Phase One of the network refresh programme was given by MPIC at its meeting of 29 October 2020. SBC have secured ESFA funding for the majority of the programme costs for Clapham Common and Brixton.
- 4.2 Network redesign planning is continuing with the incumbent network managed service provider.

5.0 Backup policy

- 5.1. The backup policy will be ready for review and approval at the ISRB in December.
- 5.2 Quotes have been gathered for a cloud backup solution which would allow us to adhere to the 3-2-1 backup principle: keep at least 3 copies of your data, and store 2 backup copies

on different storage media, with one 1 of them located offsite. Procurement and implementation can progress following the December 2020 ISRB approval.

6.0 Patching policy

- 6.1 A Group patching policy will be presented at the ISRB meeting on 30/10/2020. Under the new policy, security patching will need to be deployed within one month of the patch release. This KPI will be tracked by the Board.
- 6.2 Maintenance windows will be reviewed at the ISRB meeting on 30/10/2020 to ensure that IT Services across the Group have the necessary maintenance time available to adhere to the policy.

7.0 Communications and training

- 7.1 Information and online training will be available for students on the LSBU Digital Skills website from 13/11/2020.
- 7.2 Mandatory training for staff is in place at LSBU and SBC. Organisational Development are unable to extract completion data at this time but are working with the supplier to resolve this.
- 7.3 A communications campaign will be in place by 13/11/2020, including all Group and Student Union channels.
- 7.3 A cyber security blog is published monthly for staff and students.

8.0 Future plans

- 8.1 The IT security roadmap, including high level actions from the BDO audit, is included as appendix one.

Appendix One

#	Action Description	Expected Impact	Current status / plans of activities	Leadership Team Owner	RAG	October 20 Update
1	Design and implement a fit for purpose IT Security Group service and structure with an appropriate target operating model, ensuring both strategic and operational responsibilities are encompassed.	Improved IT security across the Group due to holistic oversight and shared expertise. Monitoring and reporting provides greater assurance.	31/10/2020 – Head of IT Security role revised to include Group responsibility. 31/10/2020 – Compliance Board established. 01/01/2021 – New governance structure in place, including supporting roles...	Alison Chojna	G	LSBU Head of IT Security role transitioning to Group responsibility from 02/11/2020. IT Security and Resilience Board (ISRB) established and first meeting held 30/10/2020. Security KPIs defined and to be agreed at the ISRB on 30/10/2020. Security Team structure has been agreed and new supporting role is moving through the recruitment process.
2	Redesign the LSBU/SBC network to include demilitarized zones and private IP addressing.	Severity of a security breach would be greatly reduced due to a "locked room" effect of network segmentation. Up to date hardware reduces security vulnerabilities inherent in outdated equipment.	30/09/2020 - Feed security requirements into the tendering process. Work with the network managed service provider to design the new network. Plan reporting requirements and regularly feedback to the Group Exec on network security performance.	Malvina Gooding/ Graeme Wolfe	G	Security requirements have been included in the network specification planning. Network redesign has begun with the incumbent managed service provider and is expected to complete by 01/02/2021. Funding of Phase One is awaiting approval at the next MPIC Board.

3	Introduce a Group password policy with increased password complexity, shortening the expiry period to 180 days.	Reduced risk of security breaches linked to weak password controls.	<p>11/09/2020 – Password policy approved.</p> <p>30/09/2020 – Password complexity introduced at LSBU and SBA.</p> <p>TBC Date planned for SBC password change.</p>	Graeme Wolfe	G	<p>Password policy has been approved via IT SMT.</p> <p>Password complexity has been introduced at LSBU and UAE.</p> <p>Microsoft password reset tool to be introduced at LSBU by 30/11/2020. Users will be invited to change passwords throughout December. Password expiry frequency to be reduced to 180 days by 02/01/2021.</p>
4	Implement a centralised Group asset management policy to include hardware and software assets.	<p>Financial efficiencies are achieved through centralised control of IT purchasing.</p> <p>Departmental IT hardware expenditure is reduced by 95%.</p>	<p>Asset data is currently being gathered and an indicative 5yr forecast to be introduced.</p> <p>Staff asset replacement to be mapped and forecast at an individual staff level (principle of asset custodian).</p>	Jon Biswas	G	<p>Snow asset management platform has been configured and data population of hardware assets has begun. The LSBU staff IT asset survey data from July 2020 has been collated and will begin to feed in to the asset register. A full dataset for LSBU will be available by 31/12/2020.</p> <p>SBC asset data has been provided. Next steps to compare to LSBU data and agree data fields across the Group.</p>
5	Installed antivirus protection at LSBU should be restructured to enable real time detection and prevention against malware.	Greater prevention against malware being introduced into the Group IT ecosystem.	<p>30/10/2020 - Review scope of works to reconfigure antivirus.</p> <p>From 01/11/2020 - Antivirus is reconfigured and is fit for purpose.</p> <p>At SBC, a review will be undertaken to establish which</p>	Graeme Wolfe	A	No internal expertise identified to undertake the reconfiguration. GW to have quotes to outsource the work by 06/11/2020.

			servers require antivirus			
6	Develop and implement a Group Backup Policy, including what should be backed up, where it will be backed up, how often, responsibility and monitoring.	Improved business continuity and disaster recovery.	<p>30/11/2020 – Backup Policy has been developed for the Group, with costs identified and approved by the Group Executive.</p> <p>01/12/2020 – Implementation begins. Duration will be defined by the strategy. To include integrity testing, as well as recovery testing, with full documentation.</p>	Malvina Gooding	G	<p>Backup policy to be approved at ISRB in December 2020, agreeing the tiers of backups required.</p> <p>Quotes have been gathered for an affordable off-site back-up solution. Procurement can begin following the Board decision in December 2020.</p>
	Develop and implement a Group patch management policy, describing the requirements for maintaining up-to-date operating system security patches and software version levels on all the Group owned estate and services supplied by third parties.	Reduced risk of security breaches linked to vulnerable systems.	<p>31/10/2020 – Patch management policy approved.</p> <p>01/11/2020 – New patch management activity commences, and reporting begins</p>	Malvina Gooding/ Graeme Wolfe	G	<p>Patch management policy to be approved at ISRB on 30/10/2020.</p> <p>Staffing resource to be recruited so new patching schedule at LSBU will begin when new person is in post.</p> <p>SBC to have a new updating tool in place to help with patch management by 30/11/2020.</p>
8	Restrict USB usage based on the business needs and risk assessment.	Greater prevention against malware being introduced into the Group IT ecosystem.	30/11/2020 – Review of options for control of USB devices presented to the Group Executive with recommendations and associated costs.	Graeme Wolfe	G	Recommendations for control of USB devices to be presented at the December 2020 ISRB.

			01/12/2020 – Implementation of chosen solution, duration dependent on the approach selected.			
9	Review and recommend the approach to local administrator accounts on Group computers.	Reduced risk of security breaches linked to weak controls.	30/11/2020 – Analysis complete to understand the additional support burden on IT Services if this change is made. 01/12/2020 – Report options to Group Executive and agree the future policy. 01/01/2021 – Begin implementation of new policy	Malvina Gooding	G	Recommendations for approach to local administrator accounts to be presented at the December 2020 ISRB.
10	Introduce an information security incident management procedure defining roles, responsibilities and escalation paths resulting from a serious information security incident.	Improved responsiveness to security incidents and damage limitation of speedy response.	01/01/2021 - Procedure in place. 31/03/2021 - Mock text completed.	Graeme Wolfe	G	Information security incident management procedure will be presented to the ISRB Board in December 2020.
11	Establish a Group Access Control Policy, based on business and information security requirements.	Reduced risk of security breaches linked to weak controls.	31/12/2020 – Role-based access policy introduced.	Malvina Gooding	G	A discovery exercise was undertaken by external company NotBinary. Recommendations for next steps have been produced in the report and will be presented to the ISRB in January 2021.
12	At SBC, decommission or upgrade legacy systems	Reduced risk of security breaches linked	31/12/2020 – email migration and remaining services	Malvina Gooding	G	Migration to SharePoint Online to be completed by 31/01/2021.

	running outdated operating systems	to vulnerable systems.	assessed. Date TBC - consolidation of file system data and then migration to SharePoint online 31/08/2021 – data centre split and half relocated to SBC.			Options for email migration under review, with a decision by 18/12/2020.
13	Alongside mandatory cyber security training, develop an awareness raising campaign aimed at staff and students	Reduced risk of security breaches through phishing scams and social engineering attacks.	A plan of scheduled cyber security communications and activities is in place and delivered throughout the year.	Graeme Wolfe	G	A monthly cyber security blog is in place, distributed through the LSBU staff newsletter. A campaign schedule to be agreed with the Marketing Team by 13/11/2020. Cyber security information and training to be available on the Digital Skills website by 13/11/2020.
14	Introduce multi-factor authentication on all appropriate systems	Improved security controls linked to accessing systems.	Multi-factor authentication to be in place on all appropriate systems by 31/07/2021	Malvina Gooding	G	Recommendations for multi-factor authentication will be presented at the March 2021 ISRB.

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Internal Audit – Progress report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	BDO
Sponsor:	Richard Flatman, Group Chief Financial Officer
Purpose:	For noting
Recommendation:	The Committee is requested to note the report

Summary

Work for on the 2020/21 programme is underway and the attached report shows progress to date along with the number of recommendations made and the overall assurance rating for each review.

Recommendation:

The Committee is requested to note this report

This page is intentionally left blank



INTERNAL AUDIT PROGRESS REPORT

LONDON SOUTH BANK UNIVERSITY GROUP

November 2020

Page 29

INTERNAL AUDIT PROGRESS SUMMARY

2019-20 Audit Programme

The status of our work is as follows:

Final reports	Draft reports	Fieldwork	Planning
▶ Apprenticeships	N/A	N/A	N/A
▶ Risk management			
▶ SBC Health and safety			
▶ SBC Data quality			

This completes the 2019/20 programme.

2020-21 Audit Programme

The status of our work is as follows:






Final reports	Draft reports	Fieldwork	Planning
▶ Covid-19 response		▶ Apprenticeships (SBC)	▶ Management information and KPIs
▶ SBA HR policies and procedures (presentation to SBA ARC on 24 November)		▶ OfS Conditions of Registration	▶ UUK Code compliance
			▶ Financial controls (LSBU)
			▶ Financial controls (SBA)

Changes to the Plan

Given the uncertainties over the future of the Teaching Excellence Framework this review has been refocused to review the University's compliance with Conditions A1 and B of the OfS Conditions of Registration as these contribute towards the TEF ratings.







INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Governance, compliance and risk management												
Business continuity/ Covid-19 risk assessment and response	Group	15	21/09/20	16/09/20	Final report	Nov 20	Nov 20	0	2	0		
Regulatory audit (Prevent)	SBC	6	04/01/21			Jun 21						
Corporate governance	LSBU	10	TBC			Jun 21						
Finance and management information												
Financial systems and controls	LSBU	12	08/12/20		Planning	Feb 21						
	SBA	7	04/01/21		Planning	Feb 21						
	SBC	7	08/03/21			Jun 21						
Management information and performance reporting	Group	15	16/11/20		Planning	Feb 21						
Facilities contract management	SBA	7	05/04/21			Jun 21						
Core activities												
Apprenticeships	SBC	7	19/10//20	19/10/20	Fieldwork	Feb 21						
Student experience	LSBU	18	01/02/21			Jun 21						
	SBC											
Student wellbeing	LSBU	8	10/05/21			Sep 21						




INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Core activities continued												
OfS Conditions of Registration	LSBU	8	29/10/20	26/10/20	Fieldwork	Feb 21						
Student admissions and enrolment	SBC	7	08/02/21			Jun 21						
Estates infrastructure and services												
London Road refurbishment	LSBU	8	07/06/21			Jun 21						
Universities UK/ Guild HE Code compliance	LSBU	10	14/12/20		Planning	Feb 21						
Information technology												
IT disaster recovery	Group	20	04/05/21			Sep 21						
Human Resources												
HR policies and procedures	SBA	5	17/08/20	10/08/20	Final report	Feb 20		0	1	1		
Staff absence management	SBC	8	04/01/21			Jun 21						
Management and recommendation follow up												
Recommendation follow up	Group	10			Ongoing							
Management		20	Ongoing									

APPENDIX II - OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF INTERNAL CONTROLS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Page 33

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

RUTH IRELAND
+44 (0)20 7893 2337
ruth.ireland@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © 2020 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

	CONFIDENTIAL
Paper title:	Internal audit: apprenticeships
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2019
Author(s):	Fiona Morey, Executive Principal
Sponsor(s):	Fiona Morey, Executive Principal
Purpose:	For Information
Recommendation:	The committee is requested to note the apprenticeship internal audit report

Executive Summary

The Apprenticeship audit report highlights the progress made in establishing the required regulations, process and systems for apprenticeships as part of the university offer. The report also identifies areas for development and full integration of apprenticeships into the business as usual aspects and the need to progress from a reliance on manual data inputting process. Short-term solutions will be put in place while work progresses on LEAP which will support a step change in relation to our record systems in the near future.

The report provides a moderate level of assurance for both the control designs and the effectiveness of the controls in place.

Recommendation

The committee is requested to note the apprenticeship internal audit report.

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Risk Management Maturity Levels
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	BDO – Internal Audit Paper with support from Richard Duke (Director of Strategy and Planning)
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For noting
Recommendation:	The committee is requested to review and to note the review of risk management across the LSBU Group.

Executive Summary

BDO has undertaken a review of risk management across the Group. This review was supported by Richard Duke (Director of Strategy and Planning), Fiona Morey (Executive Principal SBC) and Dan Cundy (Executive Principal SBA). This review has occurred in light of the new Group Risk Policy, and it is acknowledged that many of the assessments in the report will be addressed in the new risk policy.

The detail behind these assessments is covered in the paper, but the current evaluation and desired future maturity is judged as:

	Risk governance	Risk assessment	Risk mitigation:	Monitoring and reporting	Continuous improvement
LSBU current maturity level	Defined	Defined	Aware	Defined	Defined
SBA current maturity level	Aware	Aware	Aware	Aware	Defined
SBC current maturity level	Aware	Aware	Defined	Aware	Defined
Group target by 2021	Defined	Defined	Defined	Defined	Defined
Group target by 2022	Managed	Managed	Managed	Managed	Managed

This page is intentionally left blank

LONDON SOUTH BANK UNIVERSITY GROUP

INTERNAL AUDIT REPORT - FINAL

RISK MANAGEMENT - RISK MATURITY ASSESSMENT
OCTOBER 2020



CONTENTS

EXECUTIVE SUMMARY 2
APPENDIX I - BDO RISK MATURITY MODEL..... 5
APPENDIX II - RISK MATURITY SCORING MATRIX..... 22
APPENDIX III - TERMS OF REFERENCE..... 24

DISTRIBUTION	
Richard Duke	Director of Strategy & Planning
Dun Cundy	Executive Principal SBA
Helena Abrahams	Trust Business Manager
Fiona Morey	Executive Principal
REPORT STATUS LIST	
Auditor:	Alex McDonald
Dates work performed:	30 June - 4 August 2020
Draft report issued:	10 September 2020
Final report issued:	28 October 2020

EXECUTIVE SUMMARY

OVERVIEW

A review of the risk management arrangements within the Group was included within the Internal Audit Plan for 2019/20. Each Group entity manages its risks independently of each other. The Corporate Risk Register consists of the University and SBUEL's risks, whilst SBA and SBC have their own risk registers. We understand that SBUEL's risks are discussed at Board meetings but that there is no separate risk register in place.

The new 2020 - 2025 Group Corporate Strategy is due to be published shortly. It outlines strategic pillars, goals, and United Nations sustainable development goals. The pillars are Access to Opportunity, Student Success, Real World Impact, Fit for the Future (Technology and Estates, People, Culture and Inclusion and Resources, Market and Shape).

A new Group Risk Management policy has been recently drafted and is pending implementation. Implementation will address recommendations raised as part of this audit.

Work undertaken

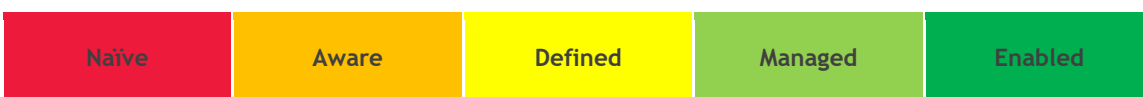
As the new Group Risk policy is not yet in place and embedded throughout the Group we carried out a maturity assessment of the current risk management arrangements across LSBU, SBA and SBC against BDO's Risk Maturity Model.

We also reviewed the new Group Risk Management policy to identify any areas where the policy could be enhanced.

The following areas were considered:

Risk Governance	Risk Assessment	Risk Mitigation	Monitoring and Reporting	Continuous Improvement
<ul style="list-style-type: none"> • Strategy and objectives • Tone at the top • Roles and responsibilities • Resources • Training • Risk appetite • Risk policy 	<ul style="list-style-type: none"> • Risk identification • Risk analysis • Risk evaluation • Assigning responsibilities for risks 	<ul style="list-style-type: none"> • Current mitigation • Action plans • Reaction plans 	<ul style="list-style-type: none"> • Monitoring • Reporting • Assurance 	<ul style="list-style-type: none"> • Approach • KPIs

We then rated the current and target levels of maturity for each area as follows:



The Risk Maturity Assessment Matrix model we have assessed the Group against is at Appendix II and sets out the definitions for each level of maturity.

Key findings and conclusion

We have summarised below the current maturity level for the Group and each entity's proposed target level of maturity. Target levels of maturity have been set at a Group level with an aim to achieve these over next two years.

	Risk governance	Risk assessment	Risk mitigation:	Monitoring and reporting	Continuous improvement
LSBU current maturity level	Defined	Defined	Aware	Defined	Defined
SBA current maturity level	Aware	Aware	Aware	Aware	Defined
SBC current maturity level	Aware	Aware	Defined	Aware	Defined
Group target by 2021	Defined	Defined	Defined	Defined	Defined
Group target by 2022	Managed	Managed	Managed	Managed	Managed

Within our report, we have identified 20 areas where further development is required in order to reach the proposed target maturity levels. These are summarised below and set out within Appendix I. The new Group risk policy should address a number of current shortcomings in current risk management activities should it be fully embedded across the Group. Therefore, we have not made recommendations where the policy will already address these gaps. Our recommendations have focused on further enhancing risk management processes.

Each institution within the Group is largely at the Define and Aware levels with regards to the current maturity levels of risk management and how embedded it is within those institutions.

Until now, the corporate risk register has predominantly focused on the University's key risks and Group risks have not been consolidated. Adopting a common approach to risk management and by using common templates and terminology will support the integration of risk registers into a Group risk register.

Risk maturity model area	Recommendation
Risk Governance	<ol style="list-style-type: none"> 1. Division / department objectives for SBA and SBC should be created that are linked to the Group's strategic objectives. 2. The terms of reference/ scheme of delegation for the SBC and SBA boards should include their responsibilities within regards to risk management. 3. Responsibility for administering the SBC risk register following departure of the SBC CFO should be assigned. 4. Effectiveness in discharging risk management responsibilities is evaluated as part of individual performance review/appraisals.

	<p>5. Specific risk management training should be delivered to managers and staff members who are responsible for risk management activities.</p> <p>6. Once risk appetite statements are in place for each entity, consideration should be given of whether these should be defined at departmental/ divisional level.</p> <p>7. The new Group Risk policy should be communicated throughout the Group.</p>
Risk Assessment	<p>8. In the risk register template, the strategic pillar should be the first column as risks should link to objectives (or in the Group's case strategic pillars).</p> <p>9. Risks should be forward looking.</p> <p>10. The risk registers for SBA should be reviewed and similar risks should be amalgamated.</p> <p>11. Formal methods for risk identification at departmental level should be implemented, so that they can be included on the institution registers where applicable.</p>
Risk Mitigation	<p>12. The policy should explain how risk appetite will link to the risks in the risk register. This will establish whether further action is required to mitigate the risks, or whether the risk has already been mitigated to an acceptable level. The use of target risk and assessment of whether the current score is tolerable would further support this. The definitions of risk appetite, target risk and risk tolerance could also be added to the new Group Risk policy.</p> <p>13. The new Group Risk policy could make it clear that mitigating actions are controls that are actually in place rather than future/planned controls.</p> <p>14. The strength of mitigating controls could be assessed (eg in terms of strong, medium and weak).</p> <p>15. Where further action is required to mitigate a risk, this should be documented, assigned an action owner and an implementation date. Once actions have been implemented, an assessment should be made as to whether these can be moved to mitigating controls. Monitoring of planned actions should be performed.</p>
Monitoring and Reporting	<p>16. Incorrect information in the risk registers should be corrected (eg reference to committees that do not exist).</p> <p>17. There should be documented reasoning behind the changes made to risk ratings. Changes should be based on actual changes to impact or likelihood, rather than based on feeling.</p> <p>18. The Audit and Risk Committee should be provided with periodic assurance that local risk registers are being updated and reviewed and that the new Group Risk policy is being complied with.</p>
Continuous Improvement	<p>19. KPIs or risk indicators could be introduced to monitor the effectiveness of risk management activities (these could include for example, timeliness of implementation of actions, number of risks materialising or surpassing impact/likelihood/targets).</p> <p>20. Assurance should be added to risk registers to demonstrate how management assures itself that risks controls in place to mitigate risks are actually in place and operating effectively.</p>

APPENDIX I - RISK MATURITY MATRIX - GOVERNANCE

1. Strategy and objectives:		Group/ LSBU	SBA	SBC	Evaluation
1.1	The organisation has clear objectives.	✓	Partial	Partial	<p>University - There is a corporate strategy in place for the University.</p> <p>SBC - A Financial Turnaround Plan is in place at SBC and Academic Strategy is being developed.</p> <p>SBA - We were not provided with a strategy for SBA and were informed that objectives are driven from ESFA requirements.</p> <p>→ Going forward - The new 2020 - 2025 Group Corporate Strategy outlines strategic pillars, goals, and united sustainable development goals. The pillars are: Access to Opportunity, Student Success, Real World Impact, Fit for the Future (Technology and Estates, People, Culture and Inclusion, Resources, Market and Shape). It has been approved by the Board and will be published shortly.</p>
1.2	Division/department objectives are set and linked to the organisation's objectives.	✓	✗	✗	<p>University - Professional services and the schools have their own roadmaps which set out their vision and priorities.</p> <p>SBA and SBC - No formal departmental objectives are set.</p>
Tone at the top:					
1.3	The board has mandated that a formal approach be taken to risk management and set out why risk management is important.	✓	Partial	✗	<p>University - The statement of Primary Responsibilities for the Group Board of Governors (dated November 2011) outlines its responsibility to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment.</p> <p>SBA - SBA's Scheme of Delegation includes a section titled Risk, Finances and Asset Management which is delegated to the Local Governing Body. However, this title is the only reference to risk and the requirements of the Local Governing Body are not are not further expanded. There is also nothing relating to risk management in the Academy Articles of Association. The risk register was only discussed in one of the last three Board meetings.</p> <p>SBC - The Board's responsibilities, set out in the Articles of Association (January 2019), do not refer to risk management (the only reference to risk relates to insurance and investments).</p> <p>→ Going forward - The new Risk Management policy outlines the formal approach to be taken to risk management, which will be implemented following this audit. The Group Board will have</p>

					responsibility for reviewing and approving the Group Risk policy, institutional risk appetites, the Group Risk Register and LSBU's Risk Register. Each institution board will have responsibility for setting the risk appetite and for reviewing the risk register.
Roles and responsibilities:					
1.4	Roles and responsibilities for risk management have been defined centrally and across divisions and departments.	✓	✓	✓	<p>University - The Group Audit and Risk Committee oversees risk management activities. Each risk on the corporate risk register is assigned to an executive sponsor and risk management processes are overseen by the Director of Strategy and Planning.</p> <p>SBA - The SBA Audit and Risk Committee has responsibility for overseeing risk management activities. The Trust Business Manager now has overall responsibility for maintaining the risk register. As they joined SBA mid-year in November 2019, the Executive Principal was responsible for risk management during 2019/20.</p> <p>Each risk on the register has an owner (often multiple). We were informed that people are aware of their responsibilities towards risk, but perhaps inherently in that they relate to their day-to-day job role, rather than the specific risks on the register.</p> <p>SBC - The SBC Audit and Risk Committee has responsibility for overseeing risk management activities. The risk register was administered by the previous CFO. A replacement had yet to be determined at the time of our audit. Each risk within the risk register is assigned to an Executive Sponsor although actions may sit with other people.</p> <p>→ Going forward - Roles and responsibilities for risk management have been defined in the new Risk Management policy.</p>
1.5	Effectiveness in discharging risk management responsibilities is evaluated as part of individual performance review/appraisal.	Partial	Partial	Partial	Although we understand that the performance of individuals with risk management responsibilities will be assessed, risk management does not directly contribute to individual's performance reviews.
Resources:					
1.6	Resource requirements have been identified and budget allocated.	✓	✓	✓	Responsibilities for risk management are assigned to individuals within each entity and the time required to carry out their risk management responsibilities is included within their roles. Therefore, risk management responsibilities are built into existing budgets. However, the proportion of this time/cost that relates to risk management is not specifically defined.
1.7	Regular review takes place of ongoing resource requirements.	Partial	Partial	Partial	There is no regular review of ongoing resource requirements in relation to risk management. However, management has confirmed that it is not an area that requires additional resource.

Training:					
1.8	Training undertaken for managers and staff responsible for risk management.	x	x	x	There is no training in place for those responsible for risk management. The new risk policy document states that a training programme will be developed. The initial stage will be to identify relevant stakeholders and owners in each part of the risk management process, and deliver training that meets these requirements.
1.9	Training in risk management is provided to all staff.	x	x	x	No risk management training has recently been provided to staff. We understand that risk management training has been provided in the past.
Risk appetite:					
1.10	A formal risk appetite statement has been agreed by the board at corporate level.	✓	x	x	University - The University had defined its risk appetite. SBA - No formal risk appetite statement is currently in place. SBC - No formal risk appetite statement is currently in place. Historically there has been a single Group risk appetite. Risk management processes are not fully embedded when making strategic and operational decisions. → Going forward - The new Group Risk policy outlines how risk appetite is devolved to each individual entity and that it will not be aggregated at Group level and be set for each of the risk categories: <ul style="list-style-type: none"> • Financial • Legal and Compliance • Academic Activity • Reputation However, the new Group Risk policy does not include risk tolerance.
1.11	Risk appetite statements are in place within departments.	x	x	x	Risk appetite has not been defined within departments, but this might not be seen as desirable.
Risk policy:					
1.12	A risk management strategy/policy is in place which is signed off by the board.	✓	x	x	University - There was previously a formal risk management strategy/policy in place. SBA - No risk management strategy or policy is in place (although UAE's risk register refers to a risk strategy) SBC - No risk management strategy or policy is in place.

→ Going forward - The new Group Risk policy will also act as the Group's strategy to managing risk.

Assessment of maturity - Governance

	Naïve	Aware	Defined	Managed	Enabled
Current		SBA, SBC	Group		
Target			2021	2022	

Recommendations for improvement (Governance):

In addition to the areas already addressed by the risk management policy we recommend:

1. Division / department objectives for SBA and SBC should be created that are linked to the organisation's strategic objectives.
2. The terms of references/ scheme of delegation for the SBC and SBA boards should include their responsibilities within regards to risk management.
3. Responsibility for administering the SBC risk register following departure of the SBC CFO should be assigned.
4. Effectiveness in discharging risk management responsibilities is evaluated as part of individual performance review/appraisals.
5. Specific risk management training should be delivered to managers and staff members who are responsible for risk management activities.
6. Once risk appetite statements are in place for each entity, consideration should be given of whether these should be defined at departmental/ divisional level.
7. The new Group Risk policy should be communicated throughout the Group.

APPENDIX I - RISK MATURITY MATRIX - RISK ASSESSMENT

2. Risk identification:		Group/ LSBU	SBA	SBC	Evaluation
2.1	A comprehensive process in place for systematically identifying risks throughout the organisation.	Partial	Partial	Partial	<p>University/Group - A Corporate Risk Register is in place, which currently contains 26 risks and is primarily used as a University risk register, rather than for the Group.</p> <p>There are local roadmaps in place for schools and professional services within the University, which include local risk registers. We were informed that risks identified in the roadmaps could be communicated up through the organisation. However, a formal process for this is not yet in place.</p> <p>There is currently no flow of risk identification from SBA or SBC and their risks have not yet been seen at a Group level.</p> <p>SBA - For the 2019-20 academic year, risks were identified through the Executive Principal having weekly meetings with School Principals, and risks are discussed at termly School Advisory Boards (SAB), Audit Committee meetings, and Trust Board meetings. The Chairs of each SAB are also Trustees and sit on the Trust Board.</p> <p>Risks are documented in a risk register, with separate ones held for the University Technical College (UTC) and University Academy of Engineering (UAE). There is also an amalgamated risk register in place for the Multi-academy Trust (MAT). A front page has recently been added to highlight the key risks and those that have changed significantly since the previous update.</p> <p>We were informed that the risk register is backward looking and a reflection of what has/is being done, updated on the back of actions taken to mitigate operational risk. It is not forward looking or used to drive change or guiding actions; it is more of an issues log. There are a lot of risks (MAT - 32, UTC - 31, UAE - 31), and many appear similar to others.</p> <p>At a School level, there are self-evaluation documents, which is more educationally focussed and feeds into a school level development plan. Risks noted in these can be added to the overall risk registers if warranted.</p> <p>At departmental level, self-evaluations and improvement plans are also completed.</p> <p>There is currently no formal escalation from the SBA risk register to the corporate risk register.</p>

					<p>SBC - A College level the risk register is owned by the College Leadership Group (CLG), and is updated three times a year for the Audit Committee.</p> <p>Risks may percolate up from departments. However, due to the size of the College, risks are mainly driven from the CLG.</p> <p>We were informed that some departments will have their own risk register, but there is no formal process to escalate risks to the College risk register. Risks can be raised as part of the business planning process where any risks that are likely to stop departments hitting their targets could be identified.</p> <p>There is no formal escalation process of risks from the SBC risk register to the corporate risk register.</p> <p>➔ Going forward - The new Group Risk policy outlines how risks identified at local level will flow into institutional risk registers, and then up into the Group register. We were informed that an appropriate workflow system (eg 4Risk platform) will be used to maintain the register of risks.</p>
Risk analysis:					
2.2	Risks are linked to objectives.	Partial	✘	✘	<p>University - The Corporate risk register, used primarily as the University risk register, does not link risks to objectives nor the current strategic pillars.</p> <p>Local roadmaps, used by schools and professional services, and contain risk registers include risks that are linked to the pillars from LSBU’s current corporate strategy.</p> <p>SBA - Risks are not linked to objectives.</p> <p>SBC - Risks are not linked to objectives.</p> <p>➔ Going forward - The new group risk policy outlines how each risk will be linked to the 2020-25 Group Strategy’s four pillars. Risks will be reported against these pillars, at each level of risk reporting. The strategic pillars are:</p> <ul style="list-style-type: none"> • Access to Opportunity • Student Success • Real World Impact • Fit for the Future (split into three) <ul style="list-style-type: none"> ○ Technology and Estate ○ People, Culture & Inclusion ○ Resources, Market and Shape

2.3	Risks are clearly described.	Partial	Partial	Partial	<p>University - At a Corporate level, risks are described, though not in detail, and do not outline the impact. For example: Risk 495: Higher Apprenticeship degrees - it is not clear what the risk associated with this is.</p> <p>The local roadmap risk registers describe risks better.</p> <p>SBA - Each risk is written 'failure to ...' rather than concisely describing the risk. Risk consequences are also unclear and often long paragraphs.</p> <p>SBC - Risks are clearly described in most instances. Although there is one risk 'remote interview and enrolment' which does not articulate what the risk actually is.</p> <p>→ Going forward - The new Group risk policy requires each risk to include:</p> <ul style="list-style-type: none"> • Risk • Risk description • Risk type • Cause and effect of risk
2.4	Risks are assigned a category.	✓	✓	✓	<p>University - Risks in the corporate risk register are categorised by type:</p> <ul style="list-style-type: none"> • Academic activity • Financial • Legal / compliance • Reputation <p>SBA - Risks are assigned as:</p> <ul style="list-style-type: none"> • Financial • Strategic and reputational • Operational • Compliance <p>SBC - Risks are categorised in line with the Group categories above.</p> <p>→ Going forward - The new Group risk policy requires risks to be assigned a risk type.</p>
Risk evaluation:					
2.5	Risks are evaluated based on a defined scoring methodology.	✓	Partial	✗	<p>University - There is currently a 3x4 risk-scoring methodology in place which is supported by definitions.</p>

					<p>SBA - A 3x3 risk scoring methodology is in place although there are no set definitions for these. However, there are risks in the register with a rating of 0, which is impossible based on the methodology.</p> <p>There is also a column for: Assessment of Control Quality / Action Needed (Strong, Moderate, Weak). However, it is unclear whether ratings are over control quality or the action needed.</p> <p>SBC - There is no formal risk rating methodology in place. The Executive Sponsor chooses the rating, which will then be agreed by the CLG.</p> <p>→ Going forward - The new risk policy, based on risk impact (Critical, High, Medium, Low) and likelihood (Very High, High, Medium, Low). Each level has a definition.</p> <p>These give an overall risk severity. The new policy explains these further, with specific impact definitions, such as deterioration of the Group operating margin greater than 5%.</p>
2.6	Regular management challenge of the risk evaluations applied.	✓	✓	✓	<p>University - Risks are discussed at monthly Executive meetings where ratings are also reviewed. The Group Audit Committee reviews the risk register periodically throughout the year (although it did not review it as its meeting on 13 February). The Board of Governors note the corporate risk register at each meeting.</p> <p>SBA - Risk ratings are currently chosen by the Executive Principal and moderated by other senior leaders (eg school principals).</p> <p>Risks are also discussed and moderated at School Advisory Board, SBC Audit Committee and Trustee Board level.</p> <p>SBC - We were informed that risks are regularly challenged at CLG level. However, we did not receive any minutes to confirm this.</p>
Assigning responsibilities for risks:					
2.7	All risks have an owner.	✓	✓	✓	<p>University - All risks have an Executive Sponsor.</p> <p>SBA - Each risk has an owner (often multiple). We were informed that people are aware of their ownership of risk, but perhaps inherently in that they relate to their day-to-day job role, rather than the specific risks on the register.</p> <p>SBC - Each risk has a CLG sponsor.</p> <p>→ Going forward - risk registers will have risk owners, based on Executive areas.</p>

APPENDIX I - RISK MATURITY MODEL - RISK ASSESSMENT

Assessment of maturity - Risk assessment					
	Naïve	Aware	Defined	Managed	Enabled
Current		SBA, SBC	Group		
Target			2021	2022	
Recommendations for improvement (Risk assessment):					
<p>In addition to the areas already addressed by the risk management policy we recommend:</p> <ol style="list-style-type: none"> 8. In the risk register template, the strategic pillar should be the first column as risks should link to objectives (or in the Group’s case strategic pillars). 9. Risks should be forward looking. 10. The risk registers for SBA should be reviewed and similar risks should be amalgamated. 11. Formal methods for risk identification at departmental level should be implemented, so that they can be included on the institution registers where applicable. 					

APPENDIX I - RISK MATURITY MODEL - RISK MITIGATION

3. Current mitigation:		Group/ LSBU	SBA	SBC	Evaluation
3.1	Responses to risks have been selected and implemented, having regard to the risk appetite.	x	x	x	<p>University - Although there is a history of scores included within the risk register, there are no mitigations listed in the current Corporate Risk Register. We were informed that each person responsible for each area would be able to outline what mitigations are in place, but these are not documented and not formally linked to risk appetite.</p> <p>Local roadmap risk registers do contain mitigating actions, which are a combination of current mitigations and future actions. There is no link to risk appetite for these either.</p> <p>SBA - There is no risk appetite statement in place to link mitigations to or to assess how the risk will be managed. Mitigations are in place and listed under Existing Internal Controls and Evidence. However, risk 16 UAE (Failure to implement a Risk Management Strategy), states that the existing internal controls include a Risk Strategy, Risk Action Plans, and a Risk Management Group. However these do not exist. Therefore, not all actions documented may actually be in place.</p> <p>SBC - There is no risk appetite statement in place to select mitigations against nor is there anything which statements how each risk will be managed. Actions are listed, although these are a combination of past actions and future plans.</p> <p>➔ Going forward - Risk registers will be required to have a column for mitigating actions. However, the Group Risk policy does not state how risk appetite will be used to determine whether any further actions will be required nor will the strength of those mitigating actions be scored. Target risk scores or tolerances are also not a requirement of the new policy.</p>
Action plans:					
3.2	Action plans are in place for all risks that have not been accepted at the current level.	x	x	Partial	<p>University - There are currently no action plans included within the corporate risk register. There is also no assessment of mitigation strength to assess whether current actions are appropriate or not. There are also no targets or tolerances defined and therefore it is not clear whether further actions is required to reduce the risk further.</p> <p>SBA - There are no action plans listed against its risk and no target risk level to assess whether further action is required.</p>

					SBC - Actions are listed although these are a combination of past actions and future plans. There is no target risk levels set to determine whether further actions is required to mitigate the risk. There is a column showing direction of travel, which shows the change in risk rating since the last risk register / audit committee.
--	--	--	--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Assessment of maturity - Risk mitigation

	Naïve	Aware	Defined	Managed	Enabled
Current		Group, SBA	SBC		
Target			2021	2022	

Recommendations for improvement (Risk mitigation):

In addition to the areas already addressed by the risk management policy we recommend:

12. The policy should explain how risk appetite will link to the risks in the risk register so that it can be determined whether further action is required to mitigate the risks or whether the risk has already been mitigated to an acceptable level. The use of target risk and assessment of whether a risk score is tolerable would further support this. The definitions of risk appetite, target risk and risk tolerance could also be added to the new Group Risk policy.
13. The new Group Risk policy could make it clear that mitigating actions are controls that are actually in place rather than future/planned controls.
14. The strength of mitigating actions could be assessed (eg in terms of strong, medium and weak).
15. Where further actions is required to mitigate a risk, this should be documented, assigned an action owner and an implementation date. Once actions have been implemented, an assessment should be made as to whether these can be moved to mitigating controls. Monitoring of planned actions should be performed.

APPENDIX I - RISK MATURITY MODEL - MONITORING AND REPORTING

4.	Monitoring:	Group/LSBU	SBA	SBC	Evaluation
4.1	A strategic risk register has been populated.	✓	Partial	✓	<p>University - Although risks largely appear to be of a strategic nature, as they are not all clearly described it is unclear it cannot be confirmed that they are all strategic. Local Roadmap risk registers link to the current strategic pillars.</p> <p>SBA - There is a mixture of operational and strategic risks on the SBA register.</p> <p>SBC - The risks in SBC's risk register are mainly strategic.</p> <p>→ Going forward - The new Group risk policy requires risk to be linked to one of the pillars set out within the Group Strategy 2020-25 which should ensure risk registers remain strategic.</p>
4.2	Departmental risk registers have been populated.	Partial	✗	Partial	<p>University - Local Roadmaps currently contain risk registers at PSG and School level. Going forward, local risk registers will be implemented, with each local risk register owned by the lead of the business unit (e.g. PSG or School). Each risk will detail as to whether it represents a Group wide risk, or specific to an individual Group institution. These will sit below Institution risk registers.</p> <p>SBA - Each school has its own risk register which feeds into the overall SBA risk register. Also, at a School level are self-evaluation documents, which is more educationally focussed and feeds into a School level development plan. Risks noted in these can be added to the overall risk registers if warranted. No departmental risk registers are held.</p> <p>SBC - We were informed that some departments have their own risk registers. However, no evidence of these was provided and we were informed that their content does not feed into the overall College risk register.</p> <p>→ Going forward - the new Group Risk policy sets out the expectations for local risk registers to be in place which are owned by the business unit lead PSG/School.</p>
4.3	Risk registers are reviewed on a regular basis.	✓	✓	✓	<p>University - The corporate risk register is reviewed at each monthly Exec meeting, and in preparation for each Audit Committee and Group Board meeting.</p> <p>Summary sheets document changes to the corporate risk register including changes to risk ratings since the last review.</p>

					<p>SBA - The risk register should be updated for each Audit Committee.</p> <p>Risks all have a 'Next Review Date' assigned, although these are all the same; the next Audit Committee date. Changes to risk score are not supported with explanations of why they have changed.</p> <p>We were informed that School Advisory Boards review the risk register at each meeting. However we found that this agenda item was often deferred.</p> <p>SBC - The risk register should be updated for presentation at each Audit Committee and Board meeting. However, the risk register was not updated for one Audit committee meeting during 2019/20.</p> <p>The Board wants a major review once per year, whilst in between reviewing each of the changing risks.</p> <p>→ Going forward - The new Group Risk policy states that risk registers will be reviewed quarterly at entity, local, and Group Executive level, with the Group SLT reviewing Executive area risks at each meeting.</p>
Reporting:					
4.4	Regular reporting on key risks at corporate level.	✓	Partial	✓	<p>University - The risk register is discussed at Executive, Audit Committee and Board level.</p> <p>SBA - Risks are reported to the Audit Committee and Trust Board.</p> <p>The UAE risk register states a risk management group is in place, however we were informed that this is not the case. There is Group representation on the Trust Board, hence there is a form of oversight at a Group level.</p> <p>We were informed that School Advisory Boards review the risk register at each meeting. However we found that this agenda item was often deferred.</p> <p>SBC - Risks are discussed at each Audit Committee and Board meeting; the registers are generally updated for each meeting.</p> <p>→ Going forward - The new Group Risk policy states that risk registers will be reviewed each quarter. Institutional risk registers will be published as an appendix to the Group risk register.</p>

4.5	Regular reporting on risks at division / department level.	Partial	x	x	<p>University - Risks in local roadmaps at department level identify local risk but these are not reported up through the organisation nor are corporate risks cascaded downwards.</p> <p>SBA - Individual school risks are reported on at School Advisory Boards that meet once per term. We were informed that School Advisory Boards review the risk register at each meeting. However we found that this agenda item was often deferred.</p> <p>SBC - There are College updates, but the College does not formally share the risk register with departments and departmental risks reporting is limited as not all have their own risk registers.</p>
4.6	Decisions based on risk reports are fed back.	✓	✓	Partial	<p>University - Risk owners sit on the Exec, so challenges to risks and actions should be fed back to department through them.</p> <p>SBA - Those that attend School Advisory board are responsible for risk management. There are no other feedback mechanisms.</p> <p>SBC - There are college updates, but the College does not formally share the risk register with departments.</p>
Assurance:					
4.7	Assurance is provided on the effectiveness of the management of risks.	✓	Partial	✓	<p>University - The last Audit and Risk Committee Annual report included a section on risk management which states that the committee reviewed the risk management, control and governance arrangements and approved the full compliance statement for inclusion in the annual reports and accounts.</p> <p>SBA -The ESFA Academies Financial Handbook states that all academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and others controls, and risk management procedures, are operating effectively.</p> <p>The trust must identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed. We did not receive evidence of this.</p> <p>SBC - The Board place reliance on the Audit Committee, who see every version of the risk register, to comment and challenge the changes. Audit Committee members</p>

					are the key continuity governors to comment on the register, and provide an annual opinion on the effectiveness of internal controls as part of the statutory accounts. The Audit Committee terms of reference states that they will keep under review the effectiveness of the risk management, control and governance arrangements, and in particular review the external auditors' management letter, the internal auditors' annual report, and management responses.
--	--	--	--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Assessment of maturity - Monitoring and reporting

	Naïve	Aware	Defined	Managed	Enabled
Current		SBA, SBC	Group		
Target			2021	2022	

Recommendations for improvement (Monitoring and reporting):

In addition to the areas already addressed by the risk management policy we recommend:

16. Incorrect information in the risk registers should be corrected (eg reference to committees that do not exist).
17. There should be documented reasoning behind the changes made to risk ratings. Changes should be based on actual changes to impact or likelihood, rather than based on feeling.
18. Audit and Risk Committee should be provided with periodic assurance that local risk registers are being updated and reviewed and that the new Group Risk policy is being complied with.

APPENDIX I - RISK MATURITY MODEL - CONTINUOUS IMPROVEMENT

5.	Review approach	Group/ University	SBA	SBC	Evaluation
5.1	The organisation's risk management approach and the Board's risk appetite are regularly reviewed and refined in light of new risk information reported.	✓	✓	✓	See earlier section on risk policy, risk strategy and risk appetite. The Group's risk management approach has been updated as per the new policy and it recognises the need to meet regulator's individual requirements.
KPIs					
5.2	KPIs are used to measure aspects of the risk management activity, e.g. timeliness of implementation of risk responses, number of risks materialising or surpassing impact-likelihood expectations.	✗	✗	✗	There are no KPIs in place over risk management activity across any of the entities.
Assurance					
5.3	Management assurance is provided on the effectiveness of risk management processes.	✗	✗	✗	The risk registers do not contain any assurance on how management assures itself that individual risks are being managed appropriately and that controls are in place and operating effectively. There is also no reporting to the Board(s) or Audit Committee(s) on the effectiveness of risk management activities by management.

Assessment of maturity for this element					
	Naïve	Aware	Defined	Managed	Enabled
Current			Group, SBA, SBC		
Target 2021			2021	2022	

Recommendations for improvement (Continuous improvement) :

In addition to the areas already addressed by the risk management policy we recommend:

19. KPIs or risk indicators could be introduced to monitor the effectiveness of risk management activities (these could include for example, timeliness of implementation of actions, number of risks materialising or surpassing impact/likelihood/targets).
20. Assurance should be added to risk registers to demonstrate how management assures itself that risks controls in place to mitigate risks are actually in place and operating effectively.

APPENDIX II - RISK MATURITY ASSESSMENT MATRIX

	Risk Governance	Risk Identification and Assessment	Risk Mitigation and Treatment	Risk Reporting and Review	Continuous Improvement
Enabled	Risk management and internal control is fully embedded into operations. All parties play their part and have a share of accountability for managing risk in line with their responsibility for the achievement of objectives.	There are processes for identifying and assessing risks and opportunities on a continuous basis. Risks are assessed to ensure consensus about the appropriate level of control, monitoring and reporting to carry out. Risk information is documented in a risk register.	Responses to the risks have been selected and implemented. There are processes for evaluating risks and responses implemented. The level of residual risk after applying mitigation techniques is accepted by the organisation, or further mitigations have been planned.	High quality, accurate and timely information is available to operational management and directors. The board reviews the risk management strategy, policy and approach on a regular basis, e.g. annually, and reviews key risks, emergent and new risks, and action plans on a regular basis, e.g. quarterly.	The organisational performance management framework and reward structure drives improvements in risk management. Risk management is a management competency. Management assurance is provided on the effectiveness of their risk management on a regular basis.
Managed	Risk management objectives are defined and management are trained in risk management techniques. Risk management is written into the performance expectations of managers. Management and executive level responsibilities for key risks have been allocated.	There are clear links between objectives and risks at all levels. Risk information is documented in a risk register. The organisation's risk appetite is used in the scoring system for assessing risks. All significant projects are routinely assessed for risk.	There is clarity over the risk level that is accepted within the organisation's risk appetite. Risk responses appropriate to satisfy the risk appetite of the organisation have been selected and implemented.	The board reviews key risks, emergent and new risks, and action plans on a regular basis, e.g. quarterly. It reviews the risk management strategy, policy and approach on a regular basis, e.g. annually. Directors require interim updates from delegated managers on individual risks which they have personal responsibility.	The organisation's risk management approach and the Board's risk appetite are regularly reviewed and refined in light of new risk information reported. Management assurance is provided on the effectiveness of their risk management on an ad hoc basis. The resources used in risk management become quantifiably cost effective. KPIs are set to improve certain aspects of the risk management activity, e.g. timeliness of implementation of risk responses, number of risks materialising or surpassing impact-likelihood expectations.

APPENDIX II - RISK MATURITY ASSESSMENT MATRIX

	Risk Governance	Risk Identification and Assessment	Risk Mitigation and Treatment	Risk Reporting and Review	Continuous Improvement
Defined	A risk strategy and policies are in place and communicated. The level of risk-taking that the organisation will accept is defined and understood in some parts of the organisation, and it is used to consider the most appropriate responses to the management of identified risks. Management and executive level responsibilities for key risks have been allocated.	There are processes for identifying and assessing risks and opportunities in some parts of the organisation but not consistently applied in all. All risks identified have been assessed with a defined scoring system. Risk information is brought together for some parts of the organisation. Most projects are assessed for risk.	Management in some parts of the organisation are familiar with, and able to distinguish between, the different options available in responding to risks to select the best response in the interest of the organisation.	Management have set up methods to monitor the proper operation of key processes, responses, and action plans. Management report risks to directors where risk have not been managed to a level acceptable to the board.	The Board gets minimal assurance on the effectiveness of risk management.
Aware	There is a scattered, silo-based approach to risk management. The vision, commitment and ownership of risk management have been documented. However, the organisation is reliant on a few key people for the knowledge, skills and the practice of risk management activities on a day-to-day basis.	A limited number of managers are trained in risk management techniques. There are processes for identifying and assessing risks and opportunities, but these are not fully comprehensive or implemented. There is no consistent scoring system for assessing risks. Risk information is not fully documented.	Some responses to the risks have been selected and implemented by management according to their own perception of risk appetite in the absence of a board-approved appetite for risk.	There are some monitoring processes and ad hoc reviews by some managers on risk management activities.	Management does not assure the Board on the effectiveness of risk management.
Naive	No formal approach developed for risk management. No formal consideration of risks to business objectives, or clear ownership, accountability and responsibility for the management of key risks.	Processes for identifying and evaluating risks and responses are not defined. Risks have not been identified nor collated. There is no consistent scoring system for assessing risks.	Responses to the risks have not been designed or implemented.	There are no monitoring processes or regular reviews of risk management.	Management does not assure the Board on the effectiveness of risk management.

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

An audit of risk management across the LSBU Group has been included within the 2019/20 Plan.

A Group Risk Management Policy was presented to the Group Audit and Risk Committee in November 2019. It was intended that the policy would be implemented throughout 2019/20, ready to be fully implemented by the beginning of 2020/21 in time for the roll out of the new Group Corporate Strategy 2020-25. However, we understand that implementation is not as far along as originally intended.

There is an LSBU Group risk register in place, as well as individual institutional risk registers for SBC and SBA and each institution has autonomy to set their own risk appetite level.

LSBU carried out a survey of its staff in 2019 which identified that they understood risk management in general but did not fully understand how LSU did risk management. They did not understand the risk management system in place. As a result, the risk management system has been switched off.

Given that implementation of the policy is still underway we have agreed with management that it would not be appropriate to assess the Group against this policy at this time. Therefore instead, we will carry out a review of the Group's Risk policy and carry out a risk maturity assessment using BDO's Risk Maturity Model for the Group as a whole and provide maturity levels for both SBC and SBA.

The risk maturity assessment will understand and assess the current level of maturity across five areas:

- Risk governance
- Risk assessment
- Risk mitigation
- Monitoring and reporting
- Continuous improvement.

The current level of maturity for each area of the above will be assessed against the Group's target level of maturity as confirmed by management ahead of the audit.

This will be discussed during audit fieldwork in relation to the five levels of maturity within the BDO model which are 'naïve', 'aware', 'defined', 'managed' and 'enabled'.

PURPOSE OF REVIEW

The purpose of the audit is to assess the current level of risk maturity across the Group and to provide recommendations for improvement, or actions necessary to further strengthen risk maturity and the Group's Risk policy where necessary.

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- **Risk Governance:** The Group may not have set out clearly its risk appetite, policy and objectives in relation to risk management with the consequence that risk management activities are not calibrated to its strategic and operational needs.
- **Risk Assessment and mitigation processes:** The Group may not have adopted a systematic process for identifying and assessing its key strategic and operational risks and mitigating actions; and may not have integrated risk management processes into normal business activities, with the consequence that there are inconsistent and ineffective risk management processes operating.
- **Risk monitoring and reporting:** Risks are not monitored and reported effectively by those responsible for managing them, and assurance on the effectiveness of the management of risk is not provided to those charged with governance.
- **Continuous improvement:** The effectiveness of risk management activities, the University's approach to risk management and risk appetite are not regularly reviewed and improved.

SCOPE OF REVIEW

We will assess the maturity of the College’s current risk management arrangements by assessment against BDO’s risk maturity model. The following areas will be assessed:

Risk Governance	Risk Assessment	Risk Mitigation	Monitoring and Reporting	Continuous Improvement
<ul style="list-style-type: none"> • Strategy and objectives • Tone at the top • Resources • Training • Risk appetite • Risk policy 	<ul style="list-style-type: none"> • Risk identification • Risk analysis • Risk evaluation • Assigning responsibilities for risks 	<ul style="list-style-type: none"> • Current mitigation activities • Effectiveness of Action plans • Reaction plans 	<ul style="list-style-type: none"> • Monitoring • Reporting • Assurance on effectiveness of risk management activities 	<ul style="list-style-type: none"> • Approach • KPIs

We will then rate the current and target levels of maturity for each of the five areas as follows:

Naïve	Aware	Defined	Managed	Enabled
-------	-------	---------	---------	---------

However, we will bring to the attention of management any points relating to other areas that come to our attention during the course of the audit.

APPROACH

Our approach will be to conduct interviews to establish the activities and controls in operation for each of our areas of assessment set out in the risk maturity assessment model. We will then seek documentary evidence to support this assessment.

To conduct our assessment of Group’s risk maturity we will review the Group Risk policy, risk registers and other related documentation. We will interview members of staff responsible for a sample of the risks in the risk register and the Audit and Risk Committee Chair (if they are happy to be involved).

We will look to the Group and institutions to assess their current and target risk maturity level (in line with BDO’s definitions) for each of the areas of the risk maturity model, ahead of fieldwork.

In assessing the Group’s risk maturity we will assess the depth to which risk management has been embedded at a corporate and institution level. Although we will ascertain whether local risk registers are in place, and perform a high level review of a sample, we will not review local risk registers in detail as part of this audit.

A closing meeting will be held to discuss findings emerging from the review prior to issue of the draft report.

FOR MORE INFORMATION:

RUTH IRELAND

+44 (0)20 7893 2337
ruth.ireland@bdo.co.uk

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2020 BDO LLP. All rights reserved.

www.bdo.co.uk

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Internal Audit – Annual Opinion
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	BDO
Sponsor:	Richard Flatman, Group Chief Financial Officer
Purpose:	For noting
Recommendation:	The Committee is requested to note the report and its findings

Summary

Following presentation of the Internal Audit annual report to GARC in October, BDO have revised their report in order to clarify their annual opinion which is ‘generally satisfactory with improvements required in some areas’.

The controls in the areas reviewed during the year were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements and value for money. However, there are some areas where weaknesses and/or non-compliance were identified and therefore may put the achievement of objectives at risk. These Limited assurance opinions were provided for both the design and operational effectiveness of the controls in place for IT security, UKVI Tier 4 and Accounts Receivable at LSBU and for Financial Controls (specifically relating to Accounts Payable and ParentPay) for SBA. There were a further three reports (one for LSBU and two for SBC) where limited assurance was provided on the design of the control framework although moderate assurance was provided on the effectiveness of the controls that were in place.

Management have accepted recommendations for improvements in all of these areas and implementation is underway and will be reviewed by BDO as part of their follow up work.

Recommendation:

The Committee is requested to note this report

This page is intentionally left blank

A woman with long dark hair, wearing a bright red coat and a grey skirt, stands on a balcony with an ornate black metal railing. She is looking upwards and to the right with her arms slightly outstretched. The background shows a city street with buildings and a clear sky. There are two red vertical bars on the page: one on the left side and one on the right side.

LONDON SOUTH BANK UNIVERSITY GROUP

INTERNAL AUDIT ANNUAL REPORT - *DRAFT*

Page 69

OCTOBER 2020

CONTENTS

Page

Executive Summary

3

Summary of findings

6

Summary Of Audit Results

8

Page 70

Internal Audit Performance

12

Governance

13

Quality Assurance

14

Appendix I - Definitions

15

EXECUTIVE SUMMARY

Role of Internal Audit

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The OfS Code of Practice describes the prime responsibility of the internal audit service as providing the governing body, the designated officer and the other managers of the HEI with assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

Responsibility for these arrangements remains fully with Management, who should recognise that internal audit can only provide a reasonable level of assurance and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management improve risk management control and governance, so reducing the effects of any significant risks faced by the organisation.

The Group Board is ultimately responsible for the system of internal control and the management of risk, including reviewing the effectiveness of internal control. Management is responsible for implementing board policies on risk and control, achieved by designing, operating and monitoring a suitable system of internal control and risk management. All employees have some responsibility for internal control, in that they are all accountable for achieving objectives and should also understand the risk implications of the activities they perform.

Planned Coverage

Our internal audit work for the 12-month period from 1 August 2019 to 31 July 2020 was carried out in accordance with the internal audit plan approved by the Audit and Risk Committee and in line with the recognised professional auditing standards from the Chartered Institute of Internal Auditors.

The internal audit programme is risk based and our work is designed to cover all key risks over the life cycle of the internal audit plan. London South Bank University Group (the Group) agreed to an input of 206 days of internal audit coverage in the year, of which 194 days were delivered. The approved internal audit annual plan for 2019/20 comprised the following assignments:

-
- | | |
|------------------------------------------|--------------------------------------------|
| ▶ Risk Management (Group) | ▶ Apprenticeships (SBC And SBA) |
| ▶ Family Transition (LSBU And SBC) | ▶ UKVI (All Tiers) (LSBU) |
| ▶ Health And Safety (SBC And SBA) | ▶ Research Excellence Framework (LSBU) |
| ▶ Financial Systems And Controls (Group) | ▶ Estates Capital Programme (LSBU And SBC) |
| ▶ Data Quality (LSBU And SBC) | ▶ IT Security (Group) |
| ▶ Continuous Audit - Student Data (LSBU) | |
| ▶ Recommendation Follow Up | |
-

Changes To The Plan

The audit of Health And Safety at SBA was removed from the plan as it was receiving alternative assurance in this area from another third party. The audit of Apprenticeships for SBC was deferred due to COVID-19 as the audit could not be performed remotely.

Audit Outcomes

The conclusions from our reports are summarised on pages 8 to 11.

Acknowledgement

We would like to take this opportunity to thank all University staff for their cooperation and assistance during the year.

EXECUTIVE SUMMARY

Opinion

Our opinion is as follows:

→ Satisfactory

→ Generally satisfactory with improvements required in some areas

→ Significant improvements required

→ Unsatisfactory

The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements and value for money. However, there are some areas where weaknesses and/or non-compliance were identified and therefore may put the achievement of objectives at risk. Where weaknesses have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements and value for money arrangements.

Overview

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Group's risk management, control and governance processes and its arrangement for economy, efficiency and effectiveness.

No internal audit reports providing no assurance were issued during 2019/20. Limited assurance opinions were provided for both the design and operational effectiveness of the controls in place for IT security, UKVI Tier 4 and Accounts Receivable at LSBU and for Financial Controls (specifically relating to Accounts Payable and ParentPay) for SBA.

There were a further three reports (one for LSBU and two for SBC) where limited assurance was provided on the design of the control framework although moderate assurance was provided on the effectiveness of the controls that were in place.

Basis Of Opinion

As the provider of internal audit services to LSBU Group, we are required to provide the Audit and Risk Committee and the Group Board with an opinion on the adequacy and effectiveness of the Group's risk management, control and governance processes. In giving our opinion it should be noted that the assurance can never be absolute. The most that Internal Audit can provide to the Group Board is reasonable assurance that there are no major weaknesses in the Group's risk management, control and governance processes. In assessing the level of assurance to be given, we have taken into account:

- ▶ All audits undertaken during the year reported upon
- ▶ Any follow-up action taken in respect of audits from previous periods
- ▶ Management action in implementing recommendations
- ▶ Any significant recommendations not accepted by management and the consequent risks (if any)
- ▶ The effects of any significant changes in the Group's objectives or systems
- ▶ What proportion of the Group's audit need has been covered to date.

This opinion is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity. Specifically, some of the internal audit work undertaken was delivered prior to the changes in environment due to the COVID-19 pandemic and therefore our work and opinion provided does not provide an opinion on subsequent changes to risk management, control and governance arrangements as a result of the pandemic and increased remote working arrangements in those areas.

Commentary

The audit of UKVI Tier 4 was scoped to focus on specific areas of management concerns and did not consider or assess the other areas of UKVI Tier 4 regulations where controls may be designed and operating effectively. The opinion takes into consideration the areas reviewed. The areas of accounts receivable identified a number of significant control gaps across the majority of areas reviewed including the lack of financial due diligence performed, the lack of chasing of debtors in line with the policy and over the significant value of unallocated receipts. IT security is a continually evolving area and management was already aware that significant work was required in this area across the Group.

EXECUTIVE SUMMARY

Commentary - continued

In total, 18 high risk findings were raised across the Group. Nine (50%) of these were raised across the four financial control related audits carried out, with findings relating the setting up and changing of supplier bank details featured across all three of the entities. Previously, LSBU had received continuous audits in relation to its financial controls which focused on verifying whether specific controls were in place and being complied with. SBC's financial controls audits in 2018/19 also focused on verifying whether specific controls were in place. The continuous auditing approach was replaced this year with deep dive risk based audits of specific financial control areas and this approach has led to weaknesses being identified in the way in which some of the controls have been designed in the first place as well as some non-compliance with controls also being identified.

Further seven (38%) high risk findings were raised in the IT security review mentioned on the previous page. These have been further summarised on the next page.

Two other high risk findings were raised; one relating to health and safety and one relating to UKVI Tier 4.

The control weaknesses identified in these audits were specific to those areas and do not weaken the overall control environment. Management has also agreed action plans for each of the audits and progress to implement these is underway.

Value for money

We are able to provide reasonable assurance on the adequacy of the Group's arrangements for economy, efficiency and effectiveness. Consideration is always given during an audit as to whether the underlying systems encourage value for money (VFM). Two audits were completed in the period which considered aspects of VFM and were generally found to be well controlled. Audits which had a VFM focus were estates capital programme and ParentPay (re catering). We also reviewed efficiencies aspects of VFM across the student data audits, and apprenticeships audit.

Management action on recommendations

Management has made steady progress in implementing recommendations from previous internal audit reports. Of the 49 recommendations brought forward from 2017/18 and 2018/19, 34 have been implemented and 15 remained outstanding at 31 July 2020. Our reporting to Audit and Risk Committee throughout the year shows that progress is being made to address recommendations within the year. 18 (60%) of the 30 recommendations from raised during 2019/20 that were due by 31 July have been completed.

Data quality

Two audits of student data at LSBU were carried out during 2019/20. Whilst the scope of these were based on the previous continuous auditing areas, a risk based auditing approach to each was carried out. No high significance findings were raised and controls were found to be designed and operating satisfactorily with some minor improvements required. An audit of HESA student data was also carried out which received substantial assurance over both the design and operational effectiveness of the controls with no significant findings raised.

A follow up review of the ESFA funding audit was performed at SBC to assess whether the controls gaps identified as part of that audit had been addressed. Although we confirmed that the overall design of controls had improved, due to lockdown restrictions and with information being held in paper form onsite, we were unable to fully test effectiveness.

SUMMARY OF FINDINGS

High risk findings

Below is a summary of the high risk findings raised during the year. These should be considered by management when evaluating the Group's risk management and internal control arrangements.

Financial

- ▶ No ongoing financial due diligence checks are performed nor are balances checked against credit limits prior to services being delivered
- ▶ There are a large number of employees with administrator access to iTrent
- ▶ Lack of controls over the setting up and amendments of supplier bank details
- ▶ Transfer of the closing balances from Symmetry to Agresso was untimely
- ▶ Lack of segregation of duties over the accounts payable process
- ▶ Lack of controls over income relating to school meals at UTC.

UKVI Tier 4

- ▶ Reporting of changes to UKVI are not always being made within required timescales.

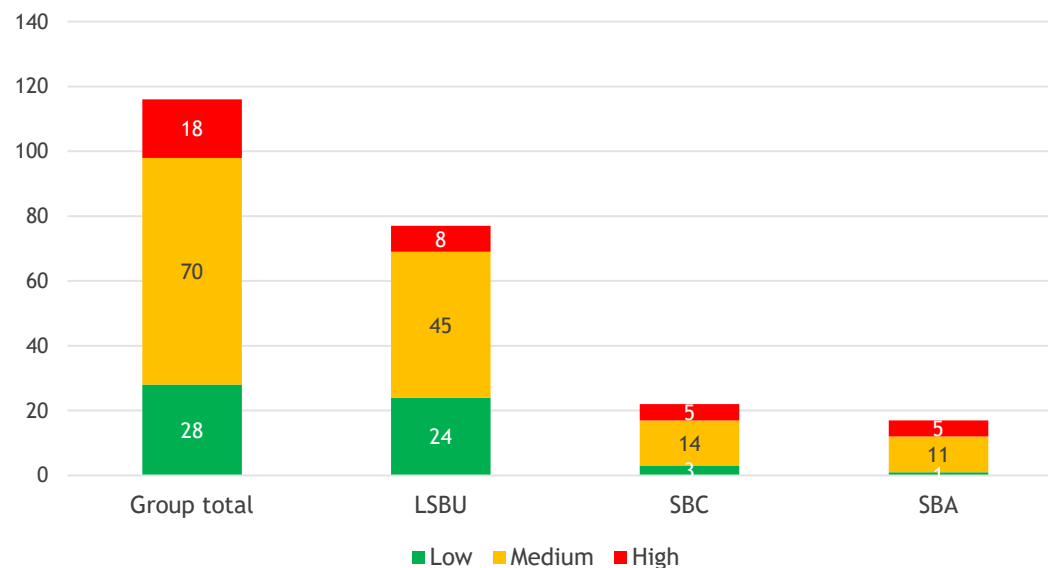
IT security

- ▶ Information security governance structures not aligned with a fully functioning IS Management System.
- ▶ The trusted zone of the network is flat.
- ▶ Password policies do not conform to best practice.
- ▶ Current anti-virus installed at LSBU has problems with the reporting of detected issues
- ▶ At SBC, key systems including email and DFS are running on legacy operating systems and network equipment is no longer supported by the supplier.
- ▶ At SBA 681 AD accounts had passwords set never to expire

Health and safety (SBC)

- ▶ COSHH - 153 risk assessments were overdue.

Recommendations Made By Significance - 2019/20



Year	Group total	LSBU	SBC	SBA
Assurance audits completed	17	12	3	2
Recommendations raised	116	76	22	17
Average per audit	6.82	6.3	7.33	8.5

As this is our first year as internal auditors, we have not provided a comparison with prior years as the previous internal auditor's ratings are not comparable. In future years, we will provide year on year comparable data to show the number and significance of recommendations raised.

SUMMARY OF FINDINGS

Assurance Opinions Given

Financial year 2019-20

Group Total
(as three opinions for IT security were provided, all have been included here).

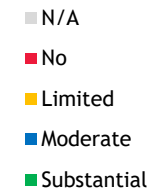
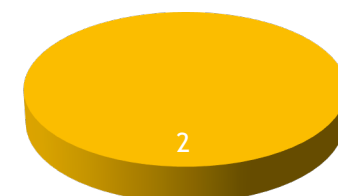
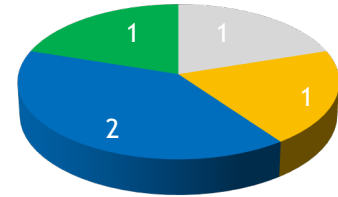
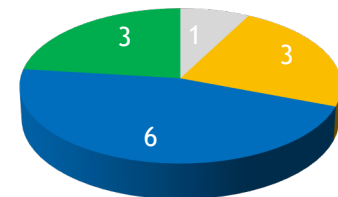
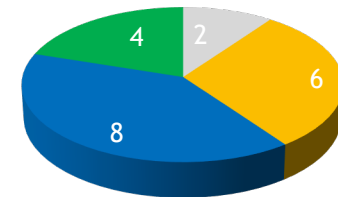
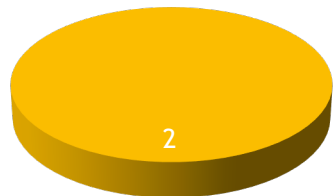
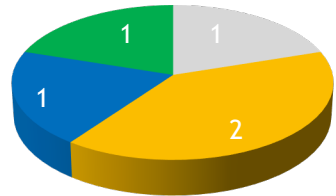
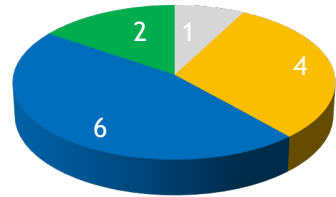
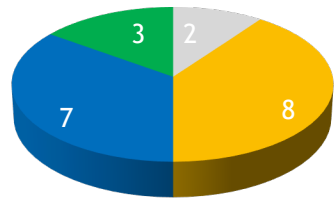
Design of Internal Controls

Effectiveness of Internal Controls

Page 75
 LSBU

SBC

SBA










SUMMARY OF AUDIT RESULTS

Within the year, we produced 17 audit reports and conducted two follow-up reviews of previously raised recommendations.


















For the purpose of this annual report, we set out below our summary of the audits completed, the significance of recommendations raised, our overall report conclusions on the design and effectiveness of the risk management and internal control arrangements over each and details of the key issues raised within the report.

The definitions of recommendation significance and report conclusions are set out in the tables in Appendix I.


















Page 76

GROUP	Reports issued	Recommendations and significance			Overall report opinion	
					Control design	Operational effectiveness
Risk Management	N/A	N/A	N/A	N/A	N/A	N/A
Family Transition	0	0	1			
Estates Development	0	1	3			








SUMMARY OF AUDIT RESULTS

Reports issued	Recommendations and significance			Overall report opinion	
				Control design	Operational effectiveness
LSBU					
Financial Systems And Controls - AR	1	8	2		
Financial Systems And Controls - AP And Payroll	2	4	3		
Data Quality HESA	0	1	2		
Continuous Auditing - Student Data 1	0	3	4		
Continuous Auditing - Student Data	0	1	2		
UKVI Tier 2 and 5	0	7	0		
Apprenticeships	0	2	1		

SUMMARY OF AUDIT RESULTS

	Reports issued			Recommendations and significance			Overall report opinion	
				Control design	Operational effectiveness			
LSBU								
REF Preparation	0	4	4					
KVI Tier 4	1	6	2					
IT Security	4	8	0					
SBC								
Financial Systems And Control - Payroll And AP	2	2	1	Accounts payable				
				Payroll				
Data Quality	0	0	0	N/A	N/A			
Health And Safety	1	5	1					
IT Security	2	7	1					

SUMMARY OF AUDIT RESULTS

Reports issued	Recommendations and significance			Overall report opinion	
				Control design	Operational effectiveness
SBA					
Financial Systems And Control - AP And Parentpay	4	4	0		
IT Security	1	7	1		

INTERNAL AUDIT PERFORMANCE

We have set out our performance against the suite of performance criteria we provided as part of the tender.

KPI	Performance	Comments
Audits completed against the Annual Audit Plan	16 of 18 in the agreed plan were delivered	Deferral of audits agreed with Audit and Risk Committee
Actual days input compared with Annual Audit Plan	196 days of 206 delivered	Deferral of audits agreed with Audit and Risk Committee
Scoping meeting held for all audits	100%	N/A
Preparation of the draft terms of reference at least 10 working days prior to commencement of the audit	12 of 16 (75%) terms of references were prepared in advance of 14 days	<p>For one audit the date was agreed at short notice which did not allow for this metric to be met.</p> <p>For one of the Group audits, several scoping meetings were required which took longer to arrange than anticipated to arrange.</p> <p>The dates we could arrange the other two scoping meetings for did not allow for the terms of reference to be drafted in time to meet this metric.</p> <p>For 2020/21 scoping meetings will be scheduled further ahead.</p>
Debrief meeting to be held at end of fieldwork to discuss issues arising in all cases, unless LSBU's key contact for the audit is unavailable.	100% - Debrief meetings were held at completion of or a few days after fieldwork	N/A
Issue draft report within 15 working days of completion of fieldwork or holding of debrief discussion	9 of 17 audits (53%) were issued within 15 working days	For some audits, we were awaiting additional information following the closing meeting which delayed our reporting. In other instances, where complex issues needed to be explored further out reporting process took longer than planned. We are working on reducing this.
Issue final report within 10 working days of receipt of management responses	100%	N/A
Audit reports meeting Audit Committee reporting timescales set out within the Annual Plan	The initial ARC reporting dates were revised once the plan had been agreed and planning commenced. There was also an impact of reporting deadlines due to audits been delayed due to Covid-19	

GOVERNANCE

Relationship with External Audit

The external auditors receive copies of our strategic and annual plan. All final reports are available to the external auditors through the Audit and Risk Committee papers.

Conflicts of Interest

We have not undertaken any work or activity during 2019-20 that would lead us to declare any conflict of interests.

QUALITY ASSURANCE

As a firm we are committed to continual improvement. In order to achieve this we apply the latest internal quality standards, which are designed to ensure that the work we perform meets the requirements of the regulatory environment within which each of our clients operates. The provision of Internal Audit Services rests with a team of dedicated internal audit professionals who form part of a National Risk Advisory Services (RAS) team.

Qualifications, training and development

It is our policy that staff engaged in the provision of a specialist service be qualified in the relevant professional discipline. In Internal Audit, staff are qualified or are studying for the exams of the Chartered Institute of Internal Auditors - UK, or studying for their qualifications through an accountancy body.

All staff are encouraged to retain commitment to their professional body after their qualification and the firm is committed to continuing professional education and provide staff access to quality training programmes.

Methodology

We adopt the following processes in order to ensure that the internal audit work we perform meets our required quality standards:

Documented standards

- The fundamentals of our auditing standards are set out within our audit manual and related documentation. Our audit methodology complies with current best practice, Government Internal Audit Standards and with client specific codes of Audit Practice.

Planning

- Each assignment is planned based upon a thorough understanding of the business area being audited and the risks that are associated with that area. All assignments are supported by briefing documents agreed in advance with the client.
- The work conducted in order to meet the requirements of each assignment brief is subject to a full client debrief and to peer review within the audit team before a final draft report is issued. All finalised reports are approved and signed off at Partner level.

Cold reviews

- We also adopt a cold review process where samples of the work performed by the internal audit team are reviewed to ensure that they meet our own internal standards. These reviews are conducted by professionals who are not part of the team which conducted the detailed work.

National quality reviews

- The work of cold review is subject to our National Quality Review processes. These reviews are aimed at ensuring that there is a consistency of standards adopted within the firm, that the internal cold review processes that we adopt are being applied consistently and that they cover fully all of the areas which could expose our clients and the firm to unwanted risk.

Continuous improvement

The results of the various review processes that are outlined above are used to inform the development needs of staff through our appraisal process and by the development of relevant training courses for the staff involved in internal audit work. The appraisal process adds to the structured training that each member of our Risk Assurance Team (RAS) receives on a firm wide basis. At the moment each of our team members is required to attend two national RAS training days annually with additional training being provided in response to changes in the environment in which we operate.





External quality assessment

The global standards of the Institute of Internal Auditors (IIA) require every internal audit function that aims to comply with its standards to be reviewed, externally, every five years for its compliance. At BDO we pay much attention to quality assurance and so have submitted our RAS team to an External Quality Assurance (EQA) review every five years, most recently in April 2015. We engaged the IIA to carry out our most recent EQA and, in summary, their conclusion was:




“It is our view that the working practices of RAS generally conform to all 56 of the 56 principles ... RAS is also generally conforming to all PSIAS... We consider this to be excellent performance which places RAS in the top quartile of internal audit functions we have reviewed. Overall we have been impressed with the professional, risk based approach to the delivery of internal audit within client organisations.”

A full copy of the EQA report is available to our clients in order they may obtain comfort regarding our working practices.

APPENDIX I - DEFINITIONS

Level of Assurance	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design opinion	Findings from review	Effectiveness opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Page 83

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

RUTH IRELAND

+44 (0)20 7893 2337
Ruth.ireland@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © 2020 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

	CONFIDENTIAL
Paper title:	External Audit Performance
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	Natalie Ferer, Group Financial Controller
Executive/Operations sponsor:	Richard Flatman, CFO
Purpose:	To consider the performance of KPMG during their audit for the year ending 31 st July 2020
Recommendation:	The Committee is requested to note the report

Executive summary

KPMG have performed the external audit for the University and the attached KPIs have been updated and were agreed with KPMG July 2020 ahead of their main audit work.

These indicators will be presented to the Audit Committee on an Annual Basis following completion of the annual audit process. The KPIs have been segmented into three key Balanced Scorecard areas; quality assurance, audit approach and recommendations.

The KPIs are listed below with a summary of performance against them for the 2019/20 financial year end audit. Some indicators will not be confirmed until nearer the date of the committee meeting.

Key Performance Indicators

Indicator	Target	Performance		Narrative
		2019	2020	
1. Quality Assurance				
Members of the core audit team (Engagement Partner and Engagement Manager) hold a CCAB qualification	100%	100%	100%	
Members of the wider audit team either hold or are working towards a CCAB qualification..	95%	100%	100%	
Members of the wider audit team that have completed CPD training on a quarterly basis.	100%	100%	100%	
Appropriate staff are made available for the purpose of discussions and meetings with University staff relevant to the work carried out, including over key risk areas of: <ul style="list-style-type: none"> •Pensions; •Tax; and •Account balances audited using Data and Analytics. 	Yes/No	yes	Yes	University tuition fees account balance audited using data analytics. LGPS tested by KPMG actuarial team.
2. Audit Approach				
Proper consultation/liaison with the University's managers should take place in the preparation and follow up of all audit reports. —Proportion of audit reports agreed in advance with management prior to issue. —Audit plan issued annually by 31 May.	100%	100%	TBC	In progress. Draft audit plan was issued on 29 th April 2020

—Audit opinion and Use of Resources conclusion issued by statutory deadline.				
Audit-day targets for individual audit assignments will not be exceeded without the express approval of the Group CFO	100%	100%	TBC	KPMG have indicated that additional days may be required and awaiting confirmation overrun.
Audit plan includes all risks required by Auditing standards, and additional risks are agreed by the Group Audit and Risk Committee.	Yes/No	Yes	Yes	
Number of independence breaches in year	0	0	0	
3. Recommendations				
The extent to which the audit report recommendations are accepted by the University as relevant and realistic to put into practice.	100%	100%	TBC	To be confirmed in audit findings report
The extent to which recommendations are successfully implemented by the University.	100%	100%	50%	Impairment – not implemented Pension assumptions – implemented All other recommendations had been implemented by the time the final management letter was issued
The extent to which audit staff follow-up the implementation of the above recommendations.	100%	100%	TBC	To be confirmed in audit findings report
Client satisfaction surveys 'good' or better –Issued annually	100%	100%	TBC	Dec 2018 score 8/10. 2019 score TBC
Number of benchmarking reports issued each year	1	2	2	HE Financial Statements Benchmarking – Oct 19 Risk Management Benchmarking – Oct 19

	CONFIDENTIAL
Paper title:	Annual Report and Accounts for year ending 31 July 2020
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group Chief Financial Officer
Purpose:	For Review
Recommendation:	It is recommended that the Committee review and recommend the Board approve the attached report and accounts.

Executive Summary

The draft report & accounts are presented here for review.

There are a few sections of the accounts that are still in draft, as listed below, and the both the team and KPMG are still reviewing the document. As discussed with other committee members, we have asked the LPFA's actuaries to produce a FRS102 valuation report using more appropriate assumptions for discount rate and salary growth, tailored to the LSBU group rather than the standard assumptions currently used in these draft accounts. Revisions to the accounts, reflecting these changes and any others that come out of the review by KPMG and the University team, will be circulated to members before the meeting of the University Board.

Outstanding matters:

- Revise pension disclosures once revised report from actuaries is received.
- Finalise Energy and Carbon Report
- Finalise annual remuneration report
- Addition of commentary on results for the year
- Formatting and page numbering

KPMG Audit and Management Letter

The audit of the accounts by KPMG is almost complete and draft audit findings are presented to this committee as a separate paper.

Recommendation

The Committee is asked to review the attached draft Report and Accounts.

This page is intentionally left blank



Report and Financial Statements

31 July 2020

Contents

Strategic report	2
<ul style="list-style-type: none">- Objects and activities- Access and Participation plan statement- Public Benefit Statement- Principal risks and uncertainties- Financial Review- Subsidiaries- Going Concern- Environmental Reporting- disclosure of information to auditors- Auditors- directors report- approval	
Statement of Board of Governors responsibilities in respect of the Strategic Report and the Financial Statements	17
Corporate governance statement	19
<ul style="list-style-type: none">- statement of Primary Responsibilities- statement of internal control	
Annual Remuneration Report	27
Independent auditors' report to the Board of Governors of London South Bank University	32
Principal accounting policies	TBC

Consolidated and University statement of comprehensive income and expenditure	35
Consolidated and University statement of changes in reserves	36
Consolidated and University balance sheets	37
Consolidated statement of cashflows	38
Notes to the accounts	44

Page

Strategic Report

This Strategic Report is that of the University and its consolidated subsidiaries, South Bank Colleges, South Bank University Enterprises Limited and SW4 Catering Ltd (The LSBU Group).

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. LSBU 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 x-x and the members of the Board of Governors during the year ended 31 July 2020 are listed on pages x and x. 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 the Office for Students (OfS). All Governors are also charitable trustees. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

Veale Wasbrough Vizards LLP
Narrow Quay House, Narrow Quay,
Bristol BS1 4QA

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

BDO LLP
Arcadia House
Maritime Walk – Ocean Village
Southampton
SO14 3TL

Bankers

until 31/10/19:
NatWest
City of London Office
1 Princes Street
London EC2R 8PA

From 1/11/19:
Barclays
Level 12
One Churchill Place
London E14 5HP

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2020 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Duncan Brown	
Mr John Cole	
Mr Michael Cutbill	
Mr Douglas Denham St Pinnock (Vice Chair)	Resigned 22 February 2020
Professor Peter Fidler CBE	
Professor Hilary McCallion CBE	
Ms Nelly Kibirige	Resigned 30 June 2020
Mr Mark Lemmon	
Dr Mee Ling Ng OBE	
Ms Nicola Martin	Appointed 1 April 2020
Mr Jeremy Parr	
Ms Rashda Rana	
Mr Tony Roberts	
Ms Harriett Tollerson	Appointed 1 July 2020
Ms Deepa Shah	
Mr Max Smith	Appointed 1 July 2020
Mr Nazene Smout	Resigned 30 June 2020
Mr Vinay Tanna	

Principal Officers:

Name	Position
Professor David Phoenix	Vice Chancellor and Chief Executive
Professor Patrick Bailey	Provost
Richard Flatman	Group Chief Financial Officer
Professor Paul Ivey	Deputy Vice Chancellor and Chief Business Officer
Deborah Johnson	Pro Vice Chancellor – Education (appointed 20 April 2020)

Nicole Louis	Chief Customer Officer
Marcelle Moncrieffe-Johnson	Chief People Officer
Fiona Morey	Executive Principal Lambeth College / Pro Vice Chancellor Compulsory and Further Education
James Stevenson	Group Secretary
Warren Turner	PVC Health and Social Care (appointed 1 st April 2020)
Professor Shân Wareing	Chief Operating Officer and Deputy Vice Chancellor (Education) (resigned 31 October 2019)

A separate Corporate Governance Statement is shown on pages 19-26.

Objectives and Activities

London South Bank University transforms lives, communities, businesses and society through applied education and insight. We were established over 125 years ago with a mission to improve social mobility for the people of south London by improving their employment opportunities and providing access to the applied knowledge that would advance their businesses. Other than an increasingly global reach, that mission remains almost unchanged today.

At the heart of LSBU Group is high quality applied professional and technical education. This is underpinned by first class academic insight – applied research and knowledge exchange, which provide valued knowledge to employers and currency to the teaching and student experience we offer.

The content and delivery of our education is based on a detailed understanding of employer expectations and built around the personal and career needs and ambitions of our educational partners – whether we call them pupils, learners, students or clients.

Our civic mission means that our work is place-based, whether that place is our home in south London, or around our international partnerships. Our courses, research and other activities are informed by our detailed understanding of local needs. Our international links provide global context.

Over the last five or so years, there have been many successes. We are recognised as a leader in professional and technical education, including in higher and degree apprenticeships. We are the leading provider in London of SME business support funded by European Union structural funds, and our business incubation programme has been recognised as second amongst all UK universities. Our global reach is increasing, with inclusion in both major international rankings, and our transnational student numbers have grown from around 100 to over 5000. We have been named Entrepreneurial University of the Year 2016, and University of the Year for Graduate Employment – twice (2017 and 2018).

LSBU Group

LSBU operates a group structure, which is born out of a recommitment to our original civic mission. It enables us to create strategies and pathways by which people of all characteristics and talents can be supported through the education system to achieve their full potential, and so contribute their skills, energies and commitment to wider society throughout their lives. LSBU Group comprises London South Bank University, South Bank Academies (a Multi Academy Trust running South Bank Engineering UTC and The University Academy of Engineering, South Bank), South Bank University Enterprises Ltd and South Bank Colleges, running Lambeth College. These organisations work to a shared mission, set of values and educational framework to achieve shared outcomes.

LSBU sponsors South Bank Academies which, whilst not consolidated in these accounts, has a close working relationship with LSBU Group and was established in accordance with its mission.

On 31 January 2019 the assets of Lambeth College transferred to South Bank Colleges, a wholly owned subsidiary of LSBU. South Bank Colleges is a medium sized General Further Education College with nearly 400 staff and over 8000 students. It offers a wide choice of industry-recognised, highly-regarded courses ranging from Entry Level and Level 1 courses that are accessible to all, regardless of past experience and education, through to Level 4 advanced qualifications.

These cover key areas of local employment including Health and Social Care, Construction and Engineering, Science, Business and Accounting, Creative Arts and Media.

The acquisition arose out of a strategic decision to create an educational group which could more broadly serve the local community and which reflects the University's long-standing commitment to transforming lives, businesses, communities and society. We continue to explore opportunities for development of the Group, including through additional further education colleges and schools, and are actively developing a new Technical College based in Vauxhall.

Mission

The mission of LSBU is to be recognised as an enterprising civic university that addresses real world challenges. In 2020, the University launched its new Corporate Strategy 2020-2025.

The strategy has four key outcomes:

- **Student success:** Ensuring we are externally recognised for providing a personalised and 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.
- **Fit for future:** Ensuring we operate as one customer-centred organisation, which is accountable, efficient and effective.

2019-20 has seen a number of important strategic developments and some positive outcomes for LSBU Group. Highlighted below are key updates and examples of our work underpinning our core corporate objectives:

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.

- LSBU has been named University of the Year for Graduate Employment for an unprecedented two years in succession (The Times and Sunday Times Good University Guide 2018 & 2019).
- LSBU's graduate prospects score is the third highest in London and fourth highest in the UK (Complete University Guide 2021).
- LSBU is in the Top 12 UK universities for graduate starting salaries at one year after graduation [Longitudinal Education Outcomes Data 2017-18] (Published 2020)
- LSBU was named in the QS list of top 150 universities under 50 years old (QS Top Universities 2019)
- LSBU is ranked 68th in the Guardian League Table of UK universities (The Guardian University League Tables 2020)
- LSBU has again featured in the Times Higher Education (THE) World University Rankings.
- LSBU was ranked 26th among UK apprenticeship training providers on Rate My Apprenticeship 2019-20.

Academic Recognition

This year, the excellent work of our academic staff has once again been recognised in research successes and other accolades.

- Professor Basu Saha was honoured with a highly prestigious Hind Rattan Award 2020, by the NRI Welfare Society of India at the 39th International Congress of NRIs. The "Hind Rattan" is one of the highest Indian diasporic awards granted to non-resident persons of Indian origin (NRIs) by the NRI Welfare Society of India.
- Gill Foster, Head of Performance Arts, won the 'Drama Inspiration Award' at the Music & Drama Education Awards 2020. The judges described Gill as "a force of nature" due to her passion and dedication to the Arts.
- Professor Shushma Patel, Director of Education and Student Experience, in the School of Engineering, was made a National Teaching Fellow by AdvanceHE in recognition of her work to improve student outcomes.

- Professor Graeme Maidment was awarded £400k funding from InnovateUK to support the development of the second Green Smart Community Integrated Energy Systems (Green SCIES 2)
- Dr Seven Harput was awarded a grant by the Royal Society to develop new ultrasound transducer technologies and selected to showcase his work in the Engineering Sciences Session of STEM for BRITAIN 2020 at the Houses of Parliament.
- Professor Simon Philbin, was appointed to serve as the 2019/20 President of the American Society for Engineering Management (ASEM).
- Professor Eddie Chaplin was awarded £100k by the Burdett Trust for Nursing for his research into Nursing Discharge Assessment for people with learning disabilities.

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.

- LSBU was given a 5* rating in the QS World Rankings 2021
- LSBU has agreed the launch of a new joint research and innovation centre with the world-renowned Building Services Research and Innovation Association (BSRIA). The BSRIA-LSBU Innovation Centre (BLIC) will support building services in the construction sector by promoting collaborative research between LSBU's School of Architecture and the Built Environment (BEA) and BSRIA.
- The University's Clarence Centre for Enterprise and Innovation has been ranked in the top 15 worldwide of university-run business incubators. (UBI Global World Rankings 2017/18).
- The Clarence Centre for Enterprise and Innovation is the University's hub for enterprise and innovation providing workspaces for more than 60 businesses that engage with in curriculum development, guest lecturing, student engagement and research projects. Over the last year our tenant community produced £100m combined income, created and safeguarded 50 jobs and raised £6.5m in finance.
- 73% of LSBU research is rated 3* and 4* for Impact (REF 2014). LSBU has commercial research partnerships with over 150 British SMEs and major companies including Sellafield, London Underground and FitFlop.
- In 2016 LSBU was named Entrepreneurial University of the Year at the Times Higher Education Awards.
- The University continues to host three research centres at TWI: the Polymeric Materials Engineering, Research and Innovation Centre (PolyMERIC); the Advanced Resin and Coating Technologies Innovation Centre (ARCTIC) and the London South Bank Innovation Centre (LSBIC).

Applied research with local and international impact:

Our internationally renowned researchers this year contributed to the understanding a number of economic and social issues.

- Dr Charles Graham has produced footfall assessments to advise the relocation decisions of 73 independent traders affected by the Elephant and Castle Shopping Centre redevelopment. In addition, The Landmark Group, who operate 30 million square feet of retail space and employ 55 thousand people in 22 countries, have adopted this same model to support a number of store location decisions across the world.
- In response to the Covid-19 crisis, Professor Nicki Martin has developed guidance on supporting autistic pupils and students to learn at home while under "lockdown". The guidance is being implemented by three local authorities and a Multi Academy Trust as well as being utilised as a thinking task for MA students at: Birmingham, Strathclyde, Sheffield, Sheffield Hallam and London South Bank Universities.
- Dr Perry Xiao has pioneered the use of Opto-thermal transient emission radiometry technology which he has successfully translated into two commercial products, AquaFlux and Epsilon, now marketed by LSBU spin-out company, Biox Systems Ltd. The number of Biox customers has increased from about 70 organizations in 2013 to more than 200 organizations in 2019, generating total sales of about £2.4m in the same period. AquaFlux and Epsilon are now being used in 21 hospitals in the UK, Europe, China, South Korea, Australia and USA.

Passmore Centre

In November 2018 the University opened the Passmore Centre for Professional and Technical Education. The Centre, made possible by a £5m grant from Southwark Council, is a hub for professional and technical education and provides access for local people and businesses to high quality apprenticeships and other forms of employer-supported study. The opening of the Centre was linked to further investment of £7m, including £3m from HEFCE, in LSBU's laboratory

facilities to enhance its professional and technical offer. Since its opening, the University now has over 1500 higher and degree apprentices enrolled on over 40 apprenticeship standards, making us one of the leading providers in the country.

LSBU's Clarence Centre for Research and Enterprise

LSBU is home to over 70 small businesses, start-ups and entrepreneurs, based across three sites: Technopark, Blackwells and the Clarence Centre for Enterprise and Innovation. In 2017/18 the Clarence was ranked 2nd in the UK, 4th in Europe and 15th globally for innovative business development in the UBI's Global 2018 world rankings. Over the last year our tenant community produced £100m combined income, created and safeguarded 50 jobs and raised £6.5m in finance.

Mayor's Construction Academy Hub

In 2019 LSBU was awarded the London Mayor's Construction Academy Quality Mark. The University was then selected as the only higher education institution in the capital to lead and host a skills training and employment hub under the programme. LSBU's new construction skills hub is one of seven within London and is the product of a collaboration between LSBU and Southwark, Lambeth and Lewisham Councils. Since its opening, the MCA-LSBU hub has engaged with 764 employers and provided more than 2529 independent advice and guidance sessions.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed. LSBU is ranked in the top 200 universities in the world for Social Impact and 23rd in the world for reducing inequality (Times Higher Education Impact Rankings 2020)

ERDF (European Structural Funds) Start-up and SME programmes

LSBU is the leading HE provider of ERDF funded business and innovation support programmes in London. LSBU is currently delivering 7 programmes covering a range of sectors from health tech to food tech. Through these programmes over the next 3 years we aim to support over 1500 SMEs, create 140 jobs, bring over 250 new products/services to firms/markets and create over 170 long term collaborations with innovative SMEs.

Local Stakeholders

LSBU plays a key role in the community, working closely with borough councils, schools, businesses and other organisations to provide local residents and employers with the education, skills and knowledge they need. LSBU also supports its local communities across many other areas including health and wellbeing, legal advice, business growth and secondary education.

In 2019 LSBU signed an agreement with London Borough of Lewisham for the first time, signifying continued collaboration over the coming years. In 2020 the University renewed its Memorandums of Understanding with the London Boroughs of Lambeth and Southwark, reflecting the long-term collaborative relationship enjoyed with these institutions. This approach to civic engagement is being further embedded within the institution with one of the four strands in the University's 2020-2025 Strategy being dedicated to Civic Impact.

International

LSBU's collaboration with the British University in Egypt (BUE) offers an exemplar for transnational education partnerships in practice. As the largest collaboration in the MENA region, the University validates 24 undergraduate and postgraduate courses for over 4,500 students. LSBU also has joint supervisions for PhD students, engages in shared research activities, and has developed a range of Study Abroad and Summer School opportunities enabling student mobility in both directions.

LSBU's world-leading Confucius Institute delivers Chinese language teaching to over 60 schools, conducting education, research and business engagement with Chinese universities and institutions and acting as a hub of cultural and academic activities. It is the largest Confucius Institute in the world, and one of the largest Chinese language testing centres in Europe. In 2019/20, 13,251 students directly benefitted from Mandarin language and Chinese culture lessons. Between 2017/18 and 2019/20, the CI has also provided 161 Chinese Cultural performances; 52 workshops, attended by over 25,000 people; and four art exhibitions attended by over 300 people.

Fit for Future

The University is making targeted investments into our staff and both virtual and physical infrastructure and processes, helping to ensure we operate as one customer-centred organisation, which is accountable, efficient and effective.

- In April 2020 the University was awarded an Athena SWAN Bronze Charter, by professional membership body Advance HE, for achieving a strong foundation in addressing gender bias and developing an inclusive culture that values all staff within the University.

- The University was accredited as a Mayor of London’s Good Work Standard Employer, the first UK University to receive this accreditation.
- We’ve seen our gender pay gap steadily reduce from 13.25% in 2009 to 5.2% in 2018/19 – significantly outperforming the higher education sector as a whole.

LEAP

As a key enabler for LSBU’s 2020-25 Strategic Plan, LEAP impacts all of the University’s operational strategies to a greater or lesser degree. It is into its second year of a 5 year transformation programme. A revised business case for the programme was signed off by the Board of Governors in May 2020. At its heart is the desire to create a distinctive student experience underpinned by transformation in technology, processes and ways of working as an organisation. The University has agreed to lead on the deployment of an enterprise Customer Relationship Management System, and to supplement this with an upgrade to the University’s Student Record System. Work to date has been about discovery and design, and it is anticipated technical build will begin in late summer 2020.

We expect LEAP to improve student recruitment, retention and achievement, and to positively affect National Student Survey results, notably in the areas of course organisation and management and academic support, enabling LSBU’s journey towards TEF Gold and further league table position improvements.

LEAP is collaborative and designed by LSBU staff and students to ensure that what we deliver is right for LSBU.

Campus Development

The University is undertaking an ambitious redevelopment plan to positively transform the campus for everyone who uses it. Upon completion in summer 2021, the renovated London Road building will become a new Learning Hub including a Library and Learning Resources space, space for group work, quiet space, open access computer rooms, bookable study rooms with AV, small group work rooms and a reconfigured Academy of Sport and catering facilities. The building will also provide a new cycle park with changing, locker and shower facilities.

Vauxhall Technical College

As part of the University’s ambitions to create new pathways into higher technical qualifications for local residents, we have developed plans to create a new Technical College in Vauxhall. Financial support for the project has been secured from the GLA’s Skills for Londoners Capital Fund.

External Environment

Over the last 5 years, the period of our 2015-20 corporate strategy, the educational and political environment has changed rapidly and much of the effect is still to be felt fully. The Higher Education Act 2018 made substantial changes, including opening the door to a wider range of education providers. The longstanding higher education funding council (HEFCE) was replaced by a new regulator (the Office for Students), whilst research funding has been transferred to a separate body (UKRI), threatening links between teaching, research and enterprise. Now, following the Review of Post-18 Education (known as the “Augar Review”) further and higher education funding and structures may well be reviewed again.

As we prepare to embark on our 2020-25 corporate strategy, these changes are potentially dwarfed by the impact of Brexit and the COVID-19 pandemic. These and their economic, social and political ramifications are likely to destabilise the higher education sector very significantly. At this time however, there is also greater recognition of the value and vulnerabilities of those sectors of society and employment to which LSBU Group contributes very substantially, particularly around health and social care. There has also been a growing acknowledgment of the importance of professional and technical education, as evidenced by developments such as the Apprenticeship Levy, T-Levels, the review of Levels 4 and 5 education and recognition of the need to invest in further education. This provides a great opportunity to promote our work and our strengths, which are increasingly recognised. However, the pandemic also requires that we improve our online provision both for education services and for student support activities. Leap has already met some of the requirements for better online support for our non-academic interactions.

Through this next period of change there will be many challenges; but there will doubtless also be opportunities. We will need to evolve to ensure that what we do is aligned with the rapidly changing environment, whilst continuing to differentiate ourselves through providing a high quality and truly applied academic environment linked to employers. We will continue to strive to be globally recognised whilst continuing to be locally embedded – to be and to be seen to be an enterprising civic university that addresses real world challenges – a university that truly transforms lives, communities and business.

As LSBU’s current 5 year strategy comes to an end, we have prepared a new strategy for 2020-2025. This builds on the strong foundations of the previous strategy, whilst evolving to make the most of the opportunities our new group offers to set even more ambitious objectives and create even greater benefits for all our stakeholders.

This strategy comprises the same three shared educational outcomes as our 2015-2020 strategy: Access to Opportunity, Student Success, and Real World Impact. These are supported by a new outcome, Fit for the Future, which highlights the need for us to adapt to the digital world, our new organisational structure and changing stakeholder expectations.

LSBU: Access and Participation Plan statement 2019-20

As part of LSBU’s registration with the Office for Students in September 2018, an Access and Participation Plan for the 2019-20 academic year was approved by the OfS and made publicly available by LSBU on our website: <https://www.lsbu.ac.uk/about-us/policies-regulations-procedures> (file held [here](#)).

In the plan, we assessed our performance across access, student success, and progression, set out our ambition and strategy, and outlined our intended activity and measures supported by an investment summary which demonstrated our commitment to our overarching mission of social mobility.

As set out later in the financial accounts, we spent a total of £4,396,183 across the 2019-20 academic year across four categories: access investment, financial support provided to students, support for disabled students, and research and evaluation. This figure both meets and exceeds the commitment we set out in our investment summary: we had projected a total spend of £3,581,200. Our actual investment in access activity exceeds our Access and Participation Plan commitment by over £0.8 million.

During 2020, LSBU joined the world in responding to the Covid-19 pandemic. We were keenly aware of the disproportionate direct and indirect impact coronavirus was having on many of the student groups already identified as facing disadvantage. We rapidly responded with an increased package of targeted emotional, safety, practical, study, and financial support, considering the needs of students most vulnerable to the effects of the pandemic. For example, the direct financial support distributed to students within the 2019-20 academic year was £446,320, an increase of 123% more than our intended investment.

The total investment has supported the delivery of our plan this year across both general and targeted access, success and progression activity, including active research to eliminate the race awarding gap through our What Works programme, widening participation and outreach, specialist support services, an expanded mental health team, enhanced transition and study skills, financial student support, care experienced and estranged student support and commitment to the StandAlone pledge.

LSBU: Access and Participation Plan investment summary 2019-20

Access and participation plan investment summary (£)	Actual spend: Academic year 2019-20
Access investment (access, success, progression)	£3,671,237
Financial support provided to students	£446,320
Support for disabled students	£250,990
Research and evaluation	£27,636
Total investment	£4,396,183

(Investment plan from 2019-20 Access and Participation Plan)

<i>Access and participation plan investment summary (£)</i>	<i>Investment plan: Academic year 2019-20</i>
<i>Access investment</i>	<i>£1,288,000</i>
<i>Success investment</i>	<i>£1,431,900</i>
<i>Progression investment</i>	<i>£661,300</i>

<i>Investment in financial support</i>	<i>£200,000</i>
<i>Total planned investment</i>	<i>£3,581,200</i>

London South Bank University (charity) Public Benefit statement

LSBU is an exempt charity within the meaning of the Charities Act 2011. Its principal regulator is the Office for Students (OfS). On 18 September 2018 LSBU was entered into the register of English higher education providers.

The accounts of South Bank Colleges (SBC), an exempt charity within the meaning of the Charities Act 2011, form part of these accounts. Further details on how SBC meets its public benefit obligations are set out in SBC's own accounts.

Charity Commission Guidance on Public Benefit

The members of the Board of Governors are the charitable trustees of LSBU. 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 LSBU, 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
- provide facilities to promote these objects and provide associated support and welfare for students.

LSBU's objects are applied solely for the public benefit, as follows.

LSBU 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, 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.

LSBU promotes research and the dissemination of knowledge by:

- undertaking academic research and publishing the results;
- publishing articles in peer-reviewed journals;
- maintaining an online and physical academic library with access for students, staff and guests;

LSBU provides 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
- 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; and
- providing funds to London South Bank University Students' Union (LSBUSU).

Beneficiaries

In carrying out its objects, LSBU benefits its students and future students through teaching and learning activities either directly or through the support of its subsidiaries (SBA and SBC). LSBU also 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 LSBU are open to anyone whom it believes has the potential to succeed. Throughout its history, LSBU has enabled wider access to education. Its 2020-2025 Strategy, sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; access to opportunity. The fourth key area; fit for the future, recognises the need for LSBU to adapt to the digital world, its new organisational structure and changing stakeholder expectations.

Like other universities, LSBU must charge tuition fees. However, tuition fee and maintenance loans are available to home 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 £862,387 on 31 July 2020 (31 July 2019: £854,880). The funds are managed with the aim of securing capital growth and an annual income. In 2019/20 the income received was £16,192 (2018/19: £30,910). The income is allocated for distribution by the University’s Hardship Panel to students in financial difficulty.

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 2017 (the last available year of DLHE data), 87.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2017 – 18).

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2014, with the majority of its research graded as “Internationally Excellent” and “Recognised Internationally”. LSBU is committed to Open Access, sharing scholarly works with industry, the professions and wider public through LSBU Research Open and providing an Open Access Fund to pay Open Access publication costs.

LSBU is London’s largest university contributor to community-based enterprise, evidenced by involvement in some £15m of ERDF and ESF projects. In addition, the University is in the top two of all London universities for the number of Knowledge Transfer Partnerships run with local businesses and enterprises. The commitment to local enterprise education and SME development is recognised internationally, from working with refugee groups across south London to operating commercially in Borough Market.

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 in the short and medium term, considering external factors in the main, and the associated mitigation strategies are as follows:

Risk	Mitigations
OfS Thresholds not met in relation to Condition of Registration B3	<ul style="list-style-type: none"> • Monitoring of performance against OfS thresholds in relation to condition B3
Sustainability of current pension schemes	<ul style="list-style-type: none"> • Regular review and consideration of potential options for future provision, including the modelling/ scenario analysis of future costs and projected movements in assets & liabilities • Group defined contribution scheme established • Strict controls over early access to pensions
Impact of Govt. Education Review on HE funding	<ul style="list-style-type: none"> • Strategic direction in relation to professional and technical curriculum • Development of Group and increasing apprenticeship provision

Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets	<ul style="list-style-type: none"> • Weekly review of numbers by Marketing, Admissions & Communications leadership team • Monthly review of Admissions & Enrolments report • Monthly review of financial forecasts and prudent assumptions included in forecasts of assumed efficiency savings
Anticipated international & EU student revenue unrealised	<ul style="list-style-type: none"> • Monthly review of Admissions & Enrolments report • Monthly review of financial forecasts and prudent assumptions included in forecasts of assumed efficiency savings
Affordability of Capital Expenditure investment plans	<ul style="list-style-type: none"> • Capex reporting embedded into management accounts provided to Finance, Planning and Resources Committee • Estates project methodology controls & governance • Financial Regulations require Board approval for spend greater than £2m
Progression rates don't increase	<ul style="list-style-type: none"> • Data analysis to academic staff including progression • Study support provided by Library & Learning Resource Centre • Transform student experience through LEAP
Unable to deliver recovery plan from Covid-19	<ul style="list-style-type: none"> • Regular monitoring of covid-19 recovery plan and progress against it • Cost control measures
Impact of assurance activity & new initiatives fails to address issues around student experience	<ul style="list-style-type: none"> • LEAP programme, review of student experience from prospect to Alumni • NSS project, evaluating approach to the improvement of the student experience
Alignment of estate with sector requirements across the Group	<ul style="list-style-type: none"> • Group wide estates strategy, aligned with professional and technical curriculum needs • Creation of Employer Advisory Board, to ensure facilities in line with sector/industry standards
Capability to respond to change in policy or competitive landscape	<ul style="list-style-type: none"> • Development of the 2025 strategy, with input sought from multiple stakeholders • Regular performance assessment in sector context
Financial Impact of Covid-19 (student refunds/accommodation)	<ul style="list-style-type: none"> • Regular review of financial impact of covid-19 • Cost control measures, if required
League table rank deterioration / reputational impact	<ul style="list-style-type: none"> • Review process of external returns, contributing to league table performance • Projects relating to core league table measures of national student survey and graduate outcomes

Financial Review

Ralph to provide

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 £xm in gift aid to the University (2019: £0.1m).

South Bank Colleges acquired the assets of Lambeth College on 31 January 2019. The College delivers a wide range of courses and apprenticeships that open doors to career opportunities and further study.

SW4 Catering is a wholly owned subsidiary of South Bank Colleges.

Going Concern

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

Cash flow forecasts have been prepared for a period of 4 years from the date of approval of these financial statements. The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due and monitors and reports cashflow balances and covenant compliance on a regular basis. Cash balances and bank deposits at 31/7/20 were £52.1m and are forecast to decrease to £28.5m by 31/7/21 as the Group continues to deliver its current capital programme. A £30m revolving credit facility has been established to provide sufficient cashflow to meet the Group’s ongoing capital investment programme and working capital requirements. Drawdown against this facility is forecast to begin in 2021/22. Current borrowing facilities are considered adequate to meet current operational plans.

A £2m budget surplus has been approved for 2020/21, and cashflow from operations of £14.7m is forecast, reflecting the need for continued financial control whilst maintaining appropriate levels of investment to drive the necessary corporate strategic outcomes. At this early stage of the year, whilst accepting that there may be variations on individual budget lines, we are not moving away from agreed budget outcomes although Covid continues to present challenges and risks to delivery. Recruitment and re-enrolment are both looking positive although we will continue to monitor the position carefully over the next few months. Semester 2 recruitment is also looking strong.

As is always the case, a comprehensive mid-year budget review is planned during the first semester of 2020/21. This will look closely at recruitment, re-enrolment and associated income forecasts. The Group is also undertaking an assessment of organisational shape, showing where investment and efficiency savings are required.

We will continue to monitor the position carefully over the next few months. The principal risks to successful financial delivery in 2020/21 remain Covid related including recruitment, withdrawals, and halls fee income levels. We remain committed to providing a blended learning environment and a rich student experience notwithstanding the Covid challenges.

After reviewing these forecasts, the Board of Governors is of the opinion that it will be able to manage and respond effectively to the severe but plausible downside related to the impact of COVID-19. Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

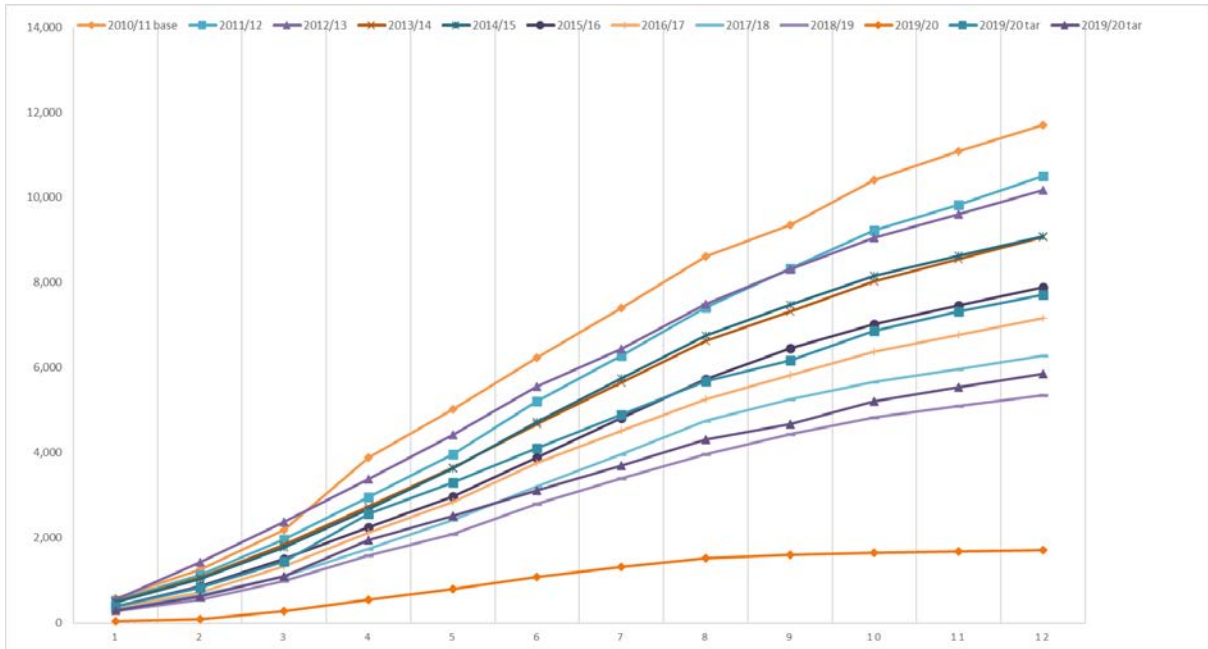
Energy and Carbon Report

LSBU is dedicated to protecting our planet and society. We promise to become a university of the future – one that is conscious, one that is responsible and one that is sustainable. LSBU is committed to embedding sustainability cost effectively into all its activities, including management of carbon emissions.

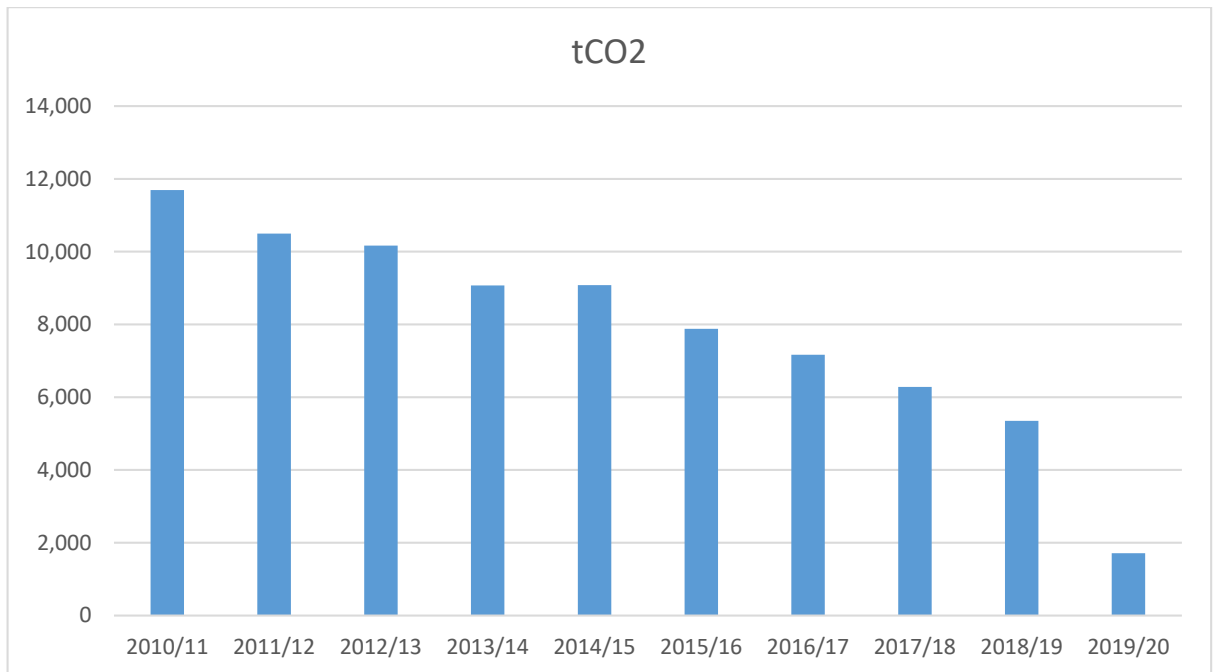
The data below relates to periods from 1st August – 31st July

	2010 Baseline	2019/20	2018/19
Electricity Consumption		12,438,493 KWhr	10,044,742 KWhr
Gas Consumption		9,025,689 KWhr	10,039,318 KWhr
Carbon Emissions (without REGO)		5,352 tCO ²	4,227 tCO ²

Carbon Emissions (with REGO)	11,694 tCO ²	1,711 tCO ²	5,352 tCO ²
Intensities	0.079 tCO ² /m ²	0.011 tCO ² /m ²	0.036 tCO ² /m ²



CRC 18/19 final (based on April reporting timeframe) **5,752 tCO²**



During, 2019/20, LSBU entered into a Renewable Electricity contract (REGO) which allows The University to report zero carbon emissions for electricity consumption. Total calculated carbon emissions (scope 1 & 2) relating to above energy showing REGO are also shown.

Reference to baseline relates to that agreed with HEFCE and is based upon 2010 data and calculated carbon emissions. The agreed HEFCE target at that time was for LSBU to reduce its scope 1 & 2 emissions by 34% by 2020. This was revised in 2017 to 50% reduction. Current position with REGO is a reduction of 85%.

Purchased goods and services – We have worked with our suppliers of plastic packaging to reduce the mass of plastic required and this has resulted in the reported reduction in emissions.

Business travel – Tighter departmental budgets and improvements in remote meeting technology have led to a reduction in business travel expenditure. The carbon emissions total for 2019-20 was considerably less than the previous financial year but then this would mainly be as a consequence of less travel being booked for that period; 6,721,788 km (2018/19) vs 2,582,513 km (2019/20).

Employee commuting – Car parking is no longer provided to staff and there has been an increase in cycling and walking to work.

The University has a commitment to construct any new build to Building Research Establishment Environmental Assessment Method (BREEAM) rating Excellent and any major refurbishment to BREEAM rating Good. Our ZONES learning environment transformation programme aims for BREEAM rating Very Good. It will include improved insulation, utilising natural light and space for bicycle storage. Our contractors are committed to purchasing products from responsible sources with limited environmental impact, to reducing construction related impacts such as noise, dust and odours, procuring 100% FSC/PEFC sustainable materials, reducing dependency on natural resources such as energy and water, reducing construction waste and preserving and enhancing the local biodiversity.

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 Board of Governors 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 University's 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

15

Statement of Board of Governors responsibilities in respect of the Strategic Report and the Financial Statements

The Board of Governors is responsible for preparing the Strategic Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law the directors 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 group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and 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;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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;

funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;

there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and

economical, efficient and effective management of the university's resources and expenditure is secured.

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 UK 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
19 November 2020

Corporate governance Statement

The following statement is given to assist readers of the accounts in understanding the governance and legal structure of the University. The accounts of South Bank Colleges (SBC) and South Bank University Enterprises Ltd form part of these accounts (South Bank Academies is also within the LSBU Group but is not consolidated). Further details on the corporate governance arrangements of these companies is included in their own accounts.

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

- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006
- The CUC Higher Education Code of Governance
- The Higher Education Senior Staff Remuneration Code
- The Office for Students (OfS) Terms and conditions of funding for higher education institutions and the Audit Code of Practice (March 2018)
- The OfS Public Interest Governance Principles
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care
- The University's Articles of Association and standing orders
- The seven principles of standards in public life
- Other legislative requirements of corporate and Higher Education bodies

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 Public Interest Governance Principles

The University demonstrated its compliance with the OfS's Public Interest Governance principles when registering with the OfS and they continue to be upheld by LSBU through the current governance structures reported in this section and the university's relevant published policies.

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.

[A revised Code of Governance was published by the CUC on 16 September 2020. The University will review the revised code in detail, but is confident that it remains compliant.]

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. The schedule has been updated to reflect the new group structure of LSBU.

During the year, the Board met five times (five times in 2018/19). In addition, the Board held two strategy days (two in 2018/19) 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 a 92% (2018/19: 82%) attendance rate at Board meetings.

Due to the national coronavirus pandemic, Board and committee meetings have been taking place online via MS Teams since March 2020. Attendance at these virtual meetings has remained high and governors have continued to engage well with discussion.

During August and September 2020 two additional meetings of the Group Audit and Risk Committee were held in order to examine the measures taken to enable the LSBU campus to safely re-open and the processes relating to quality assurance and academic delivery for semester one 2020/21.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page [•] (1.2). The Board receives an annual reminder on Charity Commission guidance (most recently, 15 October 2020). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS 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).

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 and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (3.6). Four reportable events were reported (including the South Bank Colleges estates strategy and the Croydon Campus project), and no material adverse changes were reported to the OfS 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 financial 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, management accounts and five year forecasts (3.3). Overall financial control is delegated to the Group Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required (3.9).

Academic governance

The Board has oversight of academic governance across the institution, receiving an annual assurance report from the Academic Board.

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 (6.3). In addition, the Board held an EDI workshop with an external facilitator during the year.

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). During 2018/19, a recruitment firm that specialises in equality and diversity was used to recruit five new governors, which has helped improve the diversity of the Board. A similar exercise will be undertaken during Winter 2020/21 to recruit a minimum of two new governors, and the recruitment firm used in 2018/19 has been re-appointed.

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 (5). 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). All members of the Board have access to the services of the Clerk. The appointment or removal of the Clerk is a matter for the Board as a whole under the Articles (7.9).

Following the publication of the OfS Public Interest Governance Principles in 2018, all governors have confirmed that they meet the 'fit and proper' definitions as set out by the OfS.

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
- Group Audit and Risk Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee
- Remuneration Committee
- Honorary Awards Joint Committee

The Nomination committee is responsible for recruiting 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, experience and diversity of independent governors is kept continually under review by the Nomination Committee.

Membership of the Group Audit and Risk Committee is between three and four independent governors (3.12), and a co-opted external member. Following OfS requirements, the committee produces an annual report for the Board, which gives an annual opinion on risk management, control and governance; economy, efficiency and effectiveness; and management and quality assurance of data submitted to external bodies, (3.4, 3.5). The committee reviews the effectiveness of the systems of control in place across the institution. The committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10). The committee receives assurance annually from the external auditor that public funds have been spent appropriately.

The Finance, Planning and Resources Committee provides for the Board in-depth review of the University's in-year financial performance, financial position including cashflow, the performance against the corporate strategy, treasury management and the proposed annual budget. The committee also reviews student recruitment and retention figures, the implications of the Group strategy for human and physical resources, and receives oversight of the value added by Group entities. Membership of the Finance, Planning and Resources Committee is up to five independent governors including the Chair of the Board, plus the Vice Chancellor, one student governor and one staff governor.

The Major Projects and Investment Committee is authorised by the Board to approve investment decisions within authorisation levels as set out in the Financial Regulations. The committee also reviews investment decisions above its level of authority and recommends approval to the Board. In addition, the Major Projects and Investment Committee reviews 'master plans' for estate and infrastructure and monitors the delivery of major projects. Membership consists of up to five independent governors including the Chair of the Board, the Vice Chancellor, one student governor and one staff governor.

There is a Remuneration Committee which decides the remuneration of senior executives, including 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 Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.). Further details on the work of the committee are included in the annual remuneration report below (at pages **x to x**).

The Honorary Joint Awards Committee is a joint committee with the Academic Board. It has delegated authority from the Board of Governors to select recipients for the conferment of an honorary degree or an honorary fellowship based on procedures and criteria as approved by the Academic Board. Its membership comprises independent governors, and staff and student governors who are also members of the Academic Board.

Governance effectiveness review

During 2018/19, the Board completed a full effectiveness review which was reported to the July 2019 Board meeting (the previous review was conducted in 2015 in line with 7.12 of the CUC Code). Following this review no major changes to the Board's structure were proposed. The review was undertaken internally but was quality assured by PwC (7.11), who concluded that they "did not identify any issues with the way in which the process was run by the governance team. We are comfortable that the process was free of bias and was conducted appropriately".

The main recommendations arising out of the review are:

1. to review both assurance and reporting from the Academic Board to the Board to enable greater visibility of the work done by the Academic Board;
2. that agendas for Board meetings and Strategy Days provide greater focus on strategic discussions and a reduction of operational papers; and
3. continued focus on finalising 'Group' governance arrangements and structure and for the Board of Governors to be assured of its responsibilities and potential liabilities in relation to it.

An action plan was developed following the review, and the Board continues to monitor progress against the plan. Work has been undertaken to address the main recommendations:

1. The new Pro Vice Chancellor (Education) is now in post. The Governance Team is working closely with the PVC (Education) and the Provost to improve processes for assurance and reporting from the Academic Board, particularly with regard to OfS conditions B1-B6.
2. The structure of Board and committee agendas has been reviewed to provide greater focus on strategic discussions. Workshops on writing effective papers have been provided for Executive members and senior managers to enable them to provide papers with a greater focus on strategic matters.
3. The committee terms of reference have been revised to address the new Group structure. The Standing Orders and Statement of Primary Responsibilities were updated during 2020 to clarify Group governance arrangements.

LSBU Group

With the creation of the LSBU Group in 2018/19, group governance structures are being developed. Both South Bank Academies and South Bank Colleges have their own Boards of Trustees who are responsible for the success of their companies. The LSBU Board continues to oversee LSBU but also has oversight of the value that both SBA and SBC bring to the LSBU Group.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Michael Cutbill (from 1 March 2020) Douglas Denham St Pinnock (until 22 February 2020)
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Group Audit and Risk Committee	Duncan Brown
Chair of Finance, Planning and Resources Committee	Michael Cutbill
Chair of Major Projects and Investment Committee	Rashda Rana (from 27 February 2020) Douglas Denham St Pinnock (until 22 February 2020)
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Jeremy Parr
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

(based on the CUC Guide for Members of Higher Education Governing Bodies in the UK)

1. To set and agree the mission, strategic vision and values of the university with the Executive.
2. To review the overall performance and alignment to LSBU's mission and charitable objectives of each of South Bank Colleges, South Bank Academies and South Bank University Enterprises Ltd.
3. To agree long-term academic and business plans and key performance indicators and ensure that these meet the interests of stakeholders, especially staff, students and alumni.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the university against the strategy, plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To delegate authority to the Vice Chancellor for the academic, corporate, financial, estate and human resource management of the university, 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 Vice Chancellor.
6. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment, value for money arrangements and procedures for handling internal grievances and managing conflicts of interest.
7. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
8. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
9. To safeguard the good name and values of the university.
10. To appoint the Vice Chancellor as Chief Executive and to put in place suitable arrangements for monitoring their performance.
11. To appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the university, there is an appropriate separation in the lines of accountability.
12. To be the employing authority for all staff in the university and to be accountable for ensuring that an appropriate human resources strategy is established.
13. To be the principal financial and business authority of the university, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall accountability for the university's assets, property and estate.
14. To be the university's legal authority and, as such, to ensure systems are in place for meeting all the university's legal obligations, including those arising from contracts and other legal commitments made in the university's name. This includes accountability for health, safety and security and for equality, diversity and inclusion.
15. To receive assurance that adequate provision has been made for the general welfare of students.
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the university.
17. To ensure that the university's constitution is always followed, and that appropriate advice is available to enable this to happen.

18. To promote a culture which supports inclusivity and diversity across the university.
19. To maintain and protect the principles of academic freedom and freedom of speech legislation.
20. To ensure that all students and staff have opportunities to engage with the governance and management of the university.

Annual Remuneration Report

Introduction

This remuneration report sets out the University's approach to determining senior pay and outlines performance and reward during the year.

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page 2-3.

The Board has adopted the CUC Remuneration Code and approved a senior remuneration policy.

Full details of the senior pay policies referred to in this report are available on the LSBU website.

Terms of Reference

The Remuneration Committee's Terms of Reference are available [online](#).

Committee Membership 2019/20

The members of the committee for the year 2019/20 were Jeremy Parr (Committee Chair), Jerry Cope (Chair of the Board), Michael Cutbill and Mee Ling Ng. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2019/20

The committee met twice in the 2019/20 academic year.

- 21 November 2019
- 30 June 2020

The committee also met on 3 November 2020 to consider Senior Executive performance and remuneration for 2019/20.

Approach to remuneration of all staff in 2019/20 and for 1 August 2020 onward

LSBU is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as the leading Modern University in London. This requires the provision of high quality teaching and support to its students, at home and overseas, enabling them to face the real world confidently and successfully. The teaching environment will be underpinned by input from employers and will have a strong focus on Enterprise and applied Research.

To achieve this objective, LSBU needs to attract, retain and motivate a strong calibre of leaders with competitive remuneration packages, within both a London and international labour market. However, the approach to senior remuneration must be framed within a context that all LSBU employees are, and feel, remunerated fairly for their roles and responsibilities and enthusiasm for the success of the University.

At LSBU, we create an environment which attracts and fosters the very best staff, and in which all staff, whatever their role, feel valued and proud of the University and take appropriate responsibility for its development. Embracing and integrating equality and diversity and inclusion is fundamental to our success and growth as an institution of higher education.

Senior Remuneration

In setting senior remuneration, LSBU has adopted the CUC Higher Education Senior Staff Remuneration Code (2018).

LSBU's Senior Remuneration Policy (agreed by the Board in October 2018) sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves above the median expected for the role;
- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the VC's base salary and total remuneration to the median earnings of the Institution as a whole, both absolute and the change from the previous years.
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 8% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

Benchmarking

The committee has agreed that based on the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators would normally be taken into consideration when setting and reviewing the Vice Chancellor's salary:

- Institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%);

- London modern universities; and
- Other universities with a group structure or similar complexity of structure or regulatory framework [being reviewed ahead of RemCo of 3 November 2020].

However, in the light of the general approach to freezing pay across the sector, and followed by LSBU, a full benchmarking exercise was not relevant in setting pay from 1 August 2020.

Other senior executive pay will also normally be independently benchmarked every three years. The last review of relevant benchmarking was undertaken by Korn Ferry in November 2018.

The Hay Group Guide Chart Profile Method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

Institutional performance, 2019/20

The Board monitors the performance of the University through the agreed key performance indicators. As set out in the *Strategic Report*, the University performed well in terms of both financial and many strategic outcomes.

Institutional performance including areas measured by the key performance indicators plus individual objectives are reviewed as part of individual Senior Executives' appraisals and are overseen by the Remuneration Committee.

Vice Chancellor performance, 2019/20

This assessment of Vice Chancellor performance is for academic year 2019/2020. The bonus awarded based on performance for academic year 2019/20 will be paid in financial year 2020/21 and appear in next year's accounts.

The Vice Chancellor's performance was reviewed by the Chair of the Board as part of the appraisal process, looking at key results both against key KPIs for the University, which the Vice Chancellor oversees, and against the specific personal objectives (marked *) set for the Vice Chancellor by the Remuneration Committee:

- *The financial stability of the organisation has been ensured and the diversity of income streams has been increased;
- Strong and robust plans have been made and implemented to maintain student learning whilst maintaining high standards of safety across all parts of the LSBU Group;
- Recruitment in 2020, has held up or increased, thanks to the growing reputation of the University, except in the areas of overseas and part-time students, sectors badly affected in LSBU and elsewhere by the pandemic (in these latter areas steps are being taken to increase activity in year);
- Progression rates at the University were significantly above target;
- *Institutional reputation across the Group has improved but disappointingly specific League table rankings for the University have decreased primarily following a change in the measurement in the Sector of student outcomes, but also impacted by a relative drop in National Student Survey scores ;
- Good progress both financially and in terms of student outcomes continues to be made at Lambeth College, a key element of the family of educational institutions' strategy, has been completed;
- Costs have been controlled carefully, but with investment in key strategic areas;
- *The staff engagement score again improved, this year by a considerable 7%, at a time of significant change and disruption;
- *Progress has been made on a number of major improvement projects;

- An exciting new Group strategy building on the growing family of educational institutions vision has been approved by the Board; and
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders.

So in summary LSBU has generally made good progress this year, both in terms of handling the considerable short-term pressures but also in moving forward strategically, all at a particularly complex and challenging time. The Group is well placed to thrive in a potentially tough environment going forward, The Board continues to recognise the importance of maintaining a strong and determined leadership team across all areas of activity.

During the year under review, the Vice Chancellor was awarded a bonus of £xx [to be determined at the remuneration committee meeting of 3 November 2020] for individual performance (a bonus of £20k was awarded for performance in 2018/19) and a bonus of £xx [to be determined at the remuneration committee meeting of 3 November 2020] for team performance.

Performance related pay, 2019/20 and 2020/21

Under the Senior Remuneration Policy, for 2019/20, the Vice Chancellor and Senior Executives were eligible for a bonus of up to 10% of salary and for a team bonus of up to 8% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University [met its overall financial target – tbc] and [xx – tbc] members of the executive were eligible to receive an individual bonus and a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved [xx – tbc] individual (including the Vice Chancellor) bonuses and a team bonus (of xx%) together totalling £xxxk (for 2018/19 performance, eight individual bonuses and a team bonus were awarded totalling £136k).

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Bonuses for performance during 2019/20 will be determined in November 2020 (xx bonuses were awarded totalling £xxxk in 2019/20 for performance during 2018/19 – HR to provide).

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2019/20 with a comparison to 2019/20. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2019–20	2018–19
	£'000	£'000
Salary	238	234
Performance related pay	30	19
Taxable benefits	1	10
Accommodation allowance	10	0
Subtotal	279	263

Pension scheme contributions or payments in lieu of pension contributions	35	34
Total	314	297

In August 2019, the Vice Chancellor paid back a loan of £350k in full to the University (full details of the loan are included in note 8(c)). From August 2019, the Remuneration Committee agreed a central London accommodation allowance of £10,000.

For the current year, the Vice Chancellor has been awarded a pay increase of [xx% - tbc at remuneration committee meeting of 3 November 2020], in line with the average annual pay rise for all employees.

Pay Multiple

The Vice Chancellor's basic salary is 6.23 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.94 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The pay multiple has remained in line with that of previous years.

Year	Ratio – basic salary	Ratio – total remuneration
2019/20	6.23	6.94
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU ratios compare to the average sector ratio of 7.8 for basic pay and 8.2 for total remuneration (based on OfS data for 2017/18).

External appointments, expenses and severance

LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor (and in the case of the Vice Chancellor by the Chair of the Board). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2019/20, the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

LSBU's Expense policy is available online. It applies to all staff including Senior Executives.

In 2019/20, the Vice Chancellor's expenses totalled [£xxk –]. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £298 were booked through the University's central travel buying team for the Vice Chancellor.

The Remuneration Committee has approved a policy on severance arrangements.

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 2020 which comprise the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the principal accounting policies in note one.

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 2020, 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 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students; 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

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of

reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Review and the Report of the 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 Review Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have 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 [X], 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 by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

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;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 8b has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 1 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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 paragraph 18(1) of the Articles of Association. 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

[Date]

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 Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Group, its cashflows, liquidity position and borrowing facilities. The Board is satisfied that the University has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 15 of these financial statements. 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 financial statements incorporate the financial statements of London South Bank University and its subsidiary undertakings; South Bank University Enterprises Limited (SBUEL), South Bank Colleges and SW4 Catering Limited.

The University sponsors South Bank Academies, which operates the University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC . 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. If South Bank Academies were to become insolvent, 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 Statement of Comprehensive 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 Statement of Comprehensive 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 Statement of Comprehensive 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 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 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.

Donations and endowments with donor imposed restrictions are recognised within the 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 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 financial statements 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 its fair value and its value in use, is estimated in order to determine the extent of the impairment loss.

Investments

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

Endowment Asset Investments are included in the Balance sheet at 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.

South Bank Colleges is considered to pass the test set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, South Bank Colleges is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax 2010 or Section 256 of the Taxation of Chargeable Gains Acts 1992, to the extent that such income or gains are applied exclusively to charitable purposes. It is partially exempt in respect of Value Added Tax, so it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Judgements and estimates

Material 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 financial statements 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 London Pension Fund Authority Pension Fund (LPFAPF) 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 a 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.

A determination whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

As of 1st February 2019 South Bank Colleges acquired the assets and liabilities of Lambeth College. In line with FRS102 land and buildings were revalued to fair value using indices as used by professional valuers. These assets will be held at deemed costs and depreciated over their useful economic life in line with our accounting policy for fixed assets.

Non Material Judgements and Estimates

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 financial statements and after making deductions where a repayment arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

A determination as to whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

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.

This page is intentionally left blank

**Consolidated and University Statement of Comprehensive
Income and Expenditure
Year ended 31 July 2020**

	Note	CONSOLIDATED		UNIVERSITY	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Income					
Tuition fees and education contracts	1	123,642	111,344	120,796	109,571
Funding body grants	2	36,445	30,699	16,645	16,338
Research grants and contracts	3	5,464	4,429	4,362	4,073
Other income	4	17,983	17,413	11,422	14,590
Investment income	5	308	303	300	299
Transfer of net assets from Lambeth College		-	16,210	-	-
Total income before other grants and donations		183,842	180,398	153,525	144,871
Donations and Endowments	6	552	646	11	376
Total income		184,394	181,044	153,536	145,247
Expenditure					
Staff costs	7	103,485	90,385	81,077	80,534
Other operating expenses	8	63,931	56,455	57,462	48,099
Depreciation	12	10,627	10,353	9,354	9,352
Interest and other finance costs	10	4,920	4,586	4,417	4,360
Total expenditure		182,963	161,779	152,310	142,345
Surplus before other gains and losses		1,431	19,265	1,226	2,902
Gains on investments	25	7	31	7	31
Surplus for the year		1,438	19,296	1,233	2,933
Actuarial (loss)/gain in respect of pension schemes	23	(54,382)	(3,147)	(46,723)	(3,142)
Total comprehensive income/(expenditure) for the year		(52,944)	16,149	(45,490)	(209)
Represented by:					
Endowment comprehensive income for the year		7	31	7	31
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income/(loss) for the year		(52,951)	16,118	(45,497)	(240)
		(52,944)	16,149	(45,490)	(209)

All activities consist of continuing operations. South Bank Colleges, whose full year accounts are consolidated here, acquired Lambeth College on the 31 January 2019 and results for the six months from the 1 February 2019 are included in the prior year comparatives in the Consolidated Statement of Comprehensive Income and Expenditure.

Consolidated and University Statement of Changes in Reserves
Year ended 31 July 2020

Consolidated	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
	<i>Endowment</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2018	824	82,743	26,722	110,289
Surplus from the income and expenditure statement	-	19,265	-	19,265
Other comprehensive income /(expenditure)	31	(3,147)	-	(3,116)
Transfers between revaluation and income and expenditure reserve	-	771	(771)	-
Total comprehensive income/(expenditure) for the year	31	16,889	(771)	16,149
Balance at 1 August 2019	855	99,632	25,951	126,438
Surplus from the income and expenditure statement	-	1,431	-	1,431
Other comprehensive income/(expenditure)	7	(54,382)	-	(54,375)
Transfers between revaluation and income and expenditure reserve	-	694	(694)	-
Total comprehensive income/(expenditure) for the year	7	(52,257)	(694)	(52,944)
Balance at 31 July 2020	862	47,375	25,257	73,494
University				
Balance at 1 August 2018	824	82,171	26,722	109,717
Surplus from the income and expenditure statement	-	2,902	-	2,902
Other comprehensive income/(expenditure)	31	(3,142)	-	(3,111)
Transfers between revaluation and income and expenditure reserve	-	771	(771)	-
Gift aid received	-	517	-	517
Total comprehensive income/(expenditure) for the year	31	1,048	(771)	308
Balance at 1 August 2019	855	83,219	25,951	110,025
Surplus from the income and expenditure statement	-	1,226	-	1,226
Other comprehensive income/(expenditure)	7	(46,723)	-	(46,716)
Transfers between revaluation and income and expenditure reserve	-	694	(694)	-
Gift aid received	-	116	-	116
Total comprehensive income for the year	7	(44,687)	(694)	(45,374)
Balance at 31 July 2020	862	38,532	25,257	64,651

London South Bank University

Consolidated and University Balance sheets As at 31 July 2020

	Notes	Consolidated		University	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Non-current assets					
Intangible assets	12	21	165	21	165
Tangible fixed assets	13	303,318	295,738	231,240	224,452
Investments	14	38	38	38	38
		<u>303,377</u>	<u>295,941</u>	<u>231,299</u>	<u>224,655</u>
Current assets					
Stock		6	6	6	6
Debtors	15	23,459	18,999	34,351	26,253
Investments	22	11,811	11,713	11,811	11,713
Cash and cash equivalents	22	40,373	47,088	37,856	45,602
		<u>75,649</u>	<u>77,806</u>	<u>84,024</u>	<u>83,574</u>
Creditors: amounts falling due within one year	16	<u>(42,172)</u>	<u>(34,063)</u>	<u>(34,202)</u>	<u>(30,296)</u>
Net current assets		<u>33,477</u>	<u>43,743</u>	<u>49,822</u>	<u>53,278</u>
Total assets less current liabilities		<u>336,854</u>	<u>339,684</u>	<u>281,121</u>	<u>277,933</u>
Creditors: amounts falling due after more than one year	17	(69,108)	(79,686)	(52,952)	(56,032)
Provisions					
Pension provisions	18	(194,252)	(133,560)	(163,518)	(111,876)
Total net assets		<u>73,494</u>	<u>126,438</u>	<u>64,651</u>	<u>110,025</u>
Restricted reserves - endowment reserves	25	862	855	862	855
Unrestricted Reserves					
Income and expenditure reserve		47,375	99,632	38,532	83,219
Revaluation reserve		<u>25,257</u>	<u>25,951</u>	<u>25,257</u>	<u>25,951</u>
Total Reserves		<u>73,494</u>	<u>126,438</u>	<u>64,651</u>	<u>110,025</u>

The financial statements were approved by the Board of Governors on 19 November 2020 and were signed and authorised on their behalf by:

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Consolidated Statement of Cash Flows
Year ended 31 July 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Surplus for the year		1,438	19,296
Adjustment for non cash items			
Amortisation/depreciation		10,627	10,353
Investment income		(308)	(303)
Interest payable		4,920	4,586
Decrease/(increase) in stock		-	4
Decrease/(increase) in debtors		(4,460)	1,387
Increase / (Decrease) in creditors		(2,469)	3,072
Pension costs less contributions payable		5,135	7,298
Loss on disposal of tangible fixed assets		954	-
Gain on transfer of assets and liabilities acquired from Lambeth College		-	(16,120)
Adjustment for investment or financing activities			
Investment income		11	23
Interest receivable		297	280
Net cash inflow from operating activities		<u>16,145</u>	<u>29,876</u>
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets		(19,017)	(17,496)
Cash (added to)/removed from fixed term deposits		-	(140)
Acquisition of Lambeth College		-	197
		<u>(19,017)</u>	<u>(17,439)</u>
Cashflows from financing activities			
Capital element of bank loan repayments		(1,910)	(1,624)
Interest element of bank loan repayments		(1,933)	(1,566)
		<u>(3,843)</u>	<u>(3,190)</u>
(Decrease)/increase in cash and cash equivalents during the year		<u>(6,715)</u>	<u>9,247</u>
Cash at bank and on deposit at the start of the year		47,088	37,841
Cash at bank and on deposit at the end of the year		40,373	47,088

Notes to the accounts
Year ended 31 July 2020

	Consolidated		University	
	2020	2019	2020	2019
1. Tuition fees and education contracts	£'000	£'000	£'000	£'000
Full-time home and EU students	86,594	72,287	83,748	70,514
Full-time international students	14,670	9,900	14,670	9,900
Part-time students	15,630	14,034	15,630	14,034
Other courses	1,992	1,920	1,992	1,920
Strategic Health Authority education contracts	4,756	13,203	4,756	13,203
	123,642	111,344	120,796	109,571
2. Funding body grants	£'000	£'000	£'000	£'000
Recurrent grant	34,367	26,699	15,757	15,245
Non recurrent grants				
Specific grants	1,190	2,907	-	-
Pension Liabilities	-	141	-	141
Other grants	888	952	888	952
	36,445	30,699	16,645	16,338
3. Research grants and contracts	£'000	£'000	£'000	£'000
Research councils	832	2,358	832	2,018
UK based charities	411	398	411	398
European Commission	1,330	1,089	1,330	1,073
Other grants and contracts	2,719	334	1,617	334
Knowledge Transfer Partnerships	172	250	172	250
	5,464	4,429	4,362	4,073
4. Other income	£'000	£'000	£'000	£'000
Residence and catering income	8,061	11,024	8,027	11,000
Other income	9,922	6,389	3,395	3,590
	17,983	17,413	11,422	14,590
5. Investment income	£'000	£'000	£'000	£'000
Interest on short term investments	11	23	11	23
Endowment income and interest receivable	297	280	289	276
	308	303	300	299
6. Donations and endowments	£'000	£'000	£'000	£'000
Unrestricted donations	552	646	11	376

Donations include the estimated market value of SBC's rent free occupations of its Lambeth College premises in Brixton.

Notes to the accounts
Year ended 31 July 2020

Grant and Fee income

The source of grant and fee income, included in notes 1 to 3 is as follows:

	Consolidated		University	
	2020		2020	
	£'000		£'000	
Grant income from the OfS	145,991	109,164	126,192	94,803
Grant income from other bodies	6,679	5,009	5,577	4,654
Fee income for research awards (exclusive of Vat)	215	366	215	366
Fee income from non-qualifying courses (exclusive of Vat)	3,164	2,345	317	571
Fee income for taught awards (exclusive of Vat)	9,502	29,588	9,502	29,588
	165,551	146,472	141,803	129,982

Notes to the accounts
Year ended 31 July 2020

	Consolidated			
	2020	2019		
7. Staff	£'000	£'000		
Average numbers by major category:				
Academic staff		916	877	
Student support staff		125	142	
Other support staff		662	648	
		1,703	1,667	

	Consolidated		University	
	2020	2019	2020	2019
Costs	£'000	£'000	£'000	£'000
Wages and salaries	77,625	66,221	58,485	58,356
Social security costs	7,796	6,968	6,417	6,229
Employers' pension contributions	18,064	17,196	16,175	15,949
	103,485	90,385	81,077	80,534

Staff costs for the year include costs arising from redundancies of £0.4m (2019 £1m) of which £0.3m was paid during the year and £0.1m was accrued

Access and Participation

	University
	2020
	£'000
Access Investment	44
Financial Support	-
Disability Support (excluding expenditure included in the two categories above)	-
Research and Evaluation	-
	44

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

	2020	2019
	£'000	£'000
Salaries	440	404
Pension contributions or payments in lieu of pension contributions	71	59
	511	463

Governors are paid expenses for attending meetings and other matters directly related to their duties as trustees. In 2020 four governors were paid total expenses of £1,974 (2019: five governors were paid total expenses of £1,217) for travel and subsistence.

B. Determining pay of senior staff

Pay of senior executives, including the Vice Chancellor, is determined by a Remuneration Committee composed of Independent governors, and chaired by an experienced Independent governor. The Vice Chancellor is not a member of the Remuneration Committee.

Notes to the accounts

Year ended 31 July 2020

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 executives against individual measurable objectives and may award individual bonuses of up to 10% and a group bonus of up to 8%.

Further information is provided in the Annual Remuneration Report on pages XX to XX

C. Emoluments of the Vice Chancellor

	2020 £'000	2019 £'000
Salary	238	234
Accommodation allowance	10	-
Bonus	30	19
Taxable benefits	1	10
Pension scheme contributions or payments in lieu of pension contributions	35	34
	314	297

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 that was repaid in full on 7th August 2019. The Vice Chancellor's taxable benefit includes £83 of interest benefit for the loan and £1,194 for medical care cover.

The Vice Chancellor's basic salary is 6.23 (2019: 6.15) times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration is 6.94 (2019: 6.78) times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The calculation of these ratios comply with the draft 2019/20 OfS guidance.

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding bonus, benefits and pension contributions) in excess of £100,000 during the year. Seven of these employees accrued benefits under defined benefit pension schemes during the year (2019:6). These employees are grouped as follows:

	Consolidated and University	
	2020 No.	2019 No.
£100,000 to £104,999	-	1
£105,000 to £109,999	2	-
£110,000 to £114,999	1	-
£115,000 to £119,999	1	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	1
£135,000 to £139,999	-	2
£140,000 to £144,999	1	1
£145,000 to £149,999	1	1
£155,000 to £159,999	-	1

Notes to the accounts
Year ended 31 July 2020

£160,000 to £164,999	1	-
£230,000 to £234,999	-	1
£235,000 to £239,999	1	-
	<u>9</u>	<u>8</u>

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 excludes employers pension contributions). Members of the University Executive are listed on page 3 of these Financial Statements.

	2020	2019
	£'000	£'000
Key management personnel	1,066	1,213

Notes to the accounts
Year ended 31 July 2020

	Consolidated		University	
	2020	2019	2020	2019
8a Other operating expenses	£'000	£'000	£'000	£'000
Academic	15,406	12,033	14,671	11,691
Academic support	7,368	12,175	7,368	9,088
Other support	5,717	5,530	5,717	5,530
Premises	14,723	13,529	14,723	12,584
Residence and catering	3,975	4,032	3,975	4,032
Other expense	16,739	9,156	11,007	5,174
	63,928	56,455	57,461	48,099

Other operating expenses are stated after charging:

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Auditors' remuneration				
<i>External audit</i> KPMG LLP	146	100	91	100
<i>Other services</i> KPMG LLP	43	79	31	-
Rentals under operating leases: Plant and machinery	279	208	225	156

8b Access and Participation

	University
	2020
	£'000
Access Investment (i)	3,671
Financial Support	446
Disability Support	251
Research and Evaluation	28
	4,396

(i) £44k of these costs are already included in the overall staff costs figures included in the financial statements, see note 7

9. Taxation

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

The amount of the asset not recognised is XX (2019: £6.7k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated		University	
	2020	2019	2020	2019
10. Interest and other finance costs	£'000	£'000	£'000	£'000
Loans interest	1,933	1,566	1,933	1,569
Net charge on pension scheme	2,987	3,020	2,484	2,791
	4,920	4,586	4,417	4,360

11. Intangible assets

Consolidated and University

Notes to the accounts
Year ended 31 July 2020

Software	Software	Assets in course of construction	Total
Cost or valuation	£'000	£'000	£'000
At August 2019	4,140	123	4,263
Additions			-
Transfer			-
At 31 July 2020	<u>4,140</u>	<u>123</u>	<u>4,263</u>
 Amortisation charge			
At August 2019	(4,098)	-	(4,098)
Charge for the year	(28)		(28)
At 31 July 2020	<u>(4,126)</u>	<u>-</u>	<u>(4,126)</u>
 Net book value			
At 31 July 2020	<u>14</u>	<u>123</u>	<u>137</u>
At 31 July 2019	<u>42</u>	<u>123</u>	<u>165</u>

Notes to the accounts
Year ended 31 July 2020

12. Tangible fixed assets (Consolidated)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of constructio n	Fixed assets total
Cost or valuation					£'000	£'000	£'000
At August 2019	88,965	212,981	49,668	44	54,092	26,270	432,020
Additions	-	-	-	-	100	18,917	19,017
Disposal	-	(270)	-	-	(1,771)	-	(2,041)
Transfer	-	467	-	-	15,614	(16,081)	-
At 31 July 2020	88,965	213,178	49,668	44	68,035	29,106	448,996
Depreciation							
At August 2019	-	(64,467)	(31,876)	(37)	(39,902)	-	(136,282)
Charge for the year	-	(5,633)	(1,257)	-	(3,709)	-	(10,599)
Disposals	-	169	-	-	918	-	1,087
At 31 July 2020	-	(69,931)	(33,133)	(37)	(42,693)	-	(145,794)
Net book value							
At 31 July 2020	88,965	143,247	16,535	7	25,342	29,106	303,202
At 31 July 2019	88,965	148,514	17,792	7	14,190	26,270	295,738

Tangible fixed assets (University)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of constructio n	Fixed assets total
Cost or valuation					£'000	£'000	£'000
At August 2019	64,368	171,853	47,210	44	52,934	23,324	359,733
Additions	-	-	-	-	59	16,893	16,952
Disposals	-	(270)	-	-	(1,771)	-	(2,041)
Transfer	-	467	-	-	15,614	(16,081)	-
At 31 July 2020	64,368	172,050	47,210	44	66,836	24,136	374,644
Depreciation							
At August 2019	-	(63,776)	(31,851)	(37)	(39,617)	-	(135,281)
Charge for the year	-	(4,802)	(1,207)	-	(3,317)	-	(9,326)
Disposals	-	169	-	-	918	-	1,087
At 31 July 2020	-	(68,409)	(33,058)	(37)	(42,016)	-	(143,520)
Net book value							
At 31 July 2020	64,368	103,641	14,152	7	24,820	24,136	231,124
At 31 July 2019	64,368	108,077	15,359	7	13,317	23,324	224,452

Notes to the accounts
Year ended 31 July 2020

13. Investments

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
CVCP Properties plc	38	38	38	38

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

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

South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL). Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012.

South Bank Colleges

The University is the sole member of South Bank Colleges, a private company limited by guarantee and incorporated on 1st August 2018 and its results are fully consolidated in these accounts. South Bank Colleges took over the operations of Lambeth College from 1st February 2019 and has one subsidiary, SW4 Catering Ltd.

Other investments

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

14. Debtors: amounts falling due within one year

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	19,173	15,787	18,192	14,167
Amounts owed by group undertakings	-	-	13,392	8,952
Other debtors	799	996	749	977
Prepayments and accrued income	3,487	2,216	2,018	2,157
	23,459	18,999	34,351	26,253

15. Creditors: amounts falling due within one year

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank and other loans	1,944	1,909	1,944	1,909
Trade creditors	1,648	810	714	809
Other creditors	2,714	1,913	2,563	1,620
Social security and other taxation payable	2,282	1,984	1,625	1,487
Accruals and deferred income	33,584	27,447	27,356	24,471
	42,172	34,063	34,202	30,296

Notes to the accounts
Year ended 31 July 2020

16. Creditors: amounts falling due after more than one year

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank and other loans	32,507	34,452	32,507	34,452
Other creditors	-	2,576	-	-
Deferred income	36,601	42,658	20,445	21,580
	69,108	79,686	52,952	56,032

Included within deferred income are items of income which have been deferred until specific performance related conditions have been met.

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Government	10,872	12,026	10,626	11,863
Non-government	2,908	2,167	2,940	2,016
Capital grants	30,164	30,738	21,318	22,206
	43,944	44,931	34,884	36,085

17. Borrowings

Bank loans are repayable as follows:
Due in less than one year (note 15)

	Consolidated and University	
	2020 £'000	2019 £'000
Due in less than one year (note 15)	1,944	1,909
Due between one and two years	1,979	1,945
Due between two and five years	6,143	6,035
Due after five years	24,385	26,472
Total due after one year (note 16)	32,507	34,452
Total	34,451	36,361

Details of bank basic loans

Lender	Term	Interest rate	Security	2020 £'000	2019 £'000
Barclays bank	25 years to 2032	5.67% fixed	McLaren House	3,576	3,886
Barclays bank	To April 2029	5.25% fixed		5,000	5,000
Barclays bank	23.25 years to 2032	5.44% fixed		6,512	6,909
Barclays bank	23 years to 2032	0.225% over Libor		3,489	3,786
Barclays bank	16 years to 2035	5.16-5.2% fixed plus 1.65% margin		12,939	13,467
Allied Irish Bank	26.5 years to 2027	6.67% fixed	Dante Road Halls	2,735	3,113
Salix	Variable	Interest free	Unsecured	200	200
				34,451	36,361

Notes to the accounts
Year ended 31 July 2020

18 Provisions for liabilities: Consolidated

	Obligation to fund deficit on USS pension	LPFA defined benefit obligation	Enhanced pension	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2019	2,140	129,355	2,065	133,560
Utilised during the year	-	(6,338)		(6,338)
Charged to comprehensive income and expenditure	(1,432)	68,697	(235)	67,030
Balance at 31 July 2020	708	191,714	1,830	194,252

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are in note 26B.

The enhanced pension provision relates to the cost of staff who retired from Lambeth College Corporation with enhanced pension provisions between 1995/96 and 2006/7. The value of the provision is calculated in accordance with guidelines issued by the Association for Colleges.

University	Obligation to fund deficit on USS pension	LPFA defined benefit obligation	Total
	£'000	£'000	£'000
Balance at 1 August 2019	2,142	109,734	111,876
Utilised during the year	-	(5,593)	(5,593)
Charged to comprehensive income and expenditure	(1,434)	58,669	57,235
Balance at 31 July 2020	708	162,810	163,518

19 Endowment reserves

	Consolidated and University			
	Restricted Permanent	Restricted Expendable	2020 Total	2019 Total
	£'000	£'000	£'000	£'000
Balance at 1 August	718	137	855	824
Increase in market value of investments	6	1	7	31
Balance at 31 July	724	138	862	855

20 Unrestricted reserves

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Revaluation reserve				
Balance at 1 August	25,951	26,722	25,951	26,722
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(694)	(771)	(694)	(771)
Balance at 31 July	25,257	25,951	25,257	25,951

21 Cash and cash equivalents - analysis of changes in net debt

	at 1 August 2019	Cashflows	Other non-cash changes	at 31 July 2020
	£'000	£'000	£'000	£'000
Consolidated				
Investments	11,713	98	-	11,811

Notes to the accounts

Year ended 31 July 2020

Cash at bank and on deposit	47,088	(6,715)	-	40,373
	58,801	(6,617)	-	52,184
Borrowings				
Debt due within one year	(1,909)	1,910	(1,945)	(1,944)
Debt due after one year	(34,452)	-	1,945	(32,507)
	(36,361)	1,910	-	(34,451)
	22,440	(4,707)	-	17,733

Investments comprise funds held in fixed term deposits for periods exceeding three months at 31 July 2019. Cash at bank and on deposit comprise funds held in bank and on deposit not exceeding 3 months.

22 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2020

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Commitments contracted at 31 July	56,002	15,442	35,142	6,187

23 Contingent liabilities

Funds amounting to £4.4m received from the Education and Skills Funding Agency (ESFA) are subject to conditions linked to future estates development for SBC to deliver a viable, sustainable, high quality, relevant and diverse offer from Level 1 to Level 6 learners and employers across the local area with a college presence in Brixton and Clapham and/or Vauxhall without a requirement for government funding to support operating losses.

The University's subsidiary, South Bank Colleges, has received a pre-action claim for reimbursement of costs by a developer in respect of the Vauxhall development project undertaken by South Bank College's predecessor Lambeth College Corporation. The governing body believes that any claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of its knowledge and belief it is satisfied that no provision is necessary in respect of this claim.

24 Lease obligations

At 31 July 2020 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Expiring within one year	16	77	-	-
Expiring within two and five years	-	41	-	-
Expiring in over five years	449	459	449	459
	465	577	449	459

Notes to the accounts
Year ended 31 July 2020

25 Amounts disbursed as agents

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Teacher training bursaries				
Balance at 1 August	-	(10)	-	(10)
Funding council grant	19	26		26
Disbursed to students	(24)	(16)		(16)
Balance at 31 July	(5)	-	-	-

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Apprenticeship employer incentive payments				
Balance at 1 August	-	-	-	-
Funds received	32	19		19
Disbursed to employers	(32)	(19)		(19)
Balance at 31 July	-	-	-	-

	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Learner support funds				
Balance at 1 August	-	-	-	-
Acquired at 1 February 2019	-	305	-	-
24+ bursary	953	231	-	-
Disbursed to students	(902)	(516)	-	-
Administration costs	(51)	(20)	-	-
Balance at 31 July	-	-	-	-

Notes to the accounts

Year ended 31 July 2020

26 Pension arrangements

Different categories of staff were eligible to join one of five 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 Aviva.
- National Employment Savings Trust (NEST)
- NOW Pensions

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, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

- The last valuation of the TPS was as of 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 9 June 2014. The Key results of the valuation are:
 - Uncorrected employer contribution rate effective over the implementation period: 19.5% of pensionable pay. This is an increase of 3.1% on the current contribution rate. This increase is primarily due to the reduction in the discount rate (known as the SCAPE rate) to 2.4% pa above CPI with effect from 1 April 2019.
 - Corrected employer contribution rate payable over the implementation period: 22.8% of pensionable pay. This is an increase of 6.4% on the current contribution rate. This rate is calculated in the same way as the uncorrected employer contribution rate except that the accrual rate of the 2015 Scheme is assumed to be improved from 1 April 2019 to the extent necessary such that the employer contribution correction cost equals the target cost of the scheme.

At 31 July 2020 the University Group had 1197 active members participating in the scheme. During the year contributions were paid by the Group and charged to the Income and Expenditure account at a current rate of 16.48% in August 2019 and then 23.6% from September 2020 (2019: 16.48%) of salaries and the Group's contribution to the TPS for the year was £7,104,562 (2019: £4,635,824). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

Notes to the accounts

Year ended 31 July 2020

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 is a hybrid pension scheme, providing defined benefits as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contributing rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS102 'Employee Benefits', the University accounts for the scheme as if it were a wholly defined contribution scheme. Since the University has entered into an agreement that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that relate to the deficit and movement in this provision is

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as of 31 March 2020 is underway but not yet complete.

The 2018 Valuation was the fifth valuation of the scheme 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 in the scheme were £63.7 billion and the value of the scheme's technical provisions was £67.3 billion, indicating a shortfall of £3.6 billion and a funding ration of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21
Pension increases	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Post-retirement:	97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females.
Future improvements	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa

The current life expectancies on retirement at age 65 are:

Notes to the accounts

Year ended 31 July 2020

	Males		Females	
	Years		Years	
	2018	2017	2018	2017
	Valuation	Valuation	Valuation	Valuation
Current pensioners (currently 65 years)	24.4	24.6	25.9	2.1
Future pensioners (currently 45 years)	26.3	26.6	27.7	27.9

A new deficit recovery plan was put in place at the start of the 2018 valuation, which requires payment of 2% of salaries over the period from October 2019 to September 2021 at which point the rate will increase to 6%. The 2020 deficit liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount Rate	1.35%	2.10%
Pensionable Salary Growth	3.25%	3.90%

At 31 July 2020 the Group had 40 active members participating in the scheme. The total credit charged to the Statement of Comprehensive Income and Expenditure is £(923,964) (2019: £1,643,839). The employer contribution rate was 19.5%, rising to 19.5% from 1st April 2019, 22.5% from 1 October 2019 then 24.2% from 1 April 2020 (2019: 18% then 19.5% from 1 April 2019).

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 2019 with the valuation results taking into account changes to the scheme from 1 April 2020. Employer contribution rates effective from 1 April 2019 were 12.7% and from 1 April 2020 were 15.4% for London South Bank University and 13.5%, raising to 16.3% from 1st April 2020 for South Bank Colleges. In addition a plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period was paid in April 2020 this payment amounted to

Pension cost 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

	Consolidated and University	
	31 July 2020	31 July 2019
	% per annum	% per annum
Salary increase	3.25%	3.90%
Pension and price increases	2.25%	2.40%
Discount rate	1.35%	2.10%

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement

On the advice of our actuaries we have made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement

Notes to the accounts

Year ended 31 July 2020

- Members will retire at one retirement age for all tranches of benefit, which will be the pension
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of bene

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.

The Employer has updated their salary increase assumption to CPI plus 1.0%, compared to CPI plus 1.5% in the previous year, to be in line with the latest funding valuation. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a £2,440k decrease in the DBO as the assumption is now 0.5% lower than it would have been under the previous methodology. If considered material, the impact should be

The derivation of the CPI assumption has changed at 31 July 2020. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a c. £13-14m increase in the DBO as the CPI assumption is now 0.2% higher than it would have been under the previous methodology. If considered material, the impact should be disclosed in the Company's financial statements

Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2018 model, allowing for a long term rate of improvement of 1.5% per annum, smoothing parameter of 7.0 and no addition to improvement rate. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males		Females	
	Years		Years	
	LSBU	SBC	LSBU	SBC
Current pensioners	21.3	21.2	22.7	22.6
Future pensioners	24.0	23.7	25.5	25.2

Fund assets

The return on the fund, on a bid value to bid value basis, for the year to 31 July 2020 is estimated at 4%. The actual return on fund assets over the year may be different. The estimated asset allocation at 31 July 2020 is as follows:

	Consolidated		University	
	Fair value	Fair value	Fair value	Fair value
	as at	as at	as at	as at
	31 July 2020	31 July 2019	31 July 2020	31 July 2019
	£'000	£'000	£'000	£'000
Equities	115,079	112,111	90,498	88,078
Target return portfolio	47,673	52,256	37,490	41,054
Cash	12,869	10,854	10,120	8,527
Infrastructure	14,482	11,792	11,389	9,264
Property	19,424	18,744	15,275	14,726
Total fair value of assets	209,527	205,757	164,772	161,649

Net pension liability

Notes to the accounts

Year ended 31 July 2020

The following amounts at 31 July 2020 related to the Group are measured in accordance with the requirements of FRS 102:

Consolidated	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	209,527	205,757	143,869	133,771	112,066
Present value of funded obligations	(390,082)	(324,227)	(232,750)	(234,955)	(221,698)
Net underfunding in funded plans	(180,555)	(118,470)	(88,881)	(101,184)	(109,632)
Present value of unfunded obligations	(10,800)	(10,885)	(10,884)	(11,565)	(11,868)
Net Pension Liability	(191,355)	(129,355)	(99,765)	(112,749)	(121,500)
University	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	164,772	161,649	143,869	133,771	112,066
Present value of funded obligations	(317,250)	(260,964)	(232,750)	(234,955)	(221,698)
Net underfunding in funded plans	(152,478)	(99,315)	(88,881)	(101,184)	(109,632)
Present value of unfunded obligations	(10,332)	(10,420)	(10,884)	(11,565)	(11,868)
Net Pension Liability	(162,810)	(109,735)	(99,765)	(112,749)	(121,500)

The movement for the year in the net pension liability is shown in note XX

Analysis of the amount included in staff costs for the year	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Service cost	10,884	11,194	9,490	9,904
Enhancements to former employees		-		-
Total operating charge	10,884	11,194	9,490	9,904

Analysis of the amount included in interest payable for the year	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest on the defined liability (asset) □	2,648	3,055	2,245	2,578
Administration expenses	267	239	210	187
Total interest charge	2,915	3,294	2,455	2,765

Analysis of the amount recognised in Other Comprehensive Income	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Return on fund assets in excess of interest	3,224	16,549	2,539	12,968
Other actuarial gains on assets	(4,606)	-	(4,150)	-
Change in financial assumptions	(45,507)	(36,403)	(37,517)	(29,620)
Change in demographic assumptions	(1,007)	16,593	(618)	13,510

Notes to the accounts
Year ended 31 July 2020

Experience gains and losses on defined benefit obligation	(6,643)	114	(6,977)	-
Remeasurement of the net assets/ (defined liability)	(54,539)	(3,147)	(46,723)	(3,142)

Analysis of movement in the present value of scheme liabilities	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 August	335,404	243,634	271,384	243,634
Movement in the year:				
Acquisition by SBC of Lambeth College		59,081		-
Current service cost	10,884	9,112	9,490	7,822
Interest cost	6,981	7,941	5,656	6,406
Changes in financial assumptions	45,507	36,402	37,517	29,620
Change in demographic assumptions	1,007	(16,593)	618	(13,510)
Experience loss / (gain) in defined benefit obligation	6,643	(114)	6,977	-
Past service costs, including curtailments	-	2,327		2,082
Estimated benefits paid net of transfers in	(6,576)	(7,590)	(5,161)	(5,649)
Contributions by scheme participants	2,083	1,963	1,829	1,707
Unfunded pension payments	(759)	(759)	(728)	(728)
At 31 July	<u>401,174</u>	<u>335,404</u>	<u>327,582</u>	<u>271,384</u>

Analysis of movement in the fair value of scheme assets	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 August	205,757	184,168	161,649	143,869
Acquisition by SBC of Lambeth College	-	-		-
Interest on assets	4,333	4,886	3,411	3,828
Return on assets less interest	3,224	16,550	2,539	12,967
Other actuarial gains	(4,606)	-	(4,150)	-
Administration expenses	(267)	(239)	(210)	(187)
Contributions paid	8,421	8,741	7,422	7,549
Estimated benefits paid plus unfunded net of transfers in	(7,335)	(8,349)	(5,889)	(6,377)
At 31 July	<u>209,527</u>	<u>205,757</u>	<u>164,772</u>	<u>161,649</u>

The projected pension expense for the year to 31 July 2021 is £18,090k (consolidated) £15,321k (University).

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2020 the University had 47 members participating in the scheme. The University's contribution to the Aviva scheme for the year ending 31 July 2020 was £137,861 (2019: £104,754) and employer's contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2020 were £16,401 (2019: £10,060).

E. National Employment Savings Trust (NEST)

Notes to the accounts

Year ended 31 July 2020

The University provides a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31 July 2020 there were 13 staff in the scheme. Employer contribution to the NEST scheme for the year ending 31 July 2020 was £7,448 and employer contributions were 3%. Pension contributions payable at 31 July 2020 were £1,211 (2019:£1,502).

F. NOW Pensions

The University provides a defined contribution scheme through NOW for employees of SBUEL staff engaged through LSBU Employment At 31 July 2020 there were 88 staff in the scheme. Employer contribution to the NOW scheme for the year ending 31 July 2020 was £9,868 and employer contributions were 3%. Pension contributions payable at 31 July 2020 were £2,090 (2019:£x).

Notes to the accounts

Year ended 31 July 2020

X. Related party transactions

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these financial statements. During the year the university paid for staffing, expenses and equipment for SBUEL totalling £(312)k (2019: £240k), and collected rental income of £40k (2019: £59k). At the year-end SBUEL owed the University £351k (2019: 538k).

The University is the sole Member of South Bank Colleges (SBC), a Private Limited Company by guarantee, which was incorporated on 1st August 2018. SBC and its wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1st February 2019 SBC received £13.7m from the Education and Skills Funding Agency (ESFA) which was transferred to the University on 2nd February 2019 to hold on its behalf and to transfer back to SBC as it is needed to fund operational and capital expenditure requirements. During the year the University transferred £2.86m (6 months to 31 July 2019 £7.45m) to SBC. Services totalling £1,082k (2019 £965k) were recharged to SBC during the year and the balance between SBC and the University at the year-end was £13,206k (2019: £8,414k)

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 University maintains a register of Interests of Governors, the details of which are listed below:

Organisation	Governor	Position	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
British University in Egypt	David Phoenix	Trustee	1,687	-	664	-
Kings College London	Hilary McCallion	Visiting professor	259	19	1	-
LSBU Student Union	Maxwell Smith	Union council Chair				
	Harriet Tollerson	President	-	1,006	-	-
National Association of Disability Practitioners Ltd	Nicola Martin	Co-opted Board member	-	1	-	-
Pricewaterhouse Coopers LLP	Duncan Brown	Retired partner	-	6,474	-	-
South Bank Academies	Hilary McCallion	Trustee	16	-	-	-
Transport for London	Mee Ling Ng	Non-executive director	36	-	36	-
UCEA	Jeremy Cope	Vice-chair	-	13	-	-

Post balance sheet events

Notes to the accounts
Year ended 31 July 2020

	CONFIDENTIAL
Paper title:	Going Concern Statement
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	Natalie Ferer, Group Financial Controller
Purpose:	For Information
Executive/Operations sponsor:	Richard Flatman – Group Chief Financial Officer
Recommendation:	The Committee is requested to note the report and its findings

The board of Governors is required to produce a statement in the annual accounts that the University Group continues to be a going concern. The draft statement in the 2019/20 accounts is below:

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

Cash flow forecasts have been prepared for a period of 4 years from the date of approval of these financial statements. The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due and monitors and reports cashflow balances and covenant compliance on a regular basis. Cash balances and bank deposits at 31/7/20 were £52.1m and are forecast to decrease to £28.5m by 31/7/21 as the Group continues to deliver its current capital programme. A £30m revolving credit facility has been established to provide sufficient cashflow to meet the Group's ongoing capital investment programme and working capital requirements. Drawdown against this facility is forecast to begin in 2021/22. Current borrowing facilities are considered adequate to meet current operational plans.

A small budget surplus has been approved for 2020/21, and cashflow from operations of £14.7m is forecast, reflecting the need for continued financial control whilst maintaining appropriate levels of investment to drive the necessary corporate strategic outcomes. At this early stage of the year, whilst accepting that there may be variations on individual budget lines, we are not moving away from agreed budget outcomes although Covid continues to present challenges and risks to delivery. Recruitment and re-enrolment are both looking positive although we will continue to monitor the position carefully over the next few months. Semester 2 recruitment is also looking strong.

As is always the case, a comprehensive mid-year budget review is planned during the first semester of 2020/21. This will look closely at recruitment, re-enrolment and associated income forecasts. The Group is also undertaking an assessment of organisational shape, showing where investment and efficiency savings are required.

We will continue to monitor the position carefully over the next few months. The principal risks to successful financial delivery in 2020/21 remain Covid related including recruitment, withdrawals, and halls fee income levels. We remain committed to providing a blended learning environment and a rich student experience notwithstanding the Covid challenges.

After reviewing these forecasts, the Board of Governors is of the opinion that it will be able to manage and respond effectively to the severe but plausible downside related to the impact of COVID-19. Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

The key elements that give us assurance regarding institutional sustainability, and which support the going concern statement, are set out below:

1. Risk management

Group Risk Approach

The Group Audit and Risk Committee approved the 2020/21 Group Risk Policy in June 2020. This outlined an approach to risk, with a view to having consistent risk management processes across the Group, aligned to the 2025 Strategy. This will provide risk registers at Group, entity and local area levels.

In accordance with the Risk Policy, a risk appetite is established at each entity level within the Group. The risk appetite recommended by the Executive to the Board for LSBU is as follows:

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

A Risk Maturity Assessment was performed by the Group's Internal Auditors which concluded that each institution within the group is largely at the Aware/Defined level with regards to the current maturity levels of risk management and how embedded it is within those institutions. At the most recent review our risk management process was rated as low risk by our internal auditors. This process is linked to the achievement of institutional objectives as set out in the corporate strategy and is designed to identify, evaluate and effectively manage risk. Where there are serious issues or risks, this process helps ensure that appropriate controls are in place and/or remedial actions taken as appropriate. We have also continued during 2019/20 to ensure that we have aligned our processes to the Board's assessment of risk appetite.

The corporate risk register as of July 2020 had:

- Zero critical risks;
- Eleven high risks;
- Fourteen medium risks;
- One low risk

Risks are reviewed on a monthly basis by the Senior Leadership Team (SLT). The Audit Committee of 18th June (the final Audit Committee of the 2019/20 academic year) reviewed the Group Risk register with the risk profile above.

2. Financial sustainability

The Board has approved budget scenario 2(b) for delivery of a small budget surplus of £2m.

At this early stage of the year, whilst accepting that there may be variations on individual budget lines, we are not moving away from Scenario 2(b) although in the circumstances post Covid we may have to accept a result closer to break even than planned. Recruitment and re-enrolment are both looking positive although we will continue to monitor the position carefully over the next few months. Semester 2 recruitment is also looking strong.

We will also have a comprehensive budget review in November when there is more clarity about recruitment and income forecasts.

The principal risks to successful financial delivery in 2020/21 remain Covid related including recruitment, withdrawals, demands for tuition fee refunds unless we can successfully provide more than online delivery and hall refunds if Covid escalates or the lockdown position changes for the worse.

3. Banking Covenants

Based on the budget scenario described, it is forecast that the University will meet covenants in place for its loans with Barclays and AIB.

Debt Service Cover

Adjusted Cashflow for each Relevant Period shall be no less than 125% of its Debt Servicing Costs for such Relevant Period.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Debt Service Cover	553%	130%	129%	391%	451%
Covenant Level	125%	125%	125%	125%	125%
Forecast Compliance	Compliance	Compliance	Compliance	Compliance	Compliance

Operational Leverage

The ratio of Borrowings at the end of each Relevant Period to Adjusted Operating Surplus for such Relevant Period shall not exceed 5:1 for each Relevant Period.

Operational Leverage	257%	394%	302%	262%	
Covenant Level	500%	500%	500%	500%	500%
Forecast Compliance	Compliance	Compliance	Compliance	Compliance	

Security Cover

The Property Value shall at all times be no less than 140% of the Facilities.

There shall be a day 1 asset cover test on the Signing Date to ensure Security Cover is sufficient to cover the LSBU Facility, the LC Facility and any negative Mark to Market associated with either Facility by 140%.

Valuation basis to be confirmed.

Security Cover	185%	185%			
Covenant Level	140%	140%	140%	140%	140%
Forecast Compliance	Compliance	Compliance			

Allied Irish Bank

No historical Cost deficit for 2 consecutive years: unless sufficient discretionary reserves to cover the deficit

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Surplus for the year	1,226	0	0	0	0
Transfer from revaluation reserve	694	695	696	697	698
Historical cost surplus	694	695	696	697	698
Covenant Level	0%	0%	0%	0%	0%
Forecast Compliance	Compliance	Compliance	Compliance	Compliance	Compliance

A prudent break event forecast is shown for the year for 2020/21 onwards.

Operating cashflow/debt servicing cost ratio not less than 1:1

Net cash inflow to debt servicing costs	546%	128%	127%	390%	450%
Covenant Level	100%	100%	100%	100%	100%
Forecast Compliance	Compliance	Compliance	Compliance	Compliance	Compliance

Recommendation:

The Committee is requested to note this report.

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Public Benefit Statement
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Patrick Christie, Senior Policy and Stakeholder Manager
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the Public Benefit Statement, for inclusion in the annual report and accounts.

Executive Summary

The Public Benefit Statement forms a mandatory part of the annual report of charities. The statement must include:

- A statement that the charity has had regard to the Commission’s guidance on public benefit – the Board will be reminded of this guidance at its meeting of 15 October 2020;
- A report on how the HEI has delivered its charitable purposes for the public benefit.

The draft statement sets out the University’s charitable objects from its Articles of Association. It demonstrates how the University advances education for the public benefit. The University’s main beneficiaries are its students. In carrying out its objects the University also benefits the wider public through research and knowledge transfer.

An earlier draft of the Public Benefit Statement was provided for information to the committee at its meeting of 6 October 2020. The full statement is included as part of agenda item 12 (Annual Report and Accounts 2019/20).

Recommendation

The committee is requested to note the Public Benefit Statement for inclusion in the annual report and accounts.

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	2019/20 Corporate Governance Statement
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	Michael Broadway, Deputy University Secretary Kerry Johnson, Governance Officer
Sponsor:	James Stevenson, Group Secretary
Purpose:	For information
Recommendation:	The committee is requested to note the 2019/20 corporate governance statement for inclusion in the annual report and accounts.

Executive Summary

The corporate governance statement is intended to assist readers of the financial statements in obtaining an understanding of the governance and legal structure of the University. It sets out the governance and legal structure of the University and how the Board complies with the CUC Higher Education Code of Governance and the OfS's public interest governance principles.

An earlier draft was considered by the committee at its meeting of 6 October. Since then, the statement has been updated to reflect the new standing orders and a review of the new CUC Higher Education Code of Governance.

The full statement is included as part of agenda item 12 (Annual Report and Accounts 2019/20).

Recommendation

The committee is requested to note the 2019/20 corporate governance statement for inclusion in the annual report and accounts.

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Group Audit and Risk Committee Annual Report
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	Kerry Johnson, Governance Officer
Sponsor:	James Stevenson, Group Secretary
Purpose:	For approval
Recommendation:	The committee is requested to review and approve its draft annual report to the Board.

Executive Summary

Introduction

The Group Audit and Risk Committee is required under the Financial Memorandum with the OfS to produce an annual report of the committee to the Board of Governors and the Accountable Officer (the Vice Chancellor).

Guidance from OfS 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/OfS, SLC and other funding bodies.

Draft opinions

Draft opinions (to be approved by the committee) for these areas have been included at the end of the report and are set out below.

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

2. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.
3. The Committee's opinion on the management and quality assurance of data submitted to HESA, the Student Loans Company, the OfS, Research England and other bodies is that the University has adequate assurance.

Recommendation

The committee is requested to review and approve its draft annual report to the Board.

Annual Report of the Group Audit and Risk Committee to the Board of Governors and the Accountable Officer 2019/20

Executive summary

During the year to 31 July 2020, the Group Audit and Risk Committee met four times.

Matters completed by the Committee for the year 2019/20 include:

- review and clearance of the University's annual report and accounts for 2019/20 (paragraph 8);
- approval of the plan for BDO's internal audit review work for the following year (paragraph 12);
- at each meeting, detailed consideration of BDO's internal audit reports (paragraph 12);
- four meetings with BDO and four meetings with KPMG in the absence of all University staff;
- consideration of the annual internal audit report (paragraph 14);
- regular review of the corporate risk framework (paragraph 17);
- approval of a statement of internal control (paragraph 19).

At its meeting of 17 October 2019 the Board of Governors approved a revised terms of reference to reflect the role of the Committee in relation to the LSBU Group. It was agreed that the Committee would have a Group-wide remit, and that South Bank Acadmies and South Bank Colleges would continue to hold their own respective audit committees to oversee local audit matters. The name of the Committee was changed from "Audit Committee" to "Group Audit and Risk Committee" to reflect this change.

Introduction

1. This report covers the financial and academic year from 1 August 2019 to 31 July 2020 and includes any significant issues up to the date of the signing of this report and consideration of the financial statements for the year.
2. No member of the Group Audit and Risk 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 2019/20, the Group Audit and Risk Committee was chaired by Duncan Brown, an independent governor. Other members of the Committee during the year were: John Cole (appointed 1 May 2019), Mark Lemmon (appointed 1 May 2019) and independent co-optee, Rob Orr (appointed 5 February 2019). 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, Group 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 2020. The Vice Chancellor, Chief Financial Officer and, as required, 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 2020/21 the Committee will also hold four regular business meetings (October, November, February, and June), and has held two extraordinary meetings in August and September 2020 to review the re-opening of the campus in a covid-secure way and an internal audit report on cyber security
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. At its meeting of 18 June 2020, the Committee approved the external audit plan for the financial year 2019/20.

8. [At its meeting of 5 November 20120, the Committee considered and recommended to the Board for approval the draft financial statements for the year ended 31 July 2020. 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.]
9. Performance indicators have been agreed against which the performance of the external auditors is measured. At its meeting of 5 November 2020, the Committee received a report on performance against indicators. [The external auditors met all of the agreed performance indicators.]
10. On 5 November 2020, the Committee met KPMG UK LLP in the absence of any University employees to discuss the year end audit and other matters.
11. Non-audit work provided by KPMG UK LLP for LSBU for the year ended 31 July 2020 is as follows:
 - £8,400 (advice in relation to VAT group)
 - £7,200 (covenant compliance work)
 - £4,920 (subsidiary tax computations)
 - £23,820 (international tax compliance)
 - £3,600 (capital goods scheme adjustment)

Internal Audit

12. The University's Internal Auditors for the year were BDO LLP. BDO worked to an internal audit plan of 206 days (reflecting the move to auditing the whole LSBU Group) approved by the Committee at its meeting of 1 October 2019. 194 days of work were delivered. The Committee has received progress reports from BDO against the plan at every meeting.
13. During the year 17 internal audits were undertaken (2019: 12.) The Continuous Audit programme of key financial systems and student data was undertaken throughout the year.
14. [The internal auditor's annual report for 2019/20 (dated October 2020) provided a positive assurance statement with an overall opinion of "generally satisfactory with improvements required in some areas". The internal audit annual report found:

“The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements and value for money. However, there are some areas where weaknesses and/or non-compliance were identified and therefore may put the achievement of objectives at risk. Where weaknesses have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements and value for money arrangements.”]

15. [In total, 18 high risk findings were raised across the Group. Nine of these were raised across the four financial control related audits, seven raised in the IT security review, one relating to health and safety and one relating to UKVI Tier 4. BDO concluded that “the control weaknesses identified in these audits were specific to those areas and do not weaken the overall control environment. Management has also agreed action plans for each of the audits and progress to implement these is underway”.]
16. The Committee met BDO prior to four meetings, in the absence of any of the University’s employees.

Risk management, control and governance

17. 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. The 2020-25 Strategy was approved by the Board of Governors on 16 July 2020.
18. [During the year PwC undertook an internal audit on risk management controls which did not identify any significant risks and PwC concluded that they “are satisfied that the University has effective risk management arrangements in place”.]
19. [At its meeting on 5 November 2020, 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

20. BDO considers value for money as part of its work on LSBU’s systems of internal control and as part of each internal audit review. In its annual report, BDO states that

they “are able to provide reasonable assurance on the adequacy of the Group’s arrangements for economy, efficiency and effectiveness”.

Management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies

21. 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.
22. Two internal audits of student data at LSBU were carried out during 2019/20. No findings of high significance were raised and controls were found to be designed and operating satisfactorily with some minor improvements required.
23. An internal audit of HESA student data was considered by the committee at its meeting of 18 June 2020. The audit provided substantial assurance over both the design and operational effectiveness of the controls with no significant findings raised.

Public Interest Disclosure

24. Under the “Speak Up” policy the Group Secretary reported on Speak Up activity at every meeting of the Group Audit and Risk Committee. The Chair of the 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.
25. Four matters were reported through the Speak Up policy during the year. Two of these reports were found not to be Speak Up matters, and referred to alternative complaints procedures.
26. One report was an allegation of bullying and academic malpractice. Following investigation, no evidence was found of bullying or academic malpractice.
27. The fourth matter was a report of alleged fraud. This is still under investigation at the time of writing.

Anti-Fraud

28. Under LSBU's anti-fraud policy the Chief Financial Officer reported on any fraud matters at every business meeting. Four irregularities were reported to the Committee during 2019/20. At its meeting on 1 October 2019, the Committee was informed of one incident of breach of contract by a staff member and one incident involving software procurement. The employee matter was reported to the police through Action Fraud and repayment of salary was sought. The software purchase incident was found to be due to procedural failures, with no indication of fraud having taken place
29. One incident was reported to the Committee at its meeting of 7 November 2019, involving an SBA purchasing card. The matter was reported to the police through Action Fraud.
30. At its meeting of 13 February 2020 the Committee was informed of one incident of theft of computer equipment, involving approximately ten computers. The matter was reported to the Metropolitan Police.
31. The anti-fraud policy was updated during 2019/20 to reflect its application across the LSBU Group.

Group Audit and Risk Committee effectiveness assessment

32. The Group Audit and Risk Committee will undertake an effectiveness review over winter 2020/21, to be reported at its meeting of 11 February 2021. This review will assess the committee against the new Higher Education Audit Committees Code of Practice, as published by the CUC in May 2020.

Opinion of the Group Audit and Risk Committee

Risk Management, Control and Governance

33. [The Committee's opinion on the institution's risk management, control and governance is that these arrangements are adequate and effective.]
34. [This opinion is based on:
 - the Internal Audit annual report for 2019/20 which gave the opinion that "the controls in the areas which we examined were found to be suitably designed and

operating effectively to achieve the specific risk management, control and governance arrangements”.

- the Executive’s detailed review of internal controls. This review was considered by the Audit Committee on 5 November 2020.]

Economy, Efficiency and Effectiveness

35. [The Committee’s opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.]

36. This opinion is based on the Internal Audit annual report, 2019/20 which gave the opinion that “[BDO] were able to provide reasonable assurance on the adequacy of the Group’s arrangements for economy, efficiency and effectiveness”.

Management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies

37. [The Committee’s opinion on the management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies is that the University has adequate assurance.]

38. [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 Group Audit and Risk Committee on 5 November 2020.]

Signed
Duncan Brown
Chair of the Group Audit and Risk Committee
November 2020

This page is intentionally left blank

CONFIDENTIAL	
Paper title:	Modern Slavery Statement 2020
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	James Rockliffe, Director of Procurement Services
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For Approval
Recommendation:	The committee is requested to recommend approval of the 2020 Modern Slavery Statement to the Board of Governors.

Executive Summary

- A draft modern slavery statement for 2020 is enclosed.
- We are required to obtain approval from our 'Board of Directors'. See the enclosed extract from PWC's modern slavery guidance.
- The statement must be approved by the Board of Governors to enable the University to state that it meets its statutory obligations in respect of modern slavery legislation when bidding for funding.
- Publication is advised within six months of year end; however, this is not a definitive deadline. Our intention is to publish the statement on the University website on or before 31 January 2021.
- A new paragraph has been included about the UK exiting the EU and the potential impact on our supply chains. A detailed paragraph about COVID-19 will be relevant to next year's statement when the impact of the pandemic on supply markets will be clearer.

5 Who should approve your statement?

The Act states:

- If your business is a body corporate other than a limited liability partnership, it must be approved by the board of directors (or equivalent management body) and signed by a director (or equivalent);
- If your business is a limited liability partnership, it must be approved by the members and signed by a designated member;
- If your business is a limited partnership registered under the Limited Partnerships Act 1907, it must be signed by a general partner; and
- If your business is any other kind of partnership, it must be signed by a partner.

Recommendation

The committee is requested to recommend approval of the 2020 Modern Slavery Statement to the Board of Governors.

This page is intentionally left blank

Modern Slavery Statement 2020

Introduction

London South Bank University (“LSBU” or “the University”) is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain and imposes the same high standards on its suppliers.

LSBU is one of London’s oldest universities. It has a rich history with strong educational roots dating back to 1892. The University as it is today was created in 1992.

This statement is made in accordance with section 54 (1) of the Modern Slavery Act 2015 and sets out the steps taken by LSBU during the financial year ending 31 July 2019 and constitutes LSBU’s slavery and human trafficking statement.

LSBU is committed to running the organisation ethically, sustainably and responsibly. We strive to maintain high ethical principles and to respect human rights. We are committed to procuring goods and services and employing people without causing harm to others.

Structure of our organisation

London South Bank University is a UK based University. It employs approximately 2,000 staff and teaches over 18,000 students. It operates primarily in the UK but has partnership arrangements with providers of education in the UK and overseas. LSBU has a total income of approximately £150 million. Information regarding the University’s business and structure is available at <https://www.lsbu.ac.uk/about-us/people/governance>.

Our Governance



The Sustainability Steering Group is responsible for the oversight, development and ongoing monitoring of the University environmental and sustainability strategy and overall direction. Work within this area is reported to the University's Executive Committee

Our spend categories and those that present risks of human rights abuses

The principal categories which the University deems as carrying significant risks are security, catering, cleaning, IT, laboratory consumables, uniforms and workwear. The University deems the corresponding source countries to be as follows:

Category	Country
Security and Reception services	United Kingdom
Catering services	United Kingdom
Cleaning services	United Kingdom
Laboratory consumables	Malaysia, Indonesia, India, Pakistan
IT Equipment	East Asia, China, Eastern Europe, Mexico
Uniforms/Workwear	UK, Indonesia, Malaysia, China, Bangladesh

Due diligence and compliance

The University is a member of the London Universities Procurement Consortium (LUPC), which is a non-profit professional buying organisation. LUPC is a member of Procurement England Limited (PEL). These bodies have together published a shared Sustainability Policy to which all PEL member consortia are committed.

LUPC has also published its own Slavery and Human Trafficking Statement setting out its position with regard to modern slavery and human trafficking.

The University also purchases via the APUC, NEUPC, SUPC, NWUPC consortia and via Crown Commercial Services which have also published their own Slavery and Human Trafficking Statements.

The University is an affiliate member of Electronics Watch. Electronics Watch is an independent monitoring organisation that assists public sector buyers to protect labour rights and improve working conditions for an estimated 18 million workers in their global electronic supply chains more effectively than any single public buyer sector could accomplish on its own.

The University procures IT equipment through the LUPC led national electronics framework agreement for Desktop and Notebook PCs, which includes model Electronics Watch contract clauses. The University affiliate membership allows the use of the same clauses, resources and information to work with suppliers to improve conditions for electronics workers globally.

Further actions and key goals for 2021

The University recognises that (i) the United Kingdom's exit from the European Union and (ii) its response to the Coronavirus pandemic may require new sources of supplies and equipment to be established. As a result, additional measures to develop confidence in new supply chain relationships may be required.

To supplement the actions taken this financial year to prevent slavery or human trafficking from occurring in its business or supply chains, the University will continue to review its approach to Anti-Slavery and consider further measures to combat modern slavery and trafficking.

The University reaffirms its commitment to improving its understanding of supply chains and to continue to develop processes and ways of working to identify categories where the risk of modern slavery or human trafficking may exist.

The University will continue to work with its partners (especially the LUPC) to gain experience of supply chain due diligence and mitigation of the risks to human rights in supply chains.

The University will ensure that senior managers responsible for higher risk spend categories and contracts receive Modern Slavery awareness training.

It will also continue to attend events and use available learning material produced especially for public procurement practitioners.

Approval

This statement was approved by LSBU's Board of Governors on [xx] November 2020 and will be reviewed annually.

[<<<signature here>>>]

Professor David Phoenix
Vice-Chancellor and Chief Executive

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Prevent Annual Return
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author(s):	Ed Spacey, Acting Director of Group Assurance.
Sponsor(s):	Fiona Morey, Executive Lead for Prevent
Purpose:	For approval
Recommendation:	The committee is requested to note the contents of the annual Prevent return, and recommend to the Board for approval ahead of submission to the OfS.

Executive summary

The annual Prevent return outlines the range of measures undertaken in order to demonstrate due regard to the Prevent Duty.

This page is intentionally left blank

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 Office for Students by 1 December 2020. The report covers the period of the last academic year and developments to date.

2.0 OFS Statement of Assurance

Recommendation

The Board of Governors approves the statement below and notes the text. A signed document is needed for the OfS return.

London South Bank University has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty) and has demonstrated this by having

- A strong embedded Prevent governance and reporting structure
- Partnership working with London Regional HE Prevent Network (including hosting) and DFE Groups
- Evidence of an effective package of wellbeing arrangements
- An audited project management approach to responding to Covid

3.0 Accountability statement

(Governing bodies/proprietors are required to provide a short statement outlining the mechanisms to which they have been assured they are able to sign the declaration satisfactorily. This is proposed as below).

- The Vice Chancellor is fully engaged with Prevent and the Pro Vice Chancellor Compulsory and Further Education (PVC) is Executive Lead.
- There have been no referrals to “Channel” during September 2019 to date.
- In 2019/20 there were 4 occasions where prevent issues were raised internally, compared to 9 last year (4 last year were about the same individual). Referral sources were 1 Student (Flatmate), Lecturers 2 and Police 1. No further prevent action was required in any case.
- LSBU has a strong student welfare governance approach. It ranges from weekly student concern response meetings (TBC welfare cases), to an Annual Board Report.

- The PVC chairs a Safeguarding Committee, which monitors Prevent. Prevent issues are also reported to the Health and Safety Joint Committee three times per year.
- The Prevent Policy, Risk Assessment, Action Plan and External Speakers Policy has been reviewed with no significant changes. The approach to prevent training and completion is monitored/reviewed by the Safeguarding Committee.
- Covid prompted reconsideration of items within the risk assessment/implications of online learning. LSBU issued written reminders to gain external speaker approval for all online events.
- Additional student hardship funds were introduced.
- Student services delivered enhanced wellbeing support, including mental health and isolation. There are weekly communications, daily online support programmes, and pulse surveys. There is a full support package for those self isolating in Halls, including practical measures.
- The Acting Director of Group Assurance (formerly Head of Compliance) is responsible both for Covid Recovery and strategic prevent issues. LSBU commissioned BDO to audit its approach to Covid including compliance and student engagement.
- The Acting Director of Group Assurance continues to be an active member of the London Regional Higher Education Prevent Network. He regularly attends Roundtable consultation meetings with the DFE on Counter Extremism, and its working groups on the approach to Prevent Training.

Name	
Signed	
Date	

	INTERNAL
Paper title:	Pension Assumptions
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group Chief Financial Officer
Purpose:	For Approval
Recommendation:	The Committee is requested to review and approve the use of tailored pension assumptions for the valuation of the LPFA pension scheme and to approve the process of agreeing pension assumptions.

Executive Summary

Previously, the University has typically chosen to use the standard assumptions provided by the LPFA scheme actuaries, Barnett Waddingham (BW), for the valuation of the LPFA pension scheme for FRS102 purposes. Management have now proposed a more formal pension assumption review process, which has been discussed and agreed with KPMG, including their pensions technical expert.

The more formal review process this year has resulted in an updated set of tailored assumptions; including a discount rate of 1.5% (increased from standard 1.35%) and salary increases of 3.0% (reduced from 3.25%). It has been agreed that the tailored assumptions should apply on a group wide basis. We have commissioned updated LPFA actuarial reports from BW for both LSBU and SBC and the statutory financial accounts will be updated upon receipt to reflect the changes agreed.

Recommendation

The Committee is requested to review and approve the use of bespoke pension assumptions for the valuation of the LPFA pension scheme and to approve the process of agreeing pension assumptions.

Tailored assumptions and rationale

Summary of assumptions

		BW standard		
	31/7/20 LSBU Group Tailored	31/7/20	31/7/19	31/7/18
RPI increases	3.25%	3.25%	3.4%	3.35%
CPI increases	2.25%	2.25%	2.4%	2.35%
Salary increases	3.00%	3.25%	3.9%	3.85%
Pension increases	2.25%	2.25%	2.4%	2.35%
Discount rate	1.50%	1.35%	2.1%	2.65%

Discount rate

The standard BW rate of 1.35% is recognised as cautious, as evidenced by KPMG benchmarking. The move to 1.5% pushes us to the other side of the KPMG central assumption of 1.41% based on KPMG's assessment of the markets at 31/7/20. However, it is also acknowledged that we should not look at the discount rate in isolation and that the key is the differential between the inflation assumption and the discount rate. Our inflation assumption is also on the high side which offsets the move to a higher discount rate (higher than the KPMG central assumption). The move to a rate of 1.5% puts us in a much more balanced position. KPMG have confirmed that the tailored rate of 1.5% will not be an outlier and is still in the acceptable range.

Salary increase assumption

The salary increase assumption should reflect the University Group's experience of actual pay increases over the past few years and our planning assumptions. The average pay increase over the last 6 years is 3.02% including a prudent 1.5% for incremental drift. The pay award for 2020/21 is 0% uplift and if we include this we get an adjusted average of 2.76%. Therefore, a maximum of 3% as a tailored assumption seems reasonable, particularly post Covid. Our planning assumption in the five year financial forecast is also 3%. SBC is slightly lower but 3% across the group seems reasonable and prudent.

Review process

There is broad support from KPMG for our more detailed review of the assumptions this year and indeed this was one of their recommendations last year. Each year we will document clearly the rationale for the assumptions used and will follow the agreed

documented process to ensure consistency. It is proposed that Management consider assumptions from as early as April and the process will include:

- Early engagement of GARC and SBC Audit Committee members
- Review proposals at June committees
- Comparison of assumptions with other institutions and other actuaries
- Review of salary increase assumptions compared with actual experience for past 5 years
- Review against external audit assessment of position, looking, for example, for a balanced position which is not an outlier and within an acceptable range.

USS provision

We account for the USS in a different way but use the same assumptions as for the LPFA. Running these new assumptions through the USS provision model, the net impact on the provision required is minimal, with the increase in discount rate offsetting the reduction in pay increase used.

Next steps

We have commissioned revised reports from BW and will adjust the accounts accordingly. We may also be required to make additional disclosures regarding the financial impact (if material) of any changes to the assumptions. Not just to the changes we have now made but also changes the actuary made compared to last year. We will consider this upon receipt of the revised reports.

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Internal Controls – Annual review of effectiveness 2019/20
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	Natalie Ferer
Sponsor:	Richard Flatman - Group Chief Financial Officer
Purpose:	For approval
Recommendation:	The Committee is requested to note the attached report and approve the annual compliance statement.

Summary

This paper presents the annual review of effectiveness of the University's system of internal control, that underpins the internal control statement in the annual report and accounts. This should be reviewed up to date of signing the accounts and so is coming back to this meeting for review.

Section 5 of the attached report reflects the revised wording of the Internal Audit Annual opinion which is 'generally satisfactory with improvements required in some areas'. Otherwise, no other matters have arisen since the October review that would prevent the University from making a full compliance statement.

Therefore, the proposed statement is a 'full compliance' statement for the period under review.

Recommendation

The Committee is requested to note the attached report and approve the annual compliance statement.

This page is intentionally left blank

System of Internal Controls
Annual Review of Effectiveness
Year ended 31 July 2020

CONTENTS

1. Executive Summary
2. Annual review process
3. Changes in the nature and extent of significant risks
4. Scope and quality of management's ongoing monitoring of risks and the system of internal control
5. Results of internal audit work
6. Extent and frequency of communication to the board
7. Incidence of significant control failings or weaknesses during the year
8. Effectiveness of the University's external reporting processes

Appendix

1. Draft Statement on Internal Control
2. Corporate Risk Register Residual Likelihood Matrix Overview, as at August 2020.

1. Executive Summary

This report documents the progress that has been made with regard to our system of internal control and to our risk management processes over the past year. A copy of the proposed statement of full compliance for the year ended 31 July 2020 is enclosed as Appendix 1.

In making this statement, we are required to ensure that a number of key principles of effective risk management have been applied. These principles, together with an assessment of compliance by LSBU, are provided in the table below.

Effective risk management:

Requirement	Assessment
Covers all risks – governance, management, quality, reputation and financial.	✓
Produces a balanced portfolio of risk exposure.	✓
Is based on a clearly articulated policy and approach.	✓
Requires regular monitoring and review, giving rise to action where appropriate.	✓
Needs to be managed by an identified individual and involves the demonstrable commitment of governors, academics and officers.	✓
Is integrated into normal business processes and aligned to the strategic objectives of the organisation.	✓

In making this assessment, and in drafting the proposed full compliance statement for the period under review (for the year ended 31 July 2020, but considering all matters up to the date of approval of the financial statements) the following assurance sources have been taken into account:

The Office for Students

- Governance, and effective Risk management processes are a requirement of Conditions of Registration (condition E2 – adequate and effective governance) with the OfS. As part of the seeking registration with the OfS, LSBU submitted a self-assessment, regarding its governance arrangements, including risk management and internal controls.
- LSBU has a quarterly OfS taskforce, to monitor progress against OfS conditions of registration to ensure conditions continue to be met.

Internal Audit

- The programme of internal audit work for the year ended 31 July 2020 was aligned to the corporate risk framework to provide assurance on the effectiveness of controls in key risk areas.
- The conclusions from internal audit work are discussed in more detail in section 5 of this report. There have been no reports with no assurance rating. There are a number of areas where Limited assurance was provided over the design of controls:
 - LSBU - Accounts Receivable, UKVI Tier 2 and Tier 5, UKVI Tier 4 and IT Security
 - SBC - Accounts Payable and Health & Safety for SBC
 - SBA - AP and Parent Pay and IT Security.

And limited assurance over the effectiveness of controls was found in the following areas:

- LSBU – Accounts Receivable, UKVI Tier 4 and IT Security
- SBC – IT Security
- SBA - AP and Parent Pay and IT Security.

Management have accepted all recommendations and appropriate action is being taken to address those weaknesses and implement agreed actions.

- Across the group, 116 recommendations were raised during the year, of which 18 were high risk, 70 medium risk and 28 low risk. As this is the first year that BDO have been engaged as internal auditors, there are no comparative figures.
- 104 recommendations were outstanding at the start of the year and to date. Of these 44 (32%) have been implemented, 25 (24%) are in progress and 32 (31%) are not yet due.

Internal Governance

- This Corporate Risk Report has been submitted to every meeting of the Board of Governors
- The Corporate Risk Report & Risk Register has been submitted to every meeting of the Group Audit and Risk Committee
- Based on the internal audit work performed in the year we have not identified any significant issues with regard to risk management that we need to draw to your attention and are satisfied that the University has effective risk management arrangements in place.
- There have been no major breakdowns in controls during the year.

- Regular anti-fraud, bribery and corruption updates/reports have been provided to each meeting of the Group Audit and Risk Committee. No significant matters have occurred.
- No significant issues have arisen as a result of the University's external reporting processes.

2. Annual Review Process

To be able to make the statement on internal control set out in Appendix 1, Governors need to satisfy themselves that the risk management system is functioning effectively and in a manner that they have approved.

The two elements of effective monitoring are:

- An ongoing review process;
(for LSBU this takes the form of regular risk management reports to the Group Audit and Risk Committee and Board of Governors,); and
- An annual assessment of the effectiveness of internal controls.

This paper documents the annual assessment undertaken. It considers issues dealt with in reports received during the year, together with any additional information necessary to ensure that Governors take account of all significant aspects of internal control for the year under review and up to the date of approval of the annual accounts.

3. Changes in the nature and extent of significant risks

The Risk Register is aligned with the goals of the University's Corporate Strategy for 2020.

The current Corporate Risk Register residual likelihood matrix is attached at Appendix 2.

A separate detailed risk register covering the Groups response to Covid 19 is in place and new risks around cybersecurity and the potential for fee and other refunds have been identified which will be added to the next version of the risk register. Apart from these, the principal risks facing the University relate to UK undergraduate student recruitment, income generation from Overseas and EU applicants, NHS Contract income, and increasing pension deficits / cost of pension provision.

These risks are discussed in more detail in the University's financial statements.

Following the move to Group, a reassessment of risk management processes has been undertaken and a new Group Risk policy and process has been developed and aligns with the new 2020/25 Group Corporate Plan. This has already been approved by the Group Audit and Risk Committee.

4. Scope and quality of management's ongoing monitoring of risks and the system of internal control

Risk Management is a standing item on the agenda of Organisational Effectiveness Review meetings, and risk management and internal control are embedded into normal operating routines. Both are subject to regular management review and periodic audit review.

Every Corporate Risk has an Executive Risk Owner. Every member of the Executive is the Risk Champion for their area of the institution, and this is embedded into formal letters of delegated authority issued for every financial period.

All matters relating to internal control are reported to the Executive, which also monitors carefully the implementation of agreed recommendations / actions for improvement, as reported through the Internal Audit Progress reports.

5. Results of internal audit work for 2019/20

The University's Internal Auditors for the period under review were BDO LLP and their opinion for 2019/20 is set out in their internal audit annual report.

This opinion is based on their assessment of whether the controls in place support the achievement of management's objectives, as set out in their Internal Audit Risk Assessment and Internal Audit Plan 2019/20.

They have completed the program of internal audit work for the financial year ended 31 July 2020, and their opinion is:

Extract from BDO's 2019/20 Internal Audit Annual Report for LSBU

Our opinion is as follows:

Generally satisfactory with improvements required in some areas.

The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements and value for money. However, there are some areas where weaknesses and/or non-compliance were identified and therefore may put the achievement of objectives at risk. Where weaknesses

have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements and value for money arrangements.

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Group's risk management, control and governance processes and its arrangement for economy, efficiency and effectiveness.

No internal audit reports providing no assurance were issued during 2019/20. Limited assurance opinions were provided for both the design and operational effectiveness of the controls in place for IT security, UKVI Tier 4 and Accounts Receivable at LSBU and for Financial Controls (specifically relating to Accounts Payable and ParentPay) for SBA.

There were a further three reports (one for LSBU and two for SBC) where limited assurance was provided on the design of the control framework although moderate assurance was provided on the effectiveness of the controls that were in place.

Further details are contained in the Internal Audit Annual Report

6. Extent and frequency of communication to the Board (and other committees)

Regular reports on risk and control matters have been presented to the Board and its Committees throughout the year, including:

- Key Performance Indicators
- Corporate Risk Report
- OfS Annual and mid-year accountability forecast
- Annual report from Group Audit and Risk Committee
- Group Audit and Risk Committee report on the accounts
- Annual report and financial statements
- External Audit plan and External Audit management letter
- Corporate Governance Statement
- Internal Audit plan, reports, progress reports and annual report
- Annual report on effectiveness of Internal Controls

7. Incidence of significant control failings or weaknesses during the year

There have been no reportable incidents of significant control failings or weaknesses during the year.

8. Effectiveness of the University's external reporting processes

No significant issues have arisen as a result of the University's external reporting processes other than matters already covered within the Corporate Risk framework.

APPENDIX 1

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 by the OfS, according to Registration Condition E2.

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 2020 and up to the date of approval of the financial statements, and accords with OfS conditions.

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 Group Audit and Risk Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Group Audit and Risk 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 Group Audit and Risk Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Group Audit and Risk 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 operational 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;
- A network of risk champions exists to support risk management activity in all schools and professional service groups;
- 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 OfS Regulatory Framework and as per the Internal Audit Charter, also adheres to the definition of internal auditing, code of ethics and the standards for professional practice that are published by the Institute of Internal Auditors. 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.

APPENDIX 2: Corporate Risk Register: Residual Likelihood Matrix

LSBU Corporate Risk: Board Summary Report – Aug 2020

Cover Page: Risk Exposure Matrix – Severity by risk type (from Risk Appetite)

Severity Rating/Risk Type - Appetite	Low	Medium	High	Critical
Financial (open)	(517) EU Referendum Impact on regulation & market (DP)	(631) Full financial benefits including Income and expenditure levels fail to leverage potential of Group (RF) (402) Income growth from Research & Enterprise unrealised (PI) (630) HE Policy - B3 Registration Regulation and potential introduction of student number controls (DJ)	(3) Sustainability of current pension schemes (RF) (625) Impact of Govt. Education Review on HE funding (RF) (2) Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL) (457) Anticipated international & EU student revenue unrealised (NL)	
Legal / Compliance (Cautious)		(305) Data security and data protection (NL) (519) Negative Curriculum Assessment (DJ) (584) External incident compromises campus operations or access (MMJ)		
Academic Activity (Seek)		(628) Availability of NHS placements (PB) (495) Higher Apprenticeship degrees (FM) (398) Academic programmes not engaged with technological and pedagogic developments (DJ) (494) Inconsistent delivery of Placement activity (NL) (518) Core student system inflexibility / failure (DJ) (627) Impact of new strategy upon organisational culture (MMJ)	(629) OfS Thresholds not met in relation to Condition of Registration B3 (DJ) (37) Affordability of Capital Expenditure investment plans (RF) (467) Progression rates don't increase (DJ) (633) Unable to deliver recovery plan from Covid-19 (DP)	
Reputation (Open)		(6) Management Information perceived as unreliable, doesn't triangulate or absent (RF) (362) Low staff engagement impacts performance negatively (MMJ)	(626) Impact of assurance activity & new initiatives fails to address issues around student experience (PB) (632) Alignment of estate with sector requirements across the Group (PI) (1) Capability to respond to change in policy or competitive landscape (DP)	

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Data Assurance Report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Richard Duke, Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information.
Recommendation:	The committee is requested to review and note the report on data assurance.

Executive Summary

Data Assurance – External Returns

As with every year, all external returns that have a material impact on the financial or reputational standing of the University are processed through an external return assurance process. This particularly applies to the main returns to HESA (student, staff, finance and HESES returns).

This process provides assurance that accurate and timely returns are made to relevant bodies and that LSBU is reflected positively wherever possible.

The new Compliance Unit, will also assist in providing assurance in this area. This is still to be fully defined. Progress in terms of Group wide assurance, is being progressed, but is still yet to be fully achieved.

Risk Register

There are two risks in relation to data and information on the Corporate Risk register. This is reviewed monthly in Senior Leadership Team meetings, and reported to Group Audit Committee and Board.

The risks are:

- Data Security and Protection (this was recently upgraded to a high risk and a detailed, costed action plan for cyber security has been developed.)

- Management Information perceived as unreliable, doesn't triangulate or absent (this is a medium risk)

Strategy Implementation

As part of the Strategy Implementation project, the deliverable *Planning & Budgeting* has a component where information provision (including data protection and security) will be designed, with a roadmap for delivery. This will be linked to the other projects within the deliverable; business cycle, budgeting and planning process. Defined outcomes, associated dependencies and milestones against this will be defined by the end of November.

Recommendation

The committee is requested to review and note the report on data assurance.

	CONFIDENTIAL
Paper title:	Group Financial Regulations
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Approval
Recommendation:	That the Committee considers and approves these amendments to the Financial Regulations and the move to Group Financial Regulations.

Executive Summary

The University's Financial Regulations are updated at least annually. This is to ensure that the Financial Regulations remain relevant and reflect the structure and organisation of the University. This update reflects the move to Group Financial Regulations and will apply to the University, South Bank Colleges and their subsidiary companies. Where it is necessary to vary specific areas of regulation for a subsidiary company, these are included as an appendix to the main group regulations.

The changes in this version are:

Paragraph	Update
Throughout	Reference to University Group Expand definition of Finance to include Finance staff at SBC Renaming of Audit Committee to Group Audit and Risk Committee
Para 2	Inclusion of South Bank Colleges in the scope of these regulations Reference to South Bank Academies having separate Financial regulations
Para 3	Clarification of the nature of the group and the accountabilities of the Vice Chancellor Applicability of relevant gifts & hospitality policies in each group institution
Para 5	Section on accounting policies amended to say that depreciation will be charged according to accounting policies

	set out in the Financial statements rather than specifying the policy in this document. This is to accommodate different capitalization limits in place at South Bank Colleges.
Para 7	Refer to 'subsidiary companies' in section on approval of financial statements to accommodate approval of all subsidiary company accounts within The Group.
Para 8	Addition of authorised outlets within Lambeth College as being allowed to provide food and drink on campus and removal of reference to Head of National Bakery School in determining prices
Para 10.2.11	Delegation of authority for £1-2m contracts to be tweaked in case of absence. This will allow an alternative person to authorise these contracts and avoid delays.
Para 11	Reference to getting approval for staff appointments through the requisition process maintained by HR Tweaked wording with regard to HR responsibility for onboarding staff and notification of leavers
Para 11.7	Reference to the role of the remuneration committee
Para 12	Reference to governance agreement with South Bank Colleges in relation to contractual commitments
Para 12.10.2.4	Acquisitions or disposals of land, updated reference to compliance with Charities Act 2011
Para 12.10.3	Updated to refer to Public Contracts Regulations 2015 and need for compliance
Para 13	Addition of 'other payment instructions' to section on bank accounts
Para 17.1.1	Clarification of preferred method of execution of deeds to clarify controls on execution. Reference to DocuSign or equivalent. Inserted wording to make it clear that not only do all deeds need two signatories, but that the second signatory must physically witness the first signatory and therefore be present which will always apply, irrespective of lockdown. References to common seal updated to reflect companies act / modern land registry practice. Clarification of delegation of authority to execute apprenticeship contracts
Para 17.6	People have been signing electronically for some time and using various formats. It doesn't matter which format is used from a legal perspective, so long as the format is agreed by both sides before signing (to show intention) and both parties use the same method. Added wording here to set this out for clarity.
Anti Fraud Policy	Changed job title for Group Chief Financial Officer

	Reference to group procedures in section for investigation suspected fraud
Anti Money Laundering Plan	Changed title from 'money laundering plan' to 'anti money laundering plan'.
LSBU Values	Addition of appendix setting out the behavioural framework
Specific procedures relating to South Bank Colleges	<p>Appendix setting out financial regulations specific to South Bank Colleges. These are based on the existing financial regulations in place for SBC but with sections removed where they duplicate provisions in the Group Regulations. SBC retain separate regulations in the following areas:</p> <ul style="list-style-type: none"> -Disbursement of Learner support funds -requirement to engage University Procurement team for purchases over £50k -Expenses -Overseas travel -banking and petty cash -disposal of fixed assets -responsibility for security of buildings and assets -capital expenditure and control of assets -Tuition fees policy -Major developments -contracts and agreements including hire purchase commitments -student Union -Partnership arrangements -College Seal -Related Party Transactions -authority limits – referencing governance agreement with LSBU -Budget variations -bank mandates -Tendering processes
Letter of delegation	Minor changes including references to financial regulations

Recommendation

That the Committee considers and approves these amendments to the Financial Regulations.

	CONFIDENTIAL
Paper title:	Data Protection breaches report
Board/Committee:	Audit Committee
Date of meeting:	05 November 2020
Author(s):	Alice Black, Group Data Protection and Information Compliance Officer (DPO)
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the update on recent reportable and non-reportable data breaches.

Reporting Breaches of personal data

There have been three incidents involving breaches of personal data since the last report was prepared for the October Audit Committee. One of these breaches was reported to the ICO and all three breaches relate to data disclosure.

Non-reportable breaches

BR2014 – Additional page was attached to enrolment terms when they were sent to student via DocuSign. This page contained names and contact details of other students in the recipient’s class, ranging from 7 to 25 other students depending on class size. In total 68 students details were shared. Enrolment team were able to delete some of the documents before they had been viewed, for those students that had already viewed the terms before the error was detected we asked them to delete and wait for new terms. We contacted all students to inform them of the error and next steps, any documents not deleted by LSBU or the students were raised for deletion to DocuSign.

BR2017 – Alumni send forms detailing student prize winners to Finance to make prize payments on a regular basis. On two occasions in the last month this email has been sent to two members of the Finance team plus an external email address for an Alumni. The intended recipient was a third member of the Finance team who has partially the same name as the Alumni. These forms contained the names and bank details of 13 students who were due to receive these prizes. The Alumni has been contacted to ask that they delete the two emails and attachments, we are awaiting their response and will follow-up if not confirmed. Staff member who made the original error has now left LSBU.

Reportable Breach

BR2016 – Spreadsheet containing large set of student data (6473 students) was sent to 7 members of staff by their line manager. They were asked to identify groups of students and contact them regarding delayed enrolment. In addition to the required contact details for the student the spreadsheet also contained data regarding the students Disability/DDA status, course progression, personal email addresses, mobile phone numbers and Visa status. One of the recipients forwarded the email and spreadsheet to their group of students in error.

17 students received the spreadsheet and as it had not been password protected one viewed the data and reported the breach to LSBU. All 17 have now been contacted and 9 have confirmed they have deleted the spreadsheet, this may increase as breach only reported on 23rd October. Given the large volume of students on the spreadsheet, that the data sets included health information and that we had not been able to establish a 100% deletion rate within the 72 hour reporting window, the breach was reported to the ICO on 26th October 2020. This breach is still being investigated including looking at training completion and we will follow-up with the unresponsive students with a further request to delete.

Recommendation

The committee is requested to note the update on recent reportable and non-reportable data breaches.

	CONFIDENTIAL
Paper title:	Anti-Fraud, Bribery and Corruption Report
Board/Committee:	Group Audit And Risk Committee
Date of meeting:	05 November 2020
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Information
Recommendation:	That the Committee note the report.

Executive summary

Since the last meeting, there are no new instances of fraud, bribery or corruption to report.

This page is intentionally left blank

	INTERNAL
Paper title:	Group speak up report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Kerry Johnson, Governance Officer
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the speak up report

Speak Up report

No new speak up cases have been raised since the last meeting.

An update on the speak up case involving alleged fraud will be given at the meeting.

The committee is requested to note the update.

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	Reportable events update
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 November 2020
Author(s):	Kerry Johnson, Governance Officer
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the update.

Reportable events since the last committee meeting

No reportable events have been notified to the OfS since the last GARC meeting.

The committee is requested to note the update.

This page is intentionally left blank

Paper title:	Committee business plan, 2020/21
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 November 2020
Author:	Kerry Johnson, Governance Officer
Sponsor:	Duncan Brown, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To note the committee's annual business plan

Group Audit and Risk Committee Business Plan

The Committee's business plan is based on the model work plan for audit committees developed by the CUC. It is intended to help the committee review the adequacy and effectiveness of risk management, control and governance (including ensuring the probity of the financial statements) and for the economy, efficiency and effectiveness of LSBU's activities delegated to it from the Board.

As agreed at the meeting of 5 November 2015, the committee's business plan is a standing item on agendas.

The plan lists regular items. Ad hoc items will be discussed as required.

The Audit Committee is requested to note its annual business plan.

	Oct	Nov	Feb	June
Anti-bribery policy review				x
Audit Committee Annual Report to Board		x		
Audit Committee business plan	x	x	x	x
Membership and Terms of Reference - approve	x			
Speak up report	x	x	x	x
Speak up policy review			x	
Annual Report and Accounts		x		
Anti-fraud policy review				x
Anti-fraud, bribery and corruption report	x	x	x	x
Data assurance report		x		
Debt write off - annual				x
Draft public benefit statement	x			
Draft corporate governance statement	x			
External audit findings		x		
External audit letter of representation		x		
External audit management letter		x		
External audit performance against KPI's		x		
External audit plan				x
External auditors - non-audit services	x			

Finance and Management Information (FMI) structure and leadership team			x	
GDPR/data protection update	x	x	x	x
Internal audit annual report	x (draft)	x (final)		
Internal audit plan - approval				x
Internal audit progress reports	x	x	x	x
Internal audit reports (inc continuous audit)	x	x	x	x
Internal Controls - review	x			
Pensions assumptions	x			
Corporate Risk	x	x	x	x
Risk strategy and appetite				x
Going concern statement		x		
TRAC return to OfS - (by email in Jan)			x	
TRAC(T) return to OfS (by email in Feb)			x	
Value for money report, annual			x	
Modern slavery act statement		x		
Prevent annual return		x		
OfS reportable events	x	x	x	x

This page is intentionally left blank