

Board of Governors Meeting

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

Supplement

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

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Supplement to Board pack – 23 November 2017

- Marked up version of annual report and accounts following meetings of the Audit Committee and the Finance, Planning and Resources Committees
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Report and Financial Statements

31 July 2017

Version ~~65~~ 15/11/17

Report and financial statements 2017

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Strategic Report

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages [167-212](#) and the members of the Board of Governors during the year ended 31 July 2017 are listed on pages [2-3](#). The Governors are also directors under the Companies Act 2006.

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

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

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

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

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

~~Michelmores LLP
48 Chancery Lane,
London WC2A 1JF~~

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

~~Penningtons Manches
125 Wood Street,
London, EC2V 7AW~~

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

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

Structure, Governance and Management

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

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Miss Temi Ahmadu	Retired 30 June 2017
Mr Sodiq Akinbade	Appointed 1 July 2017
Mr Steve Balmont	
Mrs Shachi Blakemore	

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Ms Julie Chappell	Appointed 1 July 2017
Mr Michael Cutbill	
Mr Douglas Denham St Pinnock	
Professor Neil Gorman	Retired 31 July 2017
Mrs Carol Hui	
Professor Hilary McCallion CBE	
Mr Kevin McGrath	
Dr Mee Ling Ng OBE	
Mr Andrew Owen	Retired 31 July 2017
Ms Jenny Owen	
Mr Tony Roberts	
Mr Suleyman Said	Appointed 1 July 2017
Mr Calvin Usuanlele	Retired 30 June 2017
Changes in Governors since 31 July 2017:	
Mr Duncan Brown	Appointed 1 August 2017
Professor Peter Fidler CBE	Appointed 1 August 2017

Principal Officers:

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

A separate Corporate Governance Statement is shown on pages ~~167-212~~.

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Strategic Report

Objectives and Activities

London South Bank University has been transforming lives, communities and businesses for 125 years. At its creation, its aims were to improve social mobility for the people of south London by improving their employment opportunities, and to support the community by providing access to the applied knowledge that would advance their businesses. Other than an increasingly global reach, that mission remains almost unchanged today – LSBU provides a highly applied academic environment which supports students into professional careers by providing the knowledge and skills that are attractive to employers. At the same time, it supports employers and the professions by providing the education, consultancy and high quality applied research they need.

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

Student success

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

Real world impact

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

Access to opportunity

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

[The University has had a very good year in terms of financial and strategic outcomes.](#)

Student Success

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

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

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- LSBU was ranked 32nd of all UK universities for “value added” by the Economist magazine, which used published data to analyse the “value added” by individual universities to their students based on actual and expected earnings.
- HEFCE identified our work on the Prevent agenda as leading UK practice, which led to a Foreign Office nomination and ongoing partnership work, rolling out our approach internationally.

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

Real World Impact

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

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

- LSBU’s research centres in non-destructive testing and coatings and resins at the Cambridge Technology Park attracted projects worth over £10m in their first year.
- LSBU’s new London Doctoral Academy now provides a physical space for research students to create a community of practice.
- Research income showed -an increase of 42% on 2015/16 total and ahead of target
- Contracted activity for 2017/8 is strong with recent research bid successes including two awards from the [Engineering and Physical Sciences Research Council](#) (EPSRC); a £400K award for a project modelling the mechanism of cats’ whiskers for spacecraft design, a £200K for a project exploring heat re-use from sewers, and a further £600K of funding through the Welding Institute partnership.
- LSBU is now the number 2 London Modern for Knowledge Transfer Partnerships; South Bank Enterprises led on sales of commercial enterprise with a total value of £4.4m during 2016/17.
- Over one hundred and fifteen bids were submitted for research funding which was ahead of target, SME partnerships exceeded three hundred and fifty during the year.
- Two European Regional Development Fund (ERDF) projects have been secured around access to innovation and simulation for digital health. Both will work with around four hundred SME’s over the next three years and will have a total value of around two million pounds. LSBU is also a partner organisation for two further ERDF projects with a total value of one million pounds.
- The Centre for Research Informed Teaching (CRIT) has been established to generate greater awareness of pedagogic developments and assist in ensuring our research activities inform our teaching.

Access to Opportunity

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

- We have invested in a new Higher and Degree Apprenticeship programme to provide students and employers with a more diverse education and skills offer. Up to 25 higher and apprenticeship programmes are being

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offered for 2017/18 within five Schools. LSBU is a leader in the HE sector and one of only 18 institutions to receive funding from the HEFCE degree apprenticeship development fund. -105 apprentices were enrolled during 2016/17, and the number is predicted to rise to 500 during 2017/18.

- LSBU is establishing a new Institute for Professional and Technical Education to support educational pathways into higher and degree level technical education and, with partners, is investing over £12m in increasing provision for apprenticeships.
- The University Academy of Engineering (UAE), which recruited to target for the 2017/18 entry cohort, received a ‘Good’ rating in its first Ofsted assessment.
- The University Technical College (UTC) has now taken up residence in its new Brixton Hill facility.

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

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

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

Risk and Impact	Mitigation Strategies
<u>Revenue reduction</u>	<ul style="list-style-type: none"> • <u>Brand strategy and articulation</u> • <u>Ongoing review of portfolio</u> • <u>Range of outreach activity</u> • <u>Interventions and support activity to drive better retention and progression</u> • <u>Significant investment in Higher and Degree apprenticeship programme</u> • <u>New Institute for Professional and Technical Education</u> • <u>Strengthening internationalisation activity</u> • <u>Named customer manager roles with NHS Trusts and Clinical Commissioning Groups and detailed annual quality review processes for NHS contract delivery.</u>
<u>Meeting capital investment requirements</u>	<ul style="list-style-type: none"> • <u>Range of options under consideration for estate development</u> • <u>Working closely with external advisers to develop funding plans.</u>
<u>Increasing pensions deficit</u>	<ul style="list-style-type: none"> • <u>Regular review and consideration of potential options for future provision</u> • <u>Modelling / scenario analysis of future costs and projected movements in assets & liabilities</u> • <u>Group defined contribution scheme established</u> • <u>Strict controls over early access to pensions.</u>

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<u>Potential impact of Brexit</u>	<ul style="list-style-type: none"> • <u>Regular participation in government and sector forums</u> • <u>Partnership approach to EU student recruitment</u> • <u>Reviewing carefully the impact on staff and supporting them as necessary</u> • <u>A range of Research Institutes with academic leads building strategic relationships.</u>
<u>Data risks, including GDPR (General Data Protection Regulation)</u>	<ul style="list-style-type: none"> • <u>Mandatory training for all staff</u> • <u>Regular vulnerability assessments</u> • <u>Development of GDPR options appraisal and action plan.</u>
Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets	<ul style="list-style-type: none"> – Implement School and College outreach strategy – Development of revised BI dashboard for applications cycle – Revised approach to brand management and articulation – Program of advanced market insight analysis – Annual review and approval of four year financial forecasts
Progression rates don't rise	<ul style="list-style-type: none"> – Focused study support, skills and welfare provision through Library and Learning, and Student Centre support teams – Minimum specification for personal tutoring
Anticipated international and EU student revenue unrealised	<ul style="list-style-type: none"> – Targeted partnership development utilising defined partnership models – Establishment of overseas offices to coordinate activity – Routine compliance training and regular reporting of visa refusal rates
Impact of Low staff engagement on organisational objectives	<ul style="list-style-type: none"> – Cascade meeting cycle and local roadmap process connects staff to institutional priorities – Engagement champions in all areas with regular review of action plans – New staff intranet and other comms technology projects enabling better connectivity
Increasing pensions deficit	<ul style="list-style-type: none"> – Participation in sector review activity – Strict control procedures on early access – DC pension scheme for some staff
Affordability of Capital Expenditure investment plans	<ul style="list-style-type: none"> – External partners appointed to develop finance options – Clear sign off process within financial regulations utilising business case methodology
Potential loss of NHS contract income	<ul style="list-style-type: none"> – Named customer manager roles with Trusts and CCGs – Annual Quality review process with reports to funders – Increase band 1-4 activity and development of Apprenticeship programmes
Management Information perceived as unreliable, doesn't triangulate	<ul style="list-style-type: none"> – Data Quality Processes established, with pre-submission scrutiny through Planning, Performance and Assurance (PPA) team – Data Warehouse established with MIKE access layer for all key corporate data – Performance scorecards in development for all areas of the institution
Corporate data not used, processed, or maintained securely	<ul style="list-style-type: none"> – Mandatory training programme includes data protection – Logical security and live synch protocols applied to user accounts and approvals – Regular vulnerability assessments with Technical Roadmaps to chart future state – Development of GDPR options appraisal
Introduction of Higher Apprenticeships	<ul style="list-style-type: none"> – Specialist team established to manage activity and promotion

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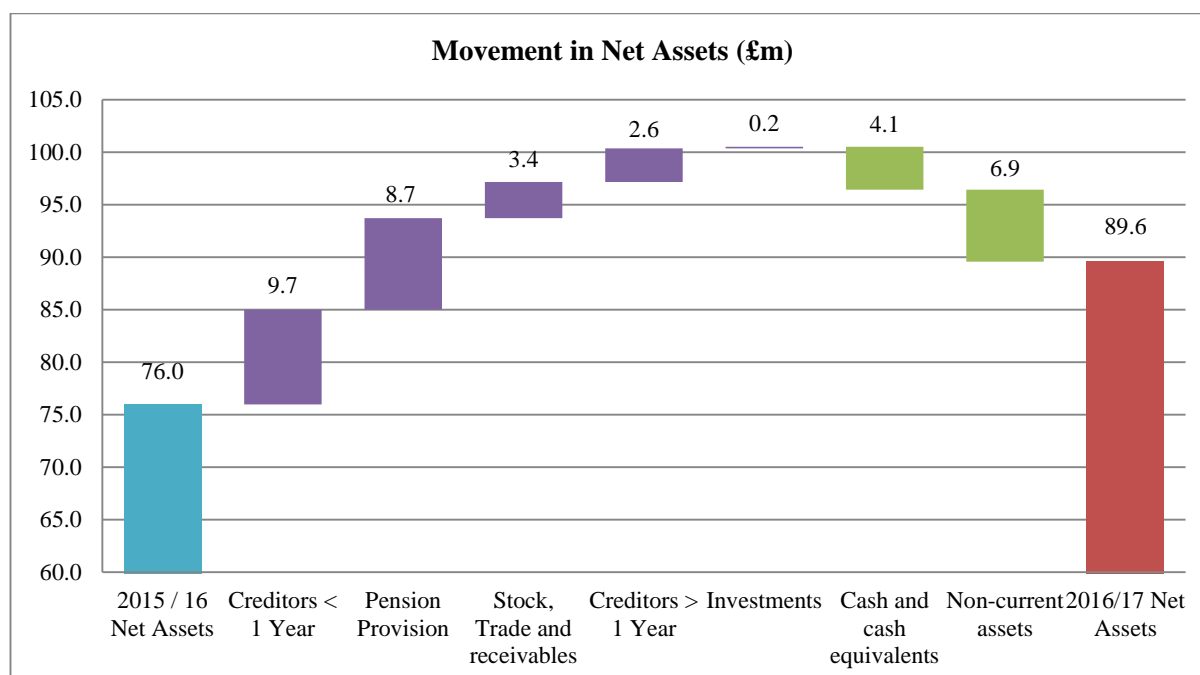
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	<ul style="list-style-type: none"> –Regular scrutiny of activity by Steering Group and Apprenticeships Committee for operations –Specialist centre in development to link with LSBU family associations
Impact of EU Referendum result on regulation and market trends	<ul style="list-style-type: none"> –Academic Leads for Research Institutes to build strategic relationships –Partnership approach to EU student recruitment –Participation in Governmental and Sector forums
Academic programmes not engaged with technological and pedagogic developments	<ul style="list-style-type: none"> –CRIT established to lead on digital enhancement through TEL strategy, monitored through Academic Board –Moodle baseline established and reviewed for all programmes
Organisational responsiveness to policy changes, external perception and shifts in competitive landscape	<ul style="list-style-type: none"> –Corporate Affairs unit established to maintain relationships with key stakeholders –Strategic approach to Business Intelligence through PPA team and MIKE data platform –Annual Corporate Roadmaps revisit strategy and drive planning and reporting processes –Ongoing Portfolio review processes

Financial Review

Balance sheet and liquidity

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



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

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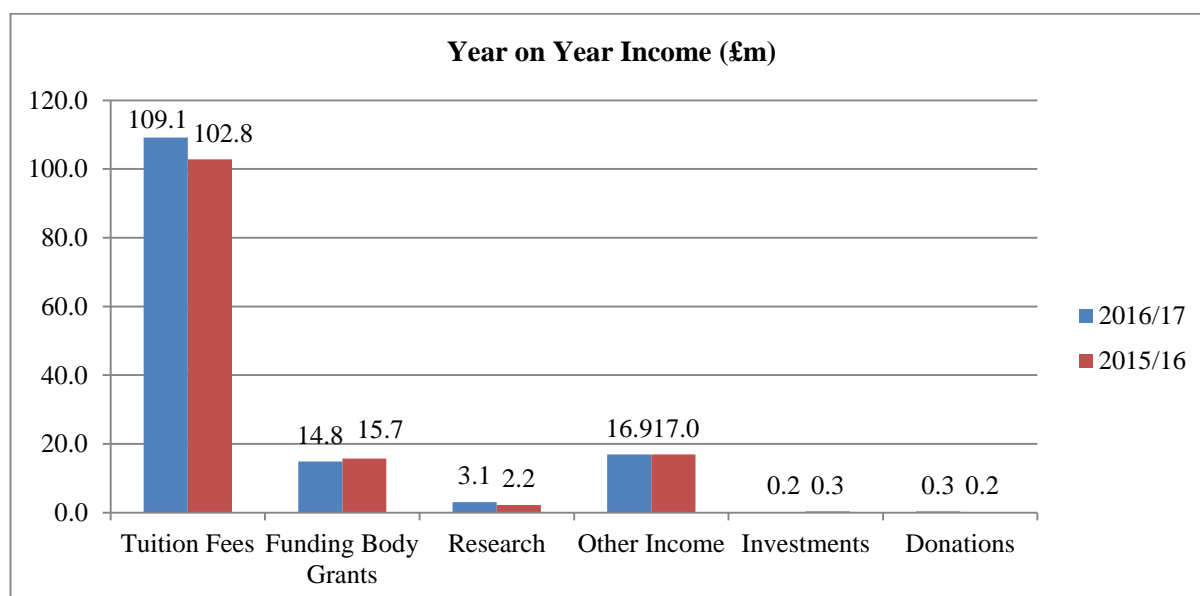
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The levels of borrowing are reviewed on a regular basis and are considered adequate to meet current operational plans.

Result for the Year

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

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

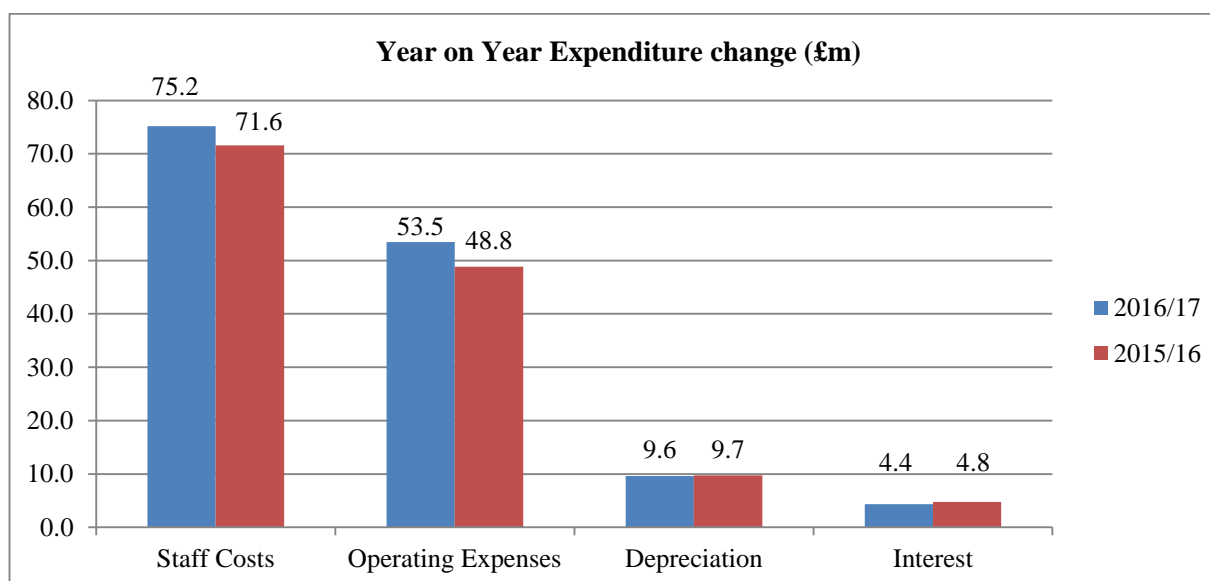
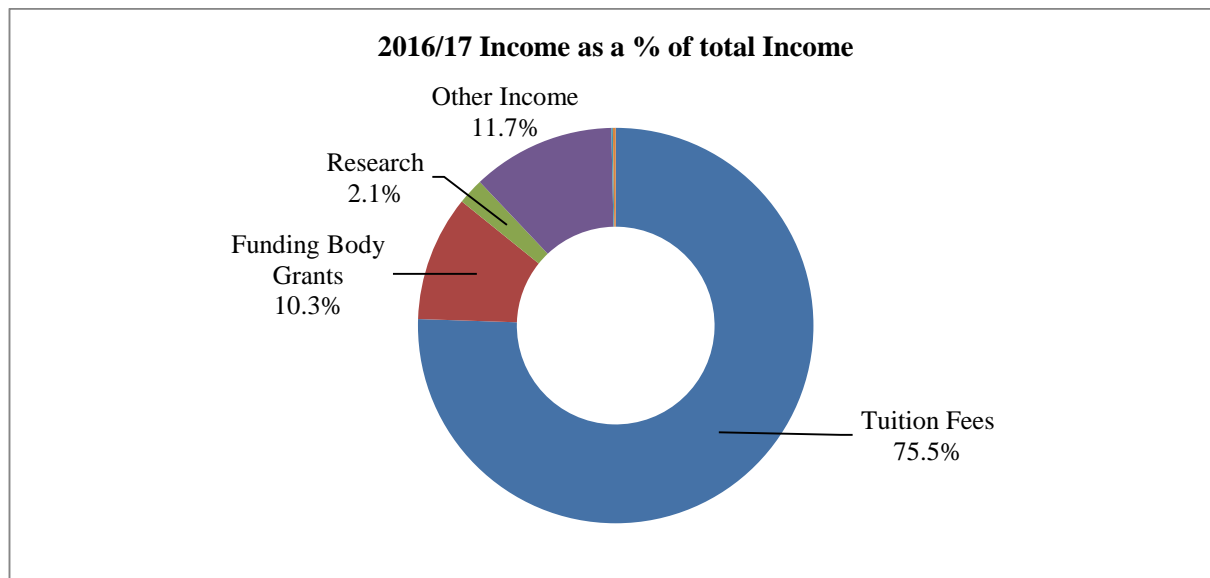


Total income increased by 4.6% (6.3m) to £144.5m (2015/16: £138.2m) ~~income~~. Academic fees (including NHS contract income) and Funding Council grants remain the main sources of income for the ~~U~~University representing 75.5% and 10.3% respectively (2015/16 = 74.4% and 11.4%). There was a reduction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

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

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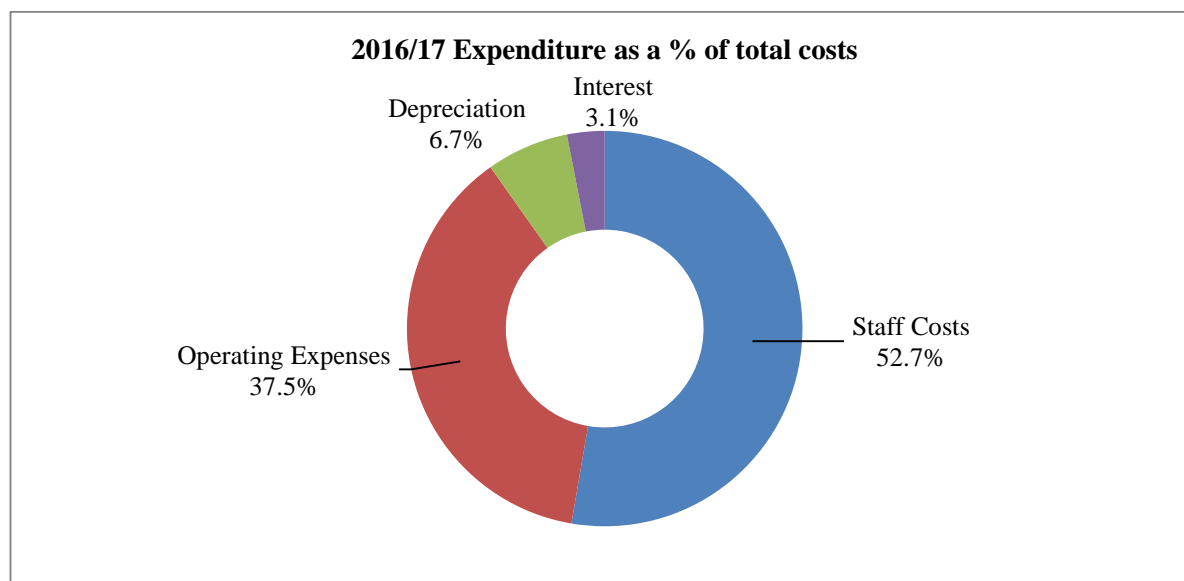
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In terms of Expenditure, Staff costs increased by 5.0% from £71.6m in 2015/16 to £75.2m in 2016/17 representing 52.0% of income (2015/16: 51.8%). After including agency staff costs, which are included in the accounts as operating expenditure, total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

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

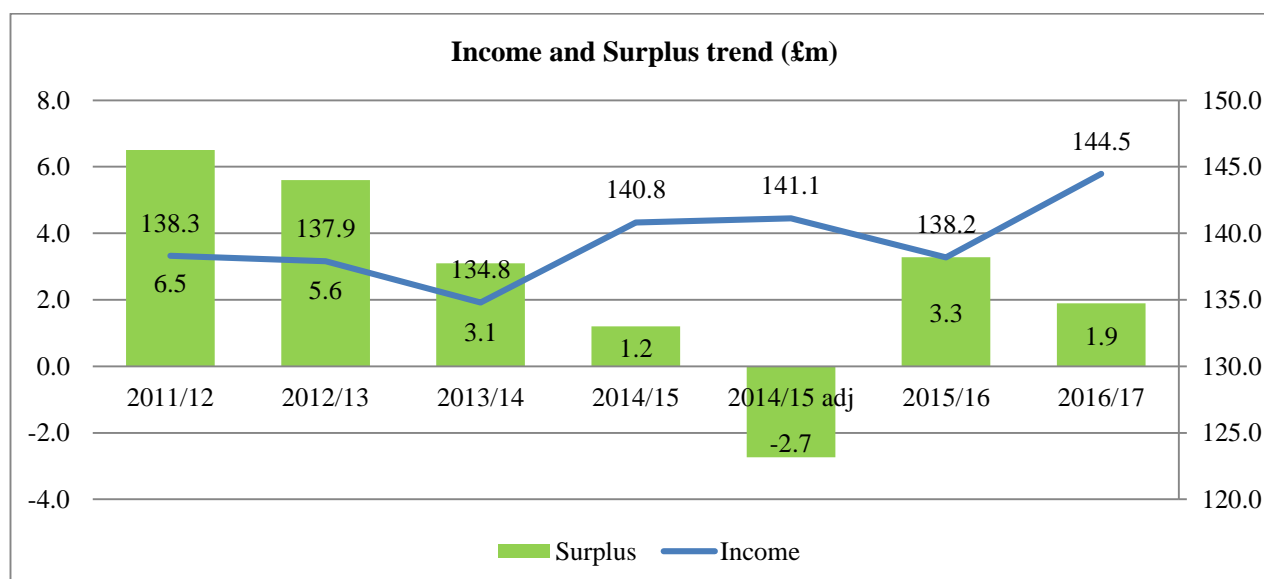
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The University's fixed assets decreased by £6.9m during the year. The reduction of assets was primarily due to depreciation. There were no asset disposals.

Financial trend analysis

2014/15 adjusted for FRS 102 adjustments



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

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

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The University remains focused on both income growth and cost management in order to ensure the ~~u~~University grows sustainably. The University delivered a surplus of £1.2m in 2014/15, ~~although this was~~ reported as a deficit of £1.2m after ~~technical~~-FRS₁₀₂ adjustments.

Pension liability

The pension liability with the London Pension ~~Scheme~~Fund Authority (LPFA) has reduced from £121.5m to £112.7m, mainly as a result of actuarial gains. The charge to staff costs for the year is £7m, interest £3.40m and an £11.7m gain is charged to other comprehensive income and expenditure.

Creditor payment policy

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

Accounting policies

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages ~~289-323~~. The University's Governing Body has reviewed the Group's accounting policies and considers them to be the most appropriate to the group's operations.

Subsidiaries

South Bank University Enterprises Limited ("~~SBUEL~~") provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated ~~£nil~~ in gift aid to the University (2016: £0.19m).

SBUEL is fully consolidated into the Group accounts.

Going Concern

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

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

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

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

Public Benefit statement

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

Charity Commission Guidance on Public Benefit

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

Charitable Objects

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

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

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

The University advances education for the public benefit by:

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

The University promotes research and the dissemination of knowledge by:

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

The University provides student support and services for students through:

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

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Beneficiaries

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

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

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

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

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

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

Disclosure of information to auditors

At the date of making this report each of the Governors, as set out on pages 2-3, confirm the following:

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

Auditor

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

Directors' report

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

Approval

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

Report and financial statements 2017

Strategic Report

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

Statement of Responsibilities of the Board of Governors

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

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

Chair of the Board of Governors
23 November 2017

Corporate Governance Statement

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

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

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

Governance and Legal Structure

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

Compliance with the CUC Higher Education Code of Governance

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

Decision making

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

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

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

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

Compliance

All governors and members of the Executive are required to declare their interests on appointment, on an annual basis and are required to declare any interests which relate to decisions at meetings. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests (2.2). The

Corporate Governance Statement

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).

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

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change is reported to HEFCE when discovered and annually as part of the Accountability and Assurance statement (3.6). No material adverse changes were reported to HEFCE during the year. **[to confirm at November 2017 meeting]**

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

Sustainability

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

Academic governance

The Board has oversight of academic governance across the institution, twice yearly meeting with the Academic Board to discuss strategy. The Board has reviewed the quality process and agreed an assurance statement during the year under review. **[to confirm at November 2017 meeting]**

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

External activities

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

Equality and Diversity

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

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

Structures and processes

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on pages 2-3. The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

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

Corporate Governance Statement

Committees

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually (3.6). Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee has a majority of independent governors. The chairs of each committee are independent governors and are set out ~~below on pages 19-20~~ under Key Individuals. The following principal committees met throughout the year:

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

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

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

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

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

Key Individuals

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

Corporate Governance Statement

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

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

Statement of Primary Responsibilities of the Board of Governors

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

Corporate Governance Statement

12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

Statement on Internal Control

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;

- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- Senior Managers meet regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;
- Formal risk management and internal control procedures have been embedded within ongoing operations. Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2017. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 23 November 2017 and were signed on its behalf by:

Mr Jeremy Cope

Chair of the Board of Governors
23 November 2017

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

Other information

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

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

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

Matters on which we are required to report by exception

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

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

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

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on pages 15-16, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988 (*for post-1992 institutions*). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

9 November 2017

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

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

All activities consist of continuing operations.

Consolidated and University Statement of Changes in Reserves

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

London South Bank University

Consolidated and University Balance sheets

As at 31 July 2017

	Notes	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Intangible assets	12	1,991 9	3,011	1,991	3,011
Tangible fixed assets	13	216,881	222,724	216,881	222,724
Investments	14	38	38	38	38
		<u>218,9109</u>	<u>225,773</u>	<u>218,910</u>	<u>225,773</u>
Current assets					
Stocks		8	11	8	11
Trade and other receivables	15	18,378	14,956	18,135	14,780
Investments	22	16,620	16,465	16,620	16,465
Cash and cash equivalents	22	32,146	36,238	31,484	35,778
		<u>67,152</u>	<u>67,670</u>	<u>66,247</u>	<u>67,034</u>
Creditors: amounts falling due within one year	16	(34,653)	(44,318)	(33,839)	(43,834)
Net current assets		<u>32,499</u>	<u>23,352</u>	<u>32,408</u>	<u>23,200</u>
Total assets less current liabilities		<u>251,4098</u>	<u>249,125</u>	<u>251,318</u>	<u>248,973</u>
Creditors: amounts falling due after more than one year	17	(48,056)	(50,647)	(48,056)	(50,648)
Provisions					
Pension provisions	19	(113,778)	(122,512)	(113,778)	(122,512)
Total net assets		<u><u>89,5754</u></u>	<u><u>75,966</u></u>	<u><u>89,484</u></u>	<u><u>75,813</u></u>
Restricted reserves – endowment reserves	20	807 6	754	807	754
Unrestricted reserves					
Income and expenditure reserve		61,386	47,243	61,295	47,090
Revaluation reserve	21	27,382	27,969	27,382	27,969
Total Reserves		<u><u>89,5754</u></u>	<u><u>75,966</u></u>	<u><u>89,484</u></u>	<u><u>75,813</u></u>

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

London South Bank University

Consolidated Statement of Cash Flows Year ended 31 July 2017

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

Principal Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard FRS_102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS_102. The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets.

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

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

Consolidation of accounts

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

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

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

Income recognition

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

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

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

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

Principal Accounting Policies

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

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

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

Intangible assets

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

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that have been revalued to fair value on the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Properties are not carried under the valuation method and therefore regular revaluations of assets are not undertaken by the University.

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

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

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

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

Freehold buildings	2% per annum
Long leaseholds	Period of lease
Short leaseholds	Period of lease
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 ~~are~~ 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 ~~our~~ the University's normal accounting policy regarding depreciation of fixed assets. All other items are capitalised and depreciated over the remaining life of the research project.

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

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

Principal Accounting Policies

Investments

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

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

Stocks

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

Pension costs

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

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

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

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

Employment benefits

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

Taxation status

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

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

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

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

Principal Accounting Policies

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

Agency arrangements

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

Leases

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

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

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

Maintenance

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

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

Reserves

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

Where fixed assets were revalued prior to the implementation of FRS 102, the gain or loss on revaluation was credited or debited to the capital revaluation reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve.

The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 26).

Cash flows and liquid resources

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

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

Financial instruments

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

Principal Accounting Policies

Judgements and estimates

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

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

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

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

Foreign currency translation

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

Provisions, contingent liabilities and contingent assets

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

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

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

Notes to the accounts
Year ended 31 July 2017

Consolidated and University

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

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

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

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

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

Notes to the accounts
Year ended 31 July 2017

Consolidated and University	
2017	2016
£'000	£'000
332	195

6. Donations and endowments
 Unrestricted donations

		Consolidated	
2017	2016	2017	2016
No.	No.	No.	No.
Average staff numbers by major category:			
Academic staff	766	732	
Student support staff	117	116	
Other support staff	491	492	
	<u>1,374</u>	<u>1,340</u>	

	Consolidated		University	
	2017	2016	2017	2016
Costs:	£'000	£'000	£'000	£'000
Wages and salaries	56,895	55,960	55,701	55,421
Social security costs	6,202	5,284	6,097	5,191
Employers' pension contributions	12,063	10,337	11,973	9,768
	<u>75,160</u>	<u>71,581</u>	<u>73,771</u>	<u>70,380</u>

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

Notes to the accounts

Year ended 31 July 2017

8. Remuneration of Board of Governors and higher paid employees

A. Governors

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

	2017 £'000	2016 £'000
Salaries	406	331
Pension contributions	42	54
	448	385

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

B. Determining pay of senior staff

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

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

C. Emoluments of the Vice Chancellor

	2017 £'000	2016 £'000
Salary	258	243
Taxable benefits	12	12
Pension Scheme contributions	18	40
	288	295

~~All remuneration was to the current Vice Chancellor, Professor David Phoenix.~~ The Vice Chancellor is the highest paid Governor. Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 8(E). The Vice Chancellor is a member of the Teachers' Pension Scheme, ~~however ceased contributions in February 2017.~~ The nature of the scheme means it is not possible to ascertain the amount of his accrued pension at the year end.

D. Remuneration of other higher paid staff

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

	2017 No.	2016 No.
£110,000 to £119,999	1	1
£120,000 to £129,999	1	1

Notes to the accounts

Year ended 31 July 2017

£130,000 to £139,000	1	2
£140,000 to £149,999	1	1
£150,000 to £159,999	1	1
£160,000 to £169,999	2	2
£170,000 to £179,999	1	-
	<hr/>	<hr/>
	8	8
	<hr/>	<hr/>

E. Key management personnel

Key Management personnel include members of the University Executive Group, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excluding employers pension contributions). Members of the University Executive are listed on page 43 of these accounts.

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

F. Related party disclosures

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

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

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

During the year the LSBU Students' Union received financial support from the University of £855,000 (2016: £855,000) net of services provided by the University. The President of the LSBU Students' Union is a member of the Board of Governors. The balance between the two parties at the year-end was £nil (2016: £nil).

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

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

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

The Vice Chancellor of the University is a member of the board of Universities UK. During the year the University paid Universities UK £33,654 (2016: £28,632) in respect of membership fees and conference attendance. The Vice Chancellor of the University is a visiting professor at Kings College ~~London NHS Trust~~. During the year the University paid ~~£78,844~~ ~~19,479~~ in respect of seconded staff.

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

Notes to the accounts
Year ended 31 July 2017

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

Group other operating expenses are stated after charging:

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

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

** All attributable to the University

10. Taxation

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

The amount of the asset not recognised is £7,7k,659 (2016: £5,7k,680). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

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

Notes to the accounts

Year ended 31 July 2017

12. Intangible Assets

Software

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

13. Tangible Fixed assets (Consolidated and University)

	Freehold Land	Freehold Buildings	Long Leasehold land and buildings	Fixtures, Fittings and Equipment	Short Leasehold land and buildings	Assets in Course of Construction	Total Fixed Assets
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	53,000	164,887	47,210	45,745	44	22,508	333,394
Additions	-	2	-	-	-	2,754	2,756
Disposals	-	-	-	-	-	-	-
Transfers	11,368	137	-	935	-	(12,440)	-
At 31 July 2017	<u>64,368</u>	<u>165,026</u>	<u>47,210</u>	<u>46,680</u>	<u>44</u>	<u>12,822</u>	<u>336,150</u>
Depreciation							
At 1 August 2016	-	(50,203)	(28,058)	(32,372)	(37)	-	(110,670)
Charge for the year	-	(4,411)	(1,281)	(2,907)	-	-	(8,599)
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 31 July 2017	<u>-</u>	<u>(54,614)</u>	<u>(29,339)</u>	<u>(35,279)</u>	<u>(37)</u>	<u>-</u>	<u>(119,269)</u>
Net book value							
At 31 July 2017	<u>64,368</u>	<u>110,412</u>	<u>17,871</u>	<u>11,401</u>	<u>7</u>	<u>12,822</u>	<u>216,881</u>
At 31 July 2016	<u>53,000</u>	<u>114,684</u>	<u>19,152</u>	<u>13,373</u>	<u>7</u>	<u>22,508</u>	<u>222,724</u>

Software, previously reported as fixtures, fittings and equipment, are now shown in note 12 as intangible assets.

14. Investments

	Consolidated		University	
	2017	2016	2017	2016
	£000	£000	£000	£000
CVCP Properties plc	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>

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

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

Notes to the accounts

Year ended 31 July 2017

South Bank University Enterprises Limited

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

London Knowledge Innovation Centre Limited

SBUEL held 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2017 (2016 : £nil). The company dissolved on 12 September 2017.

Other investments

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

15. Debtors: amounts falling due within one year	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors	13,684	11,425	12,967	11,100
Amounts owed by group undertakings	-	-	664	224
Other debtors	278	190	275	188
Prepayments and accrued income	4,066	2,991	3,879	2,918
	<hr/>	<hr/>	<hr/>	<hr/>
Total debtors due within one year	18,028	14,606	17,785	14,430
	<hr/>	<hr/>	<hr/>	<hr/>
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	350	350	350	350
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>18,378</u>	<u>14,956</u>	<u>18,135</u>	<u>14,780</u>

16. Creditors: amounts falling due within one year	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank and other loans	1,347	1,325	1,347	1,325
Trade creditors	1,586	1,004	1,586	991
Other creditors	1,934	11,555	1,844	11,495
Social security and other taxation payable	1,481	1,485	1,481	1,466
Accruals and deferred income	28,305	28,949	27,581	28,557
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>34,653</u>	<u>44,318</u>	<u>33,839</u>	<u>43,834</u>

17. Creditors: amounts falling due after more than one year	Consolidated and University	
	2017 £'000	2016 £'000
Bank and other loans	24,262	25,609
Deferred income	23,794	25,038
	<hr/>	<hr/>
	<u>48,056</u>	<u>50,647</u>

Notes to the accounts

Year ended 31 July 2017

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

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Government	8,584	8,957	8,178	8,867
Non government	2,717	2,334	2,619	2,292
Capital grants	24,122	25,248	24,122	25,248
	<u>35,423</u>	<u>36,539</u>	<u>34,919</u>	<u>36,407</u>

18. Borrowings

Consolidated and University

Bank loans and finance leases are repayable as follows:	2017 £'000	2016 £'000
Due in less than one year (note 16)	1,347	1,325
Due between one and two years	1,367	1,347
Due between two and five years	4,079	4,135
Due after five years	18,816	20,127
Total due after one year (note 17)	24,262	25,609
	<u>25,609</u>	<u>26,934</u>

Details of bank basic loans

Lender	Term	Interest rate	Security	2017 £'000	2016 £'000
Barclays Bank	25 years to 2032	5.67% fixed	David Bomberg House	4,508	4,819
Barclays Bank	To April 2029	5.25 % fixed	Unsecured	5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed	Unsecured	7,653	7,993
Barclays Bank	23 years to 2032	0.225% over Libor	Unsecured	4,380	4,677
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	3,868	4,245
Salix	Variable	Interest free	Unsecured	200	200
				<u>25,609</u>	<u>26,934</u>

19. Provisions for liabilities (Consolidated and University)

	USS pension £'000	LPFA pension £'000	Total £'000
Balance at 1 August 2016	1,012	121,500	122,512
Utilised during the year	-	(7,120)	(7,120)
Charged to comprehensive income and expenditure	17	(1,631)	(1,614)
Balance at 31 July 2017	<u>1,029</u>	<u>112,749</u>	<u>113,778</u>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past

Notes to the accounts

Year ended 31 July 2017

performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

20. Restricted reserves	Endowments		Consolidated and University	
	Restricted Permanent £'000	Restricted Expendable £'000	2017 Total £'000	2016 Total £'000
Balance at 1 August	634	120	755 4	742
Increase in market value of investments	44	8	52	12
Balance at 31 July	<u>678</u>	<u>128</u>	<u>8076</u>	<u>754</u>

21. Unrestricted reserves	Consolidated and University	
	2017 £'000	2016 £'000
Revaluation reserve		
Balance at 1 August	27,969	28,693
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(587)	(724)
Balance at 31 July	<u>27,382</u>	<u>27,969</u>

22. Cash and cash equivalents	At 1 Aug 2016	Cashflows	At 31 July 2017
	£'000	£'000	£'000
Investments	16,465	155	16,620
Cash at bank and on deposit	36,238	(4,092)	32,146
Balance at 31 July	<u>52,703</u>	<u>(3,937)</u>	<u>48,766</u>

Investments comprise of funds held in fixed term deposits for periods not exceeding three months at 31 July 2017. Cash and cash equivalents comprise funds held in bank and on deposit not exceeding 3 months.

23. Capital commitments	Consolidated and University	
	2017 £'000	2016 £'000
Commitments contracted at 31 July	<u>4,249</u>	<u>804</u>

24. Lease obligations	Consolidated and University	
	2017 £'000	2016 £'000
At 31 July 2017 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:		
Expiring within two and five years	17	57
Expiring in over five years	481	491
	<u>4978</u>	<u>548</u>

Notes to the accounts

Year ended 31 July 2017

25. Amounts disbursed as agent - Teacher Training Bursaries	2017	2016
	£'000	£'000
Balance at 1 August	14	(41)
Funding council grant	142	352
Disbursed to students	(153)	(297)
	<hr/>	<hr/>
Balance at 31 July	3	14
	<hr/> <hr/>	<hr/> <hr/>

Teacher Training Bursary funds are paid to universities by the Teaching Agency to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS).

The grant from the [Training and Development Agency for Schools \(TDA\)](#) is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors.

26. Pension arrangements

Different categories of staff were eligible to join one of four different schemes:

- Teachers' Pension Scheme (TPS)
- Universities Superannuation Scheme Limited (USS)
- London Pension Fund Authority (LPFA) Pension Fund
- London South Bank University Defined Contribution Scheme, administered by Friends Life.

A. The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales including teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

Retirement and other pension benefits are provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Teachers' contributions are credited to the Exchequer under arrangements governed by the above act. The Teachers' Pension Regulations require that an annual account, the Teachers' Budgeting and Valuation Account, be kept of receipts and expenditure, including the cost of pension increases.

From 1 April 2001, the account has been credited with a real rate of return of 3.5%, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The contribution rate paid into the TPS is in two parts: a standard contribution rate plus a supplementary contribution payable if, as a result of actuarial investigation, it is found that accumulated liabilities of the Account are not fully covered by the standard contribution to be paid in the future plus the notional fund built up from past contributions.

The last valuation of the TPS was as of 31 March 2012 and revealed that total liabilities in the scheme (pensions currently in payment and estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds of notional investments) amounted to £176.6 billion, giving a notional past service deficit of £15.0 billion. The assumed real rate of return is 3%, pension increases 2% and long term salary growth 4.75% (2.75% pa in excess of assumed CPI).

The employer contribution rate in respect of the period 1 September 2015 to 31 March 2019 will be 16.4% and the next revision to the employer rate is not expected until 1 April 2019, following the next valuation which is due on 31 March 2016. From April 2015 employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

Notes to the accounts

Year ended 31 July 2017

At 31 July 2017 the University had 1043 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 16.48% (2016: 16.48%) of salaries and the University's contribution to the TPS for 2017 was £4,171,742 (2016: £4,021,187).

Under the definitions set out in FRS 102 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

B. The Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (the scheme). The scheme is a defined benefit plan and the assets of the scheme are held in a separate trustee-administered fund.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2017	2016
Discount Rate	2.6%	3.6%
Pensionable salary growth	n/a	n/a
Price inflation and pension increases_(CPI)	2.4%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) SINA tables as follows:

Male members' mortality 98% of SINA ["light"] YoB tables – No age rating

Female members' mortality 99% of SINA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme Assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn

Notes to the accounts

Year ended 31 July 2017

FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

In addition, because the scheme is in deficit and a funding plan has been agreed, section 28 of FRS 102 also requires individual employers to recognise a liability for the contributions payable that arise from the agreement to fund the scheme (to the extent that they relate to the deficit) and the resulting expense in the profit and loss. It also requires disclosure of how any liability recognised has been determined. The University has used a deficit modeller produced by USS to assist with meeting this requirement and the resulting additional charge to expenditure for the year was £17,000.

At 31 July 2017 the University had 58 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £599,508 (2016: £620,418) with tiered employer contribution rates of between 6% and 9% depending on employee earnings.

C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 2013. To finance these benefits, assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2016 with the valuation results taking into account changes to the scheme from 1 April 2017. The results showed the market value of the Fund's assets attributable to the University as £92.17m. The actuarial value of those assets represented 69% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2017 are 12.71% of pensionable salaries to cover the cost of future service plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years. During the year ending 1 April 2017 this payment amounted to £1,975,000.

Pension costs under FRS 102

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15 year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	31 July 2017 % per annum	31 July 2016 % per annum
Salary increases	4.2%	3.9%
Pension and price increases	2.7%	2.1%
Discount rate	2.7%	2.5%

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

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

- Members will exchange half of their commutable pension for cash at retirement~~s~~.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Notes to the accounts

Year ended 31 July 2017

Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.5% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males Years	Females Years
Current pensioners	21.2	24.2
Future pensioners	23.6	26.5

Fund assets

For the year ending 31 July 2016 a single expected rate of return of 5.0% has been used to determine the charge to the statement of comprehensive income and expenditure for the year (2015: 5.8%). Comparative figures for the year ending 31 July 2015 show the expected returns based on the long-term future expected investment return for each asset class as at the beginning of that period as follows:

	Fair value as at 31 July 2017 £'000	Fair value as at 31 July 2016 £'000
Equities	82,009	57,655
Target return portfolio	27,749	27,250
Cash	9,273	4,662
Cashflow matching	-	9,793
Infrastructure	6,028	7,917
Commodities	-	599
Property	8,712	4,190
Total fair value of assets	<u>133,771</u>	<u>112,066</u>

Net pension liability

The following amounts at 31 July related to London South Bank University measured in accordance with the requirements of FRS 102:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Fair value of Employer Assets	133,771	112,066	105,534	99,726	96,319
Present value of funded obligations	(234,955)	(221,698)	(182,439)	(164,260)	(146,774)
Net underfunding in funded plans	(101,184)	(109,632)	(76,905)	(64,534)	(50,455)
Present value of unfunded obligations	(11,565)	(11,868)	(11,852)	(11,968)	(11,756)
Net Pension Liability	<u>(112,749)</u>	<u>(121,500)</u>	<u>(88,757)</u>	<u>(76,502)</u>	<u>(62,211)</u>

The movement for the year in the net pension liability is shown in note 19.

Analysis of the amount included in staff costs for the year

	2017 £'000	2016 £'000
Service cost	6,985	5,484
Enhancements to former employees	240	201
Total operating charge	<u>7,225</u>	<u>5,685</u>

Notes to the accounts

Year ended 31 July 2017

Analysis of the amount included in interest payable for the year

	2017	2016
	£'000	£'000
Interest on the defined liability (asset)	2,953	3,270
Administration expenses	146	158
Total interest charge	<u>3,099</u>	<u>3,428</u>

Analysis of the amount recognised in Other Comprehensive Income

	2017	2016
	£'000	£'000
Return on fund assets in excess of interest	14,351	1,473
Other actuarial gains on assets	2,164	-
Change in financial assumptions	(14,972)	(31,077)
Change in demographic assumptions	3,550	-
Experience gains and losses on defined benefit obligation	6,622	85
Remeasurement of the net assets / (defined liability)	<u>11,715</u>	<u>(29,519)</u>

Analysis of movement in the present value of scheme liabilities

	2017	2016
	£'000	£'000
At 1 August	233,566	194,291
Movement in the year:		
Current service cost	6,810	5,014
Interest cost	5,786	7,296
Changes in financial assumptions	14,972	30,839
Change in demographic assumptions	(3,550)	-
Experience loss / (gain) in defined benefit obligation	(6,622)	(85)
Past service costs, including curtailments	175	456
Estimated benefits paid net of transfers in	(5,429)	(4,987)
Contributions by scheme participants	1,548	1,478
Unfunded pension payments	(736)	(736)
At 31 July	<u>246,520</u>	<u>233,566</u>

Analysis of movement in the fair value of scheme assets

	2017	2016
	£'000	£'000
At 1 August	112,066	105,534
Interest on assets	2,833	4,026
Return on assets less interest	14,351	1,221
Other actuarial gains	2,164	-
Administration expenses	(146)	(158)
Contributions paid	8,668	7,166
Estimated benefits paid plus unfunded net of transfers in	(6,165)	(5,723)
At 31 July	<u>133,771</u>	<u>112,066</u>

The projected pension expense for the year to 31 July 2018 is £10,998,000.

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Friends Life for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2017 the University had 20 members participating in the scheme. The University's contribution to the Friends Life scheme for 2017 was £77,257 (2016:

Notes to the accounts

Year ended 31 July 2017

£78,822) and employers contribution rates ranged from 6%-9%. —Pension contributions payable at 31 July 2017 were £7,672 (2016: £6,538).

27. Post Balance Sheet Events

There are no events after the reporting date to report in these accounts.

APPENDIX

	CONFIDENTIAL
Paper title:	Public Benefit guidance
Board/Committee	Board of Governors
Date of meeting:	23 November 2017
Author:	Michael Broadway, Deputy University Secretary
Purpose:	For information
Recommendation:	Governors are requested to note the guidance.

Executive summary

As LSBU are charities, the directors of the company are also charity trustees.

Charity trustees must have regard to the Charity Commission's public benefit guidance in carrying out their duties.

As a charity trustee, 'having regard' to the commission's public benefit guidance means being able to show that:

- you are aware of the guidance
- you have taken it into account when making a decision to which the guidance is relevant
- if you have decided to depart from the guidance, you have a good reason for doing so.

For your information, the Charity Commission's guidance is provided here:

[Public benefit: rules for charities](#)

www.gov.uk/guidance/public-benefit-rules-for-charities

In addition, the annual report and accounts for charities must contain a public benefit statement on how the charity has carried out its purpose for the public benefit and whether the trustees had 'due' regard to the commission's public benefit guidance when exercising their powers – the draft public benefit statement for LSBU is in the annual report and accounts in the pack.

Please let the governance team know if you require any additional information.

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