

Company Registration No. 986761



**Report and Financial Statements
31 July 2021**

Contents

Objectives and Activities.....	5
Principal risks and uncertainties.....	12
London South Bank University (charity) Public Benefit statement.....	15
Disclosure of information to auditors	22
Corporate Governance Statement	25
Statement of Primary Responsibilities of the Board of Governors.....	30
Statement of Internal Control.....	31
Independent Auditors report to the Board of Governors of London South Bank University...37	
Principal Accounting Policies.....	41
Consolidated and University Statement of Comprehensive Income and Expenditure.....	48
Consolidated and University Statement of Changes in Reserves	48
Consolidated and University Balance Sheets	48
Consolidated Statement of Cashflows.....	48
Notes to the Accounts.....	48

Strategic Report

Status and Advisors

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described from page 25 and the members of the Board of Governors during the year ended 31 July 2021 are listed from page 3. The Governors are also directors under the Companies Act 2006.

The University is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal regulator is the Office for Students (OfS). All Governors are also charitable trustees. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

Solicitors

Shakespeare Martineau LLP 1
Colmore Square Birmingham B4
6AA

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

Eversheds 70 Great Bridgewater
Street Manchester M1 5ES

Auditor

KPMG LLP
15 Canada Square London E14
5GL

Internal Auditor

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

Bankers

Barclays
Level 12 One Churchill Place
London E14 5HP

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2021 except as noted:

Mr Jeremy Cope – Chair

Mr Duncan Brown

Mr John Cole

Mr Michael Cutbill – Vice Chair

Dr Maureen Dalziel (from 01/03/2021)

Professor Peter Fidler CBE – Senior Independent Director

Ms Ruchika Kumar (from 01/07/2021)

Mr Mark Lemmon

Professor Hilary McCallion CBE (until 11/03/2021)

Professor Nicola Martin

Dr Mee Ling Ng (until 11/03/2021)

Mr Jeremy Parr

Professor David Phoenix OBE -Vice Chancellor and Chief Executive

Ms Rashda Rana

Mr Tony Roberts

Ms Deepa Shah

Mr Maxwell Smith

Mr Vinaykant Tanna

Ms Harriet Tollerson (until 30/06/2021)

Changes to the Board of Governors since 31 July 2021

Mr Tony Roberts (until 21/10/2021)

Ms Deepa Shah (until 31/10/2021)

Members of Group Executive:

Professor David Phoenix, Vice Chancellor and Chief Executive

Professor Patrick Bailey, Provost (until 30/06/21)

Mr Richard Flatman, Group Chief Financial Officer

Professor Paul Ivey, Deputy Vice Chancellor and Chief Business Officer

Professor Deborah Johnston, Pro Vice Chancellor (Academic Framework)

Ms Nicole Louis, Chief Customer Officer

Mrs Marcelle Moncrieffe-Johnson, Chief People Officer

Ms Fiona Morey, Pro Vice Chancellor (Compulsory and Further Education and Principal of South Bank Colleges)

Mr James Stevenson, Group Secretary

Professor Warren Turner, Pro Vice Chancellor (Institute of Health and Social Care)

Changes to the Group Executive since 31/07/2021

Professor Tara Dean, Provost (from 01/09/21)

Objectives and Activities

London South Bank University transforms lives, communities, businesses and society through applied education and insight. We were established almost 130 years ago with a mission to improve social mobility for the people of south London by improving their employment opportunities and providing access to the applied knowledge that would advance their businesses. Other than an increasingly global reach, that mission remains almost unchanged today.

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

The content and delivery of our education is based on a detailed understanding of employer expectations. Around half of the University's courses are accredited by professional bodies, with the other half informed by employers including through a range of employer advisory panels. Employer sponsorship is also integral with around two-thirds of students studying on courses sponsored by over 1500 employer partners. These relationships and the University's experience in delivering part-time courses have formed the basis of LSBU's now extensive higher and degree apprenticeship provision, with the widest offer in the UK and over 2000 apprentices on programme.

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

Taken together, the emphasis on place and on professional and technical education is reflected in the University's student demographics and the excellence of the outcomes it achieves for its learners, staff, employer-partners, and community. The institution's highly diverse student body reflects its institutional mission and location in south London with more than half the University's students (55 per cent) identifying as BAME and 38 per cent being the first in their family to attend university (2019/20).

The University is ranked among the top 200 universities in the world in the Times Higher Impact Rankings 2021 (based on the UN Sustainable Development Goals) including 17th overall for 'Gender Equality' (SDG 5) and 25th for 'Reduced Inequalities' (SDG 10). In both 2018 and 2019, the University was named 'University of the Year for Graduate Employment' by The Times and The Sunday Times Good University Guide, making us the first institution to win this award for two consecutive years.

The LSBU Group

LSBU operates as part of a group structure - the LSBU Group - which was born out of our ongoing commitment to our civic mission. This structure enables us to create strategies and pathways by which people of all characteristics and talents can be supported through the education system to achieve their full potential, and so contribute their skills, energies, and commitment to wider society throughout their lives. The LSBU Group comprises: London South Bank University; South Bank Academies (a Multi Academy Trust running South Bank Engineering UTC (renamed for 2021/22 as South Bank UTC) and the University Academy of Engineering, South Bank (renamed for 2021/22 as South Bank University Academy); and South Bank Colleges (comprising Lambeth College and South Bank Technical College [under development]). These organisations work to a shared mission, set of values and educational framework to achieve shared outcomes. South Bank University Enterprises Ltd, LSBU Ltd, and SW4 Catering Limited are also part of the LSBU Group.

LSBU sponsors South Bank Academies which, whilst not consolidated in these accounts, has a close working relationship with the LSBU Group and was established in 2013 in accordance with LSBU's mission.

Lambeth College joined the LSBU Group on 1st February 2019 when its assets were transferred to South Bank Colleges, a wholly owned subsidiary of LSBU. The acquisition arose out of a strategic decision to create an educational group which could more broadly serve the local community, and which reflects the University's long-standing commitment to transforming lives, businesses, communities, and society.

Lambeth College is a medium sized Further Education College based across two sites, with a main centre at Clapham Common and an ESOL facility at Brixton Hill. It offers a wide choice of industry-recognised, highly

regarded courses ranging from Entry Level and Level 1 courses that are accessible to all regardless of past experience and education, through to Level 4 advanced qualifications. These cover key areas of local employment including Health and Social Care, Construction and Engineering, Science, Business and Accounting, Creative Arts and Media.

Utilising *Skills for Londoners Capital Funding* from the Greater London Authority, the LSBU Group has begun construction of South Bank Technical College on land owned by SBC in Nine Elms, Vauxhall. It will be the UK's first purpose-built comprehensive technical college for a generation, with the first building open to students in autumn 2022.

Mission

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

- **Student success:** Ensuring we are externally recognised for providing a personalised and high calibre education which equips graduates for employment and prepares them to make a positive contribution to society.
- **Real world impact:** Ensuring we provide dynamic evidence-based education which is underpinned by highly applied research and enterprise activity.
- **Access to opportunity:** Building opportunity through partnership: ensuring we are actively widening participation, engaging with our communities and are a partner of choice.
- **Fit for future:** Ensuring we operate as one customer-centred organisation, which is accountable, efficient, and effective.

2020/21 has seen a number of important strategic developments and some positive outcomes for the LSBU Group. Highlighted below are key updates and examples of our work underpinning our core corporate objectives:

Student Success

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

- LSBU was rated 25th among apprenticeship training providers on Rate My Apprenticeship 2020-21. LSBU apprentices also won or were shortlisted for: Apprentice of the Year at the 2020 London Borough Apprenticeship Awards; the CIBSE Building Services Apprentice Awards 2020; the construction category of the BAME Apprenticeship Awards; and Employee of the Year at the Worshipful Company of Chartered Architects Apprenticeship Awards.
- LSBU was ranked joint 17th among UK universities for graduate starting salaries at 1 year after graduation (Longitudinal Educational Outcomes Data 2018-19 [Published 2021]).
- The School of Business won awards for Employability Excellence and Teaching Excellence at the first-ever CIMA Excellence Awards 2021.
- LSBU Nursing and Midwifery students are among the top 10% of earners among graduates in their profession (Longitudinal Educational Outcomes Data 2018-19 [Published 2021]) and the University is the top provider of nursing qualifiers in London with over a fifth of the capital's new nurses graduating from the university in 2019/2020.
- Film Practice students in the School of Arts and Creative Industries won the Best Short Film and Best Editing Awards at the Royal Television Society (RTS) London Student Television Awards 2021.
- LSBU's Employability and Placements Service won a prestigious College and University Business Officers (CUBO) award for Business Partnership of the Year.

- A team of LSBU Mechanical Engineering students beat more than 500 teams to win the Mayor of London's Entrepreneur Competition with their design for a space-efficient electric vehicle charging station.
- Lambeth College was shortlisted for the 'Best Teaching and Learning Initiative' and 'Best Support for Learners' Awards at the TES FE 2021 Awards.
- South Bank UTC undertook a 'Year 14' pilot, the first of its kind to be attempted in the UK.

Academic Recognition

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

- The National Institute for Health Research awarded a £1.7m grant to Lynne Dawkins, Professor of Nicotine and Tobacco Studies from the Centre for Addictive Behaviours Research, for a world-first trial to test the efficacy of supplying free e-cigarette starter kits at centres for people experiencing homelessness.
- Dr Rita de Oliveira was asked by the British Association of Sport and Exercise Sciences to join a panel of experts presenting evidence to the Department of Digital, Culture, Media, and Sports Select Committee on major cultural and sporting events.
- PhD student Eric Ballestero was awarded the Young Person's Award for Innovation in Acoustical Engineering 2021.
- Emeritus Professor Bridget Shield received an MBE in the Queen's Birthday Honours for her 'services to Acoustic Science and to inclusion in Science and Engineering.'
- An LSBU team, led by Catarina Marques, won the Institute of Refrigeration's Kenneth Lightfoot Medal for best technical paper for their project paper *GreenSCIES – Green Smart Community Integrated Energy Systems – Integration with Data Centres*.
- Professor Yunting Ge won a £60,000 grant from Innovate UK and a separate £979,290 grant from the Engineering and Physical Sciences Research Council for projects related to hydrogen power.
- Professor Karin Moser was appointed European Commission Senior Expert Adviser to the European Asylum Support Office Strategic Network.
- The Institute of Acoustics created a new award to recognise excellence in teaching, learning or other education activities, in the name of former LSBU Acoustics Academic, Dr Bob Peters.

Southwark Health Skills Centre

This year, the LSBU Group opened the Southwark Health Skills Centre, in partnership with Guy's and St Thomas's NHS Trust. The Centre provides the people of Southwark and surrounding boroughs with access to career pathways in health and social care, whatever their age or educational starting point. Its aim is both to educate and train new recruits and to upskill existing staff. It offers a range of opportunities for all, from schoolchildren through to existing health and social care employees, including health sector outreach; careers inspiration; recruitment and education advice; and health sector specific employability programmes. The Centre will also play a central role in supporting the Trust's strategy to develop local talent and build a workforce pipeline that reflects the diversity of the population that it serves.

Passmore Centre

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

the University now has over 1500 higher and degree apprentices enrolled on over 40 apprenticeship standards, making us one of the leading providers in the country.

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 Institute for Health and Social Care at LSBU, with the Royal College of General Practitioners and Modality Partnership have launched the first 'new to Partnership' GP leadership programme to provide primary care leaders with the knowledge and skills they need to lead at executive level.
- Professor Simon Philbin has undertaken a research project designed to create a range of models, processes, and analytical tools to measure the SDG impact of infrastructure projects. The research findings are being actively applied on the £4.9 billion Thames Tideway Tunnel and by the Environment Agency in its new £5.2 billion portfolio of projects.
- The Clarence Centre for Enterprise and Innovation is the University's hub for enterprise and innovation providing workspaces for more than 60 businesses that engage in curriculum development, guest lecturing, student engagement and research projects. It was ranked in the top 15 worldwide of university-run business incubators in the UBI Global World Rankings 2017/18. Over the last year our tenant community produced £60m combined income; has created 40 jobs; raised £7m in finance; and hosted 8 LSBU interns.
- 73% of LSBU research is rated 3* and 4* for Impact in the most recent Research Excellence Framework (REF 2014). LSBU has commercial research partnerships with over 150 British SMEs and major companies.
- In 2016 LSBU was named Entrepreneurial University of the Year at the Times Higher Education Awards.

Applied research with local and international impact:

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

- Dr Charles Graham of the LSBU Business School undertook a survey looking into the number of Independent and Black, Asian, and Minority Ethnic (BAME) businesses on Lewisham's high streets – commissioned by Lewisham Council. After speaking to 94% of these businesses through student researchers, Dr Graham made a series of recommendations including a programme of support and advice from the Council, individual high street marketing strategies, and a view to encourage innovation and entrepreneurship to tackle shop vacancies.
- Professor Alison Leary, Chair of Healthcare and Workforce Modelling, led a team seeking to examine the feasibility of extracting data from Prevention of Future Death coroners reports to evaluate if learning was possible from them. The team found that systemic analysis of PFD reports at a macro level could provide significant recommendations to healthcare providers, and others, in amending systems, processes and staffing to prevent future deaths.
- Nicola Thomas, Professor of Kidney Care, launched a project to train barbers in eight barbershops in Croydon to measure and give advice about blood pressure to their customers in a UK-first project. Around 30% of men in the UK currently have high blood pressure, around half of these are not diagnosed or receiving treatment. High blood pressure is the third biggest cause of disease in the UK, leading to kidney disease, vascular dementia, and mobility problems, costing the NHS £2 billion every year. The London barbershop project will target Black and Asian men who are more likely to have high blood pressure and less likely to be diagnosed than the general population.

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

LSBU is the leading HE provider of ERDF funded business and innovation support programmes in London. Although the UK has now left the European Union, LSBU is continuing to deliver seven programmes, covering a range of sectors from health tech to food tech, with previously committed funds. Through these programmes over the next three years, we aim to support over 1500 SMEs, create 140 jobs, bring over 250 new products/services to firms/markets and create over 170 long term collaborations with innovative SMEs. The University is actively exploring utilising new domestic funds going forward such as the Help to Grow Fund and the UK Shared Prosperity Fund.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed. LSBU is ranked in the top 200 universities in the world for Social Impact, 17th for gender equality and 25th for reducing inequality (Times Higher Education Impact Rankings 2021).

Year 14 Pilot

This year, South Bank UTC undertook a pilot to test the efficacy of providing a Year 14. Around a dozen students at the UTC were unable to take their places on engineering apprenticeships at the start of this academic year, due to the employers putting in place hiring freezes in response to the impact of Covid-19. The UTC worked with the University to enhance their existing Level 3 BTEC in Engineering to meet the HNC requirement at Level 4; with the University providing scholarships to cover the fees for all students that wish to enter themselves for the qualifying exam. Pupils that achieved a merit in the requisite elements of the HNC were then given the option to transfer directly into the second year of the University's mechanical engineering degree. This has provided these pupils with the opportunity to achieve a Level 4 qualification in a home setting at no cost to them while simultaneously opening a pathway up to degree level study.

Supporting adults to achieve basic skills

Lambeth College receives funding from the Adult Education Budget each year largely in order to provide these learners with a second chance – teaching Entry Level 1 functional skills through to GCSEs in Maths and English. The courses are provided as flexibly as possible – including part-time, short-courses and teaching at evening and weekends – to ensure as many local residents as possible are able to benefit. In 2020/21 the College supported 1,359 adults to achieve a Maths and/or English qualification. For many of them, this will have been one of their first experiences of achievement – a attributable in part to the consistent and focused support the College provides.

In addition to this, the College teaches ESOL (English for Speakers of Other Languages) courses at its Brixton Centre – providing an opportunity for those who have recently moved to the UK (including refugees) to achieve a sufficient level of English, as well as knowledge about life in the UK and British values, to enable them to integrate into society. Upon completing the course, many learners go on to follow careers in areas such as health and social care, utilising skills and qualifications they acquired in their home countries. 1993 adults completed ESOL courses at the Brixton Centre.

Local Stakeholders

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

Over the last academic year, the pandemic provided an impetus for the University to strengthen its partnerships with its local Councils (the London Borough of Southwark and Lambeth) by signing of new Memorandums of Understanding (MOUs) with them. The new MOU with Lambeth Council, signed in October 2020, looks to work in partnership to deal with the effects of the Covid-19 crisis, particularly for young people, and to stimulate recovery across the borough. It is hoped that it will help to provide greater opportunities for local residents to learn new skills through the LSBU Group; that LSBU research and insight can be used to help Lambeth businesses grow; and that together we can support the Council's target to be carbon neutral by 2030. With Southwark, the new MOU, signed June 2021, commits LSBU to increase the number of training and development opportunities for residents, as well as making Southwark a leading London borough for health and life sciences.

The University also signed a new MOU with Orbital South Colleges, to support students in making choices which suit their interests and abilities, support their development, and maximise career progression opportunities. The new co-operative relationship has five objectives including, 'fast track articulation to LSBU' for suitable East Surrey College and John Ruskin College students and joint activities to promote apprenticeships.

International

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

LSBU's world-leading Confucius Institute delivers Chinese language teaching to over 60 schools, conducting education, research and business engagement with Chinese universities and institutions and acting as a hub of cultural and academic activities. It is the largest Confucius Institute in the world, and one of the largest Chinese language testing centres in Europe. Over 25,000 people have attended cultural events performances, workshops and art exhibitions organised by the CI since 2017/18.

Fit for Future

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

- LSBU became the first university to be independently accredited as meeting national Quality Standards for Services Supporting Male Victims / Survivors of Sexual Violence.
- LSBU launched an ambitious new policy to increase support for staff who experience the menopause. The policy aims to enable employees to continue being effective in their jobs and to raise wider awareness and understanding among all staff about the menopause.
- LSBU joined a small number of UK higher education organisations, businesses, and charities in publishing its ethnicity pay gap data for the first time. Analysis showed that the University's ethnicity pay gap has shrunk by 3.4% since 2017 and, at 12.2%, is in line with the sector average (among published institutions) of 12%.
- In April 2020, the University was awarded an Athena SWAN Bronze Charter by professional membership body AdvanceHE, for achieving a strong foundation in addressing gender bias and developing an inclusive culture that values all staff within the University.
- We have seen our gender pay gap steadily reduce from 13.25% in 2009 to 4.4% in 2020 – significantly out-performing the higher education sector as a whole.

Covid-19

Thanks to funding received from the Office for Students to supplement LSBU's hardship fund, the University was able to distribute £1,373,740 to students whose financial situation were adversely affected by the Covid-19 pandemic over the last year.

The academic experience, since the onset of the pandemic, of teaching a significant proportion of our content virtually (while maintaining face-to-face delivery for practical course elements where possible) has driven significant innovation in aspects of online delivery and accelerated the institution's understanding of new pedagogic developments. While the pandemic emphasised the importance of face-to-face teaching for many of our students, the use of online platforms providing access to pre-recorded lectures has been particularly valued by those learners with significant outside commitments. The advanced accessibility options of online teaching platforms, such as the use of captions and chat functions, has also supported greater engagement from some disabled students. With the return of students to campus in October, the University will continue to utilise the lessons learned from the last 18 months and use online teaching methods where they add value to the student experience.

Cyber incident

In December 2020, LSBU experienced a cyber-incident which resulted in the encryption of our servers. We have been able to use the recovery process as an opportunity to improve and further modernise LSBU's systems. Whilst we have been able to restore services, the incident did significantly increase staff workload and, alongside dealing with Covid-19, impacted on student experience.

London Road Building Refurbishment

The University is refurbishing its London Road Building on the Southwark Campus, to transform the use and experience of the building to make it suitable for 21st Century higher education. The new structural elements of the building are provided through lightweight steel interventions which are suspended from roof level avoiding the need for additional concrete columns or foundations. This strategy creates larger and lighter learning areas that are more appropriate in meeting modern educational needs. It also allows for column free areas of the building, enhancing the long-term flexibility and adaptability of the building. The redevelopment adds approximately 1000sqm of floor area to the building however, due to the enhanced fabric of the building, no additional carbon emissions are anticipated compared with the existing building.

Upon completion in early 2022, the renovated London Road building will become a new Learning Hub including a Library and Learning Resources space, space for group work, quiet space, open access computer rooms, bookable study rooms with AV, small group work rooms and a reconfigured Academy of Sport and catering facilities. The building will also provide a new cycle park with changing, locker and shower facilities.

South Bank Technical College

In May 2021, the University began work building the UK's first purpose-built comprehensive technical college for a generation. London South Bank Technical College, opening to students in 2022/23, will train the next generation of engineers and scientists from its site in Nine Elms.

The building has been joint funded by a £21 million grant from the Mayor of London's Skills for Londoners Capital Fund, through the London Economic Action Partnership (LEAP). The first phase will deliver a 9-storey building for students to study technology, construction, engineering, and science in hi-tech classrooms and workshops. This first building will open in 2022/23 and other blocks will open in the following years enabling specialisms in health science and business.

LSBU Croydon

In September 2021, the University opened a new campus in the London Borough of Croydon. Given the significant nursing shortage in South London and Southeast England, LSBU Croydon will largely focus on healthcare, utilising the University's expertise in training nurses through our links with over 60 NHS Trusts. The building will feature brand new, specialist facilities including simulated nursing wards and Chiropractic suites. In addition to degrees in adult nursing and mental health nursing, the campus will offer the only Chiropractic Master's Degree available in Greater London.

The health provision will be supplemented by business courses in Accounting & Finance and Business Management; as well as a new enterprise offer, which will include an enterprise suite providing co-working spaces for local Croydon businesses and a business solutions centre providing advice.

By 2030 we hope to have around 8,000 students studying at LSBU Croydon, with the campus playing a major role in our vision to transform lives, communities, businesses and society through applied education and insight.

External Environment

The higher education sector has seen significant policy upheaval over the last decade that shows no signs of abating. The delivery and regulation of higher education in England has been transformed by the tripling of the fee cap and removal of student number controls and the subsequent Higher Education Act 2018 which created the Office for Students and enabled new market entrants.

In 2019, the Government released the *Post-18 review of education and funding: independent panel report* (The Augar Review) which made a number of wide-ranging recommendations regarding the funding of tertiary education. The Government released an interim response to the review in January 2021 which did not rule out either a cut in the tuition fee cap (recommended in the Augar Review to be reduced to £7,500) or in the introduction of a minimum level of achievement (for example three D grades equivalent at A-Level or a Grade 4 in GCSE maths and English) for access to student finance. Both proposals could have very significant impacts on higher education income and the University is awaiting the full response, expected in autumn 2021 as part of the Government Comprehensive Spending Review. In the interim the Government has continued to make changes to

university finances with amendments to the funding rates of the Teaching Grant for certain subjects within the B1 funding band and the removal of the London weighting. Simultaneously, the Office for Students is developing proposals on quality and standards, which may see the introduction of minimum baselines in continuation and outcomes across all higher education institutions (regardless of student demographics), which will pose challenges for many universities.

However, alongside these challenges there are opportunities for the LSBU Group. In January 2021, the Government also released the *Skills for Jobs White Paper* which contained a number of proposals including the creation of a Lifelong Learning Entitlement to support provision of Level 4 and 5 qualifications and micro-credentials as well as opening up the student finance system to FE Colleges. This would enable the University to utilise its group structure to introduce greater flexibility within its provision and develop new learning pathways, including in partnership with other FE colleges within London. The Government is continuing its rollout of Higher Technical Qualifications (HTQs), in response to which the University is actively developing qualifications to put forward for kitemark status. The Institute for Apprenticeships and Technical Education has also announced proposals to strengthen elements of provision within degree apprenticeships, which LSBU continues to invest in.

In order to take advantage of these opportunities the Group will need to remain adaptable while continuing to differentiate ourselves through providing a high quality and truly applied academic environment linked to employers and ensuring that we are seen as an enterprising civic university that addresses real world challenges – a university that truly transforms lives, communities, and business.

Going concern statement

The board of Governors is required to produce a statement in the annual accounts that the University Group continues to be a going concern.

Detailed cash flow and covenant compliance forecasts have been prepared for the next 12 months to the end of November 2022 which indicate that, taking into account the plausible but potentially severe downsides, the Group and Parent University will have sufficient liquid assets to meet their liabilities as they fall due.

In reaching this conclusion that the Group and Parent University is a going concern, the Board of Governors has also taken into account budget and in year financial management information and current recruitment data for 2021/22.

The principal risks to successful financial delivery in 2021/22 relate to meeting student recruitment targets, affordability of capital investment needs, regulatory changes to post-18 education fees and funding and the financial turnaround of South Bank Colleges.

After taking all of these matters into consideration, the Board of Governors is confident that the Group and parent University will be in compliance with its debt covenants even in plausible but potentially severe downside scenarios and will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

Principal risks and uncertainties

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

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

Risk Category	Risk	Controls and Mitigation
Financial	Sustainability of current pension schemes	<ul style="list-style-type: none"> Regular review and consideration of potential options for future provision, including the modelling/ scenario

		<p>analysis of future costs and projected movements in assets & liabilities.</p> <ul style="list-style-type: none"> Group defined contribution scheme for professional services staff. Strict controls over early access to pensions.
	Meeting student recruitment and progression targets	<ul style="list-style-type: none"> Ongoing marketing, recruitment and conversion activities focussed on domestic students, including plans for clearing. Pipeline continually monitored. oversight of progression metric at Quality and Standards Committee and Student Experience Committee, risk-based auditing of courses and university interventions to improve progression in short and medium term.
	Income growth from Research and Enterprise unrealised	<ul style="list-style-type: none"> Regular reporting to the Enterprise Advisory Board. Focus on STEM, Health and Inclusive Growth as dominant sectors of interest.
	Affordability of capital investment plans	<ul style="list-style-type: none"> Capex reporting embedded into management accounts provided to Finance, Planning and Resources Committee. Estates project methodology controls & governance Financial Regulations require Board approval for spend greater than £2m. Exploring alternative funding options.
	Financial impact of Covid-19	<ul style="list-style-type: none"> Regular review of financial impact of Covid-19 Cost control measures.
	Financial turnaround of South Bank Colleges	<ul style="list-style-type: none"> Development of operating and funding model for LSBU Technical College. Banking covenants tied to LSBU performance.
	Cash funds are not available to fund expenditure	<ul style="list-style-type: none"> Rolling 12-month cashflow forecasts, Active debtor management.
Infrastructure	IT security or services fail	<ul style="list-style-type: none"> Rolling investment plan, Regular reporting of status and security metrics, IT business continuity plans refreshed annually. Security services and infrastructure reviewed annually, Staff and Student cyber security awareness training programme, Security Operations Group established.
Academic Activity	OfS Thresholds not met in relation to Condition of Registration on Quality / Student Outcomes	<ul style="list-style-type: none"> Monitoring of performance against OfS thresholds in relation to Condition of Registration on Quality / Student Outcomes. Interventions to improve student progression and employability are priorities in short and medium term.
Reputation	Impact of assurance activity & new initiatives fails to address issues around student experience	<ul style="list-style-type: none"> NSS action plan to drive improvement of the student experience, Student Tracker implemented in conjunction with the Students' Union, to monitor issues raised by students and actions taken in response.

	Alignment of estate with sector requirements across the Group	<ul style="list-style-type: none"> Group wide estates strategy, aligned with professional and technical curriculum needs. Creation of Employer Advisory Board, to ensure facilities in line with sector/industry standards.
	Capability to respond to change in policy or competitive landscape including funding changes	<ul style="list-style-type: none"> Development of the 2025 strategy, with input sought from multiple stakeholders. Regular performance assessment in sector context.
	League table rank deterioration/ reputational impact	<ul style="list-style-type: none"> Prioritisation of students' outcomes in our corporate strategy, including progression and employability. Review process of external returns, contributing to league table performance.

Energy and Carbon Report

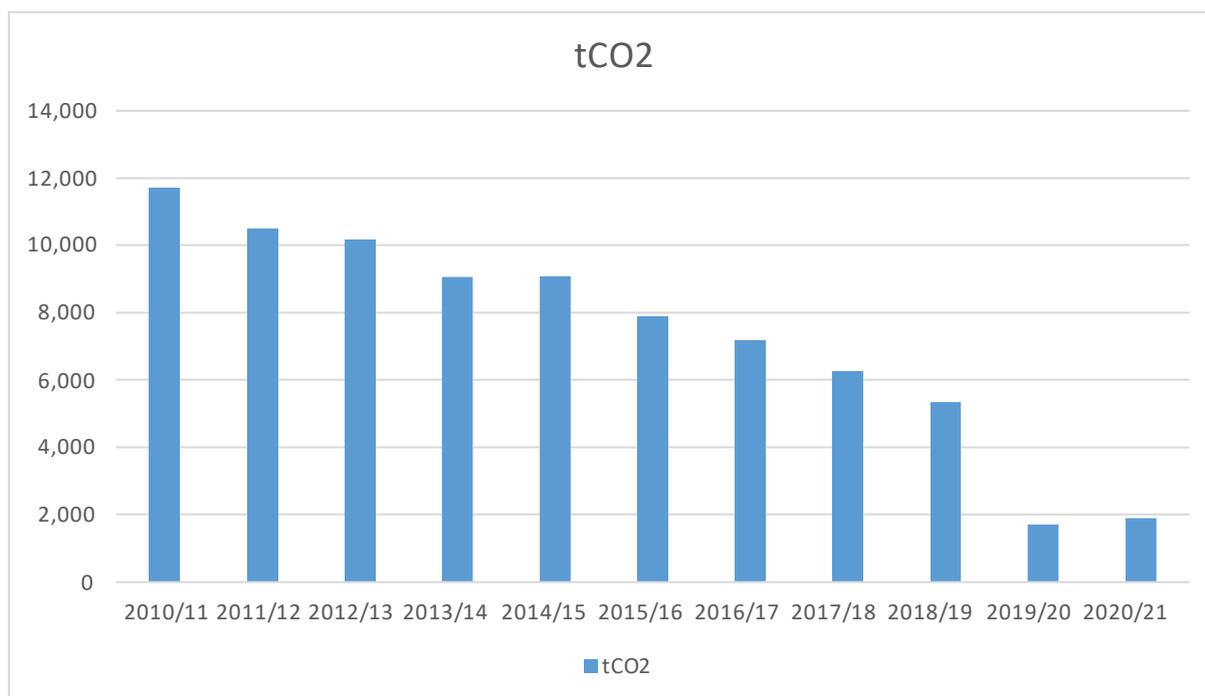
LSBU is dedicated to protecting our planet and society. We promise to become a university of the future – one that is conscious, one that is responsible and one that is sustainable. As part of our 2025 Corporate Strategy we aim to:

- Use our estate effectively and efficiently with a utilisation rate of 50%.
- Reduce our carbon footprint by 25% between 2020 and 2025, with the goal of achieving zero carbon emissions by 2050.

We will do this through environmental sustainability and literacy, with this being embedded through the reduction of carbon emissions and landfill use, and by increased recycling.

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

Electricity Consumption		18/19	19/20	20/21	Unit(s)
		12,438,493	10,044,742	9,744,719	KWhr
Gas Consumption		18/19	19/20	20/21	
		10,039,318	9,025,689	10,234,403	KWhr
Carbon Emissions (with REGO since 2019)	2010 Baseline	18/19	19/20	20/21	Unit(s)
	11,694	5,352	1,711	1,904	tCO ²
Intensities	2010 Baseline	18/19	19/20	20/21	
	0.079	0.036	0.011	0.013	tCO ² /m ²



During, 2020/21, LSBU added the Non-Half Hourly Electricity supply contracts to the Renewable Electricity contract (REGO) with its current energy supplier, allowing the University to report zero carbon emissions for electricity consumption across the campus. LSBU now uses 100% REGO. Total calculated carbon emissions (scope 1 & 2) relate to the energy consumptions and the appropriate carbon factors being applied. Reference to baseline relates to that agreed with HEFCE and is based upon 2010 data and calculated carbon emissions. The agreed HEFCE target at that time was for LSBU to reduce its scope 1 & 2 emissions by 34% by 2020. This was revised in 2017 to 50% reduction. The current position is a reduction of 84% since 2010 baseline.

Covid-19 has had an impact on energy consumption and ultimately carbon reduction has remained fairly static. LSBU remains committed to remove any reliance on fossil fuels going forward. Decarbonisation technologies and their benefits are being investigated.

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

[London South Bank University \(charity\) Public Benefit statement](#)

LSBU is an exempt charity within the meaning of the Charities Act 2011. Its principal regulator is the Office for Students (OfS).

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

Charity Commission Guidance on Public Benefit

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

Charitable Objects

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

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

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

LSBU advances education for the public benefit by:

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

LSBU promotes research and the dissemination of knowledge by:

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

LSBU provides support and services for students through:

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

Beneficiaries

In carrying out its objects, LSBU benefits its students and future students through teaching and learning activities either directly or through the support of its subsidiaries (SBA and SBC). LSBU also benefits the wider public, through research and knowledge transfer.

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at LSBU are open to anyone whom it believes has the potential to succeed. Throughout its history, LSBU has enabled wider access to education. Its 2020-2025 Strategy sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; access to opportunity. The fourth key area; fit for the future, recognises the need for LSBU to adapt to the digital world, its new organisational structure and changing stakeholder expectations.

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

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £951,096 on 31 July 2021 (31 July 2020: £862,387). The funds are managed with the aim of securing capital growth and an annual income. In 20/21 the income received was £27,396 (2019/20:

£16,192). 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 2020, 74.6% of graduates were in graduate employment and/or further study 15 months after leaving (Graduate Outcomes survey results 2018/19).

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

LSBU is London's largest university contributor to community-based enterprise, evidenced by involvement in some £15m of ERDF and ESF projects. The commitment to local enterprise education and SME development is recognised internationally, from working with refugee groups across South London to operating commercially in Borough Market.

Access and Participation Plan statement 2020-21

As part of LSBU's registration with the Office for Students, an Access and Participation Plan for the 2020-2025 academic years was approved by the OfS and made publicly available by LSBU on our website: <https://www.lsbu.ac.uk/about-us/policies-regulations-procedures> (file held [here](#)).

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

As set out later in the financial accounts, we spent a total of £1,923,833 across the 2020-21 academic year across three categories: access investment, financial support provided to students, and research and evaluation. This figure both meets and exceeds the commitment we set out in our investment summary: we had projected a total spend of £1,753,500.

During 2020, LSBU joined the world in responding to the Covid-19 pandemic which extended across the 20-21 academic year. We were keenly aware of the disproportionate direct and indirect impact Covid-19 was having on many of the student groups already identified as facing disadvantage. We rapidly responded with an increased package of targeted emotional, safety, practical, study, and financial support, considering the needs of students most vulnerable to the effects of the pandemic. For example, the direct financial support funded by LSBU and distributed to students within the 2020-21 academic year was £551,360, an increase of 112% more than our intended investment.

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

As stated by the Office for Students, the investment summary and forecast below in access, financial support and research and evaluation does not represent the total amount spent by LSBU in these areas. The OfS does not require providers to report on investment in success and progression and therefore investment in these areas is not represented. The figures below are not comparable to previous access and participation plans or access agreements as data published in previous years does not reflect latest provider projections on student numbers. The spend on support for disabled students (directly funded costs, for example an educational psychologist's assessment, specialist mentor, or sign language interpreter) have been included in the investment summary for completeness but this spend was not requested to be forecast by the OfS.

Access and Participation Plan investment summary 2020-21

Access and participation plan investment summary (£)	Actual spend: Academic year 2020-21
Access investment (access)	£1,275,034
Financial support provided to students	£551,360
Research and evaluation	£97,439
Total investment	£1,923,833
Support for disabled students	£295,532

(Investment plan from 2020-25 Access and Participation Plan for 2020-21)

<i>Access and participation plan investment summary (£)</i>	<i>Investment plan: Academic year 2020-21</i>
<i>Access investment</i>	<i>£1,400,000</i>
<i>Financial support</i>	<i>£260,000</i>
<i>Research and evaluation</i>	<i>£93,500</i>
<i>Total planned investment</i>	<i>£1,753,500</i>

Financial Review

Balance sheet and liquidity

The Group's net assets increased by 14% during the year, moving from £83.7m to £95.1m, an increase of £11.4m.

The change within the Net Asset position was driven by capital investment across the LSBU Group which resulted in a £40.5m increase in Fixed Assets, an increase of 13%. This increase includes New Fixed assets totalling £51.6m, less opening balance sheet reclassification of £4.1m and after a charge for depreciation of £11.2m.

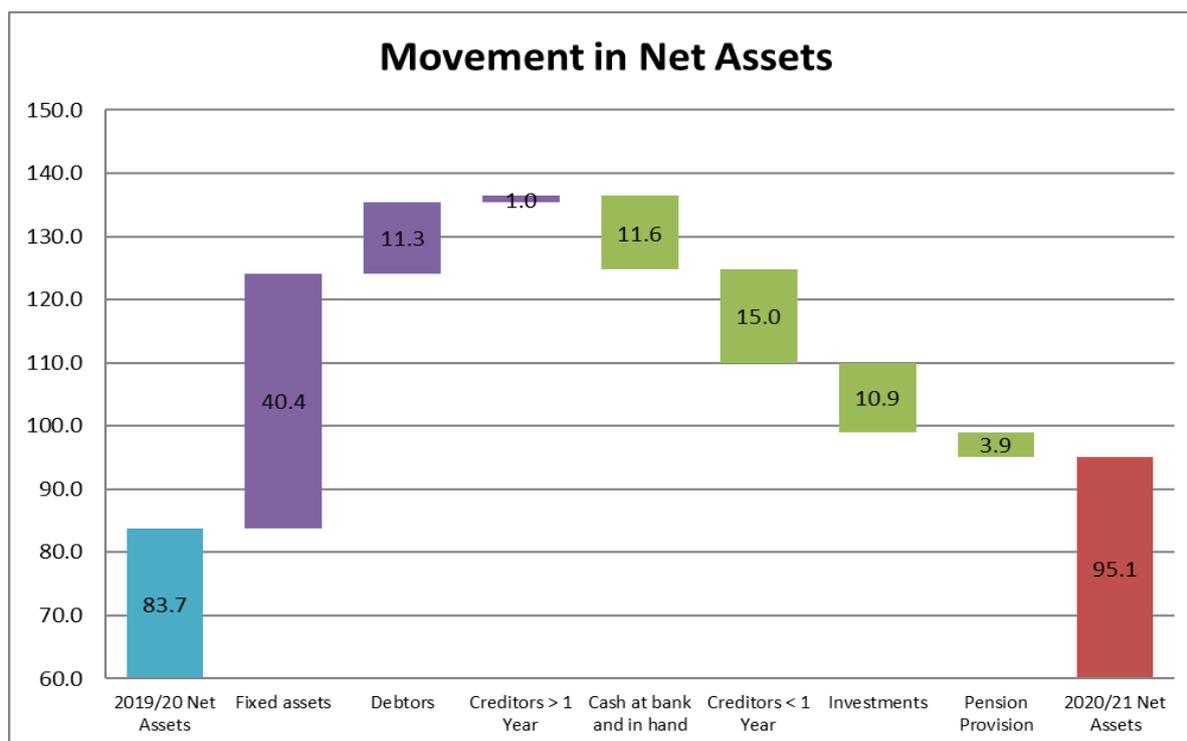
With regard to other changes in Net Assets, there was a 48% increase in debtors to the group moving from £23.4m to £34.7m an increase of £10.9m. £11.2m is due to an increase in trade debtors which is primarily Tuition Fees and Hall of Residence charges. This year is considered exceptional due to the challenges of Covid-19 and due to IT issues and we continue to actively manage the level of Tuition Fee debt. The remainder of the change is due to a £0.5m increase in prepayments and accruals and a £0.4m decrease in 'Other debtors' relating to other income sources and commercial tenants.

With regard to other positive changes in Net Assets, the amount owed to creditors falling due after more than one year reduced by £1.0m from £69.1m to £68.1. This reduction is due to a decrease in outstanding bank loans.

In terms of negative movements in net assets; cash and cash equivalents decreased by £11.6m and our investments decreased by £10.8m to fund the developments in the estate that has led to the increase in Fixed Assets. Our cash and cash equivalents now total £28.8m.

There was a 32% increase in creditors falling due within one year moving from £47.1m to £62.1m an increase of £15.0m. £0.7m of this increase was due to an increase in other creditors whilst £14.1m was due to an increase in accruals and deferred income primarily relating to capital investments in the University's digital infrastructure, the London Road Hub and the London South Bank Technical College that are due to be paid in 2021/22.

Of the other negative changes to Net assets, the key movement was due to the change in the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme. The deficit has increased by £3.7m and now stands at £184.7m.



The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits decreased from £52.2m on 31 July 2020 to £29.8m on 31 July 2021 whilst Bank and other loans decreased from £34.5m to £32.5m reflecting the loan repayments made during the year.

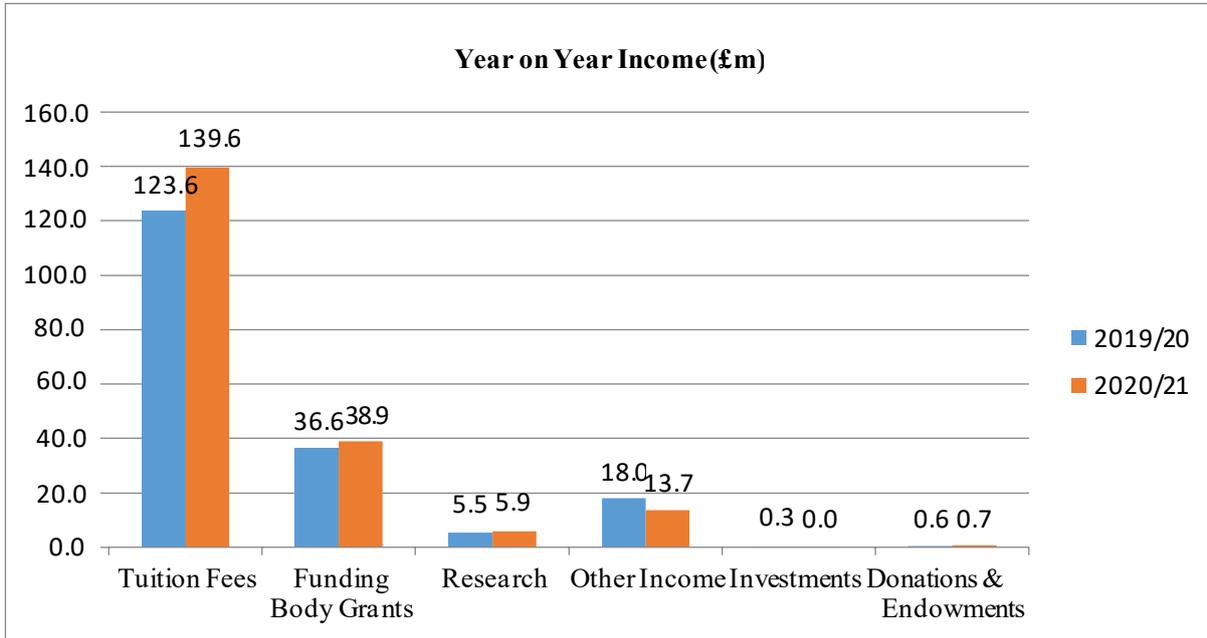
The levels of borrowing facilities are reviewed on a regular basis and are considered adequate to meet current operational plans. The University has also a agreed Revolving Credit Facilities totalling £45m, which will provide a degree of flexibility with regard to liquid assets as we continue to invest in the LSBU Group Estate.

Result for the Year

Financial Summary in £m	2020/21		2019/20		Variance from 2019/20 £m	
	2020/21	2019/20				
Income	198.9	184.5	14.4		7.8%	
Expenditure	195.9	183.1	12.8		7.0%	
Surplus for the year	3.0	1.4	1.6		114.3%	
Surplus %	1.5%	0.8%				

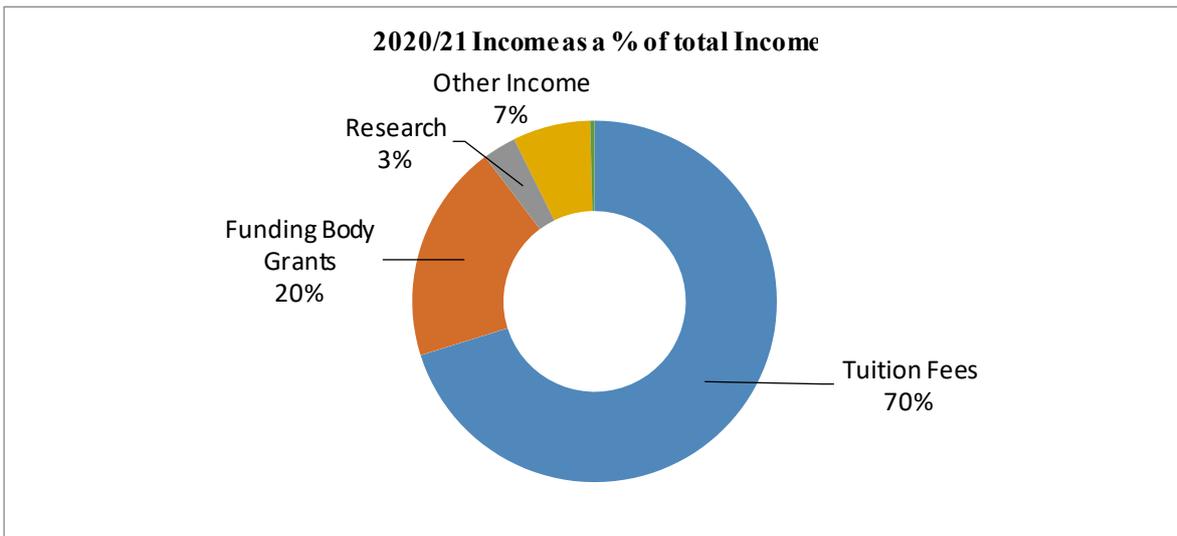
The operating surplus of £3.0m for LSBU and SBUEL is ahead of the agreed LSBU Group budget surplus of £2.0m and delivers to the forecast surplus of £2.8m submitted to the Office for Students (OfS) in February 2021 as part of their monitoring processes and to the ESFA as part of the ongoing monitoring of the Lambeth College transaction.

The surplus of £3.0m is also an improvement on the £1.4m achieved in 2019/20. The financial improvement is due to strong recruitment and re-enrolment and the continuing investment being made by the LSBU Group across its estate. Given the context of Covid-19 and the recruitment challenges across the sector in 2020/21, particularly with regard to changes in the full-time undergraduate demographic and the continuing decline of the part time student market, this is considered a good result.

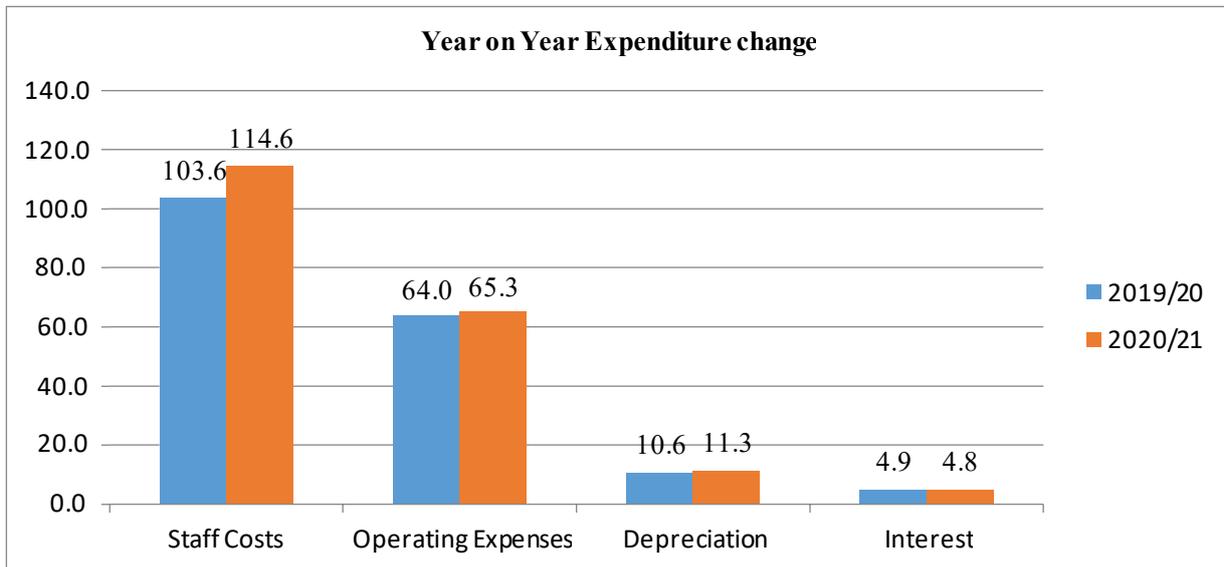


Total income for the group increased by 7.8% (£14.4m) to £198.8m (2019/20: £184.5m). The increase in Funding Grants is linked to temporary additional financial support of the FE Sector during Covid-19. The increase in Tuition Fees was driven by additional student numbers at the University. The decline in other income was primarily Covid-19 related and is due to a reduction in University Hall’s Income and Commercial Tenant income.

Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for the LSBU Group representing 2020/21 70% and 20% respectively (2019/20 67% and 20%). There was an increase in temporary Funding Grants across the FE sector to manage some of the additional costs of Covid-19. Tuition fees have increased year on year due to strong recruitment and re-enrolment at the University and due to a growth in international student numbers. The other positive factor affecting income was another annual increase in research income following a number of successful research bids. Although other Income at the University declined, our Enterprise portfolio performed well, and it was our student related income that experienced the year-on-year decline. This is expected to be a temporary dip as the University opens its campus and its halls in 21/22.



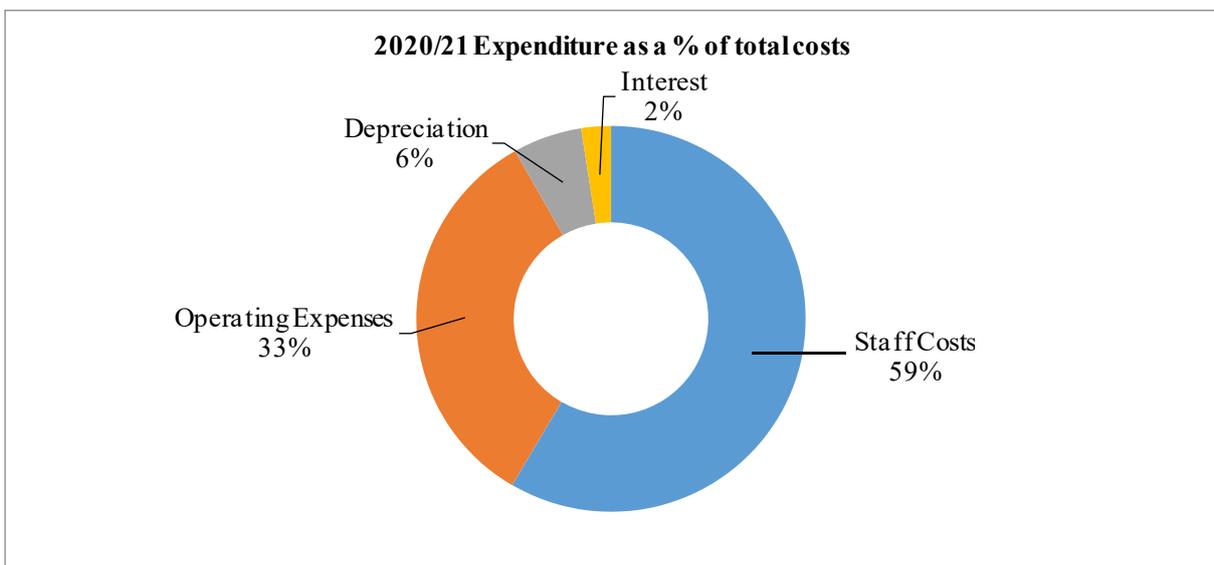
Total expenditure for the group increased by 7.0% (£12.8m) to £195.9m (2018/19: £183.1m).



The key driver of the increase in expenditure was staff costs. Staff costs increased by 10.6% from £103.6m in 2019/20 to £114.6m in 2020/21 representing 57.6% of income (2019/20: 56.1%). Although there was the normal level of increase linked to pay uplift and increments, the LSBU group also invested in additional professional staff to support our student number growth. There was also an increase in Group pension costs.

Staffing costs at SBC remain slightly higher as a percentage of income than the University, and staff costs remain an area of continued focus for the Group in 2021/22.

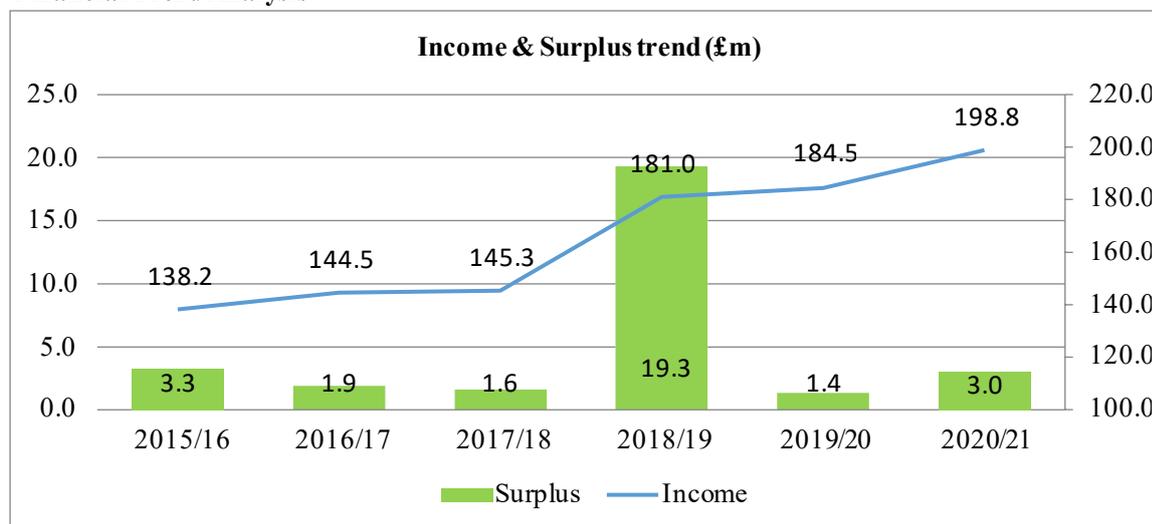
Other operating expenses increased by just 2% from £64.0m in 2019/20 to £65.3m. The University Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the ongoing implementation of the London Living Wage and additional cover required due to Covid-19, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities. The University also expensed some of the business change costs associated with the Leap Programme.



There were no asset disposals and the increase in the value of the Group’s fixed assets is due to the continued investment within the LSBU Physical and Digital Estate particularly in the London Road Hub, the London

South Bank Technical College, and the Leap programme, which involves consolidating the University's CRM systems and replacing the Student Record System.

Financial Trend Analysis



The LSBU Group's Income has increased by 44% since 2015/16. There have been large decreases in funding grants, but this has been offset by larger tuition fees, although the funding per student has declined, as Tuition Fees have not been increased with inflation. The University Group has also seen growth in Postgraduate and International tuition fees over this time and a growth in Transnational Education Income. The key driver for income growth in 18/19 was the absorption of SBC into the LSBU Group.

In terms of surplus, the LSBU Group always aims to make a small surplus and has consistently done so. The future forecasts submitted to our regulator, the OFS, reflect our aspiration to generate a positive financial position in each of the next 5 years. The extraordinary surplus of 18/19 reflects the strong underlying performance at LSBU which contributed £3.1m but was also due to the revaluation of Assets within SBC which contributed £16.2m.

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 £0.3m in gift aid to the University (2020: £0.2m).

South Bank Colleges acquired the assets of Lambeth College on 1 February 2019. The College delivers a wide range of courses and apprenticeships that open doors to career opportunities and further study.

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

Disclosure of information to auditors

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

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

Auditor

The Board of Governors has confirmed that KPMG UK LLP shall continue as a auditor of the University for the financial year, 2021/22.

Directors' Report

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

Approval

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



Mr Jeremy Cope (Chair)



Professor David Phoenix (Vice Chancellor and Chief Executive)

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations or have no realistic alternative but to do so.

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

The Board of Governors are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- economical, efficient, and effective management of the university's resources and expenditure is secured.

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

Signed on behalf of the Board of Governors by:

Jerry Cope

Mr Jeremy Cope
Chair of the Board of Governors

Corporate Governance Statement

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

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

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

Governance and Legal Structure

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

Compliance with the Public Interest Governance Principles

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

Compliance with the CUC Higher Education Code of Governance

The Board has materially complied with all aspects of the revised Higher Education Code of Governance (CUC, September 2020) 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. The schedule is reviewed on an annual basis. The schedule has been updated to reflect the new group structure of LSBU.

During the year, the Board met six times (five times in 2019/20). In addition, the Board held three strategy days (two in 2019/20) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review, there was a 93% (2019/20: 92%) attendance rate at Board meetings.

Due to the national Covid-19 pandemic, the majority of Board and committee meetings took place online via video-conferencing software between March 2020 and July 2021. Attendance at these virtual meetings remained high and governors continued to engage well with discussion. Following relaxation of most national Covid-19 restrictions the July 2021 Board meeting was successfully held in person, and all future Board and committee meetings are expected to take place face-to-face.

During May 2021, one additional meeting of the Group Audit and Risk Committee was held in order to examine the response to the December 2020 cyber incident.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page 15 (1.2)). The Board receives an annual reminder on Charity Commission guidance (most recently, 21 October 2021). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS through the Group Audit and Risk Committee (2.6).

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 (3.2). The governing body affirms that it makes decisions without any undue pressure from external interest groups, which is assured through the declaration of interests' process (3.3).

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity, and inclusion; and otherwise by exception reporting (1.2). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (6.3). One reportable event was reported (the cyber incident of December 2020), and no material adverse changes were reported to the OfS during the year.

The Board receives annual reports from the Students' Union in relation to its democratic processes and finances (3.6).

Sustainability

The Board is responsible for the financial sustainability of the institution and approves the annual budget, which is aligned to the five-year corporate strategy (2.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing Key Performance Indicators, management accounts and five-year forecasts (2.3). 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 (2.6).

Academic governance

The Board has oversight of academic governance across the institution, receiving an annual assurance report from the Academic Board, covering its Quality and Standards, Research, and Student Experience Committees. An independent governor attends Academic Board meetings as an observer.

The Board has regard to the principle of academic freedom (2.7).

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 (2.6).

Equality and Diversity

The Board receives an annual report on equality, diversity, and inclusion (EDI), and compliance with the public sector equality duty under the Equality Act 2010 (4.1, 4.3). Following its EDI workshop with an external facilitator in summer 2020, the Board has continued to prioritise EDI development at a strategy session, resulting in the approval of the new Group EDI Strategy at its meeting of 21 October 2021. An independent governor is a member of the Group EDI staff network.

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 (4.4, 5.3). During winter 2020/21 a recruitment firm that specialises in equality and diversity was used to recruit one new governor and one new co-opted committee member. During September 2021, the Board Apprentice Scheme was utilised to recruit apprentice governors from diverse backgrounds.

Structures and processes

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

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (5.9). On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.3, 3.1). All members of the Board have access to the services of the Clerk. The appointment or removal of the Clerk is a matter for the Board as a whole under the Articles (5.1).

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

Committees

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually. Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee (except the Honorary Awards Joint Committee) normally has a majority of independent governors. The chairs of each committee are independent governors and are set out below under Key Individuals.

The following principal committees met throughout the year:

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

The Nomination Committee is responsible for recruiting new independent governors (5.10). 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, experience currently on the Board. The balance of skills, experience and diversity of independent governors is kept continually under review by the Nomination Committee.

The Group Audit and Risk Committee oversees LSBU's audit activities including auditing the financial statements, appointing the internal and external auditors, and advising the Board on the effectiveness of the internal control system.

The CUC published its HE Audit Committees Code of Practice in May 2020. The Group Audit and Risk Committee has reviewed this Code and is satisfied that all requirements are met.

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

Under the new Audit Code, the Group Audit and Risk Committee conducted a substantive effectiveness review during Summer 2021, led by the Senior Independent Governor (SIG). The results of the review were positive, and respondents agreed that the committee was properly constituted with appropriate membership and is effective in addressing its duties and reporting requirements.

The Finance, Planning and Resources Committee provides for the Board in-depth review of the University's in-year financial performance, financial position including cashflow, the performance against the corporate strategy, treasury management and the proposed annual budget. The committee also reviews student recruitment and retention figures, the implications of the Group strategy for human and physical resources and receives oversight of the value added by Group entities. Membership of the Finance, Planning and Resources Committee is up to five independent governors including the Chair of the Board, plus the Vice Chancellor, one student governor and one staff governor. The committee terms of reference were updated in 2020 to clarify that it will receive high-level reports on the overall performance and value to the LSBU Group of its subsidiaries.

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

There is a Remuneration Committee which decides the remuneration of senior executives, including the Vice Chancellor (2.10). Membership of the committee is four independent governors, including the Chair of the Board. No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration.

Further details on the work of the committee are included in the annual remuneration report from page.

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

Governance effectiveness review

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

was run by the governance team. We are comfortable that the process was free of bias and was conducted appropriately.”

The main recommendations arising out of the review were:

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

As reported to the Board in July 2020, the action plan is now complete.

The next full effectiveness review is expected to be carried out in calendar year 2023.

The LSBU Group

Governance structures were updated with the creation of the LSBU Group in 2018/19. Both South Bank Academies and South Bank Colleges have their own Boards of Trustees who are responsible for the success of their companies. The LSBU Board continues to oversee LSBU but also has oversight of the value that both SBA and SBC bring to the LSBU Group. The Chairs of the Group Boards and the Group CEO meet formally twice yearly to discuss matters affecting the three educational institutions. One of the annual strategy days is reserved to cover Group strategy.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Michael Cutbill
Senior Independent Governor	Peter Fidler (from 25 March 2021) Hilary McCallion (until 24 March 2021)
Group CEO (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Group Audit and Risk Committee	Duncan Brown
Chair of Finance, Planning and Resources Committee	Michael Cutbill
Chair of Major Projects and Investment Committee	Rashda Rana
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Jeremy Parr
Group Secretary and Clerk to the Board of Governors	James Stevenson

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

Statement of Primary Responsibilities of the Board of Governors

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

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

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

Statement of 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.

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 2021 and up to the date of approval of the financial statements and accords with OfS conditions.

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

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Group Audit and Risk Committee provides regular oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Group Audit and Risk Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Group Audit and Risk Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Group Audit and Risk Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;
- An organisation-wide register of key corporate risks is maintained, together with individual operational risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- A network of risk champions exists to support risk management activity in all schools and professional service groups;

- Formal risk management and internal control procedures have been embedded within ongoing operations.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the OfS Regulatory Framework and as per the Internal Audit Charter, also adheres to the definition of internal auditing, code of ethics and the standards for professional practice that are published by the Institute of Internal Auditors. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

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

Annual Remuneration Report

Introduction

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

The Board has adopted the CUC Remuneration Code and approved a senior remuneration policy. A key principle of the latter is to ensure base salaries for established executives, performing well, are competitive in the London marketplace and beyond i.e., normally no worse than the London median for comparable institutions. In addition, the remuneration policy includes, where appropriate, individual and team based executive bonus awards for achieving stretching and clearly defined key performance indicators and objectives.

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

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

Terms of Reference

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

Committee Membership 2020/2021

The members of the committee for the year 2020/21 were Jeremy Parr (Committee Chair), Jerry Cope (Chair of the Board), Michael Cutbill (Vice Chair of the Board), Mee Ling Ng (until March 2021) and Deepa Shah (from March 2021 to October 2021). All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2020/21

The committee met three times in the 2020/21 academic year.

- 3 November 2020
- 30 March 2021 (by email)
- 22 June 2021

The committee also met on 2 November 2021 to consider Senior Executive performance and remuneration for 2020/21.

Approach to remuneration of all staff in 2020/21 and for 1 August 2021 onward

The LSBU group is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as a nationally leading provider of technical and professional education. This requires the provision of high-quality teaching and support to its students, at home and overseas, enabling them to face the real world confidently and successfully. The teaching environment will be underpinned by input from employers and will have a strong focus on enterprise and applied research.

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

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

Senior Remuneration

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

LSBU's Senior Remuneration Policy (agreed by the Board in October 2018 and reviewed in November 2021) sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Base salaries for established executives, performing well, are competitive in the London market-place and beyond i.e. normally no worse than the London median for comparable institutions;
- Overall remuneration levels, including benefits, will be set to attract and retain good quality leaders, with a significant element of reward based on performance, assessed against objectives;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves towards and as appropriate above the median expected for the role;
- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the Group CEO's base salary within an HE setting and total remuneration to the median earnings of the university as a whole, both absolute and the change from the previous years;
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 8% with the potential to rise to 10% on the approval of the Remuneration Committee;
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);

- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts.

Benchmarking

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

- London modern universities;
- To the extent available, institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%); and
- To the extent available, other universities with a group structure or similar complexity of structure or regulatory framework.

Senior executive pay is independently benchmarked every three years. Korn Ferry carried out this review in September and October 2021. Following this review, the remuneration committee agreed that overall benefits for its Senior Executive team remain broadly comparable for their roles, but that some adjustments might need to be made, depending on performance, in future years.

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

Institutional performance, 2020/21

The Board monitors the performance of the University through the agreed key performance indicators. As set out in the *Strategic Report*, the University performed well in terms of both financial and many strategic outcomes, notwithstanding that some strategic objectives were inevitably impacted by the Covid-19 pandemic and the disruptive IT outage which the university experienced in late 2020.

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

Group CEO performance, 2020/21

This assessment of the Group CEO's performance is for a academic year 2020/2021. The bonus awarded based on performance for a academic year 2020/21 will be paid in financial year 2021/22 and appear in next year's accounts.

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

- *The financial stability of the organisation has continued, and the diversity of income streams has been increased;
- High standards of safety have been achieved across all parts of the LSBU Group;
- Recruitment in 2021, has held up or increased, thanks to the growing reputation of the University,
- *Institutional reputation across the Group has improved but disappointingly specific UK League table rankings for the University have decreased primarily following a change in the measurement in the sector of student outcomes, but also impacted by a relative drop in National Student Survey scores;
- The KEF return was submitted and placed LSBU in the top quartile based on normalised data and the REF submission was completed and showed almost double the staff submitted previously. These

measures have driven improvements in the Times World Rankings (now joint 83rd in UK 801-1000 globally);

- Good progress in terms of student outcomes continues to be made at Lambeth College, a key element of the family of educational institutions' strategy, financial performance continues to be a challenge but plans to complete the recovery are progressing;
- Costs have been controlled carefully, but with investment in key strategic areas;
- *Staff engagement was again strong at a time of significant change and disruption;
- **Notwithstanding affordability challenges progress has been made on a number of key major projects and plans, including the opening of an exciting new campus at Croydon;
- The new Group strategy building on the growing family of educational institutions vision is underpinning key strategic initiatives;
- There has been strong and confident leadership during the pandemic ensuring that students across the Group were well supported to achieve their learning objectives; and
- High profile contributions have been made on the national stage in terms of the development of the Sector in terms of social mobility and on technical universities.

In conclusion, the Group, with a prudent financial strategy, is well placed to thrive and improve student outcomes in a potentially tough environment going forward. The Board continues to recognise the importance of maintaining a strong and determined leadership team across all areas of activity.

During the year under review, the Vice Chancellor was awarded a bonus of £12.7k for individual performance (a bonus of £17.9k was awarded for performance in 2019/20) and a bonus of £3.7k for team performance.

Performance related pay, 2020/21 and 2021/22

Under the Senior Remuneration Policy, for 2020/21, the Group CEO and Senior Executives were eligible for a bonus of up to 10% of salary and for a team bonus of up to 8% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University met its overall financial target and nine members of the executive were eligible to receive an individual bonus and nine members a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved nine individual bonuses (including the Group CEO) and a team bonus (of 1.56%) together totalling £90.9k (for 2019/20 performance, eight individual bonuses and a team bonus were awarded totalling £100k).

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive an annual inflation uplifts to their base pay. Bonuses for performance during 2020/21 will be determined in November 2021.

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2020/21 with a comparison to 2019/20. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2020–21	2019–20
	£'000	£'000
Salary	238	238
Accommodation allowance	10	10

Performance related pay	33	30
Taxable benefits	1	1
Subtotal	282	279
Pension scheme contributions or payments in lieu of pension contributions	35	35
Total	317	314

For the current year, the Group CEO/Vice Chancellor has been awarded a pay increase of 1.5%, in line with the pay award to LSBU employees.

Pay Multiple

The Group CEO/Vice Chancellor's basic salary is 6 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Group CEO/Vice Chancellor's total remuneration is 6.9 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

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

Year	Ratio basic salary	Ratio total remuneration
2020/21	6.06	6.89
2019/20	6.23	6.94
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU ratios compare to the average sector ratio of 6.4 for basic pay and 6.97 for total remuneration (based on HESA Head of Provider data for 2019/20).

External appointments, expenses, and severance

LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income can either be retained or shared with the institution. Agreement shall be sought from the Group CEO (and in the case of the Group CEO by the Chair of the Board and reported to the Chair of the Remuneration Committee). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside contract, but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2020/21, the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

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

In 2020/21, the Vice Chancellor's expenses totalled £869. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. No travel was booked through the University's central travel buying team for the Vice Chancellor and no expenses were claimed through the payroll.

The Remuneration Committee has approved a policy on severance arrangements.

Independent Auditors report to the Board of Governors of London South Bank University

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as of 31 July 2021, and of the Group's and of 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; and
- 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
- have been properly prepared in accordance with the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the Governing Body's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the Governing Body's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of the Directors, the Audit and Risk Committee and internal audit as to the University’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- Reading Board, Audit and Risk Committee and Remuneration Committee minutes; and
- Using analytical procedures to identify unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fees is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation of some of the Group’s fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual credits to revenue accounts and unusual postings to suspense accounts;
- Sample testing of tuition income received in the period 01 July 2021 to 31 October 2021 to determine whether tuition income was recognised in the correct accounting period; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Governing Body and other management (as required by auditing standards), and from inspection of the University’s regulatory and legal correspondence and discussed with the Governing Body and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation, charities legislation and related legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the

imposition of fines or litigation or the loss of the University's registration with the Office for Students or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, employment and social security legislation, anti-bribery, and money laundering, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Governing Body is responsible for the other information, which comprises the Strategic Report and the 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 and the Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Governing Body responsibilities

As explained more fully in their statement set out on page 30, the Governing Body (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing,

as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions);
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 10 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 7 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

This report is made solely to the Governing Body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 18(1) of the University's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body 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 Governing Body for our audit work, for this report, or for the opinions we have formed.



Fleur Nieboer

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

9 December 2021

London South Bank University

Consolidated and University Statement of Comprehensive Income and Expenditure Year ended 31 July 2021

	Note	CONSOLIDATED		UNIVERSITY	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Income					
Tuition fees and education contracts	1	139,562	123,642	136,234	120,796
Funding body grants	2	38,891	36,581	17,184	16,781
Research grants and contracts	3	5,915	5,464	4,152	4,362
Other income	4	13,670	17,951	8,273	11,422
Investment income	5	60	308	60	300
Transfer of net assets from Lambeth College		-	-	-	-
Total income before other grants and donations		198,098	183,946	165,903	153,661
Donations and Endowments	6	746	552	24	11
Total income		198,844	184,498	165,927	153,672
Expenditure					
Staff costs	8	114,578	103,621	94,123	81,213
Other operating expenses	10	65,257	63,980	54,844	57,462
Depreciation	13-14	11,251	10,627	9,977	9,354
Interest and other finance costs	12	4,817	4,920	4,337	4,417
Total expenditure		195,903	183,148	163,281	152,446
Surplus before other gains and losses		2,941	1,350	2,646	1,226
Gains on investments	21	89	7	89	7
Surplus for the year		3,030	1,357	2,735	1,233
Actuarial gain/(loss) in respect of pension schemes and other movements	28	8,337	(44,078)	5,588	(38,002)
Total comprehensive income/(expenditure) for the year		11,367	(42,721)	8,323	(36,769)
Represented by:					
Endowment comprehensive income for the year		89	7	89	7
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income/(loss) for the year		11,278	(42,728)	8,234	(36,776)
		11,367	(42,721)	8,323	(36,769)

All activities consist of continuing operations.

London South Bank University

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2021

	Income and Expenditure Reserve		Revaluation Total Reserves	
	Endowment £'000	Unrestricted £'000	£'000	£'000
Consolidated				
Balance at 1 August 2019	855	99,632	25,951	126,438
Surplus from the income and expenditure statement	-	1,350	-	1,350
Other comprehensive income/(expenditure)	7	(44,078)	-	(44,071)
Transfers between revaluation and income and expenditure reserve	-	694	(694)	-
Total comprehensive income/(expenditure) for the year	7	(42,034)	(694)	(42,721)
Balance at 1 August 2020	862	57,598	25,257	83,717
Surplus from the income and expenditure statement	-	2,941	-	2,941
Other comprehensive income/(expenditure)	89	8,337	-	8,426
Transfers between revaluation and income and expenditure reserve	-	681	(681)	-
Total comprehensive income/(expenditure) for the year	89	11,959	(681)	11,367
Balance at 31 July 2021	951	69,557	24,576	95,084
University				
Balance at 1 August 2019	855	83,219	25,951	110,025
Surplus from the income and expenditure statement	-	1,226	-	1,226
Other comprehensive income/(expenditure)	7	(38,002)	-	(37,995)
Transfers between revaluation and income and expenditure reserve	-	694	(694)	-
Total comprehensive income/(expenditure) for the year	7	(36,082)	(694)	(36,769)
Gift aid received	-	116	-	116
Balance at 1 August 2020	862	47,253	25,257	73,372
Surplus from the income and expenditure statement	-	2,646	-	2,646
Other comprehensive income/(expenditure)	89	5,588	-	5,677
Transfers between revaluation and income and expenditure reserve	-	681	(681)	-
Total comprehensive income/(expenditure) for the year	89	8,915	(681)	8,323
Gift aid received	-	189	-	189
Re-capitalisation of SBUEL	-	(500)	-	(500)
Balance at 31 July 2021	951	55,857	24,576	81,384

London South Bank University

Consolidated and University Balance sheets

As at 31 July 2021

	Note	Consolidated		University	
		2021	2020 Restated*	2021	2020 Restated*
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	13	8	137	8	137
Tangible fixed assets	14	348,271	307,784	270,474	235,706
Investments	15	38	38	38	38
		<u>348,317</u>	<u>307,959</u>	<u>270,520</u>	<u>235,881</u>
Current assets					
Stock		6	6	6	6
Debtors	16	34,696	23,408	49,395	34,351
Investments	23	950	11,811	950	11,811
Cash and cash equivalents	23	28,813	40,373	25,164	37,856
		64,465	75,598	75,515	84,024
Creditors: amounts falling due within one year	17	<u>(62,101)</u>	<u>(47,146)</u>	<u>(54,547)</u>	<u>(38,784)</u>
Net current assets		<u>2,364</u>	<u>28,452</u>	<u>20,968</u>	<u>45,240</u>
Total assets less current liabilities		350,681	336,411	291,488	281,121
Creditors: amounts falling due after more than one year	18	(68,098)	(69,108)	(50,153)	(52,952)
Provisions					
Pension provisions	20	(187,499)	(183,586)	(159,951)	(154,797)
Total net assets		<u>95,084</u>	<u>83,717</u>	<u>81,384</u>	<u>73,372</u>
Restricted reserves - endowment reserves	21	951	862	951	862
Unrestricted Reserves					
Income and expenditure reserve		69,557	57,598	55,857	47,253
Revaluation reserve		24,576	25,257	24,576	25,257
Total Reserves		<u>95,084</u>	<u>83,717</u>	<u>81,384</u>	<u>73,372</u>

*See notes 14 and 17 for details regarding the restatement

The financial statements were approved by the Board of Governors on 25 November 2021 and were signed and authorised on their behalf by:

Jerry Cope
Mr Jeremy Cope (Chair)

Dave Phoenix
Professor David Phoenix (Vice Chancellor and Chief Executive)

London South Bank University

Consolidated Statement of Cash Flows

Year ended 31 July 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
Surplus for the year		3,030	1,357
Adjustment for non cash items			
Amortisation/depreciation	13-14	11,251	10,627
Investment income	5	(60)	(308)
Interest payable	12	4,817	4,920
Decrease in stock		-	-
Increase in debtors	16	(11,288)	(4,409)
Increase / (Decrease) in creditors	17-18	11,763	(2,077)
Pension costs less contributions payable		11,255	4,773
Loss on disposal of tangible fixed assets	14	403	954
Adjustment for investment or financing activities			
Investment income	5	23	11
Interest receivable	5	37	297
Net cash inflow from operating activities		31,231	16,145
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets	14	(49,830)	(19,017)
Cash (added to)/removed from fixed term deposits	23	10,861	-
		(38,969)	(19,017)
Cashflows from financing activities			
Capital element of bank loan repayments	19	(1,969)	(1,910)
Interest element of bank loan repayments	12	(1,853)	(1,933)
		(3,822)	(3,843)
(Decrease)/increase in cash and cash equivalents during the year		(11,560)	(6,715)
Cash at bank and on deposit at the start of the year	23	40,373	47,088
Cash at bank and on deposit at the end of the year		28,813	40,373

Analysis of Changes in Net Debt

	at 1 August 2020 £'000	Cashflows £'000	Other non- cash changes £'000	at 31 July 2021 £'000
Cash and cash equivalents				
Investments	11,811	(10,861)	-	950
Cash at bank and on deposit	40,373	(11,560)	-	28,813
	52,184	(22,421)	-	29,763
Borrowings				
Debt due within one year	(1,944)	1,969	(2,050)	(2,025)
Debt due after one year	(32,507)	-	2,050	(30,457)
	(34,451)	1,969	-	(32,482)
	17,733	(20,452)	-	(2,719)

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 2019 and in accordance with Financial Reporting Standard FRS 102. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

The Group and parent University's activities, together with the factors likely to affect its future development, performance, and position, are set out in the Strategic Report which forms part of the Directors' Report. The Directors' Report also describes the financial position of the Group, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Board of Governors consider to be appropriate for the following reasons:

Detailed Cash flow and covenant compliance forecasts have been prepared for the next 12 months to the end of November 2022 which indicate that, taking into account the plausible but potentially severe downsides, the Group and Parent University will have sufficient liquid assets to meet their liabilities as they fall due.

In reaching this conclusion that the Group and Parent University is a going concern, the Board of Governors has also taken into account budget and in year financial management information and current recruitment data for 2021/22.

We will continue to monitor the position carefully over the next few months.

The principal risks to successful financial delivery in 2021/22 relate to meeting student recruitment targets, affordability of capital investment needs, regulatory changes to post-18 education fees and funding and the financial turnaround of South Bank Colleges.

After taking all of these matters into consideration, the Board of Governors is confident that the Group and parent University will be in compliance with its debt covenants even in plausible but potentially severe downside scenarios and will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

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

Consolidation of accounts

The financial statements incorporate the financial statements of London South Bank University and its subsidiary undertakings; South Bank University Enterprises Limited (SBUEL), South Bank Colleges and SW4 Catering Limited, a subsidiary of South Bank Colleges.

The University sponsors South Bank Academies, the funds of South Bank Academies are restricted to its own purpose and will not be available to the creditors of the University, for example in the event of the University's insolvency. If South Bank Academies were to become insolvent, the University would not receive its assets or reserves. Therefore, the accounts of South Bank Academies are not consolidated into the University accounts.

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

Income recognition

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

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

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

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

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

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

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

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

Intangible assets

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

Fixed assets

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

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

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

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

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

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

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

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

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

Investments

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

Endowment Asset Investments are included in the Balance Sheet at 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 subsidiary companies SBUEL, and SW4 Catering Ltd. From April 2021, the LPFA pension scheme is closed to new professional services staff across the group and those staff are entitled to join the defined contribution scheme. The University pays contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Employment benefits

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

Taxation status

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

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

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

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

Deferred tax is provided in full on timing differences which result in an obligation at the Balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Agency arrangements

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

Leases

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

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

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

Maintenance

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

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

Reserves

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

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

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

Cash flows and liquid resources

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

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

Financial instruments

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

Judgements and estimates**Material Judgements and estimates**

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

The present value of the London Pension Fund Authority Pension Fund (LPFAPF) and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price increase and any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability.

Land was revalued on 31 July 2014 resulting in a one-off adjustment to increase the deemed cost of land by £41,946,000. The valuation was prepared by qualified valuers in accordance with the Red Book. The fair value depends on the classification of assets and a number of material assumptions including the condition of properties, ground, and services, estimated market value, and estimated rental income at the date of valuation.

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

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

Non-Material Judgements and Estimates

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

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

Foreign currency translation

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

Provisions, contingent liabilities, and contingent assets

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

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

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

Notes to the accounts

Year ended 31 July 2021

7. Grant and Fee income

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

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Grant income from the OfS	167,390	146,127	145,684	126,328
Grant income from other bodies	7,992	6,679	6,229	5,577
Fee income for research awards (exclusive of Vat)	217	215	217	215
Fee income from non-qualifying courses (exclusive of Vat)	560	3,164	560	317
Fee income for taught awards (exclusive of Vat)	8,209	9,502	4,880	9,502
	184,368	165,687	157,570	141,939

8. Staff

Average numbers by major category:

	Consolidated	
	2021	2020
	No.	No.
Academic staff	872	915
Student support staff	151	125
Other support staff	720	681
	1,743	1,721

Costs	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Wages and salaries	86,935	77,625	69,903	58,485
Social security costs	8,175	7,796	6,799	6,417
Employers' pension contributions	19,468	18,200	17,421	16,311
	114,578	103,621	94,123	81,213

Staff costs for the year include costs arising from redundancies of £1.8m (2020 £0.4m) of which £0.5m was paid during the year and £1.3m was accrued

Access and Participation

	University	
	2021	2020
	£'000	£'000
Access Investment	1,182	44
Financial Support	-	-
Disability Support (excluding expenditure included in the two categories above)	-	-
Research and Evaluation	5	-
	1,187	44

Notes to the accounts

Year ended 31 July 2021

9. 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.

	2021	2020
	£'000	£'000
Salaries	437	467
Pension contributions or payments in lieu of pension contributions	71	77
	508	544

Governors are paid expenses for attending meetings and other matters directly related to their duties as trustees. In 2021 one governor was paid total expenses of £295 (2020: four governors were paid total expenses of £1,974) for travel and subsistence.

B. Determining pay of senior staff

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

The Committee, in making its determination, considers remuneration levels in a number of comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on the performance of senior executives against individual measurable objectives and may award individual bonuses of up to 10% and a group bonus of up to 8%.

Further information is provided in the Annual Remuneration Report on page 32 onwards

C. Emoluments of the Vice Chancellor

	2021	2020
	£'000	£'000
Salary	238	238
Accommodation allowance	10	10
Performance related pay	33	30
Taxable benefits	1	1
Pension scheme contributions or payments in lieu of pension contributions	35	35
	317	314

The Vice Chancellor is the highest paid Governor.

Notes to the accounts

Year ended 31 July 2021

The Vice Chancellor's basic salary is 6.06 (2020: 6.23) times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration is 6.89 (2020: 6.94) times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The calculation of these ratios comply with the draft 2020/21 OfS guidance.

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding bonus, benefits and pension contributions) in excess of £100,000 during the year. Five of these employees accrued benefits under defined benefit pension schemes during the year (2020:7). These employees are grouped as follows:

	Consolidated and University	
	2021	2020
	No.	No.
£105,000 to £109,999	-	2
£115,000 to £119,999	2	2
£120,000 to £124,999	1	-
£125,000 to £129,999	1	1
£140,000 to £144,999	1	1
£145,000 to £149,999	2	1
£150,000 to £154,999	1	1
£160,000 to £164,999	-	1
£235,000 to £239,999	1	1
	9	10

E. Key management personnel

Key Management personnel include members of the Group Executive, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excludes employers pension contributions). Members of the University Executive are listed on page 3 of these Financial Statements.

	2021	2020
	£'000	£'000
Key management personnel	1,409	1,066

The two years are not comparable due to changes in personnel.

Notes to the accounts

Year ended 31 July 2021

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
10a. Other operating expenses				
Academic	17,445	15,407	12,616	14,672
Academic support	9,275	7,368	9,275	7,368
Other support	10,632	5,719	10,629	5,717
Premises	14,996	14,723	13,249	14,723
Residence and catering	2,731	3,975	2,731	3,975
Other expenses	10,178	16,788	6,344	11,007
	65,257	63,980	54,844	57,462

Other operating expenses are stated after charging:

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Auditors' remuneration				
<i>External audit</i> KPMG LLP	130	100	84	76
<i>Other services</i> KPMG LLP	64	79	51	46
Rentals under operating leases: Plant and machinery	172	279	143	225

Auditors' remuneration is disclosed net of VAT

10b. Access and Participation

	University	
	2021	2020
	£'000	£'000
Access Investment (i)	1,275	3,671
Financial Support	551	446
Disability Support	296	251
Research and Evaluation	97	28
	2,219	4,396

(i) £1,182k (2020: £3,111k) of these costs are already included in the overall staff costs figures included in the financial statements, see note 8.

11. 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 £13.8k (2020: £17.6k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
12. Interest and other finance costs				
Loans interest	1,853	1,933	1,853	1,933
Net charge on pension scheme	2,964	2,987	2,484	2,484
	4,817	4,920	4,337	4,417

Notes to the accounts
Year ended 31 July 2021

13. Intangible assets

Software

Consolidated and University
Assets in
course of

	Software	construction	Total
Cost or valuation	£'000	£'000	£'000
At August 2020	4,140	123	4,263
Additions	-	-	-
Transfer	-	(117)	(117)
At 31 July 2021	<u>4,140</u>	<u>6</u>	<u>4,146</u>
Amortisation charge			
At August 2020	(4,126)	-	(4,126)
Charge for the year	(12)		(12)
At 31 July 2021	<u>(4,138)</u>	<u>-</u>	<u>(4,138)</u>
Net book value			
At 31 July 2021	<u>2</u>	<u>6</u>	<u>8</u>
At 31 July 2020	<u>14</u>	<u>123</u>	<u>137</u>

Notes to the accounts
Year ended 31 July 2021

14. Tangible fixed assets (Consolidated) Restated*

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost or valuation					£'000	£'000	£'000
At August 2020*	88,965	213,178	49,668	44	68,035	33,688	453,578
Additions	-	-	-	-	1,498	50,514	52,012
Disposals	-	-	-	-	-	(403)	(403)
Transfer	-	-	-	-	641	(524)	117
At 31 July 2021	88,965	213,178	49,668	44	70,174	83,275	505,304
Depreciation							
At August 2020	-	(69,931)	(33,133)	(37)	(42,693)	-	(145,794)
Charge for the year	-	(5,593)	(1,243)	-	(4,403)	-	(11,239)
Disposals	-	-	-	-	-	-	-
At 31 July 2021	-	(75,524)	(34,376)	(37)	(47,096)	-	(157,033)
Net book value							
At 31 July 2021	88,965	137,654	15,292	7	23,078	83,275	348,271
At 31 July 2020	88,965	143,247	16,535	7	25,342	33,688	307,784

Tangible fixed assets (University) Restated*

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost or valuation					£'000	£'000	£'000
At August 2020*	64,368	172,050	47,210	44	66,836	28,718	379,226
Additions	-	-	-	-	1,498	43,521	45,019
Disposals	-	-	-	-	-	(403)	(403)
Transfer	-	-	-	-	641	(524)	117

At 31 July 2021	64,368	172,050	47,210	44	68,975	71,312	423,959
Depreciation							
At August 2020	-	(68,409)	(33,058)	(37)	(42,016)	-	(143,520)
Charge for the year	-	(4,762)	(1,194)	-	(4,009)	-	(9,965)
Disposals	-	-	-	-	-	-	-
At 31 July 2021	-	(73,171)	(34,252)	(37)	(46,025)	-	(153,485)
Net book value							
At 31 July 2021	64,368	98,879	12,958	7	22,950	71,312	270,474
At 31 July 2020	64,368	103,641	14,152	7	24,820	28,718	235,706

14 B Restatement of Tangible Fixed Assets

2019-20 tangible fixed assets have been restated to include £4,582k of assets under construction relating to 2020 not accrued in prior year financial statements.

Notes to the accounts

Year ended 31 July 2021

15. Investments

	Consolidated		University	
	2021	2020	2021	2019
	£'000	£'000	£'000	£'000
CVCP Properties plc	38	38	38	38

The University holds 0.8% of the £1 ordinary shares of CVCP Properties plc. The principal activity of the company is leasing of buildings, with the majority of tenants being Higher Education organisations.

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

South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL). Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012 and five on 28 April 2021.

South Bank Colleges

The University is the sole member of South Bank Colleges, a private company limited by guarantee and incorporated on 1st August 2018 and its results are fully consolidated in these accounts. South Bank Colleges took over the operations of Lambeth College from 1st February 2019 and has two subsidiaries, SW4 Catering Ltd and South Bank Skills Ltd (a dormant company incorporated on 23rd March 2021).

Other investments

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

16. Debtors: amounts falling due within one year

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	30,293	19,122	29,349	18,192
Amounts owed by group undertakings	-	-	16,925	13,392
Other debtors	403	799	354	749
Prepayments and accrued income	4,000	3,487	2,767	2,018
	34,696	23,408	49,395	34,351

17. Creditors: amounts falling due within one year (Restated)

	Consolidated		University	
	2021	2020*	2021	2020*
	£'000	£'000	£'000	£'000
Bank and other loans	2,025	1,944	2,025	1,944
Trade creditors	1,618	1,648	1,163	714
Other creditors	3,392	2,714	2,884	2,563
Social security and other taxation payable	2,380	2,282	1,699	1,625
Accruals and deferred income	52,686	38,558	46,776	31,938
	62,101	47,146	54,547	38,784

17 B Restatement of Creditors

2019-20 accruals and deferred income have been restated to include £4,582k accruals relating to capital work carried out in 2020 but not accrued in prior year financial statements.

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

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank and other loans	30,457	32,507	30,457	32,507
Deferred income	37,641	36,601	19,696	20,445
	68,098	69,108	50,153	52,952

19. Borrowings

	Consolidated and University	
	2021	2020
	£'000	£'000
Bank loans are repayable as follows:		
Due in less than one year (note 17)	2,025	1,944
Due between one and two years	2,076	1,979
Due between two and five years	6,631	6,143
Due after five years	21,750	24,385
Total due after one year (note 18)	30,457	32,507
Total	32,482	34,451

Details of bank loans

Lender	Term	Interest rate	Security	2021 £'000	2020 £'000
Barclays bank	25 years to 2032	5.67% fixed	McLaren House	3,265	3,576
Barclays bank	To April 2029	5.25% fixed		5,000	5,000
Barclays bank	23.25 years to 2032	5.44% fixed		6,086	6,512
Barclays bank	23 years to 2032	0.225% over Libor		3,192	3,489
Barclays bank	16 years to 2035	5.16-5.2% fixed plus 1.65% margin		12,381	12,939
Allied Irish Bank	26.5 years to 2027	6.67% fixed	Dante Road Halls	2,358	2,735
Salix	Variable	Interest free	Unsecured	200	200
				32,482	34,451

Notes to the accounts

Year ended 31 July 2021

20 Provisions for liabilities: Consolidated

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Enhanced pension £'000	Total £'000
Balance at 1 August 2020	708	181,048	1,830	183,586
Utilised during the year	-	(7,263)	-	(7,263)
Charged to comprehensive income and expenditure	321	10,956	(101)	11,176
Balance at 31 July 2021	1,029	184,741	1,729	187,499

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are in note 28B.

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

University

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Total £'000
Balance at 1 August 2020	708	154,089	154,797
Utilised during the year	-	(6,560)	(6,560)
Charged to comprehensive income and expenditure	321	11,393	11,714
Balance at 31 July 2021	1,029	158,922	159,951

21 Endowment reserves

	Restricted Permanent £'000	Restricted Expendable £'000	Consolidated and University 2021 Total £'000	2020 Total £'000
Balance at 1 August	724	138	862	855
Increase in market value of investments	75	14	89	7
Balance at 31 July	799	152	951	862

22 Unrestricted reserves

	Consolidated		University	
	2021 £'000	2020 £'000	2021 £'000	2019 £'000
Revaluation reserve				
Balance at 1 August	25,257	25,951	25,257	25,951
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(681)	(694)	(681)	(694)
Balance at 31 July	24,576	25,257	24,576	25,257

Notes to the accounts

Year ended 31 July 2021

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

	at 1 August 2020	Cashflows	Other non- cash changes	at 31 July 2021
	£'000	£'000	£'000	£'000
Consolidated				
Investments	11,811	(10,861)	-	950
Cash at bank and on deposit	40,373	(11,560)	-	28,813
	52,184	(22,421)	-	29,763
Borrowings				
Debt due within one year	(1,944)	1,969	(2,050)	(2,025)
Debt due after one year	(32,507)	-	2,050	(30,457)
	(34,451)	1,969	-	(32,482)
	17,733	(20,452)	-	(2,719)

Investments comprise funds held in fixed term deposits for periods exceeding three months at 31 July 2021. Cash at bank and on deposit comprise funds held in bank and on deposit not exceeding 3 months.

24 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2021

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Commitments contracted at 31 July	56,104	56,002	28,092	35,142

25 Contingent liabilities

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

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

Notes to the accounts

Year ended 31 July 2021

26 Lease obligations

At 31 July 2021 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	Consolidated		University	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Expiring within one year	40	16	-	-
Expiring within two and five years	58	-	-	-
Expiring in over five years	438	449	438	449
	536	465	438	449

27 Amounts disbursed as agents

	Consolidated		University	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Teacher training bursaries				
Balance at 1 August	(5)	-	(5)	-
Funding council grant	6	19	6	19
Disbursed to students	-	(24)	-	(24)
Balance at 31 July	1	(5)	1	(5)

	Consolidated		University	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Apprenticeship employer incentive payments				
Balance at 1 August	-	-	-	-
Funds received	-	32	-	32
Disbursed to employers	-	(32)	-	(32)
Balance at 31 July	-	-	-	-

Notes to the accounts

Year ended 31 July 2021

28 Pension arrangements

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

- Teachers' Pension Scheme (TPS)
- Universities Superannuation Scheme Limited (USS)
- London Pension Fund Authority (LPFA) Pension Fund
- London South Bank University Defined Contribution Scheme, administered by Aviva.
- National Employment Savings Trust (NEST)
- NOW Pensions

A. The Teachers' Pension Scheme

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

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

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

- The last valuation of the TPS was as of 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 5 March 2019. The Key results of the valuation are:
 - Uncorrected employer contribution rate effective over the implementation period: 19.5% of pensionable pay. This is an increase of 3.1% on the current contribution rate. This increase is primarily due to the reduction in the discount rate (known as the SCAPE rate) to 2.4% pa above CPI with effect from 1 April 2019.
 - Corrected employer contribution rate payable over the implementation period: 22.8% of pensionable pay. This is an increase of 6.4% on the current contribution rate. This rate is calculated in the same way as the uncorrected employer contribution rate except that the accrual rate of the 2015 Scheme is assumed to be improved from 1 April 2019 to the extent necessary such that the employer contribution correction cost equals the target cost of the scheme.

At 31 July 2021 the University Group had 1203 active members participating in the scheme. During the year contributions were paid by the Group and charged to the Income and Expenditure account at a current rate of 23.6% (2020: 16.48% in August 2019 then 23.6% from September 2019) of salaries and the Group's contribution to the TPS for the year was £7,807,873 (2020: £7,104,562). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

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

B. The Universities Superannuation Scheme

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

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

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

The 2018 Valuation was the fifth valuation of the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the Valuation date, the value of the assets in the scheme were £63.7 billion and the value of the scheme's technical provisions was £67.3 billion, indicating a shortfall of £3.6 billion and a funding ratio of 95%.

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

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

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

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

Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Post-retirement:	97.6% of SAPS SINMA 'light' for males and 102.7% of RFV00 for females.
Future improvements	CMI 2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

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

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

	2020	2019
Discount Rate	1.50%	2.10%
Pensionable Salary Growth	3.00%	3.90%

At 31 July 2021 the Group had 38 (2020: 40) active members participating in the scheme. The total credited to the Statement of Comprehensive Income and Expenditure is £320,638 (2020: £934,964). The employer contribution rate was 21.1% from October 2019 and will rise to 23.7% from 1st October 2021. (2020: 19.5% from 1st April 2019 and 21.1% from 1 October 2019).

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn). At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this range is purely an illustration and is before any other measures are considered to reduce the deficit and is still being widely debated across the sector and by the Trustee of the Pension Scheme. For the 2020-21 financial year however, this is considered a non-adjusting event.

C. The London Pension Fund

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

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2019 with the valuation results taking into account changes to the scheme from 1 April 2020. Employer contribution rates effective from 1 April 2019 were 12.7% and from 1 April 2020 were 15.4% for London South Bank University and 13.5%, raising to 16.3% from 1st April 2020 for South Bank Colleges. In addition a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period was paid in April 2021 this payment amounted to £1.3m.

Pension cost under FRS 102

For accounting purposes, the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the Merrill Lynch AA rate 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:

	Consolidated and University	
	31-Jul-21	31-Jul-20
	% per annum	% per annum
Salary increase	3.00%	3.00%
Pension and price increases	2.80%	2.25%
Discount rate	1.60%	1.50%

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

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

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension
- 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.

Following a pension assumption review process we believe that the default assumptions used by the scheme actuaries are appropriate for the LSBU group.

For UK defined benefit pension schemes it is common to set long term RPI inflation based on long term gilt market-implied expectations (known as “break even RPI”), often less an inflation risk premium to allow for supply/demand factors, and for long term CPI inflation to be set with reference to RPI inflation less a “wedge” reflecting established differences in index construction, as there is no deep-market in CPI-linked instruments. On 4 September 2019, the UK Chancellor and the UK Statistics Authority jointly published correspondence confirming that: a public consultation to amend the flawed RPI index would start in January 2020 (subsequently postponed to March 2020 and ended on 21 August 2020), there would be no change to RPI until 2025 at the earliest, and The UK Statistics Authority could change RPI from 2030 without government consent, and their intention is to align RPI to CPIH (CPIH is CPI with allowance for housing costs; the two are assumed to be similar over the long term). Following these announcements the derivation of the CPI assumption has changed at 31 July 2020. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a c. £13m-£14m (made up of a reduction of £16,436k from the change in IRP and an increase of £30,238k from the change in RPI-CPI wedge) as the CPI assumption is now 0.2% higher than it would have been under the previous methodology.

Life expectancy

The scheme actuaries have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables have been based on Club Vita analysis. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%. Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a “2020 weight parameter” for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The view of the scheme actuaries is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore they have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Employer's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure, and the effect on the assumed life expectancies is demonstrated in the table below.

Life expectancy from age 65

	LSBU 31-Jul-21 after CMI_2020 update	SBC 31-Jul-21	LSBU 31-Jul-21 before CMI_2020 update	SBC 31-Jul-21	LSBU 31-Jul-20	SBC 31-Jul-20
Retiring today:						
Males	21.7	21.6	22	21.9	21.9	21.8
Females	24.1	24.1	24.3	24.3	24.2	24.2
Retiring in 20 years:						
Males	22.9	22.8	23.3	23.3	23.2	23.2
Females	25.7	25.4	25.9	25.5	25.8	25.4

Fund assets

The return on the fund, on a bid value to bid value basis, for the year to 31 July 2021 was 15.46%. The Allocation at 31 July 2021 is as follows:

	Consolidated		University	
	Fair value as at 31-Jul-21 £'000	Fair value as at 31-Jul-20 £'000	Fair value as at 31-Jul-21 £'000	Fair value as at 31-Jul-20 £'000
Equities	134,384	110,264	106,147	86,715
Target return portfolio	51,724	48,629	40,856	38,244
Cash	14,200	13,869	9,790	10,907
Infrastructure	20,777	14,132	16,579	11,114
Property	18,384	18,923	15,780	14,882
Total fair value of assets	<u>239,469</u>	<u>205,817</u>	<u>189,152</u>	<u>161,862</u>

Net pension liability

The following amounts at 31 July 2021 related to the Group are measured in accordance with the requirements of FRS 102:

Consolidated	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Fair value of Employer Assets	239,469	205,817	205,757	143,869	133,771
Present value of funded obligations	<u>(414,274)</u>	<u>(376,181)</u>	<u>(324,227)</u>	<u>(232,750)</u>	<u>(234,955)</u>
Net underfunding in funded plans	(174,805)	(170,364)	(118,470)	(88,881)	(101,184)
Present value of unfunded obligations	<u>(9,936)</u>	<u>(10,684)</u>	<u>(10,885)</u>	<u>(10,884)</u>	<u>(11,565)</u>
Net Pension Liability	<u>(184,741)</u>	<u>(181,048)</u>	<u>(129,355)</u>	<u>(99,765)</u>	<u>(112,749)</u>
University	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Fair value of Employer Assets	189,152	161,862	161,649	143,869	133,771
Present value of funded obligations	<u>(338,572)</u>	<u>(305,728)</u>	<u>(260,964)</u>	<u>(232,750)</u>	<u>(234,955)</u>
Net underfunding in funded plans	(149,420)	(143,866)	(99,315)	(88,881)	(101,184)
Present value of unfunded obligations	<u>(9,502)</u>	<u>(10,223)</u>	<u>(10,420)</u>	<u>(10,884)</u>	<u>(11,565)</u>
Net Pension Liability	<u>(158,922)</u>	<u>(154,089)</u>	<u>(109,735)</u>	<u>(99,765)</u>	<u>(112,749)</u>

The movement for the year in the net pension liability is shown in note 20.

Analysis of the amount included in staff costs for the year

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Service cost	16,448	10,884	14,508	9,490
Enhancements to former employees	-	-	-	-
Total operating charge	16,448	10,884	14,508	9,490

Analysis of the amount included in interest payable for the year

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Interest on the defined liability (asset)	2,662	2,648	2,263	2,245
Administration expenses	267	267	210	210
Total interest charge	2,929	2,915	2,473	2,455

Analysis of the amount recognised in Other Comprehensive Income

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Return on fund assets in excess of interest	28,859	(565)	22,747	(444)
Other actuarial losses on assets	-	(4,527)	-	(4,077)
Change in financial assumptions	(32,773)	(31,490)	(27,208)	(25,886)
Change in demographic assumptions	4,664	(1,007)	3,817	(618)
Experience gains and losses on defined benefit obligation	7,671	(6,643)	6,232	(6,977)
Remeasurement of the net assets/ (defined liability)	8,421	(44,232)	5,588	(38,002)

Analysis of movement in the present value of scheme liabilities

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
At 1 August	386,865	335,112	315,951	271,384
Movement in the year:				
Current service cost	16,448	10,884	14,508	9,490
Interest cost	5,764	6,981	4,708	5,656
Changes in financial assumptions	32,773	31,490	27,208	25,886
Change in demographic assumptions	(4,664)	1,007	(3,817)	618
Experience loss / (gain) in defined benefit obligation	(7,671)	6,643	(6,232)	6,977
Past service costs, including curtailments	-	-	-	-
Estimated benefits paid net of transfers in	(6,950)	(6,576)	(5,651)	(5,161)
Contributions by scheme participants	2,404	2,083	2,127	1,829
Unfunded pension payments	(759)	(759)	(728)	(728)
At 31 July	424,210	386,865	348,074	315,951

Analysis of movement in the fair value of scheme assets

	Consolidated		University	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
At 1 August	205,817	205,757	161,862	161,649
Interest on assets	3,102	4,333	2,445	3,411
Return on assets less interest	28,859	(565)	22,747	(444)
Other actuarial losses	-	(4,527)	-	(4,077)
Administration expenses	(267)	(267)	(210)	(210)
Contributions paid	9,667	8,421	8,687	7,422
Estimated benefits paid plus unfunded net of transfers in	(7,709)	(7,335)	(6,379)	(5,889)
At 31 July	239,469	205,817	189,152	161,862

The projected pension expense for the year to 31 July 2022 is £22,113k (consolidated) £19,422k (University).

Sensitivity analysis

The sensitivity analysis below shows the impact of changes in financial assumptions

Adjustment to:	Group			University		
	£000s	£000s	£000s	£000s	£000s	£000s
Discount rate	0.10%	0.00%	-0.10%	0.10%	0.00%	-0.10%
Present value of total obligation	415,324	424,210	433,109	340,763	348,074	355,548
Projected service cost	18,235	18,924	19,636	16,095	16,706	17,338
Long term salary increase	0.10%	0.00%	-0.10%	0.10%	0.00%	-0.10%
Present value of total obligation	424,782	424,210	423,641	348,566	348,074	347,585
Projected service cost	18,934	18,924	18,913	16,715	16,706	16,697
Pension increases and deferred revaluation	0.10%	0.00%	-0.10%	0.10%	0.00%	-0.10%
Present value of total obligation	432,511	424,210	416,076	354,960	348,074	341,329
Projected service cost	19,626	18,924	18,244	17,329	16,706	16,103
Life expectancy assumptions	+1 Year	None	- 1 Year	+1 Year	None	- 1 Year
Present value of total obligation	444,317	424,210	405,053	364,598	348,074	332,335
Projected service cost	19,790	18,924	18,091	17,471	16,706	15,971

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL), SW4 Catering Limited and from April 2021 new professional services staff. At 31 July 2021 the University Group had 83 members participating in the scheme (2020:47). The University Groups contribution to the Aviva scheme for the year ending 31 July 2021 was £173,196 (2020: £137,861) and employer's contribution rates during the year ranged from 6%-10%. Pension contributions payable at 31 July 2021 were £29,944 (2020: £16,401).

E. National Employment Savings Trust (NEST)

The University Group provided a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31 July 2021 there were no staff in the scheme (2020:13), with members being transferred to the London South Bank University Defined Contribution scheme from 1st April 2021. Employer contribution to the NEST scheme for the year ending 31 July 2021 was £4,636 (2020: £7,448) and employer contributions were 3%. Pension contributions payable at 31 July 2021 were £nil (2020: £1,211).

F. NOW Pensions

The University provides a defined contribution scheme through NOW for employees of SBUEL staff engaged through LSBU Employment. At 31 July 2021 there were 229 staff in the scheme (2020:88). Employer contribution to the NOW scheme for the year ending 31 July 2021 was £129,013 (2020: £9,868) and employer contributions were 3%. Pension contributions payable at 31 July 2021 were £891 (2020: £2,090).

29. Related party transactions

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these financial statements. During the year the university paid for expenses and equipment for SBUEL and used SBUEL employment agency staff totalling £(496)k (2020: £(312)k), and collected rental income of £46k (2020: £40k). At the year-end the University owed SBUEL £356k (2020: (£186)k).

Notes to the accounts

Year ended 31 July 2021

29 Related party transactions

The University is the sole Member of South Bank Colleges (SBC), a Private Limited Company by guarantee, which was incorporated on 1st August 2018. SBC and its wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1st February 2019 SBC received £13.7m from the Education and Skills Funding Agency (ESFA) which was transferred to the University on 2nd February 2019 to hold on its behalf and to transfer back to SBC as it is needed to fund operational and capital expenditure requirements. During the year the University transferred £2m (2020: £2.86m) to SBC. Services totalling £2,056k (2020: £1,082k) were recharged to SBC during the year and the balance between SBC and the University at the year-end was £17,281k (2020: £13,206k).

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

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

Organisation	Governor	Position	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
British University in Egypt	David Phoenix	Trustee	1,739	-	1,483	-
Central & NW London NHS Foundation Trust	Rasha Rana	Non-executive director	11	-	5	-
Greater London Authority	Paul Ivey	London European Structural Investment Fund committee HE Representative	78	-	-	-
Kings College London	Hilary McCallion	Visiting professor	-	49	-	-
London Higher	Warren Turner	Chair of Health Education Group	-	4	-	-
LSBU Student Union	Ruchika Kumar Maxwell Smith	Union council Chair President	-	900	-	-
National Centre for Universities and Businesses	David Phoenix		5	-	-	-
Pricewaterhouse Coopers LLP	Duncan Brown	Retired partner	-	601	-	-
SW London & St Georges Mental Health NHS Trust	Richard Flatman	Chair of Audit Committee Non-executive director	10	-	4	-
South Bank Academies	Richard Flatman Nicole Louis Hilary McCallion David Phoenix Hitesh Tailor	Chair of Audit & Risk Committee Trustee Chair of Remuneration Committee Trustee Chair	54	-	27	-
Transport for London	Mee Ling Ng	Non-executive director	(36)	-	-	-
UCEA	Jeremy Cope	Vice-chair	-	12	-	-

Notes to the accounts

Year ended 31 July 2021

30. Post balance sheet events

The 2020 USS Valuation has now been completed and filed with the Pension Regulator with an effective date of 1st October 2021 and constitutes a non adjusting post balance sheet event. The deficit recovery provision is based on the 2018 valuation which was binding at the year end date.