Company Registration No. 986761

Report and Financial Statements

31 July 2018

Report and financial statements 2018

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Strategic Report

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 16-21 and the members of the Board of Governors during the year ended 31 July 2018 are listed on page 3. The Governors are also directors under the Companies Act 2006.

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

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

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

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

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

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

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Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2018 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Sodiq Akinbade	Retired 30 June 2018
Mr Steve Balmont	
Mrs Shachi Blakemore	
Mr Duncan Brown	Appointed 1 August 2017
Ms Julie Chappell	
Mr Michael Cutbill	
Mr Douglas Denham St Pinnock (Vice Chair from 1st August 2017)	
Professor Peter Fidler CBE	Appointed 1 August 2017
Mrs Carol Hui	Resigned 20 February 2018
Professor Hilary McCallion CBE	
Ms Nelly Kibirige	Appointed 1 July 2018
Mr Kevin McGrath	
Dr Mee Ling Ng OBE	
Ms Jenny Owen	
Mr Tony Roberts	
Mr Suleyman Said	Retired 30 June 2018
Mr Nazene Smout	Appointed 1 July 2018

Changes in Governors since 31 July 2018:

Mr Jeremy Parr	Appointed 1 August 2018

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Principal Officers:

Name	Position
Professor David Phoenix	Vice Chancellor and Chief Executive
Professor Patrick Bailey	Deputy Vice Chancellor
Mrs Mandy Eddolls (resigned 15 June 2018)	Executive Director of Organisational Development and HR
Mr Richard Flatman	Chief Financial Officer
Professor Paul Ivey	Pro Vice Chancellor (Research and External Engagement)
Miss Nicole Louis	Chief Marketing Officer
Mr Ian Mehrtens	Chief Operating Officer
Mr James Stevenson	Secretary and Clerk to the Board of Governors
Professor Shân Wareing	Pro Vice Chancellor (Education and Student Experience)

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

Objectives and Activities

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

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

Student success

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

Real world impact

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

Access to opportunity

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

The University has had a very good year in terms of financial and strategic outcomes. It improved its rank by 15 places in the Good University Guide and subject performance ranking improved for 23 out of 30 subjects.

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Student Success

We aim to ensure that our teaching remains highly applied, professionally accredited and demonstrably linked to research and enterprise, delivering the attributes that will make our graduates highly sought after. Students are seen as participants in their learning and their voices are encouraged and listened to. We provide students with an individualised learning experience to develop the skills and aspirations that enable them to enter employment, further study or start their own business. Our approach continues to pay dividends. Sam Gyimah, Minister for Higher Education, said: "There are some great technical options within universities; like South Bank University, do a great technical option in construction." (BBC's Newsnight programme 19 February 2018)

- LSBU was named University of the Year for Graduate Employment [The Times and Sunday Times Good University Guide 2018]. Alistair McCall, editor of the Guide said: "London South Bank has an outstanding record for graduate employment. It is a shining example of all the best qualities held by the modern university sector".

- LSBU is now a top 4 university in the UK for graduate outcomes (graduate employment and further study). 87.7% of LSBU graduates were in graduate employment or further study, surpassing Oxford and Cambridge and all but one Russell Group university. (This is based on the official Employment Performance Indicator cohort and excludes Specialist Institutions).

- LSBU is a top 12 UK university for Graduate Starting Salaries [The Times Good University Guide September 2017].

- LSBU is a top 20 UK university for Graduate Prospects; and is the No 1 London Modern University for Graduate Prospects (Sunday Times League Table September 2017).

Real World Impact

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

The profile of our research within and beyond LSBU has been enhanced through our new Research and Enterprise Institutes. The Annual University Research Audit (AURA) informed preparations for further research development and led to the creation of 33 research groups and 15 research centres.

- 73% of LSBU research is rated 3* and 4* for Impact. LSBU has ongoing research partnerships with leading companies including Sellafield, London Underground and FitFlop

- 2017/8 was a year of growth for our two innovation centres, based at the Cambridge Technology Park in collaboration with The Welding Institute (TWI). The London South Bank Innovation Centre and the Advanced Resins and Coatings Innovation Centre launched two major projects in spring 2017. The two centres have already attracted projects worth over £10m

- The University's Clarence Centre for Enterprise and Innovation is ranked in the top 15 worldwide of university-run business incubators. [UBI Global World Rankings 2017/18]

- LSBU rose 50 places in the QS World Rankings having entered the rankings for the first time last year when it achieved a QS stars rating of 4 stars.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed.

- LSBU is a leader in the new Higher and Degree apprenticeships offering over 20 programmes in partnership with employers. 350 students were enrolled on Higher and Degree Apprenticeship programmes during the year

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- LSBU is a top 15 UK university and the top London Modern for part-time postgraduate study. Over a quarter of LSBU students are on postgraduate courses, with 45% of them sponsored by their employer (HESA Student Full Person Equivalent (FPE)

- LSBU is establishing a new Institute for Professional and Technical Education to support educational pathways into higher and degree level technical education and, with partners, is investing over £12m in increasing provision for apprenticeships

- LSBU was ranked 32nd of all UK universities for "value added" by the Economist magazine, which used published data to analyse the "value added" by individual universities to their students based on actual and expected earnings [The Economist Data Team 10 August 2017]

Strategic Enablers

- LSBU was awarded Outstanding Student Services Team 2018 in the THE Leadership & Management Awards 2018

Principal risks and uncertainties

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

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

Risk	Controls and Mitigation Strategies
Revenue reduction	• QSC approval of course validations informed by market insight • Weekly review of numbers by Marketing, Admissions & Communications leadership team • Monthly review of Admissions & Enrolments report • Revised Outreach
Anticipated International and EU student revenue not realised	• Annual cycle of training events with staff on UKVI processes. • Recruitment reports to each meeting of Ops Board • Development of Overseas offices
Progression rates don't increase	• Increase data analysis to academic staff including progression data • Study support provided by Library & Learning Resource Centre • Personal tutoring specification established
Increasing pensions deficit	• Regular review and consideration of potential options for future provision • Modelling / scenario analysis of future costs and projected movements in assets & liabilities • Group defined contribution scheme established • Strict controls over early access to pensions.

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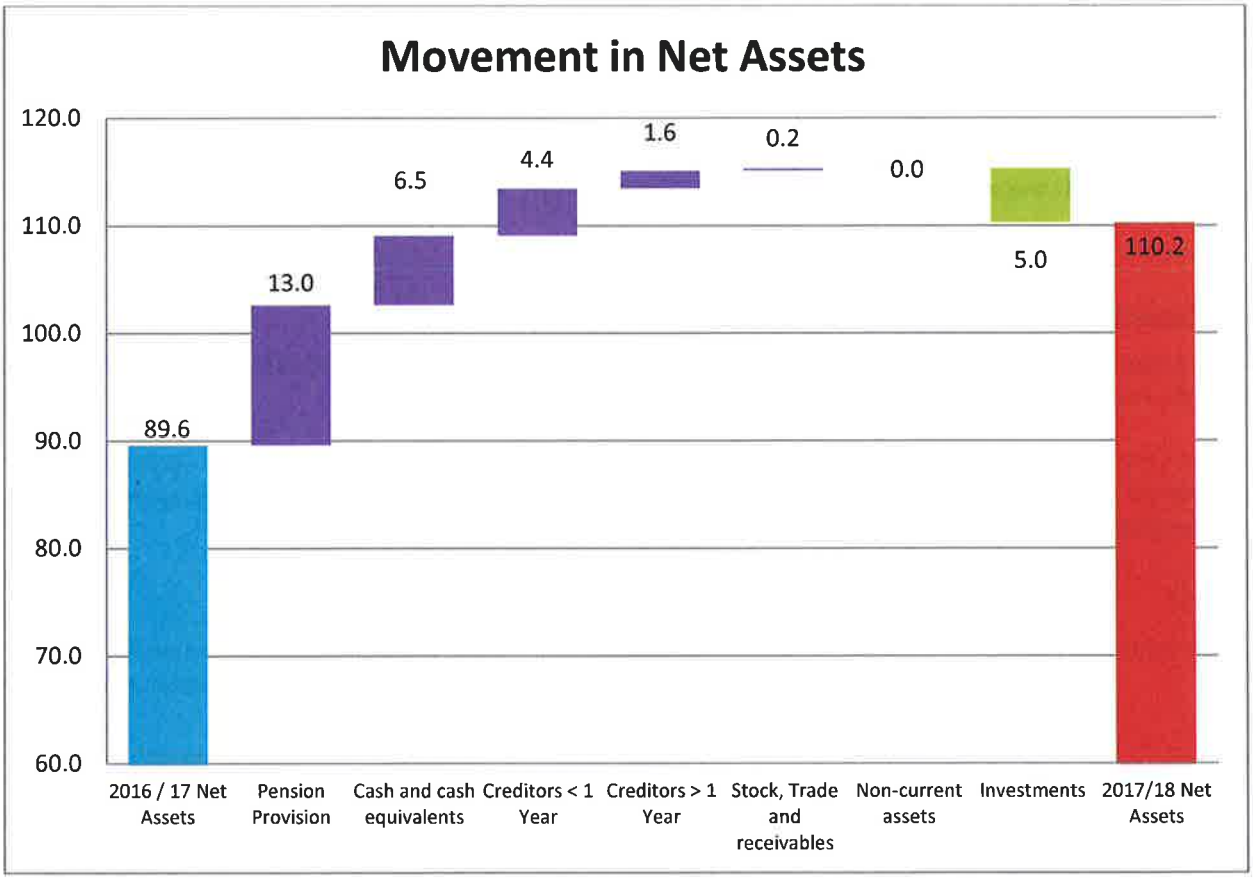
Financial Review

Balance sheet and liquidity

The Group's net assets increased by 23% during the year moving, from £89.6m to £110.2m. The principal reason for the change is the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme which is included within Other Comprehensive Income within the year.



The University always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits increased from £48.8m to £49.4m whilst Bank and other loans have reduced from £25.6m at 31 July 2017 to £24.3m at 31 July 2018 reflecting loan repayments made during the year. No new loans were taken out during the year.

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

Result for the Year

Financial Summary in £m			Variance from 2016 / 17 £m	
	2017/18	2016/17		
Income	145.3	144.5	0.8	0.6%
Expenditure	143.7	142.6	1.1	0.8%
Surplus for the year	1.6	1.9	-0.3	-15.8%
Surplus %	1.1%	1.3%		

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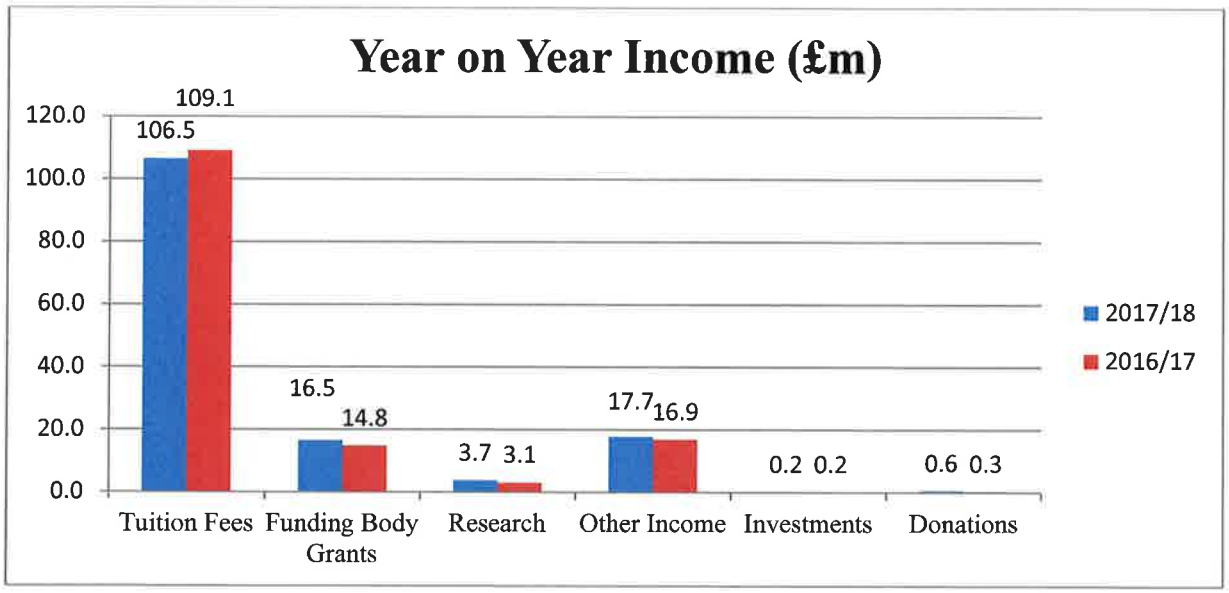
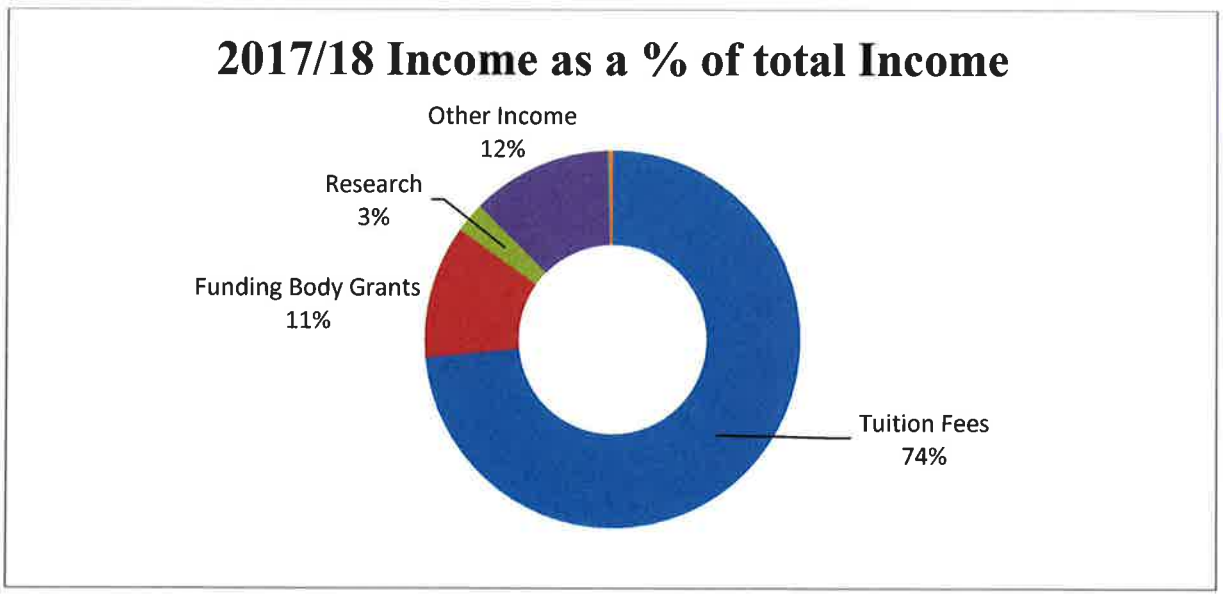
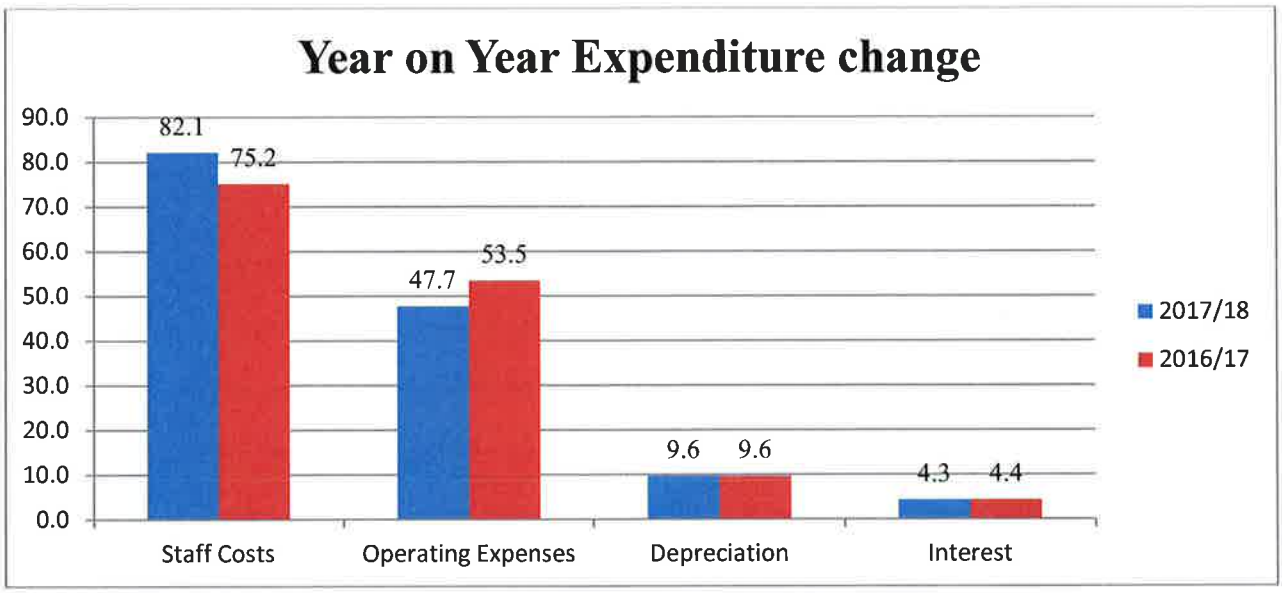
The operating surplus of £1.6m is ahead of the agreed budget surplus of £1.5m and the forecast surplus of £1.5m submitted to Office for Students (OfS) in July 2018. In the context of the continuing investment being made by the University and the recruitment challenges across the sector in 2017/18, particularly with regard to changes in the full time undergraduate demographic and the decline of the part time student market, this is a considered a good result.



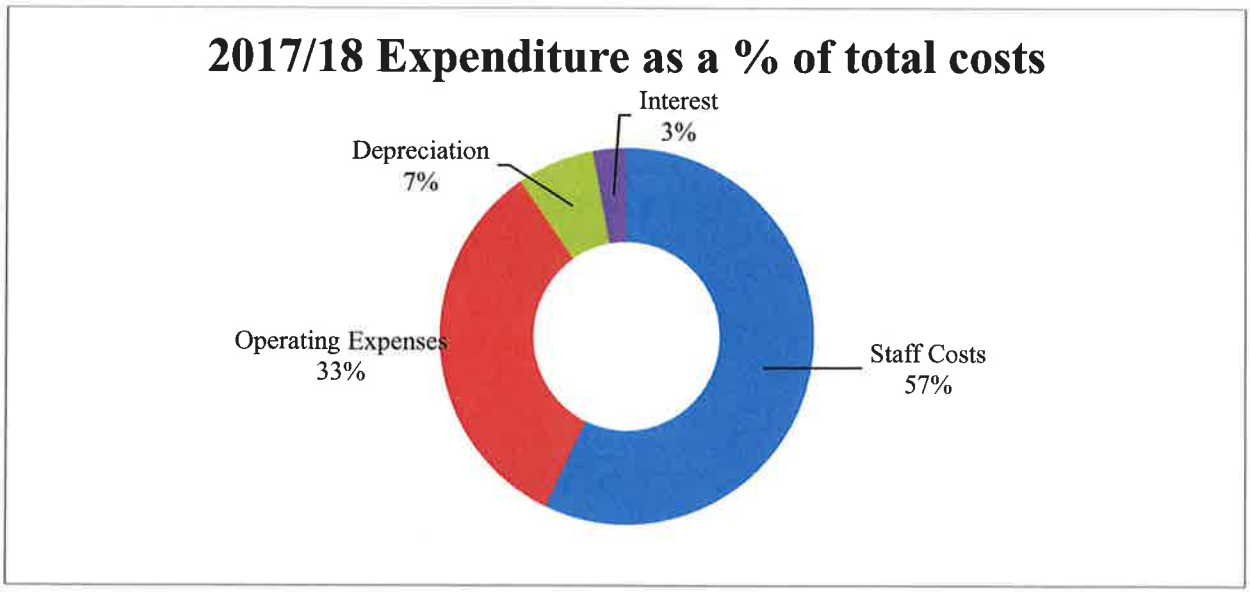
Total income increased by 0.6% (0.8m) to £145.3m (2016/17: £144.5m). Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for the University representing 73.5% and 11.4% respectively (2016/17 = 75.5% and 10.3%). There was an increase in Funding Grants due to the impact of the new fee regime for both undergraduate (UG) and Postgraduate (PG) Health & Social Care students. This increase, however, was offset by a net decrease in Home / EU Tuition fees. Although Tuition Fees went up as the responsibility for fees transferred from the NHS to individual students this was offset by a larger decline in Health Contract income. The other factors affecting income were an increase in research income following a number of successful research bids and an increase in Other Income as the University expands its enterprise activities.





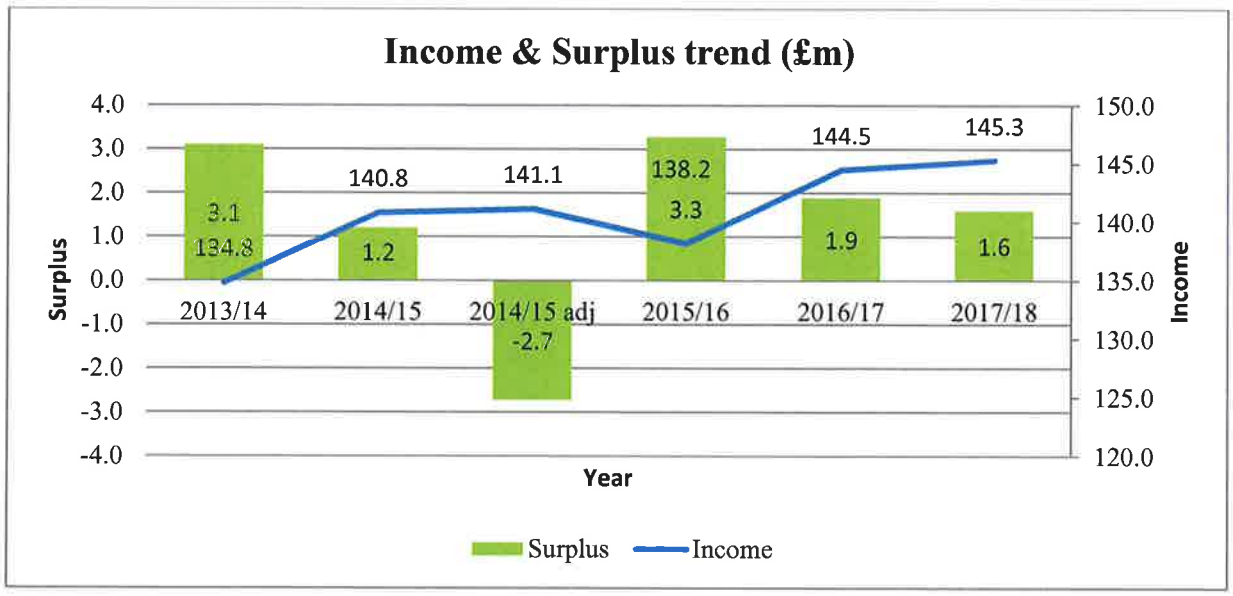
In terms of expenditure, staff costs increased by 9.2% from £75.2m in 2016/17 to £82.1m in 2017/18 representing 56.5% of income (2016/17: 52.0%). In addition to the normal level of increase linked to pay uplift and increments, this higher rate of increase was driven by investments in areas of growth or strategic focus over the past 18 months and higher restructure and pension costs. There were 4 key areas of significant growth; the University increased its expenditure on early stage Academics (Grade 7) by 40% and increased expenditure on Senior Academics (Grade 11) by 26%. The University invested in early stage support staff (Grade 5) by 12% and Senior Support (Grade 9) staff by 21%. There were also some 'one off' costs including a £1.4m increase in year on year redundancy costs and a £1m increase in the pension service charge. After including agency staff costs, which are included in the financial statements as operating expenditure but before any restructuring provision, total staff costs represent 57.4% of income. This is slightly higher than our target of 55% and staff costs remain an area of continued focus for the University in 2018/19.

Other operating expenses decreased by 11.0% from £53.5m in 2016/17 to £47.6m. There were some large one off costs in 2016/17 primarily relating to the preliminary development costs of the University's estate which explains some of the year on year reduction. The University 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 full implementation of the London living wage, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities.



There were no significant changes to the University's Fixed assets. There were no asset disposals.

Financial trend analysis



2014/15 adjusted for FRS 102 adjustments

Income has grown by 8% since 2013/14. There have been large decreases in funding grants but this has been offset by larger tuition fees. The University has also seen growth in Post Graduate and International tuition fees and a growth in Transnational Education Income. There has been significant growth in Research income as the University prepares for the Research Excellence Framework (REF) in 2020 and significant growth in income from Enterprise activities which led to the University being recognised as the Entrepreneurial University of the Year at the Times Higher Education Awards in 2016.

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The University always aims to make a small surplus and has consistently done so. There were a number of FRS102 adjustments that moved 2014/15 into a technical deficit position but this was considered exceptional and 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.

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 £0.5m in gift aid to the University (2017: £36k).

SBUEL is fully consolidated into the Group accounts.

Going Concern

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

2017/18 has been a successful year with income growth to £145.3m, building on earlier re-structuring and investment for future success. Full time undergraduate recruitment remained challenging but this was offset by increases in postgraduate and overseas TNE income and increases in research & enterprise activity. A financial surplus of £1.6m is reported, in line with the approved budget, as a result of continued sound financial management and effective cost control. This is after accounting for the re-structure costs of £1.9m and a year on year increase in pension service charge of £1.7m.

A budget surplus of £1.5m has been approved for 2018/19, reflecting the need for continued surplus whilst maintaining appropriate levels of investment spend to drive the necessary corporate strategic outcomes. Recruitment has been positive this year, with new student enrolments expected to exceed targets, despite continued increased levels of market competition. Whilst progression and retention have shown a slight deterioration, we are confident that we can deliver to the agreed budget surplus.

The University continues to generate positive cash inflows from operating activities and has a strong cash position with £49.4m cash and bank deposits at 31 July 2018.

Public Benefit statement

The University is an exempt charity within the meaning of the Charities Act 2011 and was regulated by HEFCE until 1 April 2018 when its regulation transferred to the Office for Students (OfS). The University was entered into the register of English higher education providers (the Register https://www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/) on 18 September 2018.

Charity Commission Guidance on Public Benefit

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

Charitable Objects

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

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

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

The University advances education for the public benefit by:

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

The University promotes research and the dissemination of knowledge by:

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

The University provides student support and services for students through:

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

Beneficiaries

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

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

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

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £823,960 on 31 July 2018 (2017: £761,457). The funds are managed with the aim of securing capital growth and an annual income. In 2017/18 the income received was £25,882 (2016/17: £24,427). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2017, 87.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2017 – 18).

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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 at http://researchopen.lsbu.ac.uk and providing an Open Access Fund to pay Open Access publication costs.

Disclosure of information to auditors

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

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

Auditor

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

Directors' report

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

Approval

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

Mr Jeremy Cope
Chair of the Board of Governors

Professor David Phoenix
Vice Chancellor and Chief Executive

Date

22 November 2018

Statement of Responsibilities of the Board of Governors

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

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope
Chair of the Board of Governors
22 November 2018

Corporate Governance Statement

The following statement is given to assist readers of the financial statements in understanding the governance and legal structure of the University and explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.

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

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

Governance and Legal Structure

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

Compliance with the CUC Higher Education Code of Governance

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

Decision making

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

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and where appropriate, its committees make decisions by consensus at meetings or electronically (2.4). The schedule is reviewed on an annual basis, the last occasion being 12th October 2017.

During the year, the Board met five times (five times in 2016/17). In addition, the Board held two strategy days (two in 2016/17) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was an 82% (2016/17: 83%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page [12] (1.2). The board receives an annual reminder on charity commission guidance (most recently, 23rd November 2017). It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability with HEFCE (from 1 April 2018 the Financial Memorandum with OfS) through the Audit Committee (1.3).

Corporate Governance Statement

Compliance

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

HEFCE undertook its five-yearly assurance visit in January 2017 and concluded that it could place reliance on LSBU's accountability information, the highest opinion of the four possible.

The Board receives annual reports on the institution's compliance with key legislations, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change is reported to HEFCE (from 1st April 2018 through OfS) when discovered and annually as part of the Accountability and Assurance statement (3.6). No material adverse changes were reported to HEFCE during the year.

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

Sustainability

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

Academic governance

The Board has oversight of academic governance across the institution, receiving an annual report from the Academic Board. The Board has reviewed the quality process and agreed an assurance statement during the year under review.

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

In addition, the Board meets with the Academic Board twice each year to discuss the strategy.

External activities

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

During the year under review the Board has progressed negotiations with Lambeth College about joining the LSBU group. Appropriate due diligence has been carried out and will be used to inform the final decision in 2018/19.

Equality and Diversity

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

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

A recruitment company that specialises in equality and diversity has been appointed to help improve the diversity of the Board.

Structures and processes

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the

period are listed on page (3). The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

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

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

Committees

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

The following principal committees met throughout the year:

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

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

Membership of the Audit Committee is four independent governors (3.12), and a co-opted external member (who retired in February 2018). The Audit Committee produces an annual report for the Board, following HEFCE (OfS since 1 April 2018) requirements (3.4, 3.5). The Audit Committee reviews the effectiveness of the systems of control in place across the institution. The Audit Committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10).

There is a Remuneration Committee which decides the remuneration of senior executives, including the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.).

Further details on the work of the committee are included in the annual remuneration report on pages 22 to 26.

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

The Board plans to undertake a full effectiveness review during 2018/19 following the guidance in the CUC Code.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Douglas Denham St Pinnock (from 1st August 2017)

Corporate Governance Statement

Head of Institution and Accountable Officer (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont
Chair of Finance, Planning and Resources Committee	Hilary McCallion (From 1st August 2017)
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng
University Secretary and Clerk to the Board of Governors	James Stevenson

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

Statement of Primary Responsibilities of the Board of Governors
(based on the CUC Guide for Members of Higher Education Governing Bodies in the UK)

1. To approve the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.

2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.

3. To ensure the establishment and monitoring of quality assurance and systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.

5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.

6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

7. To safeguard and promote the good name and values of the institution.

8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.

9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.

12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.

13. To make such provision as it thinks fit for the general welfare of students.

14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.

15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

Statement on Internal Control

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

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 2018 and up to the date of approval of the financial statements, and accords with HEFCE/OfS guidance.

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

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

Corporate Governance Statement

- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;

- Senior Managers meet regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;

- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;

- Formal risk management and internal control procedures have been embedded within ongoing operations. Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE/OfS Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2017. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 22 November 2018 and were signed on its behalf by:

Mr Jeremy Cope

Chair of the Board of Governors
22 November 2018

Annual Remuneration Report

Introduction

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

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page 4.

During the year, the Board adopted the CUC Remuneration Code and approved the senior remuneration policy.

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

Terms of Reference:

The Remuneration Committee's Terms of Reference are available online.

Committee Membership 2017/18

The members of the committee for the year 2017/18 were Mee Ling Ng (Committee Chair), Jerry Cope (Chair of the Board), Carol Hui (resigned 20 February 2018), Michael Cutbill (appointed 1 April 2018) and Douglas Denham St Pinnock. 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 award and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2017/18

The committee met twice in the 2017/18 academic year.

- 23 November 2017
- 12 July 2018

The committee also met on 6 November 2018 to consider Senior Executive performance and remuneration for 2017/18.

Approach to remuneration of all staff in 2017/18 and for 1 August 2018 onward

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

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

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

Annual Remuneration Report

Senior Remuneration

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

LSBU's Senior Remuneration Policy sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves above the median expected for the role;
- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the VC's base salary and total remuneration to the median earnings of the Institution as a whole, both absolute and the change from the previous years.
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the 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

An independent review of the benchmark set for Senior Executive salaries was carried out by Korn Ferry in September 2018 and based on recommendations a revised approach to benchmarking was approved by the Committee at its meeting of 6 November 2018.

The committee agreed that due to the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators will be taken into consideration when setting and reviewing Senior Executive salaries:

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

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, 2017/18

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 strategic outcomes.

Annual Remuneration Report

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

Vice Chancellor performance, 2017/18

This assessment of Vice Chancellor performance is for academic year 2017/18. The bonus awarded based on performance for academic year 2017/18 will be paid in financial year 2018/19 and appear in next year's financial statements.

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

- *The finances remain sound and meeting target in a difficult environment;
- Recruitment in 2018 has been above expectation, where others have struggled, thanks to the growing reputation of the University;
- Progression rates were below target:
- *League table rankings have generally improved above the average improvement by comparators; a TEF silver has been achieved;
- *The transaction for Lambeth College, as part of the family of educational Institutions strategy, has been all but secured, meeting the Board's 'red lines';
- LSBU secured the Times employability award for an impressive 2nd consecutive year;
- Costs have been reduced to counterbalance lower student numbers in 2017/18, and invest in key areas;
- *The staff engagement score improved, and staff networks and diversity issues were progressed to plan;
- *Progress has been made on the Estates strategy with a masterplan approved by the Board, but some business cases are not yet in place;
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders;

So in summary LSBU has had an excellent year at a particularly complex and challenging time and is well placed to thrive in a potentially tough environment going forward. The Board recognises the importance of maintaining a strong and determined leadership team at this time.

During the year under review the Vice Chancellor was awarded a bonus of £19k (a bonus of £18k was awarded for performance in 2016/17).

Performance related pay, 2017/18

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

During the year, the University met its overall financial target and eight members of the executive including the Vice Chancellor were eligible to receive a bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved eight bonuses totalling £80k (for 2016/17 performance, seven bonuses were awarded totalling £61k).

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Bonuses for performance during 2017/18 will determined in November 2018 (15 bonuses were awarded totalling £65k in 2017/18 for performance during 2016/17).

Annual Remuneration Report

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2017/18 with a comparison to 2016/17. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	**2017–18 £'000**	**2016–17 £'000**
Salary	228	224
Performance related pay	18	18
Taxable benefits	10	12
Subtotal	256	254
Pension scheme contributions or payments in lieu of pension contributions	33	34
Total	289	288

For the current year, the Vice Chancellor has been awarded a pay increase of 2.9%, in line with the average annual pay rise for all employees (including the value of increments).

During the year the governors (as Members in general meeting) approved the extension of a loan to the Vice Chancellor of £350k for a further five years to October 2023 (full details of the loan are included in note 8(F)). Included in taxable benefits is the value of the benefit to the Vice Chancellor of the loan.

Pay Multiple

The Vice Chancellor's basic salary is 6.18 times the median of all staff across the organisation, where the median pay is calculated on a full- time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration salary is 6.86 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
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.1	6.97

The ratios do not include agency workers.

The LSBU ratio compares to the sector ratio of 6.8 (based on UCEA data for 2017)

External appointments, expenses and severance

LSBU's policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor (in the case of the Vice Chancellor by the Chair of the Board).

Annual Remuneration Report

Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee now reviews these declarations.

In 2017/18 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 2017/18 the Vice Chancellor's expenses totalled £3k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £18k for the Vice Chancellor were booked through the University's central travel buying team.

During the year, the Remuneration Committee approved a policy on severance arrangements.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF LONDON SOUTH BANK UNIVERSITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Going concern

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

Other information

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 14, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

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

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

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

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
22 November 2018

Consolidated and University Statement of Comprehensive Income and Expenditure
Year ended 31 July 2018

		Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Income	Note				
Tuition fees and education contracts	1	106,537	109,119	106,537	109,119
Funding body grants	2	16,544	14,845	16,054	14,358
Research grants and contracts	3	3,738	3,089	3,310	2,866
Other income	4	17,708	16,910	15,195	15,106
Investment income	5	179	184	177	183
Total income before other grants and donations		144,706	144,147	141,273	141,632
Donations and endowments	6	596	332	596	332
Total income		145,302	144,479	141,869	141,964
Expenditure					
Staff costs	7	82,106	75,160	80,346	73,771
Other operating expenses	9	47,658	53,488	46,466	52,334
Depreciation and Amortisation	12,13	9,626	9,620	9,626	9,620
Interest and other finance costs	11	4,298	4,369	4,298	4,369
Total expenditure		143,688	142,637	140,736	140,094
Surplus before other gains and losses		1,614	1,842	1,133	1,870
Gains on investments	20	17	52	17	52
Surplus for the year		1,631	1,894	1,150	1,922
Actuarial gain in respect of pension schemes	26	19,083	11,715	19,083	11,715
Total comprehensive income /for the year		20,714	13,609	20,233	13,637
Represented by:					
Endowment comprehensive income for the year		17	52	17	52
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income / for the year		20,697	13,557	20,216	13,585
		20,714	13,609	20,233	13,637

All activities consist of continuing operations.

Consolidated and University Statement of Changes in Reserves

	Note	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
		Endowment	*Unrestricted*		
Consolidated		**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 August 2016		755	47,242	27,969	75,966
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,842	-	1,842
Other comprehensive income		52	11,715	-	11,767
Transfers between revaluation and income and expenditure reserve	21	-	587	(587)	-
Total comprehensive income / (expenditure) for the year		52	14,144	(587)	13,609
Balance at 1 August 2017		807	61,386	27,382	89,575
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,614	-	1,614
Other comprehensive income	26	17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve	21	-	660	(660)	-
Total Comprehensive income / (expenditure) for the year		**17**	**21,357**	**(660)**	**20,714**
Balance at 31 July 2018		**824**	**82,743**	**26,722**	**110,289**
University					
Balance at 1 August 2016		755	47,087	27,969	75,811
Surplus from the statement of comprehensive income and expenditure		-	1,870	-	1,870
Other comprehensive income		52	11,715	-	11,767
Transfers between revaluation and income and expenditure reserve		-	587	(587)	-
Gift aid received			36		36
Total comprehensive income / (expenditure) for the year		52	14,208	(587)	13,673
Balance at 1 August 2017		807	61,295	27,382	89,484
Surplus from statement of other comprehensive income and expenditure		-	1,133	-	1,133
Other comprehensive income		17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve		-	660	(660)	-
Gift aid received		-	-	-	-
Total Comprehensive income / (expenditure) for the year		17	20,876	(660)	20,233
Balance at 31 July 2018		**824**	**82,171**	**26,722**	**109,717**

Company number 986761

London South Bank University

Consolidated and University Balance sheets
As at 31 July 2018

		Consolidated		University	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Non-current assets	**Notes**				
Intangible assets	12	1,065	2,029	1,065	2,029
Tangible fixed assets	13	217,804	216,843	217,804	216,843
Investments	14	38	38	38	38
		218,907	218,910	218,907	218,910
Current assets					
Stocks		10	8	10	8
Trade and other receivables	15	19,408	18,378	19,022	18,135
Investments	22	11,573	16,620	11,573	16,620
Cash and cash equivalents	22	37,841	32,146	36,821	31,484
		68,832	67,152	67,426	66,247
Creditors: amounts falling due within one year	16	(31,285)	(34,653)	(30,451)	(33,839)
Net current assets		37,547	32,499	36,975	32,408
Total assets less current liabilities		256,454	251,409	255,882	251,318
Creditors: amounts falling due after more than one year	17	(45,422)	(48,056)	(45,422)	(48,056)
Provisions					
Pension provisions	19	(100,743)	(113,778)	(100,743)	(113,778)
Total net assets		110,289	89,575	109,717	89,484
Restricted reserves – endowment reserves	20	824	807	824	807
Unrestricted reserves					
Income and expenditure reserve		82,743	61,386	82,171	61,295
Revaluation reserve	21	26,722	27,382	26,722	27,382
Total Reserves		110,289	89,575	109,717	89,484

These financial statements were approved by the Board of Governors on 22 November 2018 and were signed and authorised on their behalf by:

Mr Jeremy Cope
Chair of the Board of Governors

Professor David Phoenix
Vice Chancellor and Chief Executive

London South Bank University

Consolidated Statement of Cash Flows
Year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		1,631	1,894
Adjustment for non cash items			
Amortisation / Depreciation	12,13	9,626	9,620
Investment income	5	(179)	(184)
Interest payable	11	4,298	4,369
(Increase) / decrease in stock		(2)	3
Increase in debtors	15	(1,030)	(3,422)
(Decrease) / increase in creditors	16	(4,653)	10,931
Pension costs less contributions payable	26	2,876	(145)
Adjustment for investment or financing activities			
Loss on disposal of assets	13	-	-
Investment income	5	22	21
Interest receivable	5	157	163
Net cash inflow from operating activities		**12,746**	**1,388**
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets	12/13	(9,623)	(2,756)
Cash removed from /(added to) fixed term deposits	22	5,047	(155)
		(4,576)	**(2,911)**
Cashflows from financing activities			
Capital element of bank loan repayments	18	(1,347)	(1,325)
Interest element of bank loan repayments	11	(1,128)	(1,244)
		(2,475)	**(2,569)**
Increase in cash and cash equivalents during the year		**5,695**	**(4,092)**
Cash at bank and on deposit at the start of the year	22	32,146	36,238
Cash at bank and on deposit at the end of the year		37,841	32,146

Principal Accounting Policies

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

Basis of preparation

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

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 11 of these financial statements. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

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

Consolidation of accounts

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

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

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

Income recognition

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

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

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

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the 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.

Principal Accounting Policies

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.

Principal Accounting Policies

Investments

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

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

Stocks

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

Pension costs

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

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

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

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

Employment benefits

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

Taxation status

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

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

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

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

Accounting policies are supplemented by estimation techniques where judgement is required to establish the monetary amounts of assets, liabilities, gains and losses included in the financial statements and the estimates and associated assumptions are believed to be reasonable and prudent. In all cases these judgements and estimates are either based on

past experience or are prepared by qualified advisors. In preparing these financial statements management have made the following judgements and estimates:

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

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

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.

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 2018

		Consolidated and University	
		2018	2017
1.	**Tuition fees and education contracts**	£'000	£'000
	Full-time home and EU students	60,218	57,173
	Full-time international students	8,621	9,250
	Part-time students	13,198	12,373
	Other courses	1,925	1,916
	Strategic Health Authority education contracts	22,575	28,407
		106,537	109,119

			Consolidated		University	
2.	**Funding body grants**		2018	2017	2018	2017
			£'000	£'000	£'000	£'000
	HEFCE recurrent grant		14,498	12,973	14,498	12,973
	HEFCE Non recurrent grants	Specific grants	665	487	175	-
		Pension liabilities	318	240	318	240
		Other grants	964	1,126	964	1,126
	Teaching Agency grant		99	19	99	19
			16,544	14,845	16,054	14,358

		Consolidated		University	
		2018	2017	2018	2017
3.	**Research grants and contracts**	£'000	£'000	£'000	£'000
	Research councils	1,768	1,667	1,340	1,444
	UK based charities	242	80	242	79
	European Commission	1,389	854	1,389	854
	Other grants and contracts	208	345	208	345
	Knowledge Transfer Partnerships	131	143	131	144
		3,738	3,089	3,310	2,866

		Consolidated		University	
		2018	2017	2018	2017
4.	**Other income**	£'000	£'000	£'000	£'000
	Residence and catering income	10,514	11,716	10,514	11,716
	Other income	7,194	5,194	4,681	3,390
		17,708	16,910	15,195	15,106

		Consolidated		University	
		2018	2017	2018	2017
5.	**Investment income**	£'000	£'000	£'000	£'000
	Interest on short term investments	22	21	21	21
	Endowment income and interest receivable	157	163	156	162
		179	184	177	183

		Consolidated and University	
		2018	2017
6.	**Donations and endowments**	£'000	£'000
	Unrestricted donations	596	332

			Consolidated
7.	**Staff**	2018	2017
	Average staff numbers by major category:	No.	No.
	Academic staff	690	766
	Student support staff	107	117
	Other support staff	590	491
		1,387	1,374

	Consolidated		University	
	2018	2017	2018	2017
Costs:	£'000	£'000	£'000	£'000
Wages and salaries	62,469	56,895	60,967	55,701
Social security costs	6,526	6,202	6,401	6,097
Employers' pension contributions	13,111	12,063	12,978	11,973
	82,106	75,160	80,346	73,771

Staff costs for the year include costs arising from redundancies of £2m (2017 £0.6m), of which £0.5m was paid to 22 employees during the year and £1.5m accrued.

8. Remuneration of Board of Governors and higher paid employees

A. Governors

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

	2018	2017
	£'000	£'000
Salaries	400	402
Pension contributions or payment in lieu of pension contributions	57	58
	457	460

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2018 five trustees were paid total expenses of £2,731 (2017: five trustees were paid total expenses of £3,095) for travel and subsistence.

B. Determining pay of senior staff

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

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

Further information is provided in the Annual Remuneration Report on pages 22 to 26.

C. Emoluments of the Vice Chancellor	2018 £'000	2017 £'000
Salary	228	224
Bonus	18	18
Taxable benefits	10	12
Pension Scheme contributions or payments in lieu of pension contributions	33	34
Total emoluments and remuneration	289	288

The Vice Chancellor is the highest paid Governor.

Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 8(F).The Vice Chancellor's taxable benefit includes £8,750 interest benefit for the loan and £1,460 for medical care cover.

The Vice Chancellor's basic salary is 6.18 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 6.86 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 ratios do not include agency workers.

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding pension contributions) in excess of £100,000 during the year. Five of these employees accrued benefits under defined benefit pension schemes during the year (2017:7). These employees are grouped as follows:

	2018 No.	2017 No.
£115,000 to £119,999	-	1
£120,000 to £124,999	2	2
£125,000 to £129,999	2	-
£130,000 to £134,999	1	-
£135,000 to £139,999	-	1
£140,000 to £144,999	1	1
£145,000 to £149,999	1	1
£150,000 to £154,999	-	1
£155,000 to £159,999	1	-
£220,000 to £224,999	-	1
£225,000 to £229,999	1	-
	9	8

E. Key management personnel

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

	2018 £'000	2017 £'000
Key management personnel	1,370	1,269

F. Related party disclosures

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

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

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

During the year the LSBU Students' Union received financial support from the University of £945,000 (2017: £855,000) net of services provided by the University. The President and the Union Council Chair of the LSBU Students' Union are members of the Board of Governors. The balance between the two parties at the year-end was £nil (2017: £nil).

A member of the Board, Hilary McCallion, and the Vice Chancellor are both visiting professors at Kings College London. During the year the University paid Kings College London £74,100 (2017: £78,844) in respect of seconded staff.

A member of the Board, Jeremy Cope, is a board member of the Universities and Colleges Employer Association (UCEA). During the year the University paid £20,832 (2017: £15,236) in respect of membership and conference fees.

A member of the Board, Duncan Brown, is a retired partner of PricewaterhouseCoopers LLP (PwC) and receives an annuity from that organization. During the year the University paid PWC £164,625 in respect of internal audit and professional fees.

The Vice Chancellor of the University, Professor David Phoenix and the University are both members of the board of South Bank Academies. During the year the University charged South Bank Academies Trust £6,000 for clerking services. During the year South Bank Academies paid the University £18,000 (2017:£nil) in reimbursement of actual expenses incurred.

The Vice Chancellor is a Trustee of the British University in Egypt. During the year the University invoiced £1,539,279 in respect of educational Services.

The Vice Chancellor of the University received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to contribute to a specified property. The loan was originally repayable on 30 October 2018 and has been subject to an extension until 30 October 2023 (or later as agreed). As of 31 July 2018 the outstanding balance was £350,000. The loan is fully secured by way of legal mortgage on the property in favour of London South Bank University.

		Consolidated		University	
		2018	2017	2018	2017
9.	**Other operating expenses**	£'000	£'000	£'000	£'000
	Academic	10,275	11,971	10,275	11,971
	Academic support	7,254	9,148	7,254	9,148
	Other support	6,696	7,292	6,696	7,292
	Premises	13,032	15,636	13,032	15,636
	Residence and catering	3,981	4,644	3,981	4,644
	Other expenses	6,420	4,797	5,228	3,643
		47,658	53,488	46,466	52,334

Group other operating expenses are stated after charging:		2018 £'000	2017 £'000
Auditors' remuneration			
External audit *	KPMG LLP	53	63
*Internal audit***	PricewaterhouseCoopers LLP	114	93
*Other services**	KPMG LLP	17	4
Rentals under operating leases	Plant and machinery	168	217

* Includes £62,294 attributable to the University (2017: £59,280)
** All attributable to the University

10. Taxation

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

The amount of the asset not recognised is £9.9k (2017: £7.7k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

Notes to the accounts
Year ended 31 July 2018

	Consolidated and University	
	2018	2017
11. Interest and other finance costs	£'000	£'000
Loans Interest	1,128	1,244
Net charge on pension scheme	3,170	3,125
	4,298	4,369

12. Intangible Assets
Software

	Consolidated and University		
	Software	Assets in Course of Construction	Total Intangible Assets
Cost or Valuation	£'000	£'000	£'000
At August 2017	4,090	38	4,128
Additions	-	62	62
Transfer	50	(50)	-
At 31 July 2018	4,140	50	4,190
Amortisation Charge			
At August 2017	(2,100)		(2,100)
Charge for the year	(1,025)		(1,025)
At 31 July 2018	(3,125)	-	(3,125)
Net Book Value			
At 31 July 2018	1,015	50	1,065
At 31 July 2017	1,991	38	2,029

13. Tangible Fixed assets (Consolidated and University)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold land and buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold land and buildings £'000	Assets in Course of Construction £'000	Total Fixed Assets Total £'000
Cost or Valuation							
At 1 August 2017	64,368	165,026	47,210	46,680	44	12,784	336,112
Additions	-		-	-	-	9,561	9,561
Disposal				(944)			(944)
Transfers		2,084	-	1,170	-	(3,254)	-
At 31 July 2018	64,368	167,110	47,210	46,906	44	19,091	344,729
Depreciation							
At 1 August 2017	-	(54,614)	(29,339)	(35,279)	(37)	-	(119,269)
Charge for the year	-	(4,485)	(1,281)	(2,835)	-	-	(8,601)
Disposals				944			944
At 31 July 2018	-	(59,099)	(30,620)	(37,170)	(37)	-	(126,926)
Net book value							
At 31 July 2018	**64,368**	**108,013**	**16,589**	**9,736**	**7**	**19,091**	**217,804**
At 31 July 2017	**64,368**	**110,413**	**17,870**	**11,401**	**7**	**12,784**	**216,843**

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

14. Investments

	Consolidated		University	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
CVCP Properties plc	38	38	38	38

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

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

South Bank University Enterprises Limited

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

London Knowledge Innovation Centre Limited

SBUEL held 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2018 (2017 : £nil). The company dissolved on 12 September 2017.

Other investments

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

15. Debtors: amounts falling due within one year

	Consolidated		University	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	14,454	13,684	14,072	12,967
Amounts owed by group undertakings	-	-	356	664
Other debtors	1,255	278	1,253	275
Prepayments and accrued income	3,349	4,066	2,991	3,879
Total debtors due within one year	19,058	18,028	18,672	17,785
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	350	350	350	350
	19,408	18,378	19,022	18,135

16. Creditors: amounts falling due within one year

	Consolidated		University	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Bank and other loans	1,367	1,347	1,367	1,347
Trade creditors	1,677	1,586	1,661	1,586
Other creditors	1,582	1,934	1,449	1,844
Social security and other taxation payable	1,544	1,481	1,544	1,481
Accruals and deferred income	25,115	28,305	24,430	27,581
	31,285	34,653	30,451	33,839

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

	Consolidated and University	
	2018	**2017**
	£'000	**£'000**
Bank and other loans	22,895	24,262
Deferred income	22,527	23,794
	45,422	48,056

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

	Consolidated		University	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Government	7,818	8,584	7,492	8,178
Non government	2,603	2,717	2,448	2,619
Capital grants	23,158	24,122	23,158	24,122
	33,579	35,423	33,098	34,919

18. Borrowings

	Consolidated and University	
	2018	**2017**
Bank loans and finance leases are repayable as follows:	**£'000**	**£'000**
Due in less than one year (note 16)	1,367	1,347
Due between one and two years	1,383	1,367
Due between two and five years	4,156	4,079
Due after five years	17,356	18,816
Total due after one year (note 17)	22,895	24,262
	24,262	25,609

Details of bank basic loans

Lender	Term	Interest rate	Security	2018 £'000	2017 £'000
Barclays Bank	25 years to 2032	5.67% fixed	David Bomberg House and McLaren House	4,197	4,508
Barclays Bank	To April 2029	5.25 % fixed		5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed		7,291	7,653
Barclays Bank	23 years to 2032	0.225% over Libor		4,083	4,380
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	3,491	3,868
Salix	Variable	Interest free	Unsecured	200	200
				24,262	25,609

19. Provisions for liabilities (Consolidated and University)

	USS pension	LPFA pension	Total
	£'000	**£'000**	**£'000**
Balance at 1 August 2017	1,029	112,749	113,778
Utilised during the year	-	(5,660)	(5,660)
Credited to comprehensive income and expenditure	(52)	(7,323)	(7,375)
Balance at 31 July 2018	977	99,766	100,743

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

20. Restricted reserves

	Endowments		Consolidated and University	
	Restricted Permanent £'000	Restricted Expendable £'000	2018 Total £'000	2017 Total £'000
Balance at 1 August	678	128	807	755
Increase in market value of investments	14	3	17	52
Balance at 31 July	692	131	824	807

21. Unrestricted reserves

	Consolidated and University	
	2018 £'000	2017 £'000
Revaluation reserve		
Balance at 1 August	(27,382)	(27,969)
Transfer to income and expenditure reserves being excess depreciation on revalued assets	660	587
Balance at 31 July	(26,722)	(27,382)

22. Cash and cash equivalents

	At 1 Aug 2017	Cashflows	At 31 July 2018
Consolidated	£'000	£'000	£'000
Investments	16,620	(5,047)	11,573
Cash at bank and on deposit	32,146	5,695	37,841
Balance at 31 July	48,766	648	49,414

Investments comprise of funds held in fixed term deposits for periods exceeding three months at 31 July 2018. Cash and cash equivalents comprise funds held in bank and on deposit not exceeding 3 months.

23. Capital commitments

	Consolidated and University	
	2018 £'000	2017 £'000
Commitments contracted at 31 July	6,941	4,249

24. Lease obligations

At 31 July 2018 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	2018 £'000	2017 £'000
Expiring within two and five years	-	17
Expiring in over five years	470	481
	470	498

25. Amounts disbursed as agent -

Teacher Training Bursaries	2018 £'000	2017 £'000
Balance at 1 August	3	14
Funding council grant	23	142
Disbursed to students	(36)	(153)
Balance at 31 July	(10)	3

- Apprenticeship Employer Incentive Payments	2018 £'000	2017 £'000
Balance at 1 August	-	-
Funds received	12	-
Disbursed to employers	(12)	-
Balance at 31 July	-	-

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

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

26. Pension arrangements

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

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

A. The Teachers' Pension Scheme

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

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

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

The last valuation of the TPS was as of 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 9 June 2014. The Key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay;
- actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

At 31 July 2018 the University had 899 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 16.48% (2017: 16.48%) of salaries and the University's contribution to the TPS for 2018 was £4,294,274 (2017: £4,171,742). 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 scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The latest available complete actuarial valuation of the Retirement Income builder section of the scheme is 31 March 2014, which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet complete.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 scheme valuation is complete.

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

	31 March 2018	**31 March 2017**
Discount Rate	2.6%	2.6%
Price inflation and pension increases (CPI)	2.0%	2.4%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 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	96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme Assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

At 31 July 2018 the University had 42 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £513,726 (2017: £599,508) with an employer contribution rate of 18% (2017: 18%).

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The USS provision included within the financial statements at note [19] will only be impacted to the extent the change in benefits increases cash financing.

C. The London Pension Fund

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

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2016 with the valuation results taking into account changes to the scheme from 1 April 2017. The results showed the market value of the Fund's assets attributable to the University as £92.17m. The actuarial value of those assets represented 69% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2018 are 12.7% of pensionable salaries to cover the cost of future service plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years. During the year ending 1 April 2018 this payment amounted to £2,022,000.

At 31 July 2018 the University had 821 active members participating in the scheme.

Pension costs under FRS 102

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

	31 July 2018 % per annum	31 July 2017 % per annum
Salary increases	3.85%	4.2%
Pension and price increases	2.35%	2.7%
Discount rate	2.65%	2.7%

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

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

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

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

Life expectancy

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

	Males Years	Females Years
Current pensioners	21.3	24.3
Future pensioners	23.7	26.5

Fund assets

The return on the fund, on a bid value to bid value basis, for the year to 31st July 2018 is estimated at 6%. The actual return on fund assets over the year may be different. The estimated asset allocation at 31st July 2018 is as follows:

	Fair value as at 31 July 2018 £'000	Fair value as at 31 July 2017 £'000
Equities	87,224	82,009
Target return portfolio	31,847	27,749
Cash	6,599	9,273
Infrastructure	7,155	6,028
Property	11,044	8,712
Total fair value of assets	143,869	133,771

Net pension liability

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

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Fair value of Employer Assets	143,869	133,771	112,066	105,534	99,726
Present value of funded obligations	(232,750)	(234,955)	(221,698)	(182,439)	(164,260)
Net underfunding in funded plans	(88,881)	(101,184)	(109,632)	(76,905)	(64,534)
Present value of unfunded obligations	(10,884)	(11,565)	(11,868)	(11,852)	(11,968)
Net Pension Liability	(99,765)	(112,749)	(121,500)	(88,757)	(76,502)

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

Analysis of the amount included in staff costs for the year

	2018 £'000	2017 £'000
Service cost	8,616	6,985
Enhancements to former employees	318	240
Total operating charge	8,934	7,225

Analysis of the amount included in interest payable for the year

	2018 £'000	2017 £'000
Interest on the defined liability (asset)	2,969	2,953
Administration expenses	174	146
Total interest charge	3,143	3,099

Analysis of the amount recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Return on fund assets in excess of interest	4,524	14,351
Other actuarial gains on assets	-	2,164
Change in financial assumptions	14,543	(14,972)
Change in demographic assumptions	-	3,550
Experience gains and losses on defined benefit obligation	16	6,622
Remeasurement of the net assets / (defined liability)	19,083	11,715

Analysis of movement in the present value of scheme liabilities	2018 £'000	2017 £'000
At 1 August	246,520	233,566
Movement in the year:		
Current service cost	8,488	6,810
Interest cost	6,609	5,786
Changes in financial assumptions	(14,543)	14,972
Change in demographic assumptions	-	(3,550)
Experience loss / (gain) in defined benefit obligation	(16)	(6,622)
Past service costs, including curtailments	128	175
Estimated benefits paid net of transfers in	(4,513)	(5,429)
Contributions by scheme participants	1,697	1,548
Unfunded pension payments	(736)	(736)
At 31 July	243,634	246,520

Analysis of movement in the fair value of scheme assets	2018 £'000	2017 £'000
At 1 August	133,771	112,066
Interest on assets	3,640	2,833
Return on assets less interest	4,524	14,351
Other actuarial gains	-	2,164
Administration expenses	(174)	(146)
Contributions paid	7,357	8,668
Estimated benefits paid plus unfunded net of transfers in	(5,249)	(6,165)
At 31 July	143,869	133,771

The projected pension expense for the year to 31 July 2019 is £10,530.

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2018 the University had 23 members participating in the scheme. The University's contribution to the Aviva scheme for 2018 was £89,516 (2017: £77,257) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2018 were £7,373 (2017: £7,672).

27. Post Balance Sheet Events

In August 2018 the Minister of State for Education approved Lambeth College's decision to join the LSBU Family of Institutions and it is expected that Parliament will ratify this decision with Lambeth College joining the group on 31 January 2019. The College will be a wholly owned subsidiary of London South Bank University with its results consolidated into those of the University from that date.