

Company Registration No. 986761



**Report and Financial Statements
31 July 2023**

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Strategic Report**Status and Advisors**

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described from page 24 and the members of the Board of Governors during the year ended 31 July 2023 are listed from page 3. The Governors are also directors under the Companies Act 2006.

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

Solicitors

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Auditor

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Level 12 One Churchill Place
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Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2023 except as noted:

Mr Jerry Cope – Chair until 31/07/2023

Mr Michael Cutbill – Vice Chair

Mr Duncan Brown

Dr Shona Brown

Mr John Cole

Professor Ruth Farwell - Chair of the South Bank Colleges Board of Trustees

Professor Peter Fidler CBE – Senior Independent Director

Mr Timothy Fransen

Mr Abdirahim Ibrahim – from 01/07/2022

Mr Devonte James – from 01/07/2022

Mr Mark Lemmon

Professor Nicola Martin – until 31/07/2023

Mrs Ola Obadara

Mr Jeremy Parr

Professor David Phoenix OBE – Vice Chancellor and Chief Executive

Dr Andreas Raffel – from 16/03/2023 and Chair from 01/08/2023

Ms Rashda Rana SC

Mr Vinaykant Tanna

Members of Group Executive:

Professor David Phoenix, Vice Chancellor and Group CEO

Alex Bush, Chief People Officer

Professor Tara Dean, Provost

Mr Richard Flatman, Group Chief Financial Officer

Professor Deborah Johnston, Deputy Vice Chancellor (Academic Framework)

Ms Nicole Louis, Chief Operating Officer

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

Mr James Stevenson, Group Secretary

Professor Warren Turner, Pro Vice Chancellor (Institute of Health and Social Care) - until 31/07/2023

Objectives and Activities

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

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

The content and delivery of our education is based on a detailed understanding of employer expectations. A significant number of the University's courses are accredited by professional bodies, while many others are informed by employers including through a range of employer advisory panels. Employer sponsorship is also integral with around two-thirds of students studying on courses sponsored by over 1500 employer partners. This includes some of the most extensive higher and degree apprenticeship provision in the country, with over 3000 apprentices studying on 32 standards.

Our civic mission means that our work is place-based, whether that place is our home in south London, or around our international partnerships. Our courses, research and other activities are informed by our detailed understanding of local needs. Our international links, such as our partnerships with the British University in Egypt (BUE); Applied Science University, Bahrain; TEAM University in Uzbekistan; and Zhejiang Institute of Mechanical and Electrical Engineering (ZIME) in China provide global context while delivering real local value. BUE graduates, for example, are estimated to have an injection of employability valued at \$90 million to the Egyptian economy to date.

LSBU's highly diverse student body reflects its mission and location in south London. Across the four academic years 2017/18-2020/21, 57% of the University's student population has identified as BAME; 53% come from IMD 1 and 2 neighbourhoods and 38% were previously eligible for free school meals.

The University is ranked 101-200th in the world in the Times Higher Impact Rankings 2023 (based on the UN Sustainable Development Goals), including 8th for 'Reduced Inequalities' (SDG 10); 60th for 'Gender Inequality' (SDG 5); and 32nd for 'No Poverty' (SDG 1). In addition, the University is ranked 851-900th in the QS World University Rankings (previously 801-1000th); 113th in the Complete University Guide 2024 (116th in the previous year); 601- 800th in the World University Rankings 2024 (601-800th the previous year); 96th in the Guardian University Guide (having moved up 17 places from the previous year); and 74th in the new Daily Mail University Guide (including being ranked 16th for graduate salaries). Additionally, the University has maintained its rank of 16th overall in the RateMyApprenticeship Best 50 Training Providers 2023 and is now 3rd among universities (previously 5th) and the only university in London or the Southeast to be included in the ranking.

LSBU Group

London South Bank University operates as part of a group structure - the LSBU Group - which was borne out of our ongoing commitment to our civic mission. This structure enables us to create strategies and pathways through which people of all characteristics and talents can be supported through the education system to achieve their full potential, and so contribute their skills, energies, and commitment to wider society throughout their lives.

LSBU Group comprises the following educational institutions:

- London South Bank University
- South Bank Academies – comprising South Bank University Academy (SBUA) and South Bank University Sixth Form (SBUSixth)
- South Bank Colleges (SBC) – comprising Lambeth College and London South Bank Technical College (LSBTC)

These organisations work to a shared mission, set of values and educational framework to achieve shared outcomes. South Bank University Enterprises Ltd (SBUEL), LSBU Ltd (non-trading), South Bank Skills Ltd (non-trading) and SW4 Catering Limited are also part of the LSBU Group. South Bank Academies, which LSBU sponsors, is not consolidated in these accounts, but has a close working relationship with the LSBU Group and was established as a multi academy trust in 2016 in accordance with LSBU's mission.

Mission

The mission of LSBU is to transform lives, communities, businesses, and society through applied education and insight. In 2020, the LSBU Group launched its new Corporate Strategy 2020-2026, which has four key outcomes:

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

2022/23 has seen a number of important strategic developments and positive outcomes for the LSBU Group.

Highlighted below are key updates and examples of our work underpinning our core corporate objectives:

Student Success

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

- An LSBU graduate won the Young Designer Award at the Plastics Industry Awards 2022 for his work creating 'Rita', a smart pill dispenser using facial recognition to alert people with dementia when it's time for medication.
- LSBU became full members of the prestigious International Association of Film and Television Schools, a global organisation of top-tier film schools dedicated to developing and maintaining the highest possible standards in screen education. Membership offers LSBU staff and students opportunities to collaborate and enables student films to be eligible for the Student Academy Awards.
- Four LSBU BA (Hons) Film Practice graduates won the Entertainment & Comedy Drama Award at the prestigious Royal Television Society (RTS) London Student TV Awards 2023 with their film *Tell Tyler*. The film's director of photography also won second place at the prestigious Guild of Television Camera Professionals Bill Vinten University Awards, for its camerawork and well-lit interior scenes.
- In LSBU's Institute of Health and Social Care, two LSBU students secured wins at the 2023 Student Nursing Times Awards in May for Student Midwife of the Year and Student Nurse of the Year in the Children Category, while a Nursing and Midwifery Student won the Student Midwife Travel Award at the Royal College of Midwives (RCM) Awards.
- An LSBU Creative Advertising with Marketing graduate, won a D&AD New Blood Award for her 'Inspiring Moments' campaign.
- An LSBU Engineering student won at the regional South-East Women in Property Student Awards.
- A student from SBUA secured third place in the prestigious Jack Petchey's Speak Out Challenge, impressing the judges with his persuasive oratory skills.

- Fifty Year 7 and Year 8 students from SBUA took part in the UK Mathematics Trust (UKMT) national tournament with one Year 7 pupil receiving a bronze award and four Year 8 students receiving a silver award.
- SBC developed an innovative pilot programme to provide English for Speakers of Other Languages (ESOL) learners with functional skills maths, helping them to overcome employment barriers after finishing their course.

Southwark Health Skills Centre

The Health Tech Facilities from the Southwark Health Skills Centre, previously located on Tabbard Street, have been relocated to SBUSixth during the 2022/23 academic year. From September, this will also include an immersive Health suite accessible to all the institutions across LSBU Group.

Lambeth College's Health Higher Development Award in health has supported over 450 adults working in the health and care sector to progress to higher level qualifications including to degree level. Additionally, LSBU Group has an ambition to include a purpose-built Health Skills Centre within the Health and Life Sciences block of LSBTC, which is due to commence construction in 2024.

Passmore Centre

The University's Passmore Centre for Professional and Technical Education is a hub for professional and technical education and provides access for local people and businesses to high quality apprenticeships and other forms of employer-supported study. Since the opening of the centre in 2018, the University now has over 3000 higher and degree apprentices enrolled on 32 apprenticeship standards, making us one of the leading providers in the country.

The addition of LSBTC is also enabling LSBU Group to further develop its employer relationships by providing a seamless 'all-through' offer from Level 2 to Level 8 – with South Bank Colleges now teaching 16 different apprenticeship standards, several of which align directly with the corresponding higher and degree standards taught at the University.

The Passmore Centre is also the home of the new LSBU Green Skills Hub ('The Hub'), which offers opportunities for Lambeth, Lewisham, and Southwark residents to gain new skills and work in the green sector in London. In its first year the hub engaged with 27 new employers, actively involved 1,000 residents in educational training, supported 26 residents into work experience placements and helped 158 Londoners enter into employment, apprenticeships, or paid work placements.

Academic Recognition

This year, the excellent research and teaching work of our academic staff, both individual and in their respective teams, has once again been recognised in research successes, league table results, accreditation from external bodies and other accolades.

- Professor Rea Prouska, Associate Dean of Research and Enterprise in LSBU's Business School, was listed on HR Magazine's Most Influential Thinkers 2023 ranking.
- Usha Mistry, Senior Lecturer in Accounting in Finance won the Employability Excellence Global Silver Award and Theivendran Suresh, Senior Lecturer in Finance, Economics, Analytics and Accounting, won the Teaching Excellence Award at the Chartered Institute of Management Accountants Excellence Awards 2022.
- Dr Charles Graham, Associate Professor in Marketing, was appointed Chair of local Business Improvement District, WeAreWaterloo.
- Dr Michael Berthume, Senior Lecturer in Engineering, was announced as one of the first members of the new UK Young Academy, a network of early career researchers and professionals established to help societal challenges and promote meaningful change.
- Musharrat Ahmed-Landeryou, LSBU Associate Professor in Occupational Therapy, was awarded a Royal College of Occupational Therapists (RCOT) Merit Award.

- Paula Reavey, Professor of Psychology and Mental Health, was one of 56 leading academics to be granted a Fellowship by the Academy of Social Science in 2023.
- Professor Patrick Callaghan, Associate Pro Vice Chancellor Research and Enterprise and Professor of Mental Health Science at LSBU was highlighted by the Nursing Times on their NHS 75 Impact list.
- LSBU Research Fellow Dr Henrique Lagoeiro was awarded the Institute of Refrigeration's Ted Perry Award for Student Research for his PhD research on decarbonising heating and cooling in the London Underground.

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.

- In the 2021 Research Excellence Framework, 81% of LSBU's research was ranked world-leading or internationally excellent for impact. Overall, 68% of LSBU's submissions were ranked world-leading or internationally excellent, a 14% rise since the previous 2014 exercise.
- LSBU Group is one of the delivery partners of the Greater London Authority's £5 million Aspire project, which aims to help London residents without Level 4+ qualifications and in low paid, insecure, and low skilled work to achieve higher-level qualifications.
- LSBU's Business School was re-awarded the UK Small Business Charter (having held it since 2015), recognising its vital work supporting businesses, strengthening local economies and providing opportunities for student entrepreneurs to learn the skills they need to become business leaders.
- LSBU has supported more than 270 SMEs through its Help to Grow: Management programme.
- LSBU Croydon launched its new Solutionise Centre, providing local residents with business, IT and legal information and guidance provided by graduate students with support from academic staff.
- South Bank Innovation developed an Artificial Intelligence-enabling tool called Quick-Box which enables developers to add conversational AI into real-time messaging and video chat apps.
- With funding from the UPP Foundation, LSBU launched a free Energy Advice Centre for local businesses and residents to save them money on their energy bills, reduce energy consumption, and improve energy efficiency.

Applied research with local and international impact:

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

- New research led by LSBU (PI: Dr Catarina Marques) and funded by the Department for Science, Innovation and Technology will investigate energy use and greenhouse gas emissions from the transport, industrial and commercial refrigeration sectors in order to recommend suitable decarbonisation strategies for them.
- Dr Jaimee S. Mallion and Lauren Murphy published the first UK study to explore the role of basic human needs in understanding assisted dying - finding it allows terminally ill individuals to secure a sense of autonomy, competence, and connection.
- Professor Paula Reavey and Professor Dan Frings led a successful bid to the National Institute for Health and Care Research worth a total value of £1.5m, of which £528,000 went to LSBU, for a project titled "Evaluating the impact of clinically underpinned digital gamification and animation on children and family mental health outcomes".
- Professor Paula Reavey and Professor Patrick Callaghan secured £250,000 funding from the National Institute for Health and Care Research for a public health evaluation study which will examine in depth a complex community intervention for young people living in Central Bedfordshire aged 16-25 who are most in need of mental health support.

- Prof Tony Moss, Pro Vice Chancellor for Student Experience Professor, published a paper with the Higher Education Policy Institute identifying gaps in outcomes among free school meals students in Higher Education.
- Prof Mohammad Ghavani received £538,529 from the European Commission for a study examining safe microwave-based imaging technology for breast cancer screenings.
- Sam Johnson-Schlee, Senior Lecturer in the Department of Social Science, concluded a collaborative project with Space Doctors, the British Academy and the Department for Business, Energy and Industrial Strategy, exploring cultural and social factors in energy adaption and retrofit for NetZero.
- Prof Caitiona Beaumont launched a new international research network studying local grassroots women's activism across Ireland and England since 1918.

Business Support Programmes

The University has already supported over 270 businesses through the Government's Help to Grow: Management programme and a further 80 companies through the South London Partnerships BIG South London Programme.

Since 2014, LSBU has been the leading HE provider of European Regional Development Fund (ERDF) funded business and innovation support programmes in London, delivering almost £18million of ERDF funded projects, which will formally come to an end in December 2023. Looking forward, the University has made two successful bids to the new UK Shared Prosperity Fund with further bids planned over the coming year:

1. Big Innovation Programme: a £1.5 million programme, delivered in partnership with five other universities and the South London Partnership to provide innovation support to businesses across south central and south-west London.
2. Inclusive Supply Chains (led by Newable, with LSBU receiving a £150,000 share as delivery partner): a project designed to provide a range of business procurement support to local participants to increase their capacity and capability to successfully access new opportunities in private/public supply chains.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed. LSBU is ranked 101-200th in the world amongst universities for Social Impact; 8th for 'Reduced Inequalities'; 60th for 'Gender Inequality'; 32nd for 'No Poverty'; and 84th for 'Affordable and Clean Energy' (Times Higher Education 2023 Impact Rankings).

The University is 12th among UK universities for graduate starting salaries at 1 year after graduation – Longitudinal Educational Outcomes Data 2020-21 (Published 2023); and is ranked 16th for graduate salaries in the Daily Mail University Guide 2023.

South Bank University Sixth Form

From September 2023, South Bank University Technical College will commence operation as South Bank University Sixth Form (SBUSixth). Focusing on age 16-19 technical education, SBUSixth will offer A-Level, T-Level and BTEC pathways in Health, Business & Finance and Engineering. Employer partners, including Skanska, Guy's and St Thomas's NHS Foundation Trust (GSTT) and Transport for London, are central to the delivery of SBUSixth, providing support such as employment-focused projects, targeted apprenticeship advice, one-to-one CV support and 'takeover days'. Engineering and Health students will also benefit from professional placements – providing them with day-to-day experience of a workplace environment and involvement in real-world projects. Sponsorship by GSTT means that pupils who successfully complete a placement at their hospitals as part of their Level 3 are guaranteed a place with the Trust should they apply for a nursing degree at LSBU.

SBUSixth will additionally undertake outreach work with other local schools to offer advice and guidance to GCSE pupils who are considering following a technical education pathway; and provide taster sessions utilising

some of the cutting-edge technical equipment available at SBUSixth, including a virtual reality and simulated health suite; a carbon fibre manufacturing room; and engineering workshops featuring facilities such as 3D printers, plasma cutters, and CNC machines.

Supporting adults to achieve basic skills

Lambeth College utilises Adult Education funding to provide full and part-time courses to local residents. There is a high demand for English, Maths and English for Speakers of Other Languages (ESOL) provision – evidenced by the fact that over a third of enrolments at the College are in these subjects. In the last five years, the College has enabled over 6500 individuals to achieve an English Qualification and 8000 individuals to achieve a Maths qualification. For many of them, this will have been one of their first experiences of academic achievement – attributable in part to the consistent and focused support the College provides.

The College's ESOL courses, which are taught at its Brixton Centre, provide those who have recently moved to the UK (including refugees) with the opportunity to achieve a sufficient level of English, as well as knowledge about life in the UK and British values, which enables them to integrate into society. Upon completing the course, many learners go on to follow careers in areas such as Health and Social Care, utilising skills and qualifications they acquired in their home countries. The College has supported over 6000 adults to complete ESOL courses in the last five years.

The College's Ofsted 'Outstanding' nursery supports adults with childcare needs to access education in a flexible and highly responsive way.

The College also works with a number of partners and employers to support adults with entry to employment. This includes collaboration with Project Search to deliver placements for 'high needs' students at Guy's and St Thomas' NHS Foundation Trust and a range of entry to Construction courses that support direct entry to employment.

Local Stakeholders

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

The University has Memorandums of Understanding (MOUs) with its three local boroughs: the London Borough of Southwark (signed 2014, renewed June 2021); the London Borough of Lambeth (signed 2016, renewed October 2020); and the London Borough of Lewisham (signed 2019).

LSBU's revised MOU with Lambeth Council commits the two organisations to work in partnership to deal with the effects of the COVID-19 pandemic, particularly for young people, and to stimulate recovery across the borough. It is hoped that it will help to provide greater opportunities for local residents to learn new skills through the LSBU Group; that LSBU research and insight can be used to help Lambeth businesses grow; and that together we can support the Council's target to be carbon neutral by 2030. With Southwark, the new MOU commits LSBU to increase the number of training and development opportunities for residents, as well as making Southwark a leading London borough for health and life sciences.

The University additionally has MOUs with: Morley College; Croydon College; Brooklands College and Orbital South College Group. It also has representatives on the boards of local employer group SBEG (South Bank Employers Group) and Southside Chambers of Commerce. Dr Charles Graham was made Chair of the Local Business Improvement District (BID) (WeAreWaterloo) board in July 2023, having previously led a project with the LSBU Business School students that contributed to the BID's placemaking strategy.

LSBU, SBC and SBA are also members of an MOU with the Lambeth Council Climate Action Partnership, a group established to oversee the implementation of the Council's Climate Action Plan. Along with other

signatories of the MOU based in Lambeth, the LSBU Group participates in projects to benefit residents and businesses in the borough.

International

LSBU's collaboration with the British University in Egypt offers an exemplar for transnational education partnerships in practice. As the largest collaboration in the MENA region, the University validates 22 undergraduate and postgraduate courses, engages in shared research activities and has developed a range of study abroad and summer school opportunities enabling student mobility in both directions. LSBU also provides joint supervisions for 14 PhD students, investigating topics including ultrasound imaging of human bone; structural control for onshore/offshore wind turbines; performance analysis of thermodynamic solar panels using nanorefrigerants; and using solid waste for wastewater treatment from the textile industry. The University also has growing collaborations with TEAM University in Uzbekistan and the Applied Sciences University of Bahrain and Zhejiang Institute of Mechanical and Electrical Engineering (ZIME) in China, through which LSBU is helping to break the mould of traditional HE models by introducing technical and professional education and employer engagement. Within TEAM University, LSBU is helping to create an enterprise culture to help its graduates navigate the significant young employment deficit within China.

In total, the University has almost 6,000 transnational students across 12 partner organisations.

LSBU's Confucius Institute delivers Chinese language teaching to local schools, conducting education, research and business engagement with Chinese universities and institutions and acting as a hub of cultural and academic activities. It is one of the largest Confucius Institutes in the world, and one of the largest Chinese language testing centres in Europe. Since September 2019, LSBU's Confucius Institute has worked with over 50 different schools and approximately 30,000 students providing lessons in Mandarin Chinese, martial arts, Chinese dance and calligraphy.

Fit for the Future

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

- LSBU was re-awarded the prestigious HR Excellence in Research Award in recognition of our three-year plan for developing researchers and delivering research excellence.
- LSBU Group was awarded a commendation in the Company of the Year award category at the European Diversity Awards 2022 and highly commended at the British Diversity Awards 2023.
- In August 2022, LSBU took over as the Lead Provider for the London Uni Connect partnership. The partnership includes three existing networks – Linking London, Aimhigher London and AccessHE – which work across the capital to give people new opportunities to learn and develop.
- In 2021, LSBU became the first university to be independently accredited as meeting national Quality Standards for Services Supporting Male Victims / Survivors of Sexual Violence.
- In 2022, LSBU launched an ambitious new policy to increase support for staff who experience the menopause. The policy aims to enable employees to continue being effective in their jobs and to raise wider awareness and understanding among all staff about the menopause.
- Although LSBU's mean gender pay gap has steadily reduced from 13.25% since 2009, it marginally increased from 6.05% in 2021 to 7.09% in 2022 due to a reduction in the proportion of women in the upper pay quartile. To keep a targeted focus on understanding the underlying causes for the gender pay gaps, LSBU worked on a new Athena SWAN action plan this year and will commission an equal pay audit in 2023/24.
- LSBU Hub was awarded the prestigious Higher Education and Campus Award at the Architects' Journal Retrofit Awards in recognition of the expert and sustainable renovation of the building.

LSBU Hub

Following an extensive renovation that began in 2019, the LSBU Hub building on the University's Southwark Campus had its official opening on 1st September 2022, and has been in use throughout the 2022/23 academic year. With Skills Labs, lecture theatres and classrooms, LSBU Hub forms a centre for collaborative learning and engagement on campus, while also providing the new home for the University's library.

In March, the Hub hosted Southwark Council's Climate Day, welcoming over 200 residents from across the local area. The event included speakers, such as the High Commissioner to Fiji in the UK, as well as practical workshops covering issues such as air quality, energy efficiency, fashion and climate, and creating wild spaces. LSBU's Energy Advice Centre was in attendance to provide help and advice on home energy efficiency.

LSBU Hub also hosts the London Doctoral Academy – a research community made up of research staff and students, as well as external organisations and partners – which includes dedicated research space, meeting rooms and social spaces, a conference room, and a study area. In the basement of the building is the LSBU Active gym, sports hall, fitness suites and studios available for use by LSBU staff, students, and local residents.

By undertaking a renovation and retaining the building's existing concrete structure, the University has expended significantly less carbon in its construction compared to a new build. Other environmental aspects of the building include a 'Blu-roof,' which stores storm water on top of the roof, assisting with the discharge rate into local sewers to mitigate potential flooding issues.

London South Bank Technical College

Construction of phase one of London South Bank Technical College (LSBTC) in Nine Elms was completed at the end of 2022 (having commenced in March 2021). Following fit out of the nine-storey building, teaching was transferred from the Lambeth College site in Spring 2023, with the official opening by the Secretary of State for Education, Rt Hon Gillian Keegan MP, taking place in June.

LSBTC teaches advanced technical skills to over 2,000 students through subjects including Construction, Robotics and Healthcare, in state-of-the-art facilities. LSBTC's curriculum has been designed to provide clear progression routes for young people and adults to access high quality technical education from Level 1 to Level 4 through part-time, full-time, work based (apprenticeship) and employer-sponsored programmes. Courses taught at LSBTC include: Level 3 Access to HE programmes, which provide a fast track into higher education for adult learners; Level 1, 2 and 3 BTEC and UAL technical programmes; and Level 2 and 3 apprenticeships in areas such as Dental Nursing and Plumbing & Domestic Heating. From September 2023, LSBTC also began teaching T-Levels in areas such as Design, Surveying & Planning for Construction and Education & Childcare. The College additionally started teaching Level 4 courses including HNCs in Biology, Chemistry and Forensic Science. In addition to being valuable in their own right, these courses will provide advanced entry into the second year of relevant degree programmes at LSBU.

Phase one of LSBTC has been jointly funded by a £21 million grant from the Mayor of London's Skills for Londoners Capital Fund, through the London Economic Action Partnership (LEAP). By 2026, LSBTC will comprise three buildings with a target of 10,000 learners enrolled; and will be the first new comprehensive technical education college in a generation constituting a £100 million investment by LSBU Group in developing new learning pathways. Future blocks will focus on Health science and Business specialisms. Teams at LSBTC are working closely with the University and key stakeholders on the development of the medtech provision in Lambeth.

LSBU Croydon

In October 2021, LSBU opened its new campus in Croydon - the first university in the borough – following a £20 million renovation of an iconic Grade II listed building in the heart of the town centre. The new campus in Electric House features classrooms, world-class facilities, community and co-working spaces for students, communities, and local businesses.

Since opening, as well as welcoming almost 500 new Business and Health students, LSBU has launched multiple skills and employment, community outreach and businesses support initiatives which will aid the regeneration of the area. Nursing students are taught in state-of-the-art skills labs funded by a £2 million grant from the OfS and the campus also teaches (alongside our Southwark campus) the only Chiropractic Master's course in London, including a public clinic providing treatment to local residents suffering from musculoskeletal conditions.

Business support lies at the heart of LSBU Croydon's delivery. Business Management and Accounting and Finance Courses have been complemented by a dedicated enterprise space and support for local businesses, including:

- An enterprise space, providing a co-working area currently being used by 23 businesses, meeting rooms and community events for start-ups and entrepreneurs based in Croydon and South London.
- The *#LSBUDigital* hub, offering support for Croydon businesses through digital expertise from LSBU academics and students.

The campus has been the launch pad for four new employability and skills initiatives, including WinCreative Croydon, which aims to help increase opportunity in the creative industries for individuals from underrepresented backgrounds; and major funded programmes designed to support local SMEs such as BIG South London and Help to Grow: Management, which has so far supported around 270 businesses.

The campus also hosts The Researching Innovation for Sustainable Engineering Centre – supporting the Croydon innovation ecosystem by providing businesses with access to labs and equipment, enhancing national and international collaboration, and nurturing the next generation of engineers.

LEAP

The LEAP Programme came to an official end in April 2023 with the successful implementation of Salesforce CRM to enable staff to manage the LSBU student journey by providing targeted support services. It has also enabled students to use a new online student portal - 'MyAccount' - as a single point of contact for most of their interactions with the University, improving their experience.

This work has supported the launch of a new Personal Development Plan (PDP) tool for students. The PDP serves to help students identify their own development needs and to inform the appropriate tailoring of services and support to meet the needs of individual students.

Following a pilot in 2018/19, the tool has been used across the institution each year with significant year on year increases in completion. The University's aim is to ensure that the majority of students complete the PDP in future, with first year students being prioritised to ensure that LSBU is able to meet their needs from the start of their course.

External Environment

In October 2022, the OfS introduced the B3 Ongoing Condition of Registration, which imposes absolute targets for continuation, completion and progression into professional/managerial employment or further study. Providers failing to meet these targets may be subject to investigation by the OfS and, depending on the outcome, face penalties including fines, the cessation of recruitment to certain courses and, in extreme cases, removal from the Higher Education Providers Register. LSBU has been making targeted investments to ensure that courses meet their designated thresholds.

In addition to the B3 conditions the OfS has introduced a revised exercise of the Teaching Excellence and Student Outcomes Framework (TEF), for which LSBU made a submission in January 2023. Awards are expected to be published in September 2023 and the University is likely to benefit in its recruitment activities if its silver award is maintained.

In July 2023 the Department for Education published the *Higher education policy statement and reform consultation response*, which reaffirmed their commitment to Level 4 and 5 Higher Technical Qualifications

while also confirming that they are no longer considering the introduction of Student Number Controls and Minimum Entry Requirements, both of which could have had a negative impact on LSBU's student recruitment activities. However, the Government has also decided to reduce the maximum fee limit for classroom-based foundation year courses in Group D (e.g., business studies and social sciences) to £5,760, which may affect LSBU's ability to deliver these courses.

In addition to these challenges, however, there are opportunities for the LSBU Group. The government remains on track to introduce the Lifelong Loan Entitlement in 2025; and has confirmed that both full-time and part-time students studying Level 4 and 5 higher technical qualifications at FE Colleges will have access to both tuition fee and maintenance loans. With the introduction of nine Level 4 courses at LSBTC in September 2023, this could create an important new income stream for SBC and a strong advanced-entry recruitment pathway for LSBU as well as supporting access to increased participation in Level 4 and 5 work-related qualifications.

The LSBU Group will remain adaptable to take advantage of these opportunities. The Group will also continue to differentiate itself by providing a high quality and truly applied academic environment linked to employers and ensure that it carries on being seen as an enterprising group of educational institutions that addresses real world challenges and transforms lives, communities, and businesses.

Going concern statement

The Board of Governors is required to produce a statement in the annual accounts that the LSBU Group continues to be a going concern. Detailed cash flow and covenant compliance forecasts have been prepared for the next 12 months to the end of December 2024 which indicate that, taking into account the potentially severe but plausible downsides, the Group and parent University will have sufficient liquid assets to meet their liabilities as they fall due. In reaching this conclusion, the Board of Governors has also taken into account budget and in-year financial management information and current recruitment data for 2023/24. The principal risks to successful financial delivery in 2023/24 relate to meeting student recruitment targets, the financial turnaround of South Bank Colleges, pay demands, energy and other inflationary cost increases, collection of tuition fee income, compliance with financial covenants attached to loans and interest rate risk.

At 31/7/23 the University Group had breached one financial covenant attached to its bank loans. In line with FRS102, these loans have been reclassified in these accounts as current assets due within one year. Waivers were issued by the lending banks in November 2023 and financial forecasts to December 2024 show that the Group will be able to make loan and interest payments as they fall due and will be compliant with all covenants for a period to at least 31 December 2024.

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

Principal risks and uncertainties

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

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

Risk Statement	Risk Domain	Selected Actions and Mitigations
The constituent parts of the Group fail to contribute effectively to and benefit from the whole, damaging reputation and financial sustainability.	Group	Group course portfolio being developed; enhanced outreach to improve intragroup and other progression.
Failure to meet the OfS' ongoing conditions of registration and other outcome and academic delivery measures compromises financial sustainability through the impact of regulation or reputational damage	Academic Activity	Student Outcomes initiatives in place. Established processes around Observation, Quality Assurance, Student Surveys, Tracking of Student Progress, Attendance Monitoring.
Failure to maintain effective and attractive estate compromises staff and student recruitment, income from residencies and threatens regulatory compliance.	Infrastructure	Development of Estates Masterplan. SBC Campus Delivery Plan underway, long term maintenance programme in place.
Failure to meet the published CO2 Net Zero target by 2050 adversely impacts the Group's competitive position.	Infrastructure	Sustainability roadmap and policy developed. Sustainability Steering Group formed to monitor progress.
Failure to raise research reputation compromises staff and student recruitment, especially international students.	Academic Activity	Updated research and innovation strategy developed.
Poor NSS (and other student satisfaction and academic delivery) results (PTES and PRES) compromise student recruitment principally through impact on League Tables.	Academic Activity	Student Satisfaction initiatives in place.
Failure to deliver legal requirements including Health and Safety, Safeguarding, GDPR, UKRI compromises reputation and potentially recruitment	Regulatory, Compliance, Reputation	Internal audit regularly reviews these areas.

Deterioration of academic quality and PSG support reduce overall organisational performance	People/ Culture	Modernising our policy infrastructure to improve engagement, retention and outcomes. Equipping leaders and managers to establish a clear direction and motivate and develop their teams to deliver the LSBU Group Strategy.
Failure to maintain financial strategy undermines our ability to invest and trade.	Financial	Careful treasury management and financial planning. Management of pension liabilities.
Inadequate engagement with business undermines our financial performance and overall reputation as a professional and technical institution.	Academic Activity	Business Engagement programme in place.
Weaknesses in infrastructure undermine academic outputs or service delivery.	Infrastructure	Digitally enhanced learning strategy in development.

Energy and Carbon Report

As part of our 2020-2025 Corporate Strategy, we aim to:

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

This will be achieved through environmentally sustainable initiatives focussing on the reduction of carbon emissions and landfill use, reducing water consumption, increased recycling, delivering more online events, and promoting sustainable innovation.

	2018-19	2019-20	2020-21	2021-22	2022-23
Electricity (kWh)	12,438,493	10,044,742	9,744,719	11,710,902	12,271,262
Gas (kWh)	10,039,318	9,025,689	10,234,403	10,940,421	9,324,089

Carbon Emissions (with REGO) (t/CO ₂)	5,352	1,711	1,904	2,013	1,724
Intensity (t/CO ₂)	0.036	0.011	0.013	0.013	0.011

Table 1: Electricity and gas consumption emission data for the last five years (July-August)

Electricity consumption has increased, and gas consumption has reduced for 2022-23. The rise in electricity consumption is accounted for by the full opening of two new sites (Electric House in Croydon and the London Road Hub). These have both added an additional load to the campus. This has been offset by energy saving measures and overall consumption has been reduced by 5%.

The reduction in the use of gas and positively managed electricity consumption was achieved through reduced operating temperatures and by realigning building management systems.

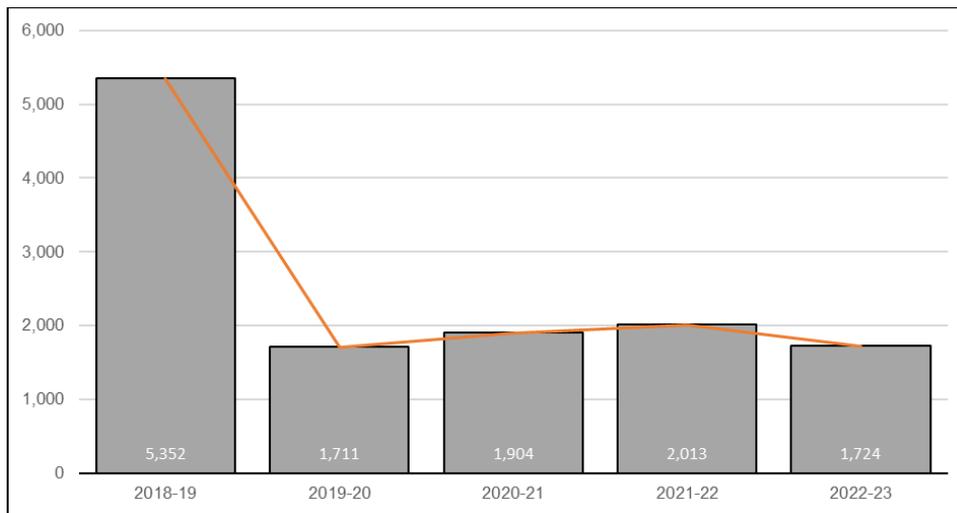


Chart 1: Scopes 1 and 2 carbon emissions in t/CO2

In 2022/23, LSBU confirmed its Scope 3 emissions using a spend-per-supplier metric and this calculated a total carbon footprint of 28,045 tCO2. This was calculated against the chosen baseline year of August 2019-July 2020. LSBU is developing a scientific metric for calculating its Scope 3 emissions and aims to improve its data collection methods for future reporting.

London South Bank University (charity) Public Benefit statement

LSBU is an exempt charity within the meaning of the Charities Act 2011. Our principal regulator is the OfS.

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

Charity Commission Guidance on Public Benefit

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

Charitable Objects

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

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

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

LSBU advances education for the public benefit by:

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

LSBU promotes research and the dissemination of knowledge by:

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

LSBU provides support and services for students through:

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

Beneficiaries

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

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at LSBU are open to anyone whom it believes has the potential to succeed. Throughout our history, LSBU has enabled wider access to education. Our 2020-2025 Strategy 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. The fourth key area, fit for the future, recognises the need for the University to adapt to the digital world, our new organisational structure and changing stakeholder expectations.

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

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £867,009 on 31 July 2023 (31 July 2022: £894,828). The funds are managed with the aim of securing capital growth and an annual income. In 22/23 the income received was £27,672 (2021/22: £23,380). 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. LSBU is 12th among UK universities for graduate starting salaries at 1 year after graduation – Longitudinal Educational Outcomes Data 2020-21 (Published 2023).

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2021, with 68% of the research submitted rated as "World leading" or "Internationally excellent", a 14%-point rise from the previous REF (2014). LSBU is committed to Open Access, sharing scholarly works with industry, the professions and wider public through LSBU Open Research and providing an Open Access Fund to pay Open Access publication costs.

LSBU is committed to local and community-based enterprise, as evidenced by our work to deliver the Government's Help to Grow: Management programme, through which the University will support 600 SMEs by 2024. LSBU has also been shortlisted in the Outstanding Entrepreneurial University category of the Times Higher Education (THE) Awards 2022, in recognition of our development and delivery of "an exceptional approach to embedding entrepreneurship within its culture and programmes."

Access and Participation Plan statement 2022-23

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

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

As set out later in the financial accounts, we spent a total of £2,746,927 across the 2022-23 academic year across three categories: access investment, financial support provided to students, and research and evaluation. This figure both meets and exceeds the commitment we set out in our investment summary, in which we had a planned spend of £1,853,700.

Following the COVID-19 pandemic, we have been keenly aware of the disproportionate direct and indirect impact the pandemic has had on many of the student groups already identified as facing disadvantage. At the time we rapidly responded with an increased package of targeted emotional, safety, practical, study, and financial support, and that increased support has continued. For example, the direct financial support funded by LSBU and distributed to students within the 2022-23 academic year was £968,668, an increase of 273% more than our intended investment.

The total investment has supported the delivery of our plan this year across both general and targeted access, success and progression activity, including active research to eliminate the racial awarding gap through our What Works programme and work to decolonise the curriculum, widening participation and outreach, specialist support services, enhanced transition and study skills working across the LSBU Group with South Bank Academies and South Bank Colleges, financial student support, period poverty, and care experienced and estranged student support.

The investment summary and forecast below in access, financial support and research and evaluation does not represent the total amount spent by LSBU in these areas. The OfS does not require providers to report on investment in success and progression and therefore investment in these areas is not included in the summary. The figures below are not comparable to previous access and participation plans or access agreements as have been updated to reflect latest provider projections on student numbers.

LSBU: Access and Participation Plan investment summary 2022-23

Access and participation plan investment summary (£)	Investment plan (from 2020-25)	Actual spend: Academic year 2022-23
Access investment (access)	£1,499,700	£1,210,702
Financial support provided to students	£260,000	£968,668
Research and evaluation	£93,500	£567,557
Total investment	£1,853,700	£2,746,927

Financial Review**Balance sheet and liquidity**

Following this year's bad debt provision, the Group's net assets, before the Actuarial gain in respect of pension schemes, decreased by 6.9% during the year, moving from £235.4m to £219.1m, a decrease of £16.3m. This compares to 14.7% growth delivered in the previous year. The actuarial gain increased the group's net asset position by £81.2m and so the reported net asset position is £300.3m, representing a 27.5% year on year increase.

The change within the net asset position reflects the continued capital investment programme within the LSBU Group. The investment programme resulted in a net £5.9m increase in Fixed and Intangible Assets, an increase of 1.6%. This increase includes new fixed assets at a cost of £19.1m.

These investments were funded by increased short term borrowings primarily from our RCF with Barclays. The RCF at July 2022 was £9m, this increased to £17m at 31st July 2023. Cash and cash equivalents decreased by £1.3m and our cash and cash equivalents now total £7.1m. The LSBU Group has access to significant additional funding as we complete this stage of our Estate Investment programme and we have undertaken significant stress testing to ensure that the Group has access to appropriate levels of funding.

With regard to other changes in net assets, before the provision there was a 51.8% increase in debtors to the Group which moved from £27.1m to £41.2m, an increase of £14.1m. Our trade debtors increased by £14.2m which is primarily Tuition Fees. This debt is a combination of Fees owed by individual self-paying students as well as funds owed by the Student Loans Company (SLC), Education and Skills Funding Agency (ESFA) and organisations sponsoring students. As a result of this increasing level of indebtedness and recognising the increased challenge of collecting debt the University has made a provision to reduce the level of debt on the balance sheet and so the final debt position at £24.7m represents a decline of £2.1m as compared to the 21/22 position. We continue to actively monitor the level of tuition fee debt and have made significant changes to our debt collection processes for the 23/24 Academic Year in order to improve the speed of collection and reduce the pressure on working capital.

With regard to other changes in net assets, there was a significant movement in the classification of the timing associated with Bank and Other Loans. In 21/22 our Bank Loans were primarily considered as creditors falling due after more than one year. In 22/23 we had breached one financial covenant attached to our bank loans. As a result, these loans have been classified in these accounts as creditors falling due within year to reflect the increased level of risk. This has resulted in a reduction in creditors falling due after one year of £25.1m and a corresponding increase in creditors due with the year. Creditors have also increased due to the increase in payments received from the ESFA as we grow apprenticeship income. The Net impact is to increase Creditors due within the year by £40.2m.

The gain in the Pension Scheme position is largely driven by changes in the investment environment and the subsequent change in the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme. The deficit has decreased by £76.1m and is now represented as a credit balance of £15.1m.

The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. The levels of borrowing and the headroom in current facilities are reviewed on a regular basis and are considered adequate to meet current operational plans. The University's current Revolving Credit Facilities total £45m and so as at July 31 we had a further £28m available, which will provide a degree of flexibility with regard to liquid assets as we continue to invest in the LSBU Group estate and infrastructure.

Result for the Year

Financial Summary in £m		
	2022/23	2021/22
Income	£201.9	£199.1
Expenditure	£218.3	£197.6
(Deficit) / Surplus for the year	-£16.4	£1.5
(Deficit) / Surplus %	-8.1%	0.8%

The operating surplus of £2.2m for LSBU and SBUEL before the bad debt provision is behind the agreed LSBU budget surplus of £3.3m and is primarily due to increased LPFA charges as compared to the FRS102 report commissioned in July 2022 and revised in May 2023. The Group would have reported a breakeven position given the £2.2m deficit in South Bank Colleges which is consistent with the agreed budget. This operating break-even position was a decrease as compared to the £1.5m surplus achieved in 2021/22. Income has increased slightly by 1.4% whilst our costs had increased by 2.2%. The charge to the bad debt provision has moved this break-even position to a deficit of £16.4m.

Total income for the Group increased by 1.4% (£2.8m) to £201.9m (2021/22: £199.0m).

There was a slight decline in overall student numbers, which has resulted in a decline in our overall Tuition Fee income. There has been a change in the mix of students and the portfolio studied and this has resulted in significantly higher numbers of international students and UK Apprentices studying at the University. The most significant decline is in European students studying at the University as they no longer have access to SLC funding for their undergraduate degrees. The increase in Funding Grants is primarily linked to the increase in QR Income following the successful REF outcome and increased ESFA funding at the College. The decrease in other income is because we have now exhausted the capital grants that supported SBC during the financial turnaround.

Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for the LSBU Group in 22/23 representing 68% and 19% respectively (2021/22 71% and 17%). Tuition fees at the University declined slightly although the student mix was different with income from domestic students decreasing and a strong performance with regard to the recruitment of international students.

The other positive factor affecting income was another annual increase in research income following a number of successful research bids. Other income at the University increased, particularly student related income as students returned to our campus and our Halls of Residences. Our Enterprise portfolio also performed well.

Excluding the provision, the operating expenditure for the group increased by 2.2% (£4.3m) to £201.9m (2020/21: £197.5m).

Staff costs remain one of our key expenses and excluding third party staff these decreased by 1.5% which compares favourably with the 0.6% increase in 21/22. Costs moved from £115.3m in 2021/22 to £113.6m in 2022/23 representing 56.2% of income (2021/22: 57.9%). Wages and Salaries increased by 6.1% as compared to 21/22, an increase of £5.0m however this was partly offset by a reduction in Group pension costs of £6.9m which is linked to the reduced costs associated with the LPFA pension scheme and the increase in staff on the Aviva pension scheme at the University.

As well as the normal level of increase linked to pay uplift and increments there was a further pay rise during the year that recognised the extra increase in the cost of living. The LSBU group remains focused on the size and shape of the workforce to support our changing mix of students and there were restructures at both the University and the College. Staffing costs at SBC remain slightly higher as a percentage of income than the University, and staff costs remain an area of continued focus for the Group in 2023/24.

Excluding the £16.3m charge to the bad debt provision, operating expenses increased by 7.4% as compared to 3.2% in 21/22, increasing from £67.3 last year to £72.3m. The LSBU Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in utility costs linked to the global rise in energy costs, and increases in security and cleaning costs due to the ongoing implementation of the London Living Wage. There was also an increase in staff related and student related costs as we opened the new South Bank Colleges campus at Nine Elms.

There were no significant asset disposals and the increase in the value of the Group's fixed assets is due to the continued investment within the LSBU Groups Physical and Digital Estate particularly in the London Road Hub and London South Bank Technical College.

Financial Trend Analysis

Group income has increased by 46% since 2015/16. There have been large decreases in funding grants, but this has been offset by increased tuition fee income however, the funding per student has also declined, as tuition fees have not been increased with inflation. The LSBU Group has also seen growth in postgraduate and international student tuition fees over this time and a growth in Transnational Education income.

In terms of surplus, the LSBU Group always aims to make a small operating surplus. The future forecasts submitted to our regulator, the OfS, reflect our aspiration to generate a positive financial position over the next 5 years but recognises the challenge within the current Higher Education funding system and the turnaround still required at South Bank College.

Subsidiaries

The following subsidiary companies are consolidated into these accounts; South Bank Colleges, South Bank University Enterprises Ltd (SBUEL) and SW4 Catering Ltd.

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

SBUEL is the wholly owned trading subsidiary of LSBU. It undertakes non-primary purpose business on behalf of LSBU. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated £0.9m in gift aid to the University (2022: £0.4m).

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

Disclosure of information to auditors

At the date of making this report each of the governors, listed on page 3, confirm the following:

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

Directors' Report

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

Approval

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

Dr Andreas Raffel

19 December 2023

Dr Andreas Raffel (Chair)

Prof. David Phoenix

19 December 2023

Professor David Phoenix (Vice Chancellor and Chief Executive)

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Board of Governors (the members of which are the Directors of the University company for the purposes of company law) to prepare financial statements for each financial year. Under that law it has elected to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Terms and Conditions of Funding further require the financial statements to be prepared in accordance with the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction') and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

Under company law the Board of Governors must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the LSBU Group and parent University and of their income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows for that period. In preparing each of the group and parent University financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable it to ensure that its financial statements comply with the Companies Act 2006. It is responsible for 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, and has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England) and the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient, and effective management of the university'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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance Statement

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

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

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

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

Governance and Legal Structure

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

Compliance with the Public Interest Governance Principles

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

Compliance with Section 172 statement

In accordance with section 172 of the Companies Act 2006 Governors, both individually and collectively, act in the way that they consider, in good faith, would most likely promote the success of the University. Governors have regard to the:

- likely consequences of any decisions in the interests of both students and colleagues;
- public benefit of the work we do and the need to ensure that funds, including public funds, are properly managed (as set out on page 17);
- impact of the University's operations on communities and the environment;
- need to foster the University's business relationships with suppliers, customers and other key stakeholders (as set out on page 10); and
- desirability of the University in maintaining a reputation for high standards of conduct.

The Board of Governors and its committees consider the potential consequences of its decisions on its key stakeholders, taking into account a wide range of factors, as set out below. The Board believes that the University will be successful by having regard to the views and needs of its stakeholders. Decisions made by the Board are informed by the University's mission, vision and values.

The Board meetings include strategic presentations and reports with regular updates on progress against corporate strategy and key performance indicators. The Vice Chancellor is a governor and provides a formal report at every

meeting. The Board includes two student and two staff governors who are able to give the benefit of their experience as part of the Board's decision-making.

During the year, the Board considered, inter alia, the following key matters: annual Academic Board, EDI, and health & safety reports, corporate risk, KPIs, and approved a key international partnership and the budget for 2023/24. Major investments also come to the Board for authority. In addition, there were two Board strategy days where governors considered elements of the corporate strategy 2020-25 in greater detail.

In considering this wide range of strategic matters, the Board has been able to balance the needs of the University's many stakeholders.

Compliance with the CUC Higher Education Code of Governance

The Board has materially complied with all aspects of the revised Higher Education Code of Governance (CUC, September 2020) during the year under review, as demonstrated below. References to paragraphs of the code are shown in brackets below.

Decision making London South Bank University is led by a Board of Governors, which is collectively responsible for the strategic direction of the University, approval of major projects and partnerships and ensuring that the potential of every student is maximised (2.1).

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 via the board portal. The schedule is reviewed on an annual basis. The schedule reflects the group structure of LSBU.

During the year, the Board met four times (five times in 2021/22). In addition, the Board met once via videoconference to approve the appointment of a new Chair of the Board of Governors, and once to be briefed on the integrated facilities management solution. The Board also held two strategy days (two in 2021/22) 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 Secretary. In the year under review, there was 83% (2021/22: 85%) 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 17 (2.6). The Board receives an annual reminder on Charity Commission guidance (most recently, 10 November 2023). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS through the Group Audit and Risk Committee (2.6).

Compliance

All governors and members of the Executive are required to declare their interests on appointment, on an annual basis and are required to declare any interests which relate to decisions at meetings. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests, other than for the Chair Designate who agreed to step down from an independent governor position at another university before his appointment as Chair of the Board of Governors at LSBU (3.2). As the governing body, the Board affirms that it makes decisions without any undue pressure from external interest groups, which is assured through the declaration of interests' process (3.3).

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (1.2). In addition, independent governors have the right to external, independent advice at the University's expense where necessary to fulfil their duties. Reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (6.3). One reportable event was reported to the OfS during the year.

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

Financial sustainability

The Board is responsible for the financial sustainability of the institution and approves the annual budget, which is aligned to the five-year corporate strategy (2.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing Key Performance Indicators, management accounts and five-year forecasts (2.3). Overall financial control is delegated to the Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required (2.6).

Academic governance

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

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

Apprenticeship activity

During the year, the Board appointed two independent governors as link governors for apprenticeships. These appointments increase visibility of apprenticeship activity by the Board and support continued expansion and success in this area. The Board also agreed that the Finance, Planning and Resources committee would receive regular reporting on the development of apprenticeship activity from 2023/24.

External activities

The Board reviews all proposals for all significant, external activities (for example, franchises or joint ventures) and independent legal advice is sought, if necessary. Due diligence is conducted when entering into major projects that have significant risk associated with them (2.6).

Equality and Diversity

The Board receives an annual report on equality, diversity and inclusion (EDI), and compliance with the public sector equality duty under the Equality Act 2010 (4.1, 4.3). An independent governor is a member of the Group EDI staff network. Board members attended an EDI training session with an external facilitator on 1 November 2022 and, for those who couldn't attend in November, a catch-up session on 10 January 2023.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Group Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (4.4, 5.3). It has also agreed to have gender balanced longlists and shortlists for governor recruitment and that 'approach to diversity' shall be a consideration when selecting recruitment consultants. The shortlist for candidate interviews was gender balanced.

In the recruitment process for the next independent governor, the Group Nomination Committee has agreed to prioritise addressing the age and ethnicity imbalance on the Board.

Structures and processes

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

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

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

Committees

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually. Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee (except the Honorary Awards Joint Committee) 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 (comprise of the Board's independent governors)
- Group Audit and Risk Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Group Nomination Committee
- Remuneration Committee
- Honorary Awards Joint Committee

The Group Nomination Committee is responsible for recruiting new independent governors (5.10) and taking a Group-wide approach to succession planning in the Boards of the three institutions. 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 then 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 Group Nomination Committee.

The Group Audit and Risk Committee oversees LSBU's audit activities including auditing the financial statements, appointing the internal and external auditors and advising the Board on the effectiveness of the internal control system. As previously agreed by the Board, the Group Audit and Risk Committee has a Group-wide remit which includes noting internal audit reports from SBA and SBC.

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

Membership of the Group Audit and Risk Committee is between three and four independent governors, and a co-opted external member. Following OfS requirements, the committee produces an annual report for the Board (2.12), which gives an annual opinion on risk management control and governance; economy, efficiency and effectiveness; and management and quality assurance of data submitted to external bodies. The committee reviews the effectiveness of the systems of control in place across the institution. The committee receives an annual report on the quality of data submitted to external bodies. The committee receives assurance annually from the external auditor that public funds have been spent appropriately. During the year, a key focus of the committee was appointing new external auditors, following notice of KPMG's resignation in January 2023.

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

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

one student governor and one staff governor. During the year, a key focus of the Major Projects and Investment Committee was to scrutinise investment for a new student information system and a major estate transaction.

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

Further details on the work of the committee are included in the annual remuneration report below (at pages 31 to 35).

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

Governance effectiveness review

Following the appointment of the successor to the current Chair of the Board, the Board completed a full external effectiveness review. The review recommendations was reported to the October 2023 Board meeting (the previous review was conducted in 2019 in line with 7.12 of the previous CUC Code).

The overall conclusion of the review found “the arrangements for governance at LSBU to be highly effective” to comply with regulatory expectations from the Office for Students (OfS) and others but also in the creation of a distinctive education group across all levels of study. The University’s “amicable” and “constructive” culture of dialogue contributes to effective decision making and scrutiny and a “highly effective governance team takes an assiduous approach to regulatory compliance”.

The Board has agreed a number of recommendations to further enhance governance practice at LSBU, building on the strong arrangements currently in place. The key recommendations include amending its committee structure to dissolve two existing committees and create two new committees in their place to focus on finance, investment and major projects and the other on strategy, performance, and people.

During the year, governors’ individual performance was assessed through informal review by the Chair in winter 2022.

LSBU Group

With the creation of the LSBU Group in 2018/19, group governance structures continue to be developed. Both South Bank Academies and South Bank Colleges have their own Boards of Trustees who are responsible for the success of their companies. The LSBU Board continues to oversee LSBU but also has oversight of the value that both SBA and SBC bring to the LSBU Group. Since being part of the LSBU Group, the membership of the Boards of SBA and SBC have each included a director from the LSBU Board. The Chairs of the Group Boards and the Group CEO meet formally twice yearly to discuss matters affecting the three educational institutions. One of the annual strategy days is reserved to cover Group strategy. One committee was established in 2022 with representation from, and reporting to, the three boards: The Group Nomination committee which considers board succession across the Group.

Key Individuals

Position

Name

Chair of the Board of Governors

Jeremy Cope (until 31 July 2023)
Andreas Raffel (from 1 August 2023)

Vice Chair of the Board of Governors

Michael Cutbill

Senior Independent Governor

Peter Fidler

Group CEO (Vice Chancellor and Chief Executive)

David Phoenix

Chair of Group Audit and Risk Committee

Duncan Brown

Chair of Finance, Planning and Resources Committee	Michael Cutbill
Chair of Major Projects and Investment Committee	Rashda Rana
Chair of Group Nomination Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Jeremy Parr
Group Secretary and Clerk to the Board of Governors	James Stevenson

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

Statement of Primary Responsibilities of the Board of Governors

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

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

17. To ensure that the university's constitution is always followed, and that appropriate advice is available to enable this to happen.
18. To promote a culture which supports inclusivity and diversity across the university.
19. To maintain and protect the principles of academic freedom and freedom of speech legislation.
20. To ensure that all students and staff have opportunities to engage with the governance and management of the university.

Statement of Internal Control

As the governing body of London South Bank University, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. As noted elsewhere in the report and accounts, issues have arisen in year regarding recoverability of debtors which has resulted in a material increase to the bad debt provision. We have already made a number of changes to strengthen our controls in this area and this will continue to be an area of real focus given our changing student profile.

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 2023 and up to the date of approval of the financial statements and accords with OfS conditions.

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

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

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

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

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

Annual Remuneration Report

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

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

The Remuneration Committee is responsible for determining the remuneration of the Group CEO and Principal Accounting Officer (also the Vice Chancellor of the University and Accountable Officer/CEO SBC) and Senior Executives covered by the Senior Remuneration Policy. Senior Executives are the senior leaders of LSBU Group who report directly to the Group CEO. The Senior Executives for the year are listed on page 4.

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 2022/2023

The members of the committee for the year 2022/23 were Jeremy Parr (Committee Chair), Shona Brown, Jerry Cope (Chair of the Board) and Michael Cutbill (Vice Chair of the Board). All members of the committee attended all meetings during the year. Andreas Raffel joined the committee as the new Chair of the Board from August 2023. All members of the committee are independent governors. No members of the executive are members of the committee. The Group CEO is invited to committee meetings where appropriate, such as to make recommendations on pay awards and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2022/23

The committee met twice in the 2022/23 academic year.

- 16 November 2022
- 4 July 2023

During the year, the committee also made a decision via email.

The committee also met on 23 November 2023 to consider Senior Executive performance and remuneration for 2022/23.

Approach to remuneration of all staff in 2022/23 and for 1 August 2023 onward

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

To achieve this objective, LSBU Group needs to attract, retain and motivate a strong calibre of leaders with competitive remuneration packages, within both a national and international labour market. However, the approach to senior remuneration must be framed within a context that all LSBU Group employees are remunerated appropriately.

We aim to create an environment which attracts and retains the best diverse talent possible and in which all staff, whatever their role, feel valued and proud to work for the Group.

Senior Remuneration

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

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

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Base salaries for established executives, performing well, are competitive in the London market-place and beyond i.e. normally no worse than the London median for comparable institutions
- Overall remuneration levels, including benefits, will be set to attract and retain good quality leaders, with a significant element of reward based on performance, assessed against objectives;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves towards and as appropriate above the median expected for the role;
- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the Group CEO's base salary within an HE setting and total remuneration to the median earnings of the university as a whole, both absolute and the change from the previous years.
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 9% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts.

Benchmarking

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

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

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

The Korn Ferry Hay method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

External context

Post pandemic a number of significant challenges remain around attracting high quality candidates and general movement remains very stagnant across all levels. There is a need to retain high performing senior leaders and those with specialist skills in hard to recruit to roles.

Institutional performance, 2022/23

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 many strategic outcomes.

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

Group CEO performance, 2022/23

This assessment of the Group CEO's performance is for academic year 2022/2023. The bonus awarded based on performance for academic year 2022/23 will be paid in financial year 2023/24 and appear in next year's accounts.

The Group CEO's performance was reviewed by the former Chair of the Board (term ended 31 July 2023) and the current Chair of the Board (term began on 1 August 2023) as part of the appraisal process, looking at key results both against key KPIs for the University and Group, which the Group CEO oversees, and against the specific personal objectives set for the Group CEO by the Remuneration Committee:

- institutional reputation across the Group has improved, with increases in the domestic league tables and LSBU being ahead of target in the Times world ranking;
- student experience and educational outcomes are improving, but more needs to be done and progression rates remain disappointing;
- the NSS scores and ranking improved;
- graduate outcomes improved;
- overall a Teaching Excellence Framework 'silver' grade was achieved with 'gold' rankings on some of the aspects;

- ministerial approval was obtained to convert the UTC to a technical sixth form, which opened in September 2023;
- the finances for LSBU have been challenging, with the budget target being missed. However, SBC exceeded its budget and SBA met its budget;
- staff restructure plans were developed and implemented during the year;
- the outcome from the recent Knowledge Exchange Framework moved LSBU into the top 50% of English Universities and research and enterprise income exceeded £23M for the first time;
- the target for intra-group progression has been missed; and
- the outline estates masterplan has been prepared but phases and cash flow need developing.

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

Performance related pay, 2022/23 and 2023/24

Under the Senior Remuneration Policy, for 2022/23, the Group CEO and Senior Executives were eligible for a bonus of up to 10% of salary and for a team bonus of up to 9% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University did not meet its overall financial target. However, under the remuneration principles above, the committee may award bonuses despite the University not meeting its overall financial target. Taking into account the University's good performance in many strategic areas, the committee agreed to award individual bonuses to members of the Executive but given LSBU missed its financial target no team bonus was awarded to members of the Executive. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved seven individual (including the Group CEO) bonuses together totalling £66k (for 2022/23 performance, nine individual bonuses and a team bonus were awarded totalling £116.4k).

During the year under review, the Group CEO was awarded a bonus of £10k for individual performance (a bonus of £16.3k was awarded for individual performance and £8.5k for team performance in 2021/22).

Total Remuneration: Group CEO

The table below sets out payments to the Group CEO during 2022/23 with a comparison to 2021/22. The bonus figure relates to performance in the previous year.

Emoluments of the Group CEO	2022–23	2021–22
	£'000	£'000
Salary	249	242
Accommodation allowance	10	10
Performance related pay	25	16
Taxable benefits (medical insurance)	2	2
Subtotal	286	270
Pension scheme contributions or payments in lieu of pension contributions	36	35
Total	322	305

For 2023/24, the Group CEO/Vice Chancellor has been awarded a pay increase of 5%, in line with the pay award to LSBU employees.

Pay Multiple

The Group CEO/Vice Chancellor's basic salary is 5.92 (2022: 6.07) times the median pay of staff across the university, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Group CEO/Vice Chancellor's total remuneration salary is 6.35 (2022: 6.35) 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 university to its staff.

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

Year	Ratio – basic salary	Ratio – total remuneration
2022/23	5.92	6.35
2021/22	6.07	6.35
2020/21	6.06	6.89
2019/20	6.23	6.94
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.10	6.97

The ratios do not include agency workers.

The LSBU ratios compare to the average sector ratio of 7.1 for basic pay and 7.4 for total remuneration. The MillionPlus group ratio is 6.7 for basic pay and 6.8 for total remuneration. The post 92 institution type ratio is 6.8 for basic and 7.1 for total remuneration (based on UCEA data for 2021/22).

External appointments, expenses and severance

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

The Group CEO did not undertake any external remunerated activity.

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

In 2022/23, the Group CEO's expenses totalled £5,381 (2021/22: £3,836). These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs, and other travel booked through the University's central travel buying team. No expenses were claimed through the payroll.

The Remuneration Committee has approved a policy on severance arrangements.

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

Opinion

We have audited the financial statements of London South Bank University (the ‘University’) and its subsidiaries (the ‘Group’) for the year ended 31 July 2023 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Statement of Cash Flows and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

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 2023 and of the Group’s and of the University’s income and expenditure, gains and losses and changes in reserves and of the Group’s cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and Office for Students requirements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Governors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s or University’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor’s report thereon. The Board of Governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial

statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the Parent Institution's grant and fee income, as disclosed in the note 7 to the accounts, has been materially misstated;
- the Parent Institution's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of Board of Governors

As explained more fully in the Statement of Board of Governors' responsibilities set out on page 30, the Board of Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Governors are responsible for assessing the Group's and 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 the Board of Governors either intend to liquidate the Group or University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the Group and University operates in and how the Group and University are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, SORP and the Office for Student Regulatory advice 9: Accounts Direction and the Terms and conditions of funding for higher education institutions, and tax compliance legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements disclosures and undertaking procedures to confirm compliance with the requirements of the Office for Students Terms and conditions of funding and Accounts Direction and evaluating advice received from tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the Group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The Group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Board of Governors, as a body, in accordance with Articles of Government of the University. 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 charitable company and the Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date 20 December 2023

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 consolidated and University accounts have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019; Companies Act including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 under the historical cost convention modified to include certain financial instruments at fair value and in accordance with Financial Reporting Standard FRS 102. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the OfS, the Terms and conditions of funding for higher education institutions issued by the OfS and the Terms and conditions of Research England Grant.

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

Exception under FRS102 for preparing a cashflow statement for the University has been taken.

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

Going Concern

The Board of Governors is required to produce a statement in the annual accounts that the LSBU Group continues to be a going concern. Detailed cash flow and covenant compliance forecasts have been prepared for the next 12 months to the end of December 2024 which indicate that, taking into account the potentially severe but plausible downsides, the Group and parent University will have sufficient liquid assets to meet their liabilities as they fall due. In reaching this conclusion, the Board of Governors has also taken into account budget and in-year financial management information and current recruitment data for 2023/24. The principal risks to successful financial delivery in 2023/24 relate to meeting student recruitment targets, the financial turnaround of South Bank Colleges, pay demands, energy and other inflationary cost increases, collection of tuition fee income, compliance with financial covenants attached to loans and interest rate risk.

At 31/7/23 the University Group had breached one financial covenant attached to its bank loans. In line with FRS102, these loans have been reclassified in these accounts as current assets due within one year. Waivers were issued by the lending banks in November 2023 and financial forecasts to December 2024 show that the Group will be able to make loan and interest payments as they fall due and will be compliant with all covenants for a period to at least 31 December 2024.

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

Basis of Consolidation

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

The University sponsors South Bank Academies. The funds of South Bank Academies are restricted to its own purpose and will not be available to the creditors of the University. If South Bank Academies were to become insolvent, the University would not receive its assets or reserves. As the University does not have the power to

govern the financial and operating policies of South Bank Academies so as to obtain economic benefits it does not have control and they are not consolidated into the University accounts.

Consolidation of subsidiaries is based on the purchase method. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Income recognition

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

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

Revenue Government grants, including funding body and research grants from government sources are recognised within the Statement of Comprehensive Income and Expenditure over the periods in which the University Group 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 Group 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 Group is entitled to funds subject to any performance related conditions being met.

Donations and endowments with donor-imposed restrictions are recognised within the Statement of Comprehensive Income and Expenditure when the University Group is entitled to the income. Income is retained within the restricted 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. Investment income and appreciation of endowments is recorded in income in the year in which it arises and either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

Donations with no restrictions are recorded within the Statement of Comprehensive Income and Expenditure when the University Group 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.

Tangible Fixed assets

Tangible 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.

Freehold land and buildings, long leasehold and short leasehold premises are included in the financial statements at cost together with subsequent refurbishment expenditure, less amounts written off by way of depreciation or impairment. Assets are capitalised when it is probable that costs will generate future economic benefits. 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, less any identified impairment loss, based on the value of Quantity Surveyors' certificates and other direct costs incurred to the end of the year. They are not depreciated until ready/available for intended 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 to its estimated residual value. 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 may be impaired or that an impairment loss previously recognised has fully or partially reversed. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value and its value in use, is estimated in order to determine the extent of the impairment loss.

Investments

Investments in subsidiaries and associated undertakings are shown in the University Group'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 estimated selling price less costs to complete and sell.

Pension costs

The University Group 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. The USS is a hybrid scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of USS are held in separate trustee administered funds. Each fund is valued every three years by professionally qualified independent actuaries. USS is a multi-employer scheme. Due to the mutual nature of the scheme, the assets are not attributable to individual institutions and a scheme wide contribution rate is set. The University Group is therefore exposed to actuarial risk associated with the scheme.

The assets of USS are held in separate trustee-administered funds. Each fund is valued every three years by professionally qualified independent actuaries.

USS is a multi-employer scheme. Due to the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution 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 FRS 102 'Employee benefits', the University therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to expenditure represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit), and the resulting expense is recognised as expenditure.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme, but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Where the LSBU Group 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 Group'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 Group'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 Group. The University Group 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 Group is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The University Group has a defined contribution pension scheme for employees of subsidiary companies SBUEL, and SW4 Catering Ltd and for most professional service staff who commenced employment after April 2021. The University Group 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 Group. Any unused benefits are accrued and measured as the additional amount the University Group 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 478–488 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 Group receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

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

South Bank Colleges is considered to pass the test set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, South Bank Colleges is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 Corporation Tax 2010 or Section 256 of the Taxation of Chargeable Gains Acts 1992, to the extent that such income or gains are applied exclusively to charitable purposes. It is partially exempt in respect of Value Added Tax, so it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Agency arrangements

Funds the institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution does not have control of the 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 Group 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.

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 28).

Cash flows and cash equivalents

Cash flows comprise increases or decreases in cash. Cash and cash equivalents include 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 Group'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.

Material Judgements

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. Judgements and estimates are continually evaluated and are based and are based on historical experience and other factors including expectation of future events that are believed to be reasonable in the circumstances.

The present value of the London Pension Fund Authority Pension Fund (LPFAPF) and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price increase and any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The University is satisfied that USS meets the definition of a multi-employer scheme and has therefore recognised a provision for the discounted fair value of the contractual contributions under the recovery plan in existence at the year-end date. In order to calculate the liability various assumptions, such as the discount rate, future staff increases, and salary inflation are required. Given the long-term nature of the plan, such estimates and assumptions are subject to significant uncertainty. The key assumptions made, and sensitivity analysis are included in the notes to the accounts.

The Group considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset, or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rates in order to calculate the net present value of those cash flows."

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

Estimates

Non-Material Judgements and Estimates

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current knowledge of collections. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due.

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

Foreign currency translation

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

Provisions, contingent liabilities

Provisions are recognised in the financial statements when the University Group 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.

London South Bank University

Consolidated and University Statement of Comprehensive Income and Expenditure Year ended 31 July 2023

	Note	CONSOLIDATED		UNIVERSITY	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Income					
Tuition fees and education contracts	1	138,166	140,544	135,291	137,321
Funding body grants	2	38,077	33,549	14,629	12,456
Research grants and contracts	3	6,835	4,585	5,380	3,216
Other income	4	17,695	19,825	14,756	13,583
Investment income	5	321	38	232	29
Donations and endowments	6	832	573	1,198	26
Total income		201,926	199,114	171,486	166,631
Expenditure					
Staff costs	8	113,563	115,320	93,624	93,891
Other operating expenses	10a	88,623	67,316	78,123	58,069
Depreciation	13-14	11,484	9,840	9,962	8,855
Interest and other finance costs	12	4,599	5,072	4,376	4,571
Total expenditure		218,269	197,548	186,085	165,386
(Deficit) / surplus before other gains and losses		(16,343)	1,566	(14,599)	1,245
Losses on investments	21	(28)	(56)	(28)	(56)
(Deficit) / surplus for the year		(16,371)	1,510	(14,627)	1,189
Actuarial gain in respect of pension schemes		81,186	138,848	69,578	115,309
Total comprehensive income for the year		64,815	140,358	54,951	116,498
Represented by:					
Endowment comprehensive expenditure for the year		(28)	(56)	(28)	(56)
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income for the year		64,843	140,414	54,979	116,554
Attributable to University		64,815	140,358	54,951	116,498

All activities consist of continuing operations.

London South Bank University

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2023

Consolidated	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
	Endowment £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2021	951	69,557	24,576	95,084
(Deficit) / surplus from the income and expenditure statement	(56)	1,566	-	1,510
<i>Other comprehensive income</i>				-
Actuarial gain in respect of pension schemes	-	138,848	-	138,848
Transfers between revaluation and income and expenditure reserve	-	531	(531)	-
				-
Total comprehensive income/(expenditure) for the year	(56)	140,945	(531)	140,358
Balance at 1 August 2022	895	210,502	24,045	235,442
(Deficit) / surplus from the income and expenditure statement	(28)	(16,343)	-	(16,371)
<i>Other comprehensive income</i>				-
Actuarial gain in respect of pension schemes	-	81,186	-	81,186
Transfers between revaluation and income and expenditure reserve	-	903	(903)	-
				-
Total comprehensive income/(expenditure) for the year	(28)	65,746	(903)	64,815
Balance at 31 July 2023	867	276,248	23,142	300,257
University				
Balance at 1 August 2021	951	55,857	24,576	81,384
(Deficit) / surplus from the income and expenditure statement	(56)	1,245	-	1,189
<i>Other comprehensive income</i>				-
Actuarial gain in respect of pension schemes	-	115,309	-	115,309
Transfers between revaluation and income and expenditure reserve	-	531	(531)	-
				-
Total comprehensive income/(expenditure) for the year	(56)	117,085	(531)	116,498
Gift aid received*	-	369	-	369
Balance at 1 August 2022	895	173,311	24,045	198,251
(Deficit) / surplus from the income and expenditure statement	(28)	(14,599)	-	(14,627)
<i>Other comprehensive income</i>				-
Actuarial gain in respect of pension schemes	-	69,578	-	69,578
Transfers between revaluation and income and expenditure reserve	-	903	(903)	-
				-
Total comprehensive income/(expenditure) for the year	(28)	55,882	(903)	54,951
Balance at 31 July 2023	867	229,193	23,142	253,202

* Included in Surplus from the income and expenditure statement from 2023.

London South Bank University Company Registration No. 986761

Consolidated and University Balance sheets

As at 31 July 2023

	Note	Consolidated		University	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	13	19,321	19,410	19,304	19,410
Tangible fixed assets	14	381,896	375,986	270,827	272,848
Investments	15	38	38	38	38
		<u>401,255</u>	<u>395,434</u>	<u>290,169</u>	<u>292,296</u>
Current assets					
Stock		5	7	5	7
Debtors	16	39,293	39,969	65,808	61,281
Investments	23	869	894	869	894
Cash and cash equivalents	23	7,038	8,353	5,644	7,668
		<u>47,205</u>	<u>49,223</u>	<u>72,326</u>	<u>69,850</u>
Creditors: amounts falling due within one year	17	<u>(111,502)</u>	<u>(71,307)</u>	<u>(100,748)</u>	<u>(61,291)</u>
Net current (liabilities) / assets		<u>(64,297)</u>	<u>(22,084)</u>	<u>(28,422)</u>	<u>8,559</u>
Total assets less current liabilities		336,958	373,350	261,747	300,855
Creditors: amounts falling due after more than one year	18	(51,775)	(76,835)	(18,659)	(47,515)
Provisions					
Pension provisions	20	15,074	(61,073)	10,114	(55,089)
Total net assets		<u>300,257</u>	<u>235,442</u>	<u>253,202</u>	<u>198,251</u>
Restricted reserves - endowment reserves	21	867	895	867	895
Unrestricted Reserves					
Income and expenditure reserve		276,248	210,502	229,193	173,311
Revaluation reserve		23,142	24,045	23,142	24,045
Total Reserves		<u>300,257</u>	<u>235,442</u>	<u>253,202</u>	<u>198,251</u>

The financial statements were approved by the Board of Governors on 23/11 2023 and were signed and authorised on their behalf by:

Dr Andreas Raffel 19 November 2023
Dr Andreas Raffel (Chair)

Prof. David Phoenix 19 November 2023
Professor David Phoenix (Vice Chancellor and Chief Executive)

London South Bank University

Consolidated Statement of Cash Flows

Year ended 31 July 2023

	Note	2023 £'000	2022 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(16,371)	1,510
Adjustment for non cash items			
Amortisation/depreciation	13-14	11,484	9,840
Decrease / (Increase) in stocks		2	(1)
(Increase) / Decrease in debtors		(290)	1,241
Increase in creditors		4,366	3,066
Pension costs less contributions payable		5,038	12,314
Loss on endowments		28	56
Adjustment for investment or financing activities			
Investment income	5	(321)	(38)
Interest payable	12	2,428	1,810
Capital grant income		(989)	(4,808)
Cash flows from operating activities		5,375	24,990
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets		(19,058)	(59,267)
Capital grant receipts		8,551	8,614
Investment income		321	38
		(10,186)	(50,615)
Cashflows from financing activities			
Capital element of bank loan repayments		(2,076)	(2,025)
Interest element of bank loan repayments	12	(2,428)	(1,810)
New secured loans		8,000	9,000
		3,496	5,165
(Decrease) in cash and cash equivalents during the year		(1,315)	(20,460)
Cash and cash equivalents at beginning of the year	23	8,353	28,813
Cash and cash equivalents at end of the year		7,038	8,353

Notes to the accounts

Year ended 31 July 2023

	Consolidated		University	
	2023	2022	2023	2022
1. Tuition fees and education contracts	£'000	£'000	£'000	£'000
Full-time home and EU students	85,507	95,839	82,632	92,616
Full-time international students	29,492	24,037	29,492	24,037
Part-time students	16,674	14,792	16,674	14,792
Other courses	2,794	2,166	2,794	2,166
Strategic Health Authority education contracts	3,699	3,710	3,699	3,710
	138,166	140,544	135,291	137,321
2. Funding body grants				
	Consolidated	University	2023	2022
	2023	2022*	£'000	£'000
Recurrent grants	£'000	£'000	£'000	£'000
Office for Students	13,900	11,763	13,900	11,763
Education and Skills Funding Agency	8,785	8,196	-	-
Greater London Authority	11,110	10,160	-	-
Specific Grants				
Higher Education Innovation Fund	957	789	49	-
Releases of government capital grants	1,193	693	680	693
Releases of Restructuring Grant Facility	-	1,552	-	-
Education and Skills Funding Agency	1,675	-	-	-
Teachers' Pension Grant	457	396	-	-
	38,077	33,549	14,629	12,456
* Reclassified to give additional detail. Total is unchanged.				
3. Research grants and contracts				
	Consolidated	University	2023	2022
	2023	2022	£'000	£'000
Research councils	1,005	1,025	1,005	1,025
UK based charities	255	150	255	150
European Commission	731	418	605	418
Other grants and contracts	4,763	2,952	3,434	1,583
Knowledge Transfer Partnerships	81	40	81	40
	6,835	4,585	5,380	3,216
4. Other income				
	Consolidated	University	2023	2022
	2023	2022	£'000	£'000
Residence and catering income	9,491	8,735	9,460	8,707
Other income	8,204	11,090	5,296	4,876
	17,695	19,825	14,756	13,583
5. Interest receivable and similar income				
	Consolidated	University	2023	2022
	2023	2022	£'000	£'000
Interest on short term investments	23	21	23	21
Endowment income and interest receivable	298	17	209	8
	321	38	232	29

All revenue is generated from within the United Kingdom.

Notes to the accounts

Year ended 31 July 2023

	Consolidated		University	
	2023	2022	2023	2022
6. Donations and endowments	£'000	£'000	£'000	£'000
Unrestricted donations	<u>832</u>	<u>573</u>	<u>1,198</u>	<u>26</u>

Donations include the estimated market value of SBC's rent free occupations of its Lambeth College premises in Brixton, and a gift aid payment of £906k made to LSBU relating to taxable profits in SBUEL for the year ended 31st July 2022.

7. Grant and Fee income

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

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Grant income from the OfS	13,900	11,888	13,900	11,888
Grant income from other bodies	32,362	27,379	6,690	4,917
Fee income for research awards (exclusive of VAT)	131	57	131	57
Fee income from non-qualifying courses (exclusive of VAT)	3,474	3,482	599	259
Fee income for taught awards (exclusive of VAT)	133,980	135,872	133,980	135,872
	<u>183,847</u>	<u>178,678</u>	<u>155,300</u>	<u>152,993</u>

8. Staff

Average numbers by major category:

	Consolidated	
	2023	2022
	No.	No.
Academic staff	934	930
Student support staff	258	260
Other support staff	685	684
	<u>1,877</u>	<u>1,874</u>

	Consolidated		University	
	2023	2022	2023	2022
Costs	£'000	£'000	£'000	£'000
Wages and salaries	86,209	81,259	70,048	64,738
Social security costs	8,969	8,830	7,666	7,418
Other pension costs	18,385	25,231	15,910	21,735
	<u>113,563</u>	<u>115,320</u>	<u>93,624</u>	<u>93,891</u>

Staff costs for the year include costs arising from redundancies of £1.7m for 88 staff (2022 £1.9m) of which £1.6m was paid during the year and £0.1m was accrued.

Notes to the accounts

Year ended 31 July 2023

9. Remuneration of Board of Governors and higher paid employees

A. Governors

The University's governors do not receive remuneration from the University in their capacity as governors. The salaries and pension contributions below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University. Three of these employees accrued benefits under defined benefit pension schemes during the year (2022:3)

	2023	2022
	£'000	£'000
Salaries	391	391
Pension contributions or payments in lieu of pension contributions	58	62
	449	453

Governors are paid expenses for attending meetings and other matters directly related to their duties as trustees. In 2023 4 governors were paid expenses totalling £2k (2022: no governors) for travel and subsistence.

B. Determining pay of senior staff

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

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

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

C. Emoluments of the Vice Chancellor

	2023	2022
	£'000	£'000
Salary	249	242
Accommodation allowance	10	10
Performance related pay	25	16
Taxable benefits (Medical insurance)	2	2
Payments in lieu of pension contributions	36	35
	322	305

The Vice Chancellor is the highest paid Governor.

The Vice Chancellor's basic salary is 5.92 (2022: 6.07) 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 6.35 (2022: 6.35) times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor did not participate in a University pension scheme and there were no accrued benefits under a defined benefit scheme at the year end.

Notes to the accounts

Year ended 31 July 2023

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding bonus, benefits and pension contributions) in excess of £100,000 during the year. These employees are grouped as follows:

	Consolidated and University	
	2023	2022
	No.	No.
£100,000 to £104,999	1	-
£110,000 to £114,999	1	1
£115,000 to £119,999	2	1
£120,000 to £124,999	2	1
£125,000 to £129,999	-	1
£145,000 to £149,999	1	2
£150,000 to £154,999	1	1
£155,000 to £159,999	-	1
£160,000 to £164,999	2	-
£175,000 to £179,999	1	-
£240,000 to £245,999	-	1
£245,000 to £249,999	1	-
	<u>12</u>	<u>9</u>

E. Key management personnel

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

	2023	2022
	£'000	£'000
Key management personnel*	<u>1,548</u>	<u>1,618</u>

*2022 has been re-stated to include Employers National Insurance contributions

	Consolidated		University	
	2023	2022	2023	2022
10a. Other operating expenses	£'000	£'000	£'000	£'000
Academic	20,323	18,657	16,059	14,272
Academic support	10,728	9,749	10,728	9,749
Other support	7,613	8,181	7,610	8,179
Premises	16,142	13,792	14,348	12,428
Residence and catering	5,205	3,647	5,205	3,647
Other expenses	28,612	13,290	24,173	9,794
	<u>88,623</u>	<u>67,316</u>	<u>78,123</u>	<u>58,069</u>

Increased operating expenditure includes an increase in the bad debt provision.

Notes to the accounts

Year ended 31 July 2023

10a. Other operating expenses continued

Other operating expenses are stated after charging:

	Consolidated		University	
	2023	2022*	2023	2022*
	£'000	£'000	£'000	£'000
Auditor's remuneration				
RSM - Audit services				
Statutory audit of parent and consolidated accounts	90	-	90	-
Statutory audit of associates of the Company	65	-	-	-
KPMG LLP - Audit services				
Statutory audit of parent and consolidated accounts	-	75	-	75
Statutory audit of associates of the Company	-	50	-	-
KPMG LLP - Other (tax assurance)	-	36	-	7
Depreciation - owned assets	11,484	9,840	9,962	8,855
Property rental income	(945)	(420)	-	-
Rentals under operating leases: Plant and machinery	407	420	306	324

Auditor's remuneration is disclosed net of VAT

* Additional information included

10b. Access and Participation (i)

	University	
	2023	2022
	£'000	£'000
Access Investment	1,211	1,309
Financial Support	969	560
Disability Support*	-	292
Research and Evaluation	568	99
	2,748	2,260

(i) £1,241k (2022: £1,203k) of these costs are already included in the overall staff costs figures included in the financial statements, see note 8.

The Access and Participation plan for the 2020-2025 academic year, approved by the OfS can be found here.

11. Taxation

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

The amount of the asset not recognised is £8k (2022: £8k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
12. Interest and other finance costs				
Bank loans and overdrafts	2,428	1,810	2,428	1,810
Net interest on the net defined benefit pension liability	2,171	3,262	1,948	2,761
	4,599	5,072	4,376	4,571

Notes to the accounts

Year ended 31 July 2023

13. Intangible assets - Consolidated

Software	Assets in course of construction		Total
	Software	Assets in course of construction	
Cost	£'000	£'000	£'000
At 1 August 2022	4,140	19,410	23,550
Additions	18	393	411
Transfer	19,797	(19,797)	-
At 31 July 2023	23,955	6	23,961
Amortisation charge			
At 1 August 2022	(4,140)	-	(4,140)
Charge for the year	(500)	-	(500)
At 31 July 2023	(4,640)	-	(4,640)
Net book value			
At 31 July 2023	19,315	6	19,321
At 31 July 2022	-	19,410	19,410

Intangible assets - University

Software	Assets in course of construction		Total
	Software	Assets in course of construction	
Cost	£'000	£'000	£'000
At 1 August 2022	4,140	19,410	23,550
Additions	-	393	393
Transfer	19,797	(19,797)	-
At 31 July 2023	23,937	6	23,943
Amortisation charge			
At 1 August 2022	(4,140)	-	(4,140)
Charge for the year	(499)	-	(499)
At 31 July 2023	(4,639)	-	(4,639)
Net book value			
At 31 July 2023	19,298	6	19,304
At 31 July 2022	-	19,410	19,410

Notes to the accounts
Year ended 31 July 2023

14. Tangible fixed assets (Consolidated)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2022	88,965	213,178	49,668	44	76,119	114,883	542,857
Additions	-	-	-	-	110	16,784	16,894
Transfer	-	104,109	-	-	9,112	(113,221)	-
At 31 July 2023	88,965	317,287	49,668	44	85,341	18,446	559,751
Depreciation							
At 1 August 2022	-	(80,857)	(35,613)	(37)	(50,364)	-	(166,871)
Charge for the year	-	(5,761)	(1,233)	-	(3,990)	-	(10,984)
At 31 July 2023	-	(86,618)	(36,846)	(37)	(54,354)	-	(177,855)
Net book value							
At 31 July 2023	88,965	230,669	12,822	7	30,987	18,446	381,896
At 31 July 2022	88,965	132,321	14,055	7	25,755	114,883	375,986

Tangible fixed assets (University)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2022	64,368	172,050	47,210	44	74,920	76,594	435,186
Additions	-	-	-	-	110	7,332	7,442
Transfer	-	64,323	-	-	3,173	(67,496)	-
At 31 July 2023	64,368	236,373	47,210	44	78,203	16,430	442,628
Depreciation							
At 1 August 2022	-	(77,673)	(35,439)	(37)	(49,189)	-	(162,338)
Charge for the year	-	(4,731)	(1,183)	-	(3,549)	-	(9,463)
At 31 July 2023	-	(82,404)	(36,622)	(37)	(52,738)	-	(171,801)
Net book value							
At 31 July 2023	64,368	153,969	10,588	7	25,465	16,430	270,827
At 31 July 2022	64,368	94,377	11,771	7	25,731	76,594	272,848

Notes to the accounts

Year ended 31 July 2023

15. Investments

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
CVCP Properties plc	38	38	38	38

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

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principle activity	Share class	Holding
South Bank University Enterprises Limited *	103 Borough Road, London, SE1 0AA, UK	Consultancy, research and property letting	Ordinary	100%
South Bank Colleges Ltd **	103 Borough Road, London, SE1 0AA, UK	Provision of further education	Ordinary	100%
SW4 Catering Ltd	103 Borough Road, London, SE1 0AA, UK	Combined facilities support activities	Ordinary	100%

All the above subsidiaries are included in the consolidation and have a 31st July year end.

*Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012 and five on 28 April 2021.

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

16. Debtors: amounts falling due within one year

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade debtors	24,724	26,814	23,669	25,488
Amounts owed by subsidiary undertakings	-	-	33,211	31,611
Other debtors	114	332	146	318
Prepayments and accrued income	14,455	12,823	8,782	3,864
	39,293	39,969	65,808	61,281

17. Creditors: amounts falling due within one year

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	45,182	11,076	45,182	11,076
Trade creditors	2,059	341	1,435	(103)
Other creditors	9,387	2,896	8,745	2,512
Other taxation and social security	2,504	2,508	2,087	1,868
Accruals and deferred income	52,370	54,486	43,299	45,938
	111,502	71,307	100,748	61,291

Notes to the accounts

Year ended 31 July 2023

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

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	28,182	-	28,182
Other loans	200	200	200	200
Deferred income	51,575	48,453	18,459	19,133
	51,775	76,835	18,659	47,515

At 31/7/23 the University Group had breached one financial covenant attached to its bank loans. In line with FRS102, these loans have been reclassified as current liabilities due within one year. Waivers were issued by the lending banks in November 2023. Included within deferred income are items of grant income which have been deferred until specific performance related conditions have been met.

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Government	1,023	635	1,023	635
Non-government	247	306	247	306
Capital grants	52,249	49,134	19,133	19,814
	53,519	50,075	20,403	20,755

19. Borrowings

Bank loans are repayable as follows:

	Consolidated and University	
	2023	2022
	£'000	£'000
Due in less than one year (note 17)	45,182	11,076
Due between one and two years	-	2,144
Due between two and five years	-	6,932
Due after five years	200	19,306
Total due after one year (note 18)	200	28,382
	45,382	39,458

Total

Details of bank loans

Lender	Term	Interest rate	Security	2023	2022
				£'000	£'000
Barclays bank	Capital and interest quarterly. 25 years to 2032	5.67% fixed	McLaren House	2,643	2,954
Barclays bank	Interest quarterly. 20 years to April 2029	5.25% fixed		5,000	5,000
Barclays bank	Capital and interest quarterly. 23.25 years to 2032	5.44% fixed		5,173	5,641
Barclays bank	Capital and interest quarterly. 23 years to 2032	0.225% margin over SONIA		2,598	2,895
Barclays bank	Capital and interest monthly. 16 years to 2035	5.16-5.2% fixed plus 1.65% margin		11,164	11,787
Barclays bank	Revolving credit facility maturing 22 August 2023	1.45% margin over SONIA		17,000	9,000
Allied Irish Bank	Capital and interest quarterly. 26.5 years to 2027	6.67% fixed	Dante Road Halls	1,604	1,981
Salix	Variable	Interest free	Unsecured	200	200
				45,382	39,458

Notes to the accounts

Year ended 31 July 2023

20. Provisions for liabilities: Consolidated

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Enhanced pension £'000	Total £'000
Balance at 1 August 2022	777	58,847	1,449	61,073
Utilised during the year	-	(4,715)	(73)	(4,788)
Credited to comprehensive income and expenditure	(109)	(71,116)	(134)	(71,359)
Balance at 31 July 2023	668	(16,984)	1,242	(15,074)

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

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

University

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Total £'000
Balance at 1 August 2022	777	54,312	55,089
Utilised during the year	-	(4,129)	(4,129)
Credited to comprehensive income and expenditure	(109)	(60,965)	(61,074)
Balance at 31 July 2023	668	(10,782)	(10,114)

21. Endowment reserves

	Restricted Permanent £'000	Restricted Expendable £'000	Consolidated and University 2023 Total £'000	2022 Total £'000
Balance at 1 August	752	143	895	951
Decrease in market value of investments	(24)	(4)	(28)	(56)
Balance at 31 July	728	139	867	895

22. Unrestricted reserves

	Consolidated		University	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Revaluation reserve				
Balance at 1 August	24,045	24,576	24,045	24,576
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(903)	(531)	(903)	(531)
Balance at 31 July	23,142	24,045	23,142	24,045

Notes to the accounts

Year ended 31 July 2023

23. Analysis of changes in net debt

	at 1 August 2022	Cashflows	Other non- cash changes	at 31 July 2023
Consolidated	£'000	£'000	£'000	£'000
Investments classified as cash equivalents	894	(25)	-	869
Cash at bank and on deposit	8,115	(1,221)	-	6,894
Cash equivalents	238	-	(94)	144
	9,247	(1,246)	(94)	7,907
Borrowings				
Debt due within one year	(11,076)	(5,924)	(28,182)	(45,182)
Debt due after one year	(28,382)	-	28,182	(200)
	(39,458)	(5,924)	-	(45,382)
	(30,211)	(7,170)	(94)	(37,475)

	at 1 August 2022	Cashflows	Other non- cash changes	at 31 July 2023
University	£'000	£'000	£'000	£'000
Investments classified as cash equivalents	894	(25)	-	869
Cash at bank and on deposit	7,430	(1,930)	-	5,500
Cash equivalents	238	-	(94)	144
	8,562	(1,955)	(94)	6,513
Borrowings				
Debt due within one year	(11,076)	(5,924)	(28,182)	(45,182)
Debt due after one year	(28,382)	-	28,182	(200)
	(39,458)	(5,924)	-	(45,382)
	(30,896)	(7,879)	(94)	(38,869)

Investments comprise funds held in fixed term deposits for periods exceeding three months at 31 July 2023. Cash at bank and on deposit comprise funds held in bank and on deposit not exceeding 3 months.

24. Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2023

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Commitments contracted at 31 July	-	12,474	-	3,998

25. Contingent liabilities

Funds amounting to £4.1m received from the Education and Skills Funding Agency (ESFA) are subject to conditions linked to future estates development for SBC to deliver a viable, sustainable, high quality, relevant and diverse offer from Level 1 to Level 6 learners and employers across the local area with a college presence in Brixton and Clapham and/or Vauxhall without a requirement for government funding to support operating losses.

Notes to the accounts

Year ended 31 July 2023

25. Contingent liabilities continued

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

26. Lease obligations

At 31 July 2023 the University and the Group were committed to making the following future minimum lease payments in respect of non-cancellable operating leases on IT equipment and land and buildings:

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Expiring within one year	18	40	-	-
Expiring within two and five years	-	19	-	-
Expiring in over five years	440	453	440	453
	458	512	440	453

27. Amounts disbursed as agents

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Teacher training bursaries				
Balance at 1 August	38	1	38	1
Funding council grant	19	135	19	135
Disbursed to students	-	(98)	-	(98)
Balance at 31 July	57	38	57	38

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Apprenticeship employer incentive payments				
Balance at 1 August	-	-	-	-
Funds received	166	147	166	147
Disbursed to employers	(6)	(147)	(6)	(147)
Balance at 31 July	160	-	160	-

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Learner support funds				
Balance at 1 August	323	158	-	-
Bursaries	948	1,026	-	-
Disbursed to students	(836)	(820)	-	-
Administration costs	(42)	(41)	-	-
Balance at 31 July	393	323	-	-

Notes to the accounts

Year ended 31 July 2023

28 Pension arrangements

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

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

A. The Teachers' Pension Scheme

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

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.

Valuation of The Teachers' Pension Scheme:

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2020 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023 and the Employer Contribution Rate was assessed using agreed assumptions in line with the Directions and was accepted at the original assessed rate as there was no cost control mechanism breach.

The valuation report was published on 26 October 2023. The key results of the valuation are: - Total scheme liabilities for service (the capital sum needed at 31 March 2020 to meet the stream of future cash flows in respect of benefits earned) of £262 billion - Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £222 billion - Notional past service deficit of £39.8 billion (2016 £22 billion) - Discount rate is 1.7% in excess of CPI (2016 2.4% in excess of CPI (this change has had the greatest financial significance)).

As a result of the valuation, new employer contribution rates have been set at 28.6% of pensionable pay from 1 April 2024 until 31 March 2027 (compared to 23.68% under the previous valuation including a 0.08% administration levy).

At 31 July 2023 the University Group had 1,512 active members participating in the scheme (2022: 1,448). During the year contributions were paid by the Group and charged to the Income and Expenditure account at a current rate of 23.68% (2022 23.68%) of salaries and the Group's contribution to the TPS for the year was £8,303,692 (2022: £7,046,053). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

TPS is a multi- employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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 contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS102 'Employee Benefits', the University accounts for the scheme as if it were a wholly defined contribution scheme. Since the University has entered into an agreement that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that relate to the deficit and movement in this provision is treated as an expense.

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

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date), which was carried out using the projected unit method.

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles).

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

CPI Assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040
Pension increases (subject to a floor)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	101% of S2PM2 'light' for males and 95% of S3EPA for females
Future improvements	CMI_2019 with a smoothing parameter of 7.5 and an initial addition of 0.5% p.a and a long term improvement rate a long term improvement rate of 1.8% p.a. for males and 1.6% p.a.

The current life expectancies on retirement at age 65 are:

	Males		Females	
	Years		Years	
	2023	2022	2023	2022
Current pensioners (currently 65 years)	24.0	23.9	25.6	25.5
Future pensioners (currently 45 years)	26.0	25.9	27.4	27.3

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period from 1st April 2022 to 31st March 2024 at which point the rate will increase to 6.3%. The 2022 deficit liability reflects this plan. The liability figures have been produced using the following assumptions:

	2023	2022
Discount Rate	5.15%	3.40%
Pensionable Salary Growth	3.00%	3.00%

At 31 July 2023 the Group had 41 (2022: 42) active members participating in the scheme. The total credited to the Statement of Comprehensive Income and Expenditure is £467,975 (2022: £7,180). The employer contribution rate was 21.1% from October 2019 until 30th September 2021, 21.4% from October 2021 to March 2022 and 21.6% from April 2022.

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 2022 with the valuation results taking into account changes to the scheme from 1 April 2022. Employer contribution rates during the year were 15.5% for London South Bank University and 14.3% for South Bank Colleges.

Pension cost under FRS 102

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

	Consolidated and University	
	31-Jul-23	31-Jul-22
	% per annum	% per annum
Salary increase	3.00%	3.00%
Pension and price increases	2.85%	2.75%
Discount rate	5.15%	3.40%

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.

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

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

Life expectancy

The scheme actuaries have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, as at 31 March 2022, except for the CMI projection model. The post retirement mortality tables have been based on Club Vita analysis. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0% p.a. and a 2022 weighting of 25%.

Life expectancy from age 65

	LSBU	SBC	LSBU	SBC
	31-Jul-23		31-Jul-22	
Retiring today:				
Males	20.8	20.6	21.7	21.6
Females	23.6	23.6	24.2	24.2
Retiring in 20 years:				
Males	21.7	21.7	23	22.9
Females	25.0	24.6	25.8	25.5

Fund assets

The return on the fund, on a bid value to bid value basis, for the year to 31 July 2023 was 2.97 %. The Allocation at 31 July 2022 is as follows:

	Consolidated		University	
	Fair value as at 31-Jul-23 £'000	Fair value as at 31-Jul-22 £'000	Fair value as at 31-Jul-23 £'000	Fair value as at 31-Jul-22 £'000
Equities	153,866	144,723	122,367	114,476
Target return portfolio	46,679	55,367	37,123	43,796
Cash	3,947	3,067	3,139	2,426
Infrastructure	32,716	26,830	26,018	21,223
Property	24,780	25,042	19,707	19,808
Total fair value of assets	261,988	255,029	208,354	201,729

Net pension position

The following amounts at 31 July 2023 related to the Group are measured in accordance with the requirements of FRS 102:

Consolidated	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Fair value of Employer Assets	261,988	255,029	239,469	239,469	205,757
Present value of funded obligations	(235,363)	(305,196)	(414,274)	(376,181)	(324,227)
Net surplus / (underfunding) in funded plans	26,625	(50,167)	(174,805)	(136,712)	(118,470)
Present value of unfunded obligations	(7,131)	(8,680)	(9,936)	(10,684)	(10,885)
Net Pension Surplus / (Liability)	19,494	(58,847)	(184,741)	(147,396)	(129,355)
Restriction to level of asset ceiling	(2,510)	-	-	-	-
Net Asset recognised in the balance sheet	16,984	(58,847)	(184,741)	(147,396)	(129,355)

The value of the Group's share of net assets has been restricted due to the effect of the asset ceiling being the maximum present value of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

University	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Fair value of Employer Assets	208,354	201,729	189,152	161,862	161,649
Present value of funded obligations	(190,815)	(247,733)	(338,572)	(305,728)	(260,964)
Net surplus / (underfunding) in funded plans	17,539	(46,004)	(149,420)	(143,866)	(99,315)
Present value of unfunded obligations	(6,757)	(8,308)	(9,502)	(10,223)	(10,420)
Net Pension Surplus / (Liability)	10,782	(54,312)	(158,922)	(154,089)	(109,735)

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

Analysis of the amount included in staff costs for the year

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Service cost	7,824	15,882	6,676	13,759
Enhancements to former employees	-	-	-	-
Total operating charge	7,824	15,882	6,676	13,759

Analysis of the amount included in interest payable for the year

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest on the defined liability (asset)	1,968	2,907	1,820	2,499
Administration expenses	129	311	102	246
Total interest charge	2,097	3,218	1,922	2,745

Analysis of the amount recognised in Other Comprehensive Income

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Return on fund assets in excess of interest	(1,088)	11,652	(861)	9,211
Other actuarial losses on assets	3,882	-	3,754	-
Change in financial assumptions	80,206	152,566	65,721	127,030
Change in demographic assumptions	14,051	-	11,562	-
Experience gains and losses on defined benefit obligation	(13,489)	(25,668)	(10,598)	(20,932)
Change in effect of asset ceiling	(2,510)	-	-	-
Remeasurement of the net assets/ (defined liability)	81,052	138,550	69,578	115,309

Analysis of movement in the present value of scheme liabilities

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
At 1 August	313,876	424,210	256,041	348,074
Movement in the year:				
Current service cost	7,082	15,678	6,039	13,555
Interest cost	10,567	6,742	8,629	5,530
Changes in financial assumptions	(80,206)	(152,566)	(65,721)	(127,030)
Change in demographic assumptions	(14,051)	-	(11,562)	-
Experience loss / (gain) in defined benefit obligation	13,489	25,668	10,598	20,932
Past service costs, including curtailments	742	204	637	204
Estimated benefits paid net of transfers in	(9,902)	(7,304)	(7,811)	(6,246)
Contributions by scheme participants	1,636	2,003	1,428	1,750
Unfunded pension payments	(739)	(759)	(706)	(728)
Restriction to level of asset ceiling	2,510	-	-	-
At 31 July	245,004	313,876	197,572	256,041

Analysis of movement in the fair value of scheme assets

	Consolidated		University	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
At 1 August	255,029	239,469	201,729	189,152
Interest on assets	8,599	3,835	6,809	3,031
Return on plan assets (excluding net interest on the net defined benefit liability)	(1,088)	11,652	(861)	9,211
Other actuarial losses	3,882	-	3,754	-
Administration expenses	(129)	(311)	(102)	(246)
Contributions paid	6,336	8,447	5,542	7,555
Estimated benefits paid plus unfunded net of transfers in	(10,641)	(8,063)	(8,517)	(6,974)
At 31 July	261,988	255,029	208,354	201,729

The projected pension expense for the year to 31 July 2024 is £2,300k (consolidated) £2,040k (University).

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL), SW4 Catering Limited and from April 2021 new professional services staff. At 31 July 2023 the University Group had 425 members participating in the scheme (2022: 289). The University Groups contribution to the Aviva scheme for the year ending 31 July 2023 was £1,553,309 (2022: £867,997) and employer's contribution rates during the year ranged from 8%-10%. Pension contributions payable at 31 July 2023 were £151,021 (2022: £97,012).

E. NOW Pensions

The University provides a defined contribution scheme through NOW for employees of SBUEL staff engaged through LSBU Employment. At 31 July 2023 there were 306 staff in the scheme (2022: 247). Employer contribution to the NOW scheme for the year ending 31 July 2023 was £12,166 (2022: £11,732) and employer contributions were 3%. Pension contributions payable at 31 July 2023 were £3,253 (2022: £2,352).

29. Related party transactions

Group

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these financial statements. During the year the university paid for expenses and equipment for SBUEL and used SBUEL employment agency staff totalling £(3,269)k (2022: £213k), and collected rental income of £43k (2022: £43k). At the year-end the University owed SBUEL £3,497k (2021: £365k).

The University is the sole Member of South Bank Colleges (SBC), a Private Limited Company by guarantee, which was incorporated on 1st August 2018. SBC and its wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1st February 2019 SBC received £13.7m from the Education and Skills Funding Agency (ESFA) which was transferred to the University on 2nd February 2019 to hold on its behalf and to transfer back to SBC as it is needed to fund operational and capital expenditure requirements. During the year the University transferred £4m (2022: £13.7m) to SBC. Services on commercial terms amounting to £220k (2022 £123k) were charged to SBC during the year and the balance between SBC and the University at the year-end was £36,708k (2022: £31,797k).

Other related parties

Organisation	Governor	Position	Transactions during year with related party			
			Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
LSBU Student Union	Abdirahim Ibrahim	Union Council Chair				
	Devonte James	President	-	1,075	-	-
South Bank Academies	David Phoenix	Trustee	-	-	-	-