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Company Registration No. 986761

London South Bank University

EST 1992

Report and Financial Statements

31 July 2016

London
South Bank
University

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Report and financial statements 2016

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Strategic Report

Legal and Administrative Details

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 20-25 and the members of the Board of Governors during the year ended 31 July 2016 are listed on page 3. The Governors are also directors under the Companies Act 2006.

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

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

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

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

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

Michelmores LLP
48 Chancery Lane,
London WC2A 1JF

Auditor

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Internal Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

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

Structure, Governance and Management

Principal Officers:

Name	**Position**
Professor David Phoenix	Vice Chancellor
Professor Patrick Bailey	Deputy Vice Chancellor
Mrs Mandy Eddolls	Executive Director of Organisational Development and HR
Mr Richard Flatman	Chief Financial Officer

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Professor Paul Ivey	Pro Vice Chancellor (Research and External Engagement)
Mr Ian Mehrtens	Chief Operating Officer
Mr James Stevenson	Secretary and Clerk to the Board of Governors
Professor Shân Wareing	Pro Vice Chancellor (Education and Student Experience)

A separate Corporate Governance Statement is shown on pages 20-25.

The following were Governors throughout the year ended 31 July 2016 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix (Vice Chancellor and Chief Executive)	
Miss Temi Ahmadu	Appointed 1 July 2016
Mr Steve Balmont	
Mrs Shachi Blakemore	
Mr Michael Cutbill	Appointed 1 January 2016
Mr Douglas Denham St Pinnock	
Professor Neil Gorman	
Mrs Carol Hui	
Professor Hilary McCallion CBE	
Mr Kevin McGrath	
Dr Mee Ling Ng	
Mr Abdi Osman	Resigned 10 May 2016
Mr Andrew Owen	
Ms Jenny Owen	Appointed 21 November 2015
Mr Tony Roberts	Appointed 21 November 2015
Ms Andrea Smith	Resigned 30 June 2016
Mr James Smith CBE	Resigned 30 April 2016
Mr Calvin Usuanlele	Appointed 1 July 2016

Changes in Governors since 31 July 2016:

There have been no changes in Governors since 31 July 2016

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Objectives and Activities

Our mission:

To be recognised as an enterprising civic university that addresses real world challenges

London South Bank University has been transforming lives, communities and businesses for over 120 years. At its creation, the Prince of Wales and Archbishop of Canterbury were instrumental in a fundraising campaign which included 55,000 letters of appeal and led to collection boxes being placed on London's bridges. The aims were to improve the social mobility of the people of south east London by improving their employment opportunities and to support the community by providing access to applied knowledge that would advance their businesses. Other than an increasingly global reach that mission remains almost unchanged today – LSBU provides a highly applied academic environment which supports students into professional careers by providing the knowledge and skills attractive to employers. At the same time, it supports employers and the professions by providing the education, consultancy and high quality applied research they need to grow their businesses.

Key outcomes 2015-2020

The higher education sector and the market within which we operate has changed and continues to develop rapidly and so we must continue to innovate in order to keep pace. The recent decision to remove student number controls means we will inevitably see recruitment becoming an even more heated environment and this will be fuelled by new entrants such as private providers. In 2010 only £30 million of public funding went to private providers and this is now approaching £1billion.

Students do not want simply to sit in a lecture theatre. They continue to demand more for their money and the demand will increase still further now that, since September 2016, maintenance grants have been scrapped and replaced with loans. They will expect that their investment in education will enhance their future career prospects. Institutions who strive successfully to meet and manage these expectations are the ones who will prosper. Providing a personalised student experience leading to strong graduate outcomes will become increasingly important and, given our focus on professional education, this is an area in which we must excel.

As the number and diversity of providers grows it will be important to ensure a degree of differentiation from competitors. Universities that succeed in this new environment will be ones that build on their strengths to ensure they develop a strong external reputation for the quality of what they deliver.

Developing into a university that is recognised for addressing society's challenges by engaging with partners on both a local and global scale is not in itself a significant move away from who we are now. We have a reputation for courses relevant to the professions, for applied research and for business engagement and our teaching is becoming more and more dynamic as we produce enterprising graduates ready for a global market. Our academic expertise has real world impact and is drawn upon by commercial and government organisations, so it makes sense to build our future ambitions upon the relevance and strengths of our current identity.

Examples of recent activity include:

- 960 employers send 4,000 of their staff to be educated by LSBU each year.
- Over 150 British SMEs and major companies have formed commercial research partnerships with LSBU.
- The Clarence Centre for Enterprise and Innovation is now home to 60 student-led businesses and social enterprises: 82 companies in our business incubation suite generate an annual turnover of over £54m.

We are refocusing and re-doubling our ambition, trading on our specialisms and moulding graduates for success.

We want our success to be recognised, so by 2020 we aim to be London's top modern University.

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Key outcomes 2015-2020

We are committed to:-

- Ensuring we work with local partners to provide opportunities for students with the potential to succeed and through active engagement retain them;
- Developing the multicultural community of students and staff, working through international alliances and partnerships to further build our capacity and capabilities in education, research and enterprise;
- Ensuring students develop skills and aspiration to enter employment or further study and so become sought after by employers, or have the skills and confidence to start their own businesses, or develop a portfolio career;
- Ensuring that students are seen as participants in their learning and that the student voice is encouraged and listened to;
- Strengthening our national position and our profile as a leading university for professionally focused education underpinned by highly applied research;
- Delivering outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research with the real world through commercial activities and via social enterprise;
- Creating an environment which attracts and fosters the very best staff, and within which all staff, whatever their role, feel valued and proud of their university and take appropriate responsibility for its development; and
- Strategically investing in the creation of first class facilities and ensuring that they are underpinned by services which are responsive to academic and student needs and outcome focused.

The University is split into seven schools, to ensure that it has academic groupings that are meaningful to the outside world and focused enough to be able to respond rapidly to stakeholder needs. This enables each to build its own ethos, to attract potential students and business to work with the University. The Schools are:

- Applied Science
- Arts and Creative Industries
- Built Environment and Architecture
- Business
- Engineering
- Health and Social Care
- Law and Social Sciences.

Professional Service functions have also been aligned with key areas of delivery, thereby allowing the University to minimise duplication through ensuring clarity in terms of responsibility.

The University has taken forward its systems and processes for monitoring and enhancing student engagement to improve student progression and outcomes, using a combination of new technologies including IBM solutions and existing technologies. This programme of work includes better use of student engagement data, better systems for dealing with student academic appeals, integrated student support in modules with lower achievement rates and better and more timely interventions for students at risk of early withdrawal. An early indicator of success is the increased number of students re-enrolling by early September 2016 compared with the same point the previous year. This suggests both improved engagement and progression.

In addition to these investments, we have established a £1m teaching investment fund which is used to ensure students have access to industry standard technical equipment and specialist software which has been implemented to catalogue and monitor industrial placement opportunities and extracurricular achievements (The Higher Education Achievement Record).

A student communications project will ensure technology is used effectively to achieve corporate goals, and stage two of the student engagement project will utilise a wider range of student engagement data presented via a redesigned online interface. All students commencing undergraduate study on the Southwark or Havering Campuses will be entitled to a placement, internship or professional opportunity.

Achievements and Performance

Strategy and Performance:

The University's financial strategy is articulated in the Corporate Strategy and expressed through its rolling five year financial forecasts. The strategy is focused on future sustainability and is designed to maintain financial resilience and flexibility at all times. These rolling five year forecasts are updated each year following Semester 1 recruitment and include surplus and liquidity forecasts and a five year investment profile as well as income and cost projections. The forecasts are returned to Hefce each year as part of the annual accountability return, after approval by Governors. This analysis ensures that the University delivers not only an acceptable level of surplus, but stays within reasonable gearing levels and has the funds for an appropriate capital investment programme.

The Corporate KPIs (*below*) include a number of financial metrics which are reported to the Executive and Board throughout the year, and enable the monitoring of the financial strategy on a continual basis. These KPIs are central to the sustainability of the institution and the headline financial targets remain unchanged and show that by 2020 we are forecast to have:

- Grown our income by approximately 25% to £170m;
- Returned to an annual operating surplus of minimum 5%; and
- Improved the EBITDA margin to 15%.

The key drivers of successful financial outcomes for the university are:

- Meeting our home/EU recruitment targets;
- Delivering agreed growth targets for postgraduate, overseas students and enterprise income;
- Improving progression and retention rates. Significant financial impact can be delivered through small improvements in progression and retention rates;
- Given the uncertainty around the proposals for the TEF, we have currently made no assumptions about incorporating inflationary tuition fee increases into the financial forecasts, but this should not be taken as a sign that we will not be increasing our fees for eligible students from 2017/18;
- Maintaining current levels of NHS contract income through high quality delivery;
- Managing staff costs, including agency costs, so they are within our maximum agreed percentage of income; and
- Further efficiency savings.

Investment in the Physical Estate

LSBU continues to develop its strategic investment in the estate to create sustainable, first class facilities which will enhance both the learning and social experiences of students and support the delivery of the academic mission.

Plans to build new facilities and for the refurbishment of existing buildings have been progressed. LSBU has acquired Hugh Astor Court, a social housing development situated in the middle of the campus, from the Peabody Trust at a cost of £11.3m. The building will make way for a new Learning Centre and Creative and Design Centre and the selection process for an architect is well advanced. Sustainable construction principles will be used as standard and innovative solutions to improve the energy efficiency of existing buildings in order to meet the University's carbon reduction commitment by 2020 have been implemented with remarkable success to date. It is proposed to dispose of old buildings of corresponding dimensions to those of the new builds in order that there is no significant increase in the size of the overall footprint of the campus.

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Sustainability is a major consideration in all procurement processes and we ensure that, where appropriate, environmental criteria are used in both the award of contracts and the purchase of equipment and supplies.

In addition to major capital acquisitions, a further £2.1m has been invested in the estate, of which approximately £0.7m has been through capital investment and the remaining £1.4m has come from revenue budgets. Works funded by capital monies include improvements to the ventilation and heating systems in K2, the upgrade of signage and wayfinding and essential health and safety improvements which have helped to ensure a fully compliant campus. Revenue spend has seen investment in the upgrade of lighting systems in various buildings, general redecoration and improvements to teaching spaces, redecoration of Dante Road Halls of Residence and the first phase of a campus wide toilet refurbishment programme. All work has greatly contributed to improving the Student Experience whilst also improving the condition and environment across the estate.

Key Performance Indicators

The Board of Governors reviewed and revised the key performance indicators for the institution alongside the approval process for the new corporate strategy 2015-2020. Targets for these indicators are set annually, and they are reported regularly to the Executive and Board to review the institution's performance. We are satisfied that our strategies and initiatives will help us move towards achieving these targets. Detailed financial results for the year and financial trend analysis are shown in the Financial Review section of this report.

Against the University KPIs significant progress was made in a number of areas. A key result, which has seen increased impact in league table calculation methods, is the rate of graduate employment within the DLHE survey. A further increase to 81% in the 2015/16 survey took the institution well ahead of target. In addition we have maintained our position as a leading university for graduate starting salaries with the average starting salary placing us in the top 15 universities nationally.

Furthermore LSBU now has 37% of its part time students attending university through sponsorship which is the highest proportion for any UK university and which shows the value employers place on the education provided. The University's National Student Survey overall satisfaction rating by students studying First Degrees was maintained at 82%, with students showing satisfaction with some areas, for example learning resources, that were in the top 50% of the country. Also 77% of students in the International Student Barometer survey said they would positively recommend LSBU as a study destination, which was one of the highest scores within London HEI's.

As a result of improvements in these and other KPIs, there was an overall increase in League Table performance, moving up four places in both the Guardian and Complete University Guides, increasing our score in the Times and Sunday Times guides and leading to our inclusion in the Times World Rankings for the first time.

Financial Review

Balance sheet and liquidity

The Group's restated net assets decreased by 26% during the year, moving from £102.2m to £76.0m. The principal reason for the reduction is an increase of £32.7m in the LPFA pension liability. Creditors that are due within 1 year have increased by £9.5m, partly as a result of the purchase of Hugh Astor Court for £10.2m that completed at the end of the year. Our cash balances are broadly comparable with previous years.

The movement in net assets is summarised as follows:

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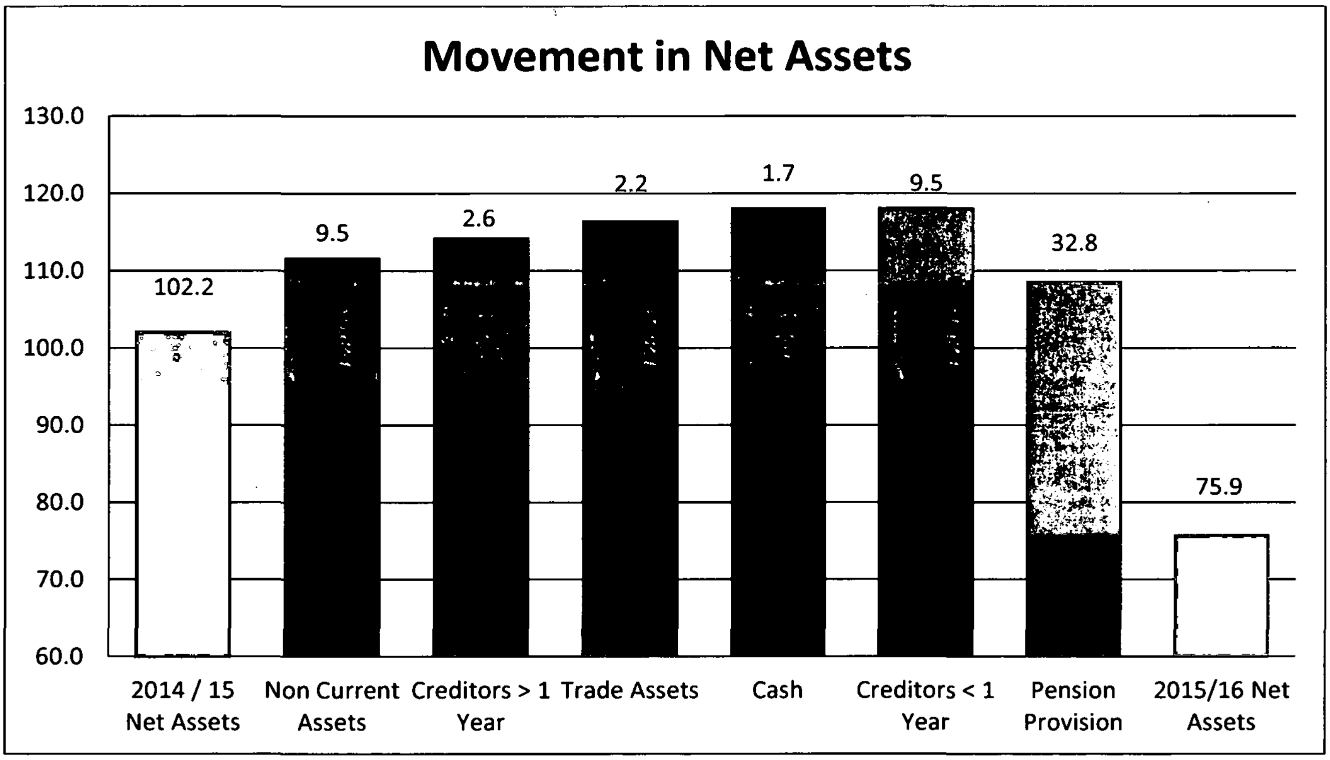

The University always plans to have sufficient liquid assets to meet its liabilities as they fall due and this reduction in net assets will not compromise the group's ability to do so.

Cash balances and bank deposits have increased from £50.9m to £52.7m. Borrowings have reduced from £28.2m at 31 July 2015 to £26.9m at 31 July 2016 reflecting loan repayments made during the year. No new loans were taken out during the year.

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

Result for the Year

Financial Summary in £m			Variance from 2014 / 15 £m	
	2015/16	2014/15		
Income	138.2	141.1	-2.9	-2.1%
Expenditure	134.9	142.3	-7.4	-5.2%
Surplus for the year	3.3	-1.2	4.5	375%
Surplus %	2.4%	-0.85%		

The operating surplus of £3.3m is ahead of the agreed budget of £1.0m. This is considered a strong result, in the context of the recruitment challenges across the sector in 2015/16, the negative impact of FRS102 particularly with regard to interest costs and the additional depreciation due to the current and continued level of investment costs incurred.

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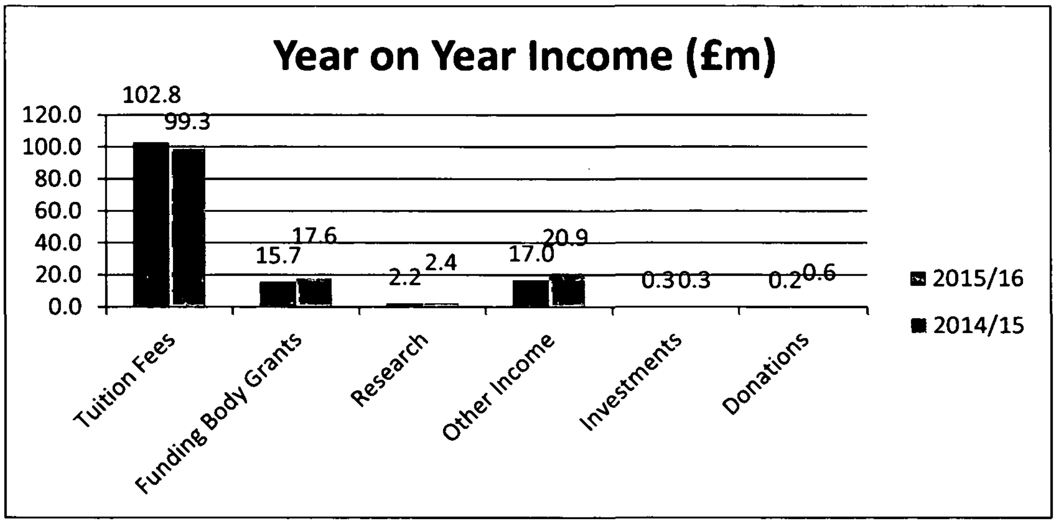
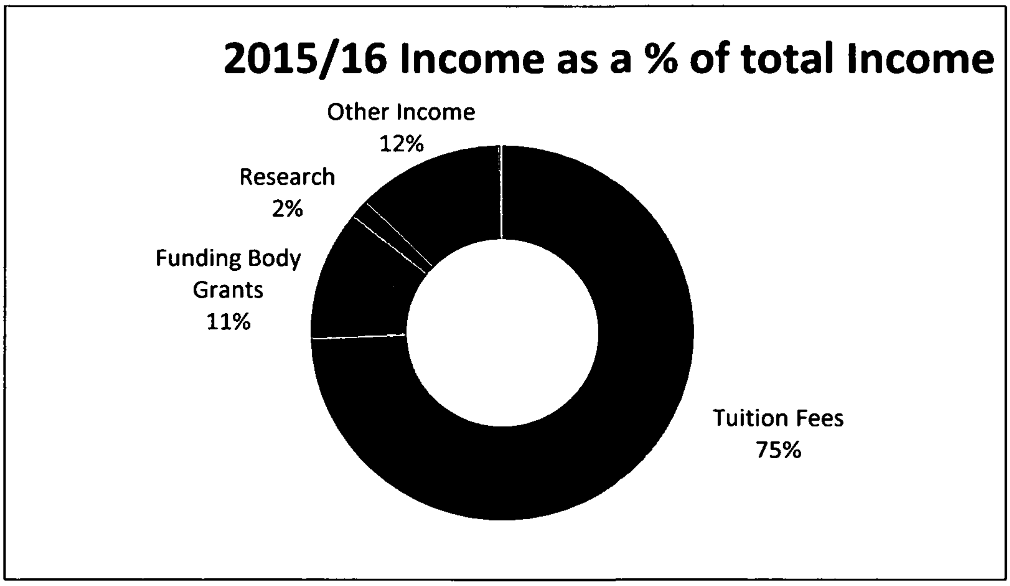


Total income decreased by 2.1% (-£2.9m) to £138.2m (2014/15: £141.1m). There was a reduction in Funding Grant due to the continued impact of the new fee regime for both undergraduate (UG) and post graduate (PG) students. This fall, however, was offset by an increase in Full Time Home / EU UG fees and a significant increase in fees from part time students. The other factors affecting income were a small decline in International student income and a decline in other income which reflects the one off grants released last year as part of the EDISON programme.

Academic fees (including NHS contract income) and Funding Council grants remain the main sources of income for the university representing 74.4% and 11.4% respectively (2014/15 = 70.4% and 12.5%). The key driver for the increase in fee income and corresponding decline in grant income is the introduction of the new fee regime for Undergraduate students.



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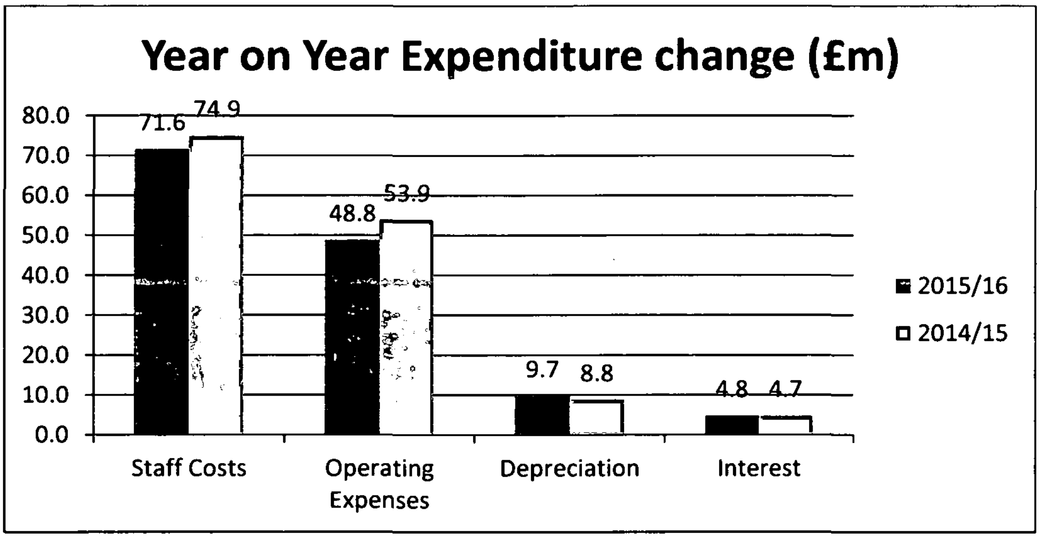
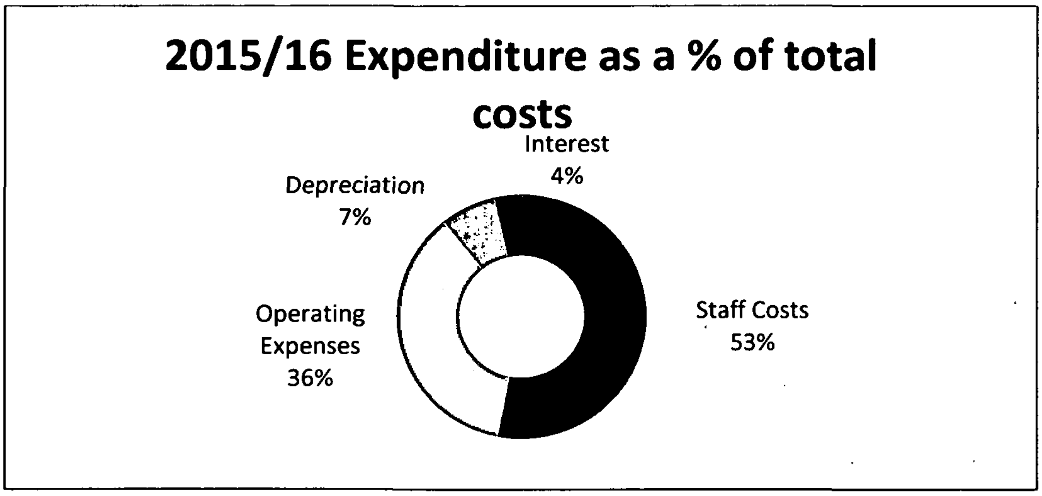


In terms of expenditure, staff costs decreased by 4.4% from £74.9m in 2014/15 to £71.6m in 2015/16 representing 51.8% of income (2014/15: 53.1%). After including agency staff costs, which are included in the accounts as operating expenditure, total staff costs represent 53.9% of income. This is within our agreed maximum of 55%. Although this year's performance is strong, staff costs remain an area of continued focus for the university in 2016/17.

Other operating expenses decreased by 9.4% from £53.9m in 2014/15 to £48.8m. This change is largely accounted for by large one off costs in 2014/15 including agency staff, computing software and computing software consultancy spent on the EDISON project amounting to £5.2m.



Additions to fixed assets during the year cost £19.8m and disposals had a cost of £4.1m. Major investments included the new media centre in London Road, refurbishment of Caxton House for the Confucius Institute, refurbishment of the Refectory kitchen and the installation of Wi Fi in all four halls of residences. The University has also introduced a comprehensive replacement and upgrade plan for both AV and ICT equipment.

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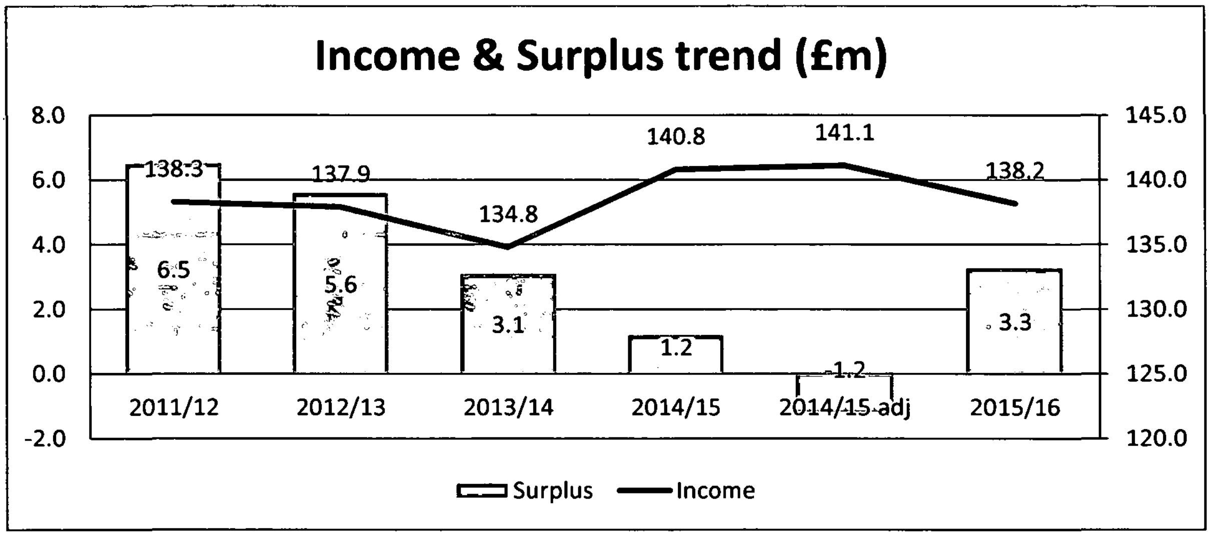
Financial trend analysis



Between 2007/08 and 2010/11 income had grown steadily as a result of the introduction of higher tuition fees for full-time home & European Union (EU) students from 2006 and growth in student numbers. The market has become increasingly competitive following the introduction of higher tuition fees and the removal of the student number cap and this has resulted in a reduction in full time home/EU undergraduate student numbers.

The University strategy is to focus on income growth from postgraduate, overseas students and enterprise. For full-time home and EU undergraduate students the focus is on maintaining stability in terms of numbers with the emphasis on increased entry tariff, improved retention and progression, enhanced student experience and employability.

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

Income growth in 2014/15 was due to higher levels of International recruitment and one off income released as part of the EDISON programme.

The University remains focused on both income growth and cost management in order to ensure the university grows sustainably. The deficit position noted above in 2014/15 is after FRS 102 adjustments. The University has a strong track record of delivering financial surplus.

Pension liability

The pension liability with the London Pension Scheme Authority (LPFA) has increased from £88.8.m to £121.5m, mainly as a result of actuarial losses. The charge to the staff costs for the year is £5.7m, interest £3.4m and a £29.4m loss is charged to other comprehensive income and expenditure.

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Creditor payment policy

It is the University's policy to abide by the terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later. Average creditor days during the year were 27 (2015: 26).

Accounting policies

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 32-37. The University's Governing Body has reviewed the Group's accounting policies and considers them to be the most appropriate to the group's operations.

Subsidiaries

South Bank University Enterprises Limited ("SBUEL") provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL has donated £0.15m in gift aid to the University this year (2015: £0.35m).

SBUEL is fully consolidated into the Group accounts.

Principal risks and uncertainties

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

The Corporate Risk Register has been the subject of careful and frequent review, and is aligned to the Corporate Strategy. The principal risks and mitigation strategies are as follows:

Risk & Impact	Mitigation Strategy
Failure to position LSBU to maintain reputation & effectively respond to policy changes & shifts in the competitive landscape, leading to loss of funding and greater challenge in recruitment and partnership development	- Strategic partner appointed to advice on sector changes communications strategies & horizon scanning with a report to each Executive meeting - Strategic approach to business intelligence through corporate metrics dashboard, & Business Intelligence team
Britain's eventual exit from the EU impacts negatively on the number of students from EU countries and other overseas territories seeking opportunities in UKHE, as well as other impacts on staff recruitment, research funding and investment performance	- Targeted partnership development - Increased marketing activity - Monitoring of channels for advice and demographic patterns

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Revenue reduction if marketing and PR activity does not achieve Home/EU recruitment targets, or if strategies do not cause progression rates across undergraduate programmes to rise in line with targets	- Financial modelling and scenario analysis over 5 year period reviewed annually - Incorporation of Analytics Technology into course review and interventions processes - Differentiated marketing campaigns for FT, PT & PG course offerings, and monthly reporting on applications cycle
Income growth expected from greater research and enterprise, activity and international recruitment does not materialise, leading to weakened financial position, and challenge to current investment plans	- Doubling from two to four research and enterprise Institutes aligned directly with every UKRI grand challenge, each having a dedicated business partner. - Overseas commercial partnership offer to secure income from UK companies operating in Bahrain. - Expansion of Innovation District concept from Clarence Centre to other locations in South London and Internationally driving KPT and company start up activity. - Creation of named research centres having a dedicated academic lead, aligned QR investment and multi-year development plan, all driven by annual performance reviews. - KPI review of activity - Regular reporting of Visa Refusal rates
Loss of NHS contract relationships, leading to loss of income, staff and reputation	- Named customer manager roles with Trusts & Clinical Commissioning Groups (CCGs) - Annual course quality review processes - Applicant support for Literacy & Numeracy requirements - Development of BSc courses for general entry
Increase in staff pension scheme deficit, leading to increased pressure on maintaining a defined staff cost % and challenge to achieving planned surplus	- Participation in sector review activity - Strict control on early access - DC pension scheme for some staff - Annual valuation, utilising CPI inflator
Management Information is not meaningful, unreliable, or does not triangulate for internal decision or external reporting, leading to poor decision making, or external penalty	- Data quality framework introduced - Systematic Internal Audit Reviews - Review of external returns by Business Intelligence unit - Cycle of training for staff on UKVI matters and process
Staff engagement at a lower level than target affects performance and service delivery in a negative way	- Cascade Meeting cycle connects staff with Corporate Strategy & progress - Bi-annual staff engagement survey with more frequent pulse survey - Engagement survey champions are co-ordinating area responses to issues identified in survey - New Staff Intranet project and focused internal communications team utilising technology to better connect colleagues across campus

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Going Concern

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

2015/16 has been another year of significant change, re-structuring and investment for future success. After adjusting for non-recurring income releases in the previous year, related to the implementation of a suite of IBM hardware and software solutions, income of £138m was flat in an increasingly competitive market. A financial surplus of £3.3m has been delivered (ahead of the approved budget surplus for the year of £1m) as a result of continued sound financial management and effective cost control.

A budget surplus of £1m has been approved for 2016/17, reflecting the continued investment necessary to ensure delivery of 2020 corporate strategic and financial outcomes. The next few years will remain challenging in financial terms and the levels of surplus are expected to remain lower than the medium term target whilst we are in the process of investing for growth, delivering new income streams and improving retention and progression. This is consistent with the University's financial model and approved five year forecasts.

The University is forecast to deliver annual surpluses and generate positive cash inflows from operating activities. This, together with the current strong cash position (the University has £52.7m cash and bank deposits at 31 July 2016), supports the University's ambitious investment plans.

Public Benefit statement

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

Charity Commission Guidance on Public Benefit

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

Aims (Charitable Objects)

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

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

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

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The University advances education for the public benefit by:

- Providing learning opportunities for its students in the form of enquiry-based and work-related curriculum including access to lectures, seminars, personal tuition and online resources;
- Delivering many courses accredited by recognised professional bodies, both full and part time;
- Setting and marking assessments and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

The University promotes research and the dissemination of knowledge by:

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

The University provides student support and services for students through:

- Wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- Student advice and guidance services via a one-stop-shop and student helpdesks across both campuses;
- Employability services, supporting students who are working while studying, helping students source work experience and graduate opportunities;
- Money advice, including debt management;
- Specific support services for particular groups of students, including care leavers, carers and pregnant students;
- Tutorial guidance, assessment and feedback;
- Mentoring and coaching;
- Providing student accommodation;
- Funding some individual students' education through bursaries and fee waivers; providing funds to London South Bank University Students' Union, enabling social, cultural, sporting and recreational activities and volunteering opportunities for the personal development and employability of its students.

Beneficiaries

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

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

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

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The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £755,551 on 31 July 2016 (2015: £765,659). The funds are managed with the aim of securing capital growth and an annual income. In 2015/16 the income received was £18,420 (2014/15: £24,709). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2015, 90.4% of graduates were in employment and/or further study 6 months after leaving (DLHE survey results 2014/15). Around 7,000 LSBU students are sponsored to study by their employers, including NHS funded students.

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

The University sponsors two schools in the local area: the University Academy of Engineering South Bank which opened in September 2014; and a University Technical College which opened in September 2016. This community engagement aims to develop professional opportunities for students who have the ability to succeed and to enhance student success by preparing them for higher education.

Employment policy, diversity and training

During the year, the University has developed an ambitious vision to be recognised as a UK leading university in diversity and inclusion. 'All People Matter', our Diversity & Inclusion Strategy 2015 – 2020, describes how tapping into the diversity of skills and expertise that all our people bring, will help us to be an open, diverse and inclusive organisation and achieve our aim to be London's top modern University by 2020.

A new Equality Diversity and Inclusion Steering Group was created in 2015 to help improve and drive EDI performance throughout the business. In addition, it supports the delivery of our Diversity & Inclusion Strategy and ensures our compliance with the Public Sector Equality Duties (PSED) of the Equality Act 2010. The membership is made up of Executive Team members, two Deans, the chairs of our four Staff Networks, and representatives from Student Services, the Students' Union (SU) and the EDI team. We are also supported by three experts with national and international profiles.

We have reviewed our recruitment and selection processes, together with programmes for employee engagement, communication and training to ensure that they are all designed to promote diversity and inclusion, irrespective of age, disability, sex, gender reassignment, marriage/civil partnership, pregnancy and maternity, race, religion or sexual orientation. To this end, LSBU delivered Unconscious Bias training, aimed towards staff and contractors who managed key decision-making processes in relation to appointing, selecting, training and/or teaching staff and students.

For the first time, LSBU broke into the Stonewall Top 100 Employers. Ranked 92nd out of 415 companies and organisations, this is a major achievement in LGBT+ equality. This achievement builds on the steady progress the university has made, rising by 175 places over the past two years. The University continues to meet the requirements of the "Two Ticks Positive about disability" Scheme, having demonstrated its commitment to the recruitment and retention of staff who are disabled on joining LSBU have or become disabled during the course of their employment. We are also Athena SWAN members and have signed up to the 10 Athena SWAN principles committing us to gender equality in academia. Through Athena SWAN, we will also explore opportunities to incorporate race equality data. We are committed to submit our application for Athena Swan Bronze accreditation in November 2016. We have also launched a Gender network and a disability network for all staff.

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Strategic Report

All four of our established staff networks were prominent at our second Staff Conference in May 2015: Equinet, our staff network in support of race equality; SONET, our staff network in support for LGBT equality; dNET, our staff network in support for disability equality; and GenderNet, our staff network in support for gender equality.

The University places considerable value on the involvement of its employees and on good and effective communication with them. Staff are informed through regular meetings, emails and information on the University website, open staff forums, staff newsletters and magazines and other means. Staff are encouraged to participate in formal and informal consultation, through membership of formal committees and informal working groups.

Disclosure of information to auditors

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

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

Auditor

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

Directors' report

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

Approval

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

J E Cope

Mr Jeremy Cope
Chair of the Board of Governors
24th November 2016

Professor David Phoenix
Vice Chancellor and Chief Executive
24th November 2016

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Statement of Responsibilities of the Board of Governors

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

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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Statement of Responsibilities of the Board of Governors

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

The Board of Governors confirm that:

- so far as each Governor is aware, there is no relevant audit information of the University's auditor is unaware; and
- the Governors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Signed on behalf of the Board of Governors by:

J. E. Cope

Mr Jeremy Cope

Chair of the Board of Governors
24th November 2016

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Corporate Governance Statement

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

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

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

Governance and Legal Structure

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

Compliance with the CUC Higher Education Code of Governance

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

Decision making

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

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

During the year, the Board met five times (five in 2014/15). In addition, the Board held two strategy days (two in 2014/15) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was a 93% (2014/15: 90%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on pages 14-16 (1.2). It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability is followed through the remit of the Audit Committee (1.3).

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Corporate Governance Statement

Compliance

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

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

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

Sustainability

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

The Board approved the LSBU Sustainability policy during the year under review, which covers institutional and environmental sustainability in its remit.

Academic governance

The Board has oversight of academic governance across the institution, regularly meeting with the Academic Board to discuss strategy. The Board has reviewed the quality process and agreed an assurance statement during the year under review. With regard to terms and conditions of academic staff, including pay awards and promotion opportunities, the Board has regard to the need to ensure that academic staff have freedom within the law to question and test received wisdom and to put forward new ideas and controversial or unpopular opinions, without placing themselves in jeopardy of losing their jobs or any privileges they may have at the University (4.1, 4.2, 4.3.)

External activities

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

Equality and Diversity

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

The Board regularly reviews its composition and considers equality and diversity in its appointments. An Equality, Diversity and Inclusion plan is being developed for board appointments (6.3, 6.4, 6.5).

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Corporate Governance Statement

Structures and processes

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on page 3. The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association.

Under the Article, the Board has the power to remove any governor from office if they breach their terms of office. (7.2) On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.2, 1.4, 2.1)

Committees

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

The following committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee (including special meetings to select a Chancellor)
- Remuneration Committee

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

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

There is a Remuneration Committee which decides the remuneration of members of the Executive, including the Vice Chancellor (3.13.) The committee includes the Chair of the Board and has a majority of independent governors (3.14.) No individual is present for discussions that directly affect them. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16).

The Board completed an independent external governance review in 2015 and implemented recommended changes (7.11, 7.12).

Statement of Primary Responsibilities of the Board of Governors

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

Corporate Governance Statement

2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of quality assurance and systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard and promote the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

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Corporate Governance Statement

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Andrew Owen
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont
Chair of Finance, Planning and Resources Committee	Andrew Owen
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng
University Secretary and Clerk to the Board of Governors	James Stevenson

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

Statement on Internal Control

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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Corporate Governance Statement

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

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

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in July 2011. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 26 November 2016 and were signed on its behalf by:

J. E. Cope

Mr Jeremy Cope

Chair of the Board of Governors
24th November 2016

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Independent auditors' report to the Board of Governors of London South Bank University

We have audited the financial statements of London South Bank University (the 'University') for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of Board of Governors and auditor

As explained more fully in the Statement of Responsibilities of the Board set out on pages 18-19, the Board of Governors (who are also the directors of the charitable company for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and the Education Reform Act 1988 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and of the group's and the University's surplus, and its income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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Independent auditors' report to the Board of Governors of London South Bank University

Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2016

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 the relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction 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 Companies Act 2006 requires us to report to you if, in our opinion:

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

Grant Thornton UK LLP

Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

24 November 2016

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Consolidated and University Statement of Comprehensive Income and Expenditure
Year ended 31 July 2016

		Consolidated		University	
		2016	2015	2016	2015
		£'000	£'000	£'000	£'000
Income	Note				
Tuition fees and education contracts	1	102,794	99,338	102,794	99,338
Funding body grants	2	15,684	17,583	15,141	17,046
Research grants and contracts	3	2,232	2,358	2,122	2,246
Other income	4	16,960	20,932	15,467	19,397
Investment income	5	313	311	310	307
Total income before other grants and donations		137,983	140,522	135,834	138,334
Donations and endowments	6	195	599	195	599
Total income		138,178	141,121	136,029	138,933
Expenditure					
Staff costs	7	71,581	74,898	70,380	73,944
Other operating expenses	9	48,822	53,912	47,894	52,724
Depreciation	12	9,749	8,759	9,749	8,759
Interest and other finance costs	11	4,755	4,724	4,755	4,724
Total expenditure		134,907	142,293	132,778	140,151
Surplus/(deficit) before other gains and losses		3,271	(1,172)	3,251	(1,218)
Gains on investments	19	12	6	12	6
Surplus/(deficit) for the year		3,283	(1,166)	3,263	(1,212)
Actuarial loss in respect of pension schemes	25	(29,519)	(9,285)	(29,519)	(9,285)
Total comprehensive expenditure for the year		(26,236)	(10,451)	(26,256)	(10,497)
Represented by:					
Endowment comprehensive income for the year		12	6	12	6
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income and expenditure for the year		(26,248)	(10,457)	(26,268)	(10,503)
		(26,236)	(10,451)	(26,256)	(10,497)

All activities consist of continuing operations.

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Consolidated and University Statement of Changes in Reserves

	Note	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
		Endowment	*Unrestricted*		
Consolidated		**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 August 2014		736	82,517	29,400	112,653
Deficit before other gains and losses from the statement of comprehensive income and expenditure		-	(1,172)	-	(1,172)
Other comprehensive expenditure		6	(9,285)	-	(9,279)
Transfers between revaluation and income and expenditure reserve	20		707	(707)	-
Total comprehensive income and expenditure for the year		6	(9,750)	(707)	(10,451)
Balance at 1 August 2015		742	72,767	28,693	102,202
Surplus before other gains and losses from the statement of comprehensive income and expenditure			3,271	-	3,271
Other comprehensive expenditure	25	12	(29,519)	-	(29,507)
Transfers between revaluation and income and expenditure reserve	20	-	724	(724)	-
Total Comprehensive income and expenditure for the year		12	(25,524)	(724)	(26,236)
Balance at 31 July 2016		754	47,243	27,969	75,966
University					
Balance at 1 August 2014		736	82,427	29,400	112,563
Deficit from the statement of comprehensive income and expenditure		-	(1,216)	-	(1,216)
Other comprehensive expenditure		6	(9,285)	-	(9,279)
Transfers between revaluation and income and expenditure reserve		-	707	(707)	-
Total comprehensive income and expenditure for the year		6	(9,794)	(707)	(10,495)
Balance at 1 August 2015		742	72,633	28,693	102,068
Surplus from statement of other comprehensive income and expenditure		-	3,252	-	3,252
Other comprehensive expenditure		12	(29,519)	-	(29,507)
Transfers between revaluation and income and expenditure reserve		-	724	(724)	-
Total Comprehensive income and expenditure for the year		12	(25,543)	(724)	(26,255)
Balance at 31 July 2016		754	47,090	27,969	75,813

Company number 986761

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Consolidated and University Balance sheets
As at 31 July 2016

	Note	Consolidated 2016 £'000	Consolidated 2015 £'000	University 2016 £'000	University 2015 £'000
Non-current assets					
Tangible fixed assets	12	225,735	216,165	225,735	216,165
Investments	13	38	38	38	38
		225,773	216,203	225,773	216,203
Current assets					
Stocks		11	71	11	71
Trade and other receivables	14	14,956	12,778	14,780	12,486
Investments	21	16,465	16,363	16,465	16,363
Cash and cash equivalents	21	36,238	34,552	35,778	34,422
		67,670	63,764	67,034	63,342
Creditors: amounts falling due within one year	15	(44,318)	(34,788)	(43,834)	(34,500)
Net current assets		23,352	28,976	23,200	28,842
Total assets less current liabilities		249,125	245,179	248,973	245,045
Creditors: amounts falling due after more than one year	16	(50,647)	(53,245)	(50,648)	(53,245)
Provisions					
Pension provisions	18	(122,512)	(89,732)	(122,512)	(89,732)
Total net assets		75,966	102,202	75,813	102,068
Restricted reserves – endowment reserves	19	754	742	754	742
Unrestricted reserves					
Income & expenditure reserve– unrestricted		47,243	72,767	47,090	72,633
Revaluation reserve	20	27,969	28,693	27,969	28,693
Total Reserves		75,966	102,202	75,813	102,068

These financial statements were approved by the Board of Governors on 24 November and were signed and authorised on their behalf by:

J. E. Cope

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

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Consolidated Statement of Cash Flows
Year ended 31 July 2016

	Note	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		3,283	(1,166)
Adjustment for non cash items			
Depreciation	12	9,749	8,759
Investment income	5	(313)	(311)
Interest payable	11	4,755	4,724
Decrease/ (increase) in stock		60	(26)
Increase in debtors	14	(2,178)	(4,110)
Increase/(decrease) in creditors	15	8,241	(2,032)
Pension costs less contributions payable	25	(191)	164
Adjustment for investment or financing activities			
Loss on disposal of assets	12	438	71
Investment income	5	21	13
Interest receivable	5	292	298
Net cash inflow from operating activities		**24,157**	**6,384**
Cashflows from investing activities			
Payment to acquire tangible fixed assets	12	(19,757)	(6,524)
Cash added to fixed term deposits	21	(102)	(86)
		(19,859)	**(6,610)**
Cashflows from financing activities			
Capital element of bank loan repayments		(1,309)	(1,294)
Capital element of finance lease repayments		-	(47)
Interest element of bank loan repayments	11	(1,303)	(1,372)
Interest on finance leases		-	(1)
		(2,612)	**(2,714)**
Increase/(decrease) in cash and cash equivalents during the year		**1,686**	**(2,940)**
Cash and Cash equivalents at the start of the year	21	34,552	37,492
Cash and Cash equivalents at the end of the year		36,238	34,552

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Principal Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard FRS102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets.

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on pages 13-14 of these accounts. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

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

Consolidation of accounts

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

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

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

Income recognition

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

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

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

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

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

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

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

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

Tangible fixed assets

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

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

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

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

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

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

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

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

Investments

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

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

Stocks

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

Pension costs

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

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

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

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

Employment benefits

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

Taxation status

The University is an exempt charity within the meaning of part 3 of the Charities Act 2011, and as such is a 'charity' within the meaning of Section 467 of the Corporation Tax Act (CTA) 2010. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478 of the

Principal Accounting Policies

CTA 2010 and Section 256C of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

Agency arrangements

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

Leases

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

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

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

Maintenance

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

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

Reserves

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

Where fixed assets were revalued prior to the implementation of FRS 102, the gain or loss on revaluation was credited or debited to the capital 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.

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The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 24).

Cash flows and liquid resources

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

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

Financial instruments

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

Judgements and estimates

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

The present value of the Local Government Pension Scheme and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price increase and any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability.

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

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

Foreign currency translation

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

Provisions, contingent liabilities and contingent assets

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

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

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

Transition to the 2015 SORP

The Group is preparing its financial statements in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Group has amended certain accounting policies to comply with FRS 102 and the 2015 SORP.

The 2015 SORP requires Universities to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of FRS 102 and the 2015 SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the Group has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- The University has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the University balance sheet discloses cash at both the current and preceding reporting dates.

An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University and its subsidiaries is provided in note 26.

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Notes to the accounts
Year ended 31 July 2016

1. Tuition fees and education contracts	Consolidated and University 2016 £'000	2015 £'000
Full-time home and EU students	54,511	51,716
Full-time international students	8,438	10,258
Part-time students	11,347	9,747
Other courses	1,266	757
Strategic Health Authority education contracts	27,232	26,860
	102,794	99,338

2. Funding body grants		Consolidated 2016 £'000	2015 £'000	University 2016 £'000	2015 £'000
HEFCE recurrent grant		13,396	14,811	13,396	14,811
HEFCE Non recurrent grants	Specific grants	543	808	-	271
	Pension liabilities	201	333	201	333
	Other grants	1,379	1,586	1,379	1,586
Teaching Agency grant		165	45	165	45
		15,684	17,583	15,141	17,046

3. Research grants and contracts	Consolidated 2016 £'000	2015 £'000	University 2016 £'000	2015 £'000
Research councils	718	751	608	639
UK based charities	249	338	249	338
European Commission	191	196	191	196
Other grants and contracts	814	777	814	777
Knowledge Transfer Partnerships	260	296	260	296
	2,232	2,358	2,122	2,246

4. Other income	Consolidated 2016 £'000	2015 £'000	University 2016 £'000	2015 £'000
Residence and catering income	10,931	10,418	10,931	10,418
Other income	6,029	10,514	4,536	8,979
	16,960	20,932	15,467	19,397

5. Investment income	Consolidated 2016 £'000	2015 £'000	University 2016 £'000	2015 £'000
Interest on short term investments	21	13	21	13
Endowment income and interest receivable	292	298	289	294
	313	311	310	307

	Consolidated and University	
	2016	2015
6. Donations and endowments	**£'000**	**£'000**
Unrestricted donations	195	599

	Consolidated	
7. Staff	**2016**	**2015**
Average staff numbers by major category:	**No.**	**No.**
Academic staff	732	780
Student support staff	116	122
Other support staff	492	467
	1,340	1,369

As a result of updated HESA guidance on coding, some teaching staff reported as academic staff in 2015 have been allocated to support staff in 2016.

	Consolidated		University	
	2016	**2015**	**2016**	**2015**
Costs:	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	55,960	59,918	55,421	59,103
Social security costs	5,284	4,958	5,191	4,884
Employers' pension contributions	10,337	10,022	9,768	9,957
	71,581	74,898	70,380	73,944

Staff costs for the year include a credit arising from the over accrual of prior year redundancies of £(0.49)m (2015:£3.61m).

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Notes to the accounts
Year ended 31 July 2016

8. Remuneration of Board of Governors and higher paid employees

A. Governors

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

	2016	2015
	£'000	£'000
Salaries	331	383
Pension contributions	54	53
	385	436

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2016 six trustees were paid total expenses of £2,331 (2015: six trustees were paid total expenses of £6,253) for travel and subsistence.

B. Remuneration of other higher paid staff

Certain employees received remuneration (excluding pension contributions) in excess of £100,000 during the Year. Eight of these employees accrued benefits under defined benefit pension schemes during the year (2015:8). These employees are grouped as follows:

	2016	2015
	No.	No.
£100,000 to £109,999	-	1
£110,000 to £119,999	1	1
£120,000 to £129,999	1	1
£130,000 to £139,000	2	2
£140,000 to £149,999	1	1
£150,000 to £159,999	1	1
£160,000 to £169,999	2	-
£240,000 to £249,999	-	1
£250,000 to £259,999	1	-
	9	8

C. Emoluments of the Vice Chancellor	2016	2015
	£'000	£'000
Salary	243	230
Taxable benefits	12	12
Pension Scheme contributions	40	31
Total emoluments and remuneration	295	273

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

D. Key management personnel

Key Management personnel include members of the University Executive Group, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excluding employer's pension contributions). Members of the University Executive are listed on page 2 and 3 of these accounts.

	2016	2015
	£'000	£'000
Key management personnel	1,245	1,079

The information provided in notes 8B, 8C and 8D does not represent a valid year to year comparison because of (a) changes in the structure of the senior team and (b) part year and pension cost impacts.

E. Related party disclosures

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

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

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

During the year the LSBU Students' Union received financial support from the University of £855,000 (2015: £727,000) net of services provided by the University. The President of the LSBU Students' Union is a member of the Board of Governors. The balance between the two parties at the year-end was £nil (2015: £nil).

The Vice Chancellor of the University, Professor David Phoenix, is a member of the board of South Bank Academies. During the year South Bank Academies paid the University £189,017 in reimbursement of actual expenses incurred.

The Vice Chancellor of the University is a member of the board of Universities UK. During the year the University paid Universities UK £28,632 (2015: £28,567) in respect of membership fees and conference attendance.

The Vice Chancellor of the University received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to purchase a specified property. The loan is repayable on 30 October 2018 (or later as agreed). As of 31 July 2015 the outstanding balance was £350,000. The loan is fully secured by way of legal mortgage on the property in favour of London South Bank University.

		Consolidated		University	
		2016	2015	2016	2015
9.	**Other operating expenses**	**£'000**	**£'000**	**£'000**	**£'000**
	Academic	8,675	11,076	8,675	11,076
	Academic support	7,173	12,316	7,173	12,316
	Other support	6,769	6,706	6,769	6,706
	Premises	14,627	14,812	14,627	14,812
	Residence and catering	4,197	3,697	4,197	3,697
	Other expenses	7,381	5,305	6,453	4,117
		48,822	53,912	47,894	52,724

Group other operating expenses are stated after charging:		2016 £'000	2015 £'000
Auditors' remuneration			
External audit	Grant Thornton UK LLP*	65	54
*Internal audit***	PricewaterhouseCoopers LLP	91	91
*Other services***	Grant Thornton UK LLP	4	5
Rentals under operating leases	Plant and machinery	212	119
Loss on disposal of fixed assets		22	70

* Includes £51,156 attributable to the University (2015: £50,154)
** All attributable to the University

10. Taxation

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

The amount of the asset not recognised is £5,680 (2015: £14,697). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

		Consolidated and University	
		2016	2015
11.	**Interest and other finance costs**	**£'000**	**£'000**
	Loans Interest	1,303	1,372
	Net charge on pension scheme	3,452	3,351
	Finance lease interest	-	1
		4,755	4,724

12. Fixed assets (Consolidated and University)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold land and buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold land and buildings £'000	Assets in Course of Construction £'000	Total £'000
Cost or Valuation							
At 1 August 2015	53,000	165,481	47,233	42,154	44	13,888	321,800
Additions	-	-	-	176	-	19,581	19,757
Disposals	-	(3,243)	(23)	(807)	-	-	(4,073)
Transfers	-	2,649	-	8,312	-	(10,961)	-
At 31 July 2016	53,000	164,887	47,210	49,835	44	22,508	337,484
Depreciation							
At 1 August 2015	-	(48,511)	(26,781)	(30,306)	(37)	-	(105,635)
Charge for the year	-	(4,542)	(1,282)	(3,925)	-	-	(9,749)
Disposals	-	2,850	5	780	-	-	3,635
At 31 July 2016	-	(50,203)	(28,058)	(33,451)	(37)		(111,749)
Net book value							
At 31 July 2016	**53,000**	**114,684**	**19,152**	**16,384**	**7**	**22,508**	**225,735**
At 31 July 2015	**53,000**	**116,970**	**20,452**	**11,848**	**7**	**13,888**	**216,165**

The university has chosen to carry out a revaluation of land held with the one off adjustment creating a new deemed costs of land at 31/7/14 resulting in an increase in deemed cost of £41,946,000.

13. Investments

	Consolidated 2016 £000	Consolidated 2015 £000	University 2016 £000	University 2015 £000
CVCP Properties plc	38	38	38	38

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

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

South Bank University Enterprises Limited

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

London Knowledge Innovation Centre Limited

SBUEL holds 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies but now dormant. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2016 (2015: £nil).

Other investments

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

14. Debtors: amounts falling due within one year

	Consolidated		University	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	11,425	9,833	11,100	9,574
Amounts owed by group undertakings	-	-	224	-
Other debtors	190	266	188	263
Prepayments & accrued income	2,991	2,329	2,918	2,299
Total debtors due within one year	14,606	12,428	14,430	12,136
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	350	350	350	350
	14,956	12,778	14,780	12,486

15. Creditors: amounts falling due within one year

	Consolidated		University	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Bank and other loans	1,325	1,309	1,325	1,309
Trade creditors	1,004	993	991	993
Amounts owed to group undertakings	-	-	-	108
Other creditors	11,555	1,157	11,495	1,081
Social security and other taxation payable	1,485	1,340	1,466	1,319
Accruals and deferred income	28,949	29,989	28,557	29,690
	44,318	34,788	43,834	34,500

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

	Consolidated and University	
	2016	**2015**
	£'000	**£'000**
Bank and other loans	25,609	26,934
Deferred income	25,038	26,311
	50,647	53,245

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

	Consolidated		University	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Government	8,957	6,957	8,867	6,949
Non government	2,334	3,118	2,292	3,099
Capital grants	25,248	26,627	25,248	26,627
	36,539	36,701	36,407	36,675

17. Borrowings

	Consolidated and University	
Bank loans and finance leases are repayable as follows:	**2016** **£'000**	**2015** **£'000**
Due in less than one year (note 16)	1,325	1,309
Due between one and two years	1,347	1,325
Due between two and five years	4,135	4,097
Due after five years	20,127	21,512
Total due after one year (note 17)	25,609	26,934
	26,934	28,243

Details of bank basic loans

Lender	Term	Interest rate	Security	2016 £'000	2015 £'000
Barclays Bank	25 years to 2032	5.67% fixed	David Bomberg House	4,819	5,130
Barclays Bank	To April 2029	5.25 % fixed	K2 Building	5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed	K2 Building	7,993	8,316
Barclays Bank	23 years to 2032	0.225% over Libor	K2 Building	4,677	4,974
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	4,245	4,623
Salix	Variable	Interest free	Unsecured	200	200
				26,934	28,243

18. Provisions for liabilities (Consolidated and University)

	USS pension	LPFA pension	Total
	£'000	£'000	£'000
Balance at 1 August 2015	974	88,758	89,732
Utilised during the year	-	(5,536)	(5,536)
Charged to comprehensive income and expenditure for the year	38	38,278	38,316
Balance at 31 July 2016	1,012	121,500	122,512

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

19. Restricted reserves

	Endowments		Consolidated and University	
	Restricted Permanent	Restricted Expendable	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Balance at 1 August	396	346	742	736
Investment income	-	-	-	24
Expenditure	-	-	-	(24)
Increase in market value of investments	14	(2)	12	6
Reclassification	224	(224)	-	-
Balance at 31 July	634	120	754	742

During the year a number of permanent endowment funds held by the University were reclassified. The income of these funds is often too small to make a meaningful award to a student. By transferring these funds to the University and pooling them together the University will be better able to make awards to students. Awards made from the income from these assets will be made to the same beneficiaries as currently and will be made for similar purposes as specified in the original trust deed.

20. Unrestricted reserves

	Consolidated and University	
	2016	2015
Revaluation reserve	£'000	£'000
Balance at 1 August	28,693	29,400
Transfer to income & expenditure reserves being excess depreciation on revalued assets	(724)	(707)
Balance at 31 July	27,969	28,693

Notes to the accounts
Year ended 31 July 2016

21. Cash and cash equivalents

	At 1 Aug 2015	Cashflows	At 31 July 2016
Consolidated	**£'000**	**£'000**	**£'000**
Investments	16,363	102	16,465
Cash at bank and on deposit	34,552	1,686	36,238
Balance at 31 July	50,915	1,788	52,703

Investments comprise of funds held in fixed term deposits for periods not exceeding three months at 31 July 2016. Cash and cash equivalents comprise funds held in bank and on deposit not exceeding 3 months.

22. Capital commitments

	Consolidated and University	
	2016	**2015**
	£'000	**£'000**
Commitments contracted at 31 July	804	4,671

23. Lease obligations

At 31 July 2016 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	2016	2015
	£'000	**£'000**
Expiring within two and five years	57	97
Expiring in over five years	491	502
	548	599

24. Amounts disbursed as agent - Teacher Training Bursaries

	2016	2015
	£'000	**£'000**
Balance at 1 August	(41)	(77)
Funding council grant	352	102
Disbursed to students	(297)	(66)
Balance at 31 July	14	(41)

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

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

25. Pension arrangements

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

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

A. The Teachers' Pension Scheme

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

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

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

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

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

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

At 31 July 2016 the University had 832 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 14.1% (2015: 14.1%) of salaries and the University's contribution to the TPS for 2016 was £4,021,187 (2015: £3,574,565).

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

B. The university participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund.

At 31 July 2016 the University had 57 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £528,766 (2015: £989,835) with tiered employer contribution rates of between 6% and 9% depending on employee earnings.

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

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

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

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

	2016	2015
Discount Rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Price inflation and pension increases(CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3

	2016	2015
Scheme Assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

Females currently aged 45 (years)	28.8	28.7

Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution 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 in the Statement of Comprehensive Income and Expenditure (note 18).

At 31 July 2016 the University had 57 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £559,114 (2015: £989,835). The scheme has tiered employer contribution rates of between 6% and 9% depending on employee earnings.

C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 1997. 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 2013 with the valuation results taking into account changes to the scheme from 1 April 2014. The results showed the market value of the Fund's assets attributable to the University as £92.17m. The actuarial value of those assets represented 69% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2014 are 15.2% of pensionable salaries to cover the cost of future service plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years. During for the year ending 1st April 2016 this payment amounted to £1,548,000.

Pension costs under FRS 102

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

	31 July 2016 % per annum	31 July 2015 % per annum
Salary increases	3.9%	4.4%
Pension and price increases	2.1%	2.6%
Discount rate	2.5%	3.8%

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

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

Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2012 model, allowing for a long term rate of improvement of 1.5% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males Years	Females Years
Current pensioners	22.0	25.2
Future pensioners	24.4	27.5

Fund assets

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

	Fair value as at 31 July 2016 £'000	Fair value as at 31 July 2015 £'000
Equities	57,655	46,573
Target return portfolio	27,250	20,464
Cash	4,662	13,833
Cashflow matching	9,793	15,229
Infrastructure	7,917	5,655
Commodities	599	473
Property	4,190	3,307
Total fair value of assets	112,066	105,534

Net pension liability

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

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Fair value of Employer Assets	112,066	105,534	99,726	96,319	80,635
Present value of funded obligations	(221,698)	(182,439)	(164,260)	(146,774)	(143,181)
Net underfunding in funded plans	109,632	(76,905)	(64,534)	(50,455)	(62,546)
Present value of unfunded obligations	(11,868)	(11,852)	(11,968)	(11,756)	(12,118)
Net Pension Liability	(121,500)	(88,757)	(76,502)	(62,211)	(74,664)

The movement for the year in the net pension liability is shown in note 18.

Notes to the accounts
Year ended 31 July 2016

Analysis of the amount included in staff costs for the year

	2016 £'000	2015 £'000
Service cost	5,484	5,147
Enhancements to former employees	201	334
Total operating charge	5,685	5,481

Analysis of the amount included in interest payable for the year	2016 £'000	2015 £'000
Interest on the defined liability (asset)	3,270	3,185
Administration expenses	158	150
Total interest charge	3,428	3,335

Analysis of the amount recognised in Other Comprehensive Income	2016 £'000	2015 £'000
Return on fund assets in excess of interest	1,473	307
Change in financial assumptions	(31,077)	(10,085)
Experience gains and losses on defined benefit obligation	85	493
Remeasurment of the net assets/(defined liability)	(29,519)	(9,285)

Analysis of movement in the present value of scheme liabilities	2016 £'000	2015 £'000
At 1 August	194,291	176,278
Movement in the year:		
Current service cost	5,014	4,843
Interest cost	7,296	7,400
Changes in financial assumptions	30,839	10,085
Experience loss/(gain) in defined benefit obligation	(85)	(493)
Past service costs, including curtailments	456	304
Estimated benefits paid net of transfers in	(4,987)	(4,963)
Contributions by scheme participants	1,478	1,475
Unfunded pension payments	(736)	(638)
At 31 July	233,566	194,291

Analysis of movement in the fair value of scheme assets	2016 £'000	2015 £'000
At 1 August	105,534	99,776
Interest on assets	4,026	4,215
Return on assets less interest	1,221	307
Administration expenses	(158)	(150)
Contributions paid	7,166	7,320
Estimated benefits paid plus unfunded net of transfers in	(5,723)	(5,934)
At 31 July	112,066	105,534

The projected pension expense for the year to 31 July 2017 is £9,642,000.

D. London South Bank University Defined Contribution Scheme.

The University provides a defined contribution pension scheme through Friends Life for employees of London South Bank University Enterprises Limited (SBUEL). At 31/7/16 the University had 16 members participating in the scheme. The University's contribution to the Friends Life scheme for 2016 was £78,822 (2015: £52,031) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2016 were £6,538 (2015: nil)

26. Transition to FRS102 and the HE SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out on pages 32 to 37 been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

Financial position	**Consolidated**		**University**	
	31 July 2015	**1 Aug 2014**	**31 July 2015**	**1 Aug 2014**
	£'000	**£'000**	**£'000**	**£'000**
Total endowments and reserves under 2007 SORP	63,868	73,681	63,720	73,593
Revaluation of land	41,946	41,946	41,946	41,946
USS pension provision	(974)	(446)	(974)	(446)
Employee leave accrual	(2,638)	(2,528)	(2,624)	(2,530)
Total effect of transition to FRS 102	**38,334**	**38,972**	**38,348**	**38,970**
Total reserves under 2015 SORP	**102,202**	**112,653**	**102,068**	**112,563**

	Year ended 31 July 2015 Consolidated	**Year ended 31 July 2015 University**
Financial performance	**£'000**	**£'000**
Surplus for the year under 2007 SORP	**1,211**	**1,149**
Movement in USS pension provision	(528)	(528)
Interest on the LPFA scheme	(1,745)	(1,745)
Movement in employee leave accrual	(110)	(94)
	(1,172)	**(1,218)**
Actuarial Gains/losses from LPFA scheme	(9,285)	(9,285)
Endowment income for the year	6	6
Total comprehensive expenditure for the year under 2015 SORP	**(10,451)**	**(10,497)**

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Notes to the accounts
Year ended 31 July 2016

a) Revaluation of land

The university has chosen to carry out a revaluation of land held with the one off adjustment creating a new deemed costs of land at 31/7/14 resulting in an increase in deemed cost of £41,946,000.

b) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 July each year meaning that, at the reporting date, there was a liability of £2,610k for unused leave. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £2.53m was recognised at 1 August 2014. The movement in this provision of £0.1m has been charged to the Statement of Comprehensive Income and Expenditure in the year ended 31 July 2015 and a provision of £2.64m recognised at 31/7/15.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income and Expenditure, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) USS pension scheme

The University has an obligation to fund past deficits within the USS scheme and therefore recognises this as a liability on the Balance Sheet. The past deficit has been calculated using a model recommended by the British Universities Finance Directors Group (BUDFDG). The assumptions used and resulting past service deficit are:

Year ending	Discount rate	Salary inflation	Past service deficit
	%	%	£'000
31/7/14	4.2	4.5	446
31/7/15	3.8	4.4	974
31/7/16	2.5	3.9	1,012

It is not possible to identify the University's share of underlying assets and liabilities in the USS scheme and hence accounts for contributions paid during year if it were a defined contribution scheme, charging contributions directly to staff costs.

e) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the University's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

27. Post Balance Sheet Events

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