

Company Registration No. 986761

London South Bank University

Report and Financial Statements

31 July 2014

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London South Bank University

Report and financial statements 2014

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London South Bank University

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 21-27 and the members of the Board of Governors during the year ended 31 July 2014 are listed on page 4. 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 Financial Memorandum. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

Bankers

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

Solicitors

SGH Martineau
1 Colmore Square
Birmingham
B4 6AA

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

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

Michelmores LLP
48 Chancery Lane,
London,
WC2A 1JF

Muckle LLP
Time Central
32 Gallowgate
Newcastle-Upon-Tyne
NE1 4BF

London South Bank University

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

Auditor

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

Structure, Governance and Management

A separate Corporate Governance Statement is shown on pages 21-27.

Principal Officers:

Vice Chancellor

Professor Martin Earwicker (resigned 31 December 2013)
Professor David Phoenix (appointed 1 January 2014)

Pro Vice Chancellors

Professor Phil Cardew (Students and Education)
Ms Beverley Jullien (External) (resigned 31 July 2014)

Chief Financial Officer

Mr Richard Flatman

Chief Operating Officer

Mr Ian Mehrrens

Executive Director of Human Resources

Ms Mandy Eddolls (appointed 16 June 2014)

Secretary and Clerk to the Board of Governors

Mr James Stevenson

London South Bank University

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Changes in officers since 31 July 2014:

Deputy Vice Chancellor

Professor Patrick Bailey (appointed 1 September 2014)

Pro Vice Chancellors

Professor Paul Ivey (Research and External Engagement) (appointed 1 November 2014)

Board of Governors

The following were Governors throughout the year ended 31 July 2014 except as noted:

Mr David Longbottom (Chair)

Professor Martin Earwicker (Vice Chancellor and Chief Executive) (resigned 31 December 2013)

Professor David Phoenix (Vice Chancellor and Chief Executive) (appointed 1 January 2014)

Ms Ilham Abdishakur (appointed 1 July 2014)

Ms Barbara Ahland (resigned 30 June 2014)

Mr Steve Balmont

Mr Douglas Denham St Pinnock

Mr Ken Dytor

Professor Neil Gorman (appointed 20 March 2014)

Professor Hilary McCallion CBE

Ms Anne Montgomery

The Revd Canon Sarah Mullally DBE

Dr Mee Ling Ng

Ms Louisa Nyandey (appointed 14 October 2013) (resigned 16 October 2014)

Mr Andrew Owen

Ms Diana Parker

Professor Shushma Patel

Mr James Smith CBE

Professor Jon Warwick

Changes in Governors since 31 July 2014:

Mr Jeremy Cope (appointed 01 September 2014)

Emine Dzhihan (appointed 20 November 2014)

Strategic Report

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 55000 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.

Building on our past to shape our future

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 and overseas institutions, plus UK universities setting up London campuses. In 2010 only £30 million of public funding went to private providers and by 2015 this will be approaching £1 billion.

Students do not want to simply sit in a lecture theatre. They continue to demand more for their money and they will expect that their investment in education will enhance their future career prospects. Institutions who strive to successfully 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, 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 and indeed with the increase in the number of providers new quality measures will no doubt be linked to funding success. For example there is the current discussion around linking student loans and fee levels to graduate employment or retention rates and league table performance will of course continue to be of keen interest to students, employers, commissioners and funding agencies in the UK and overseas.

Our new Corporate Strategy 2015-2020 builds on the strengths of our university to enhance our reputation for supporting student success, delivering real world impact through our academic activity and by building on our history of providing opportunities through partnership.

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 4000 of their staff to be educated by LSBU each year
- Over 150 British SMEs and major companies have formed commercial research partnerships
- The Clarence Centre for Enterprise and Innovation is now home to 48 student-led businesses and social enterprises: companies in our business incubation suite generate an annual turnover of over £37m.

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.

Strategic Report

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
- Strategically investing in the creation of first class facilities and ensuring that they are underpinned by services which are responsive to academic needs and outcome focused.

A range of cross University change projects are in progress to help deliver those future outcomes.

To ensure that the University has academic groupings that are meaningful to the outside world and focused enough to be able to respond rapidly to stakeholder need, the University's four faculties have been split into seven new schools. The smaller schools will enable each one to build its own ethos and brand, to attract potential students and business to work with the University. The Schools from 1st August 2014 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, whilst allowing the University to minimise duplication through ensuring clarity in terms of responsibility.

In February 2014, the University embarked on the implementation of a suite of IBM hardware and software solutions – the Edison Project – which will both reduce risks around systems delivery and security, and enable a step-change in the ways in which we monitor and respond to student engagement, and communicate digitally with students. The project has three distinct strands of activity: the transference of core systems onto IBM 'Softlayer' data centres; the implementation of new identity and access management systems; and the delivery of new systems for monitoring student engagement and enhancing digital communication with students. The last of these strands includes the use of analytical tools to identify and pro-actively respond to student engagement, the delivery of a new Student Portal (which will provide access to all our core systems in one location) and the enhancement of our Virtual Learning Environment to include social collaboration tools and instant messaging to students.

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Achievements and Performance

Strategy and Performance:

The University's financial strategy is 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 5 year forecasts are updated each year following Semester 1 recruitment and include surplus and liquidity forecasts and a 5 year investment profile as well as income and cost projections. This analysis ensures that the University delivers not only an acceptable level of surplus but stays within acceptable gearing levels and has the funds for an appropriate capital investment programme.

The strategy sets out a range of financial key performance indicators and these have recently been reviewed as part of the new corporate strategy 2015-2020. The headline financial targets are that by 2020 we will have:

- Grown our income by 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 against agreed growth targets for postgraduate, overseas students and enterprise income
- Improving progression and retention rates. Our future forecasts assume that undergraduate fees are capped at £9,000 and that significant financial impact can be delivered through small improvements in progression and retention rates
- 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
- Further efficiency savings wherever possible.

The key targets have been accompanied by a renewed focus on part time UG recruitment which has been a historic strength of this university and an emphasis on international recruitment where the University has underperformed compared to its peers.

We entered 2013/14 in a strong financial position having made real progress streamlining activity and delivering efficiency wherever possible. A record financial surplus of £9.9m was achieved in 2010/11 and this was followed by surpluses of £6.5m and £5.5m in 2011/12 and 2012/13 respectively. The 2011/12 result was after accounting for an impairment charge of £2.9m in respect of building stabilisation costs which made the result even more satisfying. The true underlying operating surplus last year was £6m before an exceptional loss on the deconsolidation of the Student's Union. It was always anticipated that 2013/14 would be more challenging given ongoing financial uncertainty, pressure on student numbers and the continued reductions in government funding. As expected, recruitment proved challenging and LSBU fell marginally short of initial recruitment targets. This has been managed through effective cost control and the surplus of £3.1m is higher than the original agreed budget surplus of £2.5m. Furthermore, this is after accounting for unbudgeted revenue costs of £1m+ associated both with changed organisation structures and the Edison project.

The 2014/15 budget shows a surplus of £1m. This reduced level of surplus is planned and takes account of increased investment in 2014/15 in a number of areas including close to £3m revenue spend on the Edison project and £0.75m in relation to the cost of running the new programme change office which has been established to drive University wide projects in support of the key outcomes in the new corporate strategy. Depreciation in 2014/15 also increases by £2m to £10.5m, reflecting IBM investment cost and the recent investment in both the new Student Centre and the Clarence Centre. Also included within the budget is an uncommitted revenue investment pool of £1m which allows for some flexibility in terms of actual spending.

The 5 year forecasts demonstrate that the University can deliver a minimum level of £1m surplus over the next 3 years after accounting for this significant level of increased investment spend in our digital and physical infrastructure which

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is designed to improve student experience and progression. The resultant outcome that the increased spend will deliver will be increased surpluses (reaching 5% by 2020) linked to increased levels of graduation and international recruitment.

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.

Approximately £100m will be invested in redeveloping the estate over the next ten years (funded from cash reserves and operating cash flows generated over that period). This investment includes both the provision of new buildings using sustainable construction principles and the development of innovative solutions to improve the energy efficiency of existing buildings in order to meet the University's carbon reduction commitment by 2020.

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.

The energy and environmental management systems at the University have achieved re-accreditation to ISO 50001 and ISO14001 standards. 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 September 2013, the renovation of seventeen unused Grade II listed Georgian buildings to create the Clarence Centre for Enterprise and Innovation was completed at a cost of £13m. A further £5.6m has been invested in the estate including the provision of a new street facing library entrance, the creation of a dedicated entrance to our sports centre (jointly funded with Sport England and from Section 106 money), the refurbishment of specialist laboratory space and public realm improvements costing £830K.

Key Performance Indicators

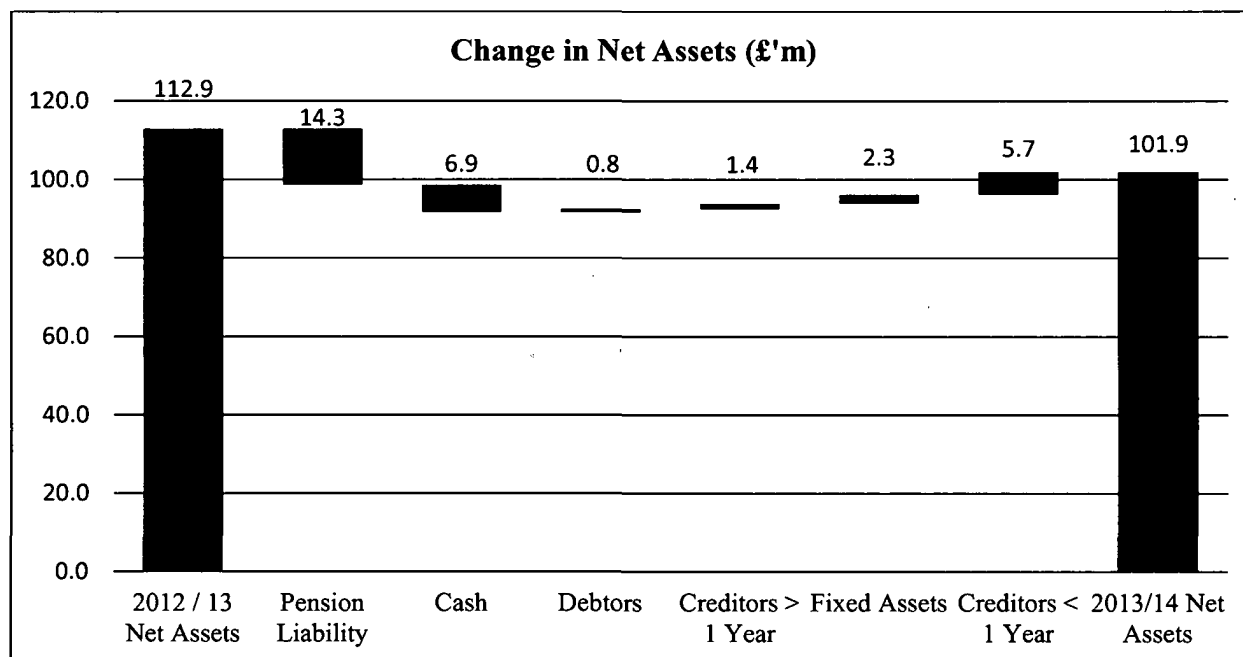
We review the institution's performance continually using a number of KPIs in areas relevant to the sustainability of the institution. In these areas, we have set long term targets against which the Board of Governors and its committees and our Executive team monitor performance. We are satisfied that our strategies will help us move towards achieving these targets. Detailed financial results for the year and financial trend analysis is shown in the Financial Review section of this report.

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Financial Review

Balance sheet and liquidity

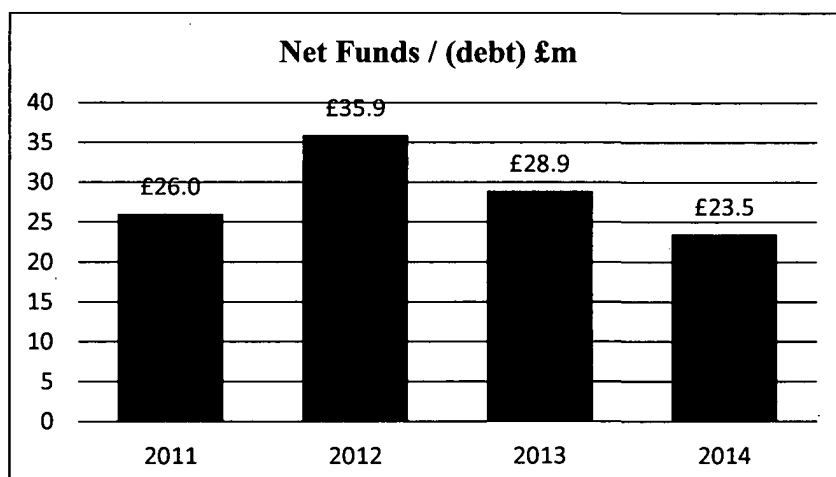
The Group's net assets decreased by 10% during the year moving from £112.9m to £101.9m. There are two principle reasons for the reduction. Firstly an increase of £14.3m in the LPFA pension liability, and secondly an increase of almost £2.3m in tangible assets reflecting the University's continued investment in its Estate and digital infrastructure. Cash balances have been reduced by £6.9m reflecting other changes to working capital.



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. Days liquidity has decreased from 176 days at 31 July 2013 to 157 days at 31 July 2014. This reduction is primarily due to a fall in cash balances and bank deposits from £59.9m at 31 July 2013 to £53.0m at 31 July 2014, which reflects the reduction in creditors and continuing capital expenditure through 2013/14. The longest term deposit is 3 months and the maximum overseas exposure is £5.0m through liquidity funds.

Borrowings have reduced from £31.1m at 31 July 2013 to £29.6m at 31 July 2014 reflecting loan repayments made during the year.

Net funds is summarised below:



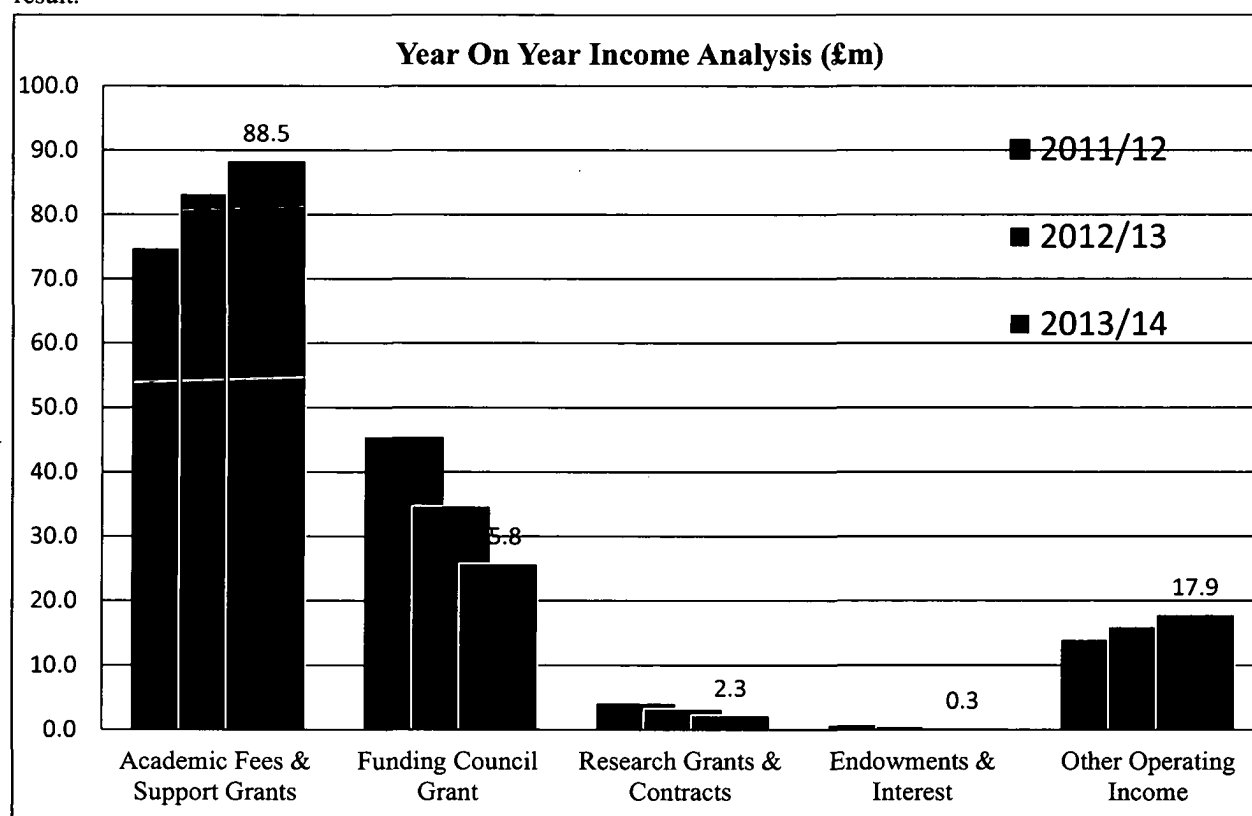
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Borrowing capacity is reviewed on a regular basis and is considered adequate to meet current plans.

Result for the Year

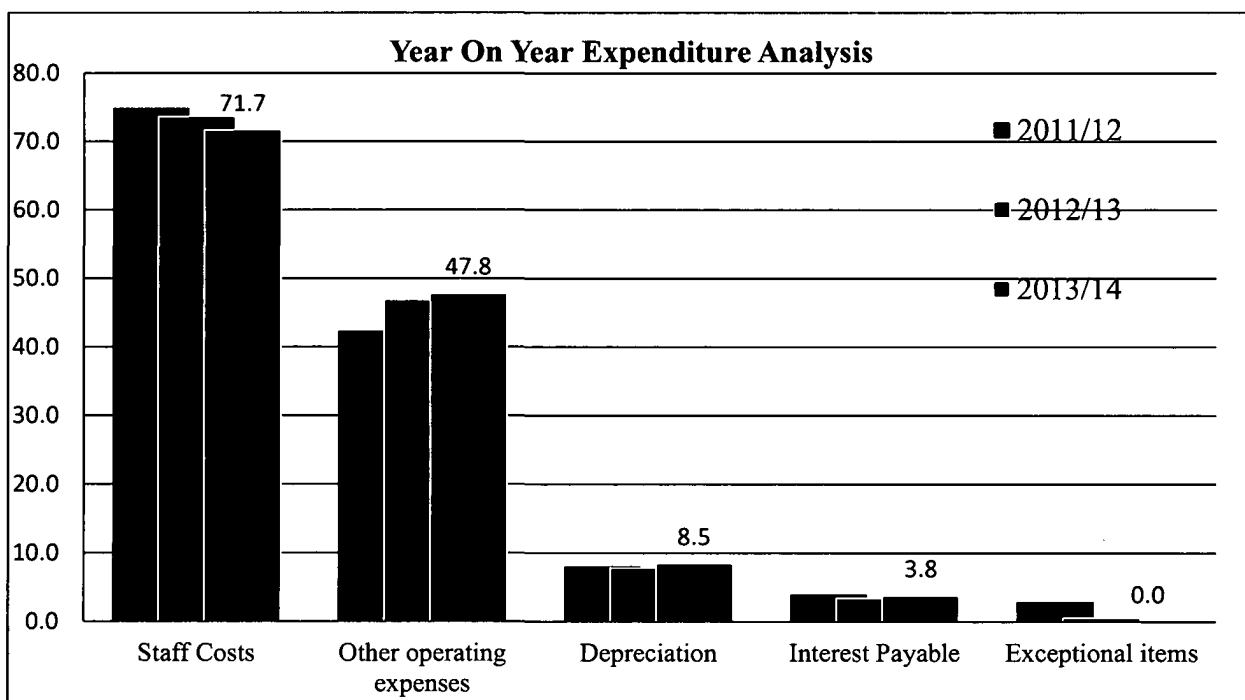
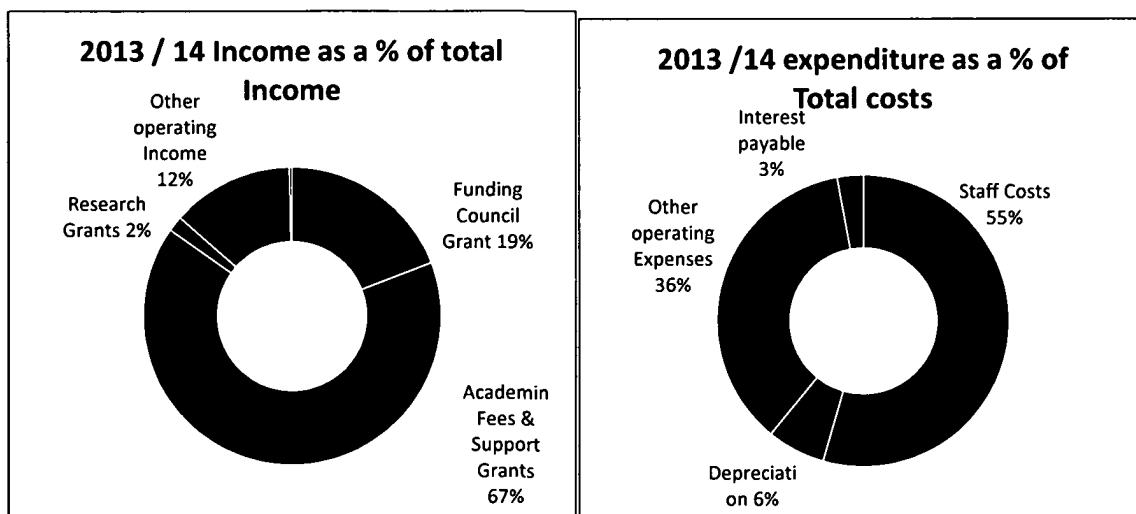
Financial Summary in £m				Variance from 2012 / 13	
	2013/14	2012/13	2011/12		
Income	134.8	137.9	138.3	-3.1m	-2.2%
Expenditure	131.7	132.4	131.8	-0.7m	-0.5%
Surplus for the year	3.1	5.5	6.5	-2.4m	-43.6%
Surplus %	2.3%	4.0%	4.7%		

The operating surplus of £3.1m is ahead of the agreed budget and the forecast surplus of £2.5m submitted to HEFCE in November 2013. In the context of the recruitment challenges across the sector in 2013/14 this is a considered a strong result.



- Total income decreased by 2.2% (£3.1m) to £134.8m (2012/13: £137.9m). There was a reduction in Funding Grant due to the continued impact of the new fee regime for both UG and PG students. This fall, however, was offset by an increase in UG fees and a significant increase in PG fees. The other factors affecting income were a decline in Health Contract income and a decline in Research Grants which were both related to continued pressure on Government spending.
- Academic fees including NHS contract income and Funding Council grants remain the main sources of income for the university representing 67% and 19% respectively (2012/13 = 60% and 25%). 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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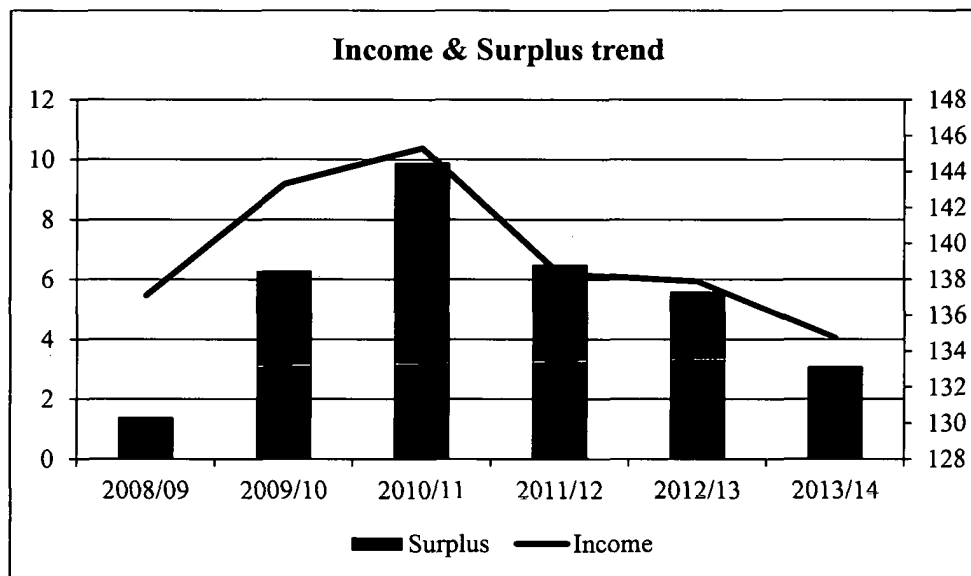


- Staff costs decreased by 2.6% from £73.6m in 2012/13 to £71.7m in 2013/14 representing 53.2% of income (2012/13 = 53.4%). After including Agency Staff costs, which are included in the accounts as operating expenditure, Total staff costs represent 55.7% of income. This is marginally ahead of our target of 55%. This remains an area of continued focus for the university in 2014/15.
- Other operating expenses increased by 1.9% from £46.9m in 2012/13 to £47.8m. This increase was driven by increased expenditure on computing software and hardware as the University transitions to a digital learning environment, increased expenditure on the maintenance of the Campus including our Halls of Residences and increased expenditure due to the change of Catering provider. This was offset by a year on year reduction in the provision for debts to cover higher fees due from self-paying and sponsored students, reductions in Bursaries payable to students under the old Fee regime and a reduction in payments to our Franchise partners.

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- Capital expenditure amounted to £10.7m during the year as we continued to implement the Estate Strategy along with some additional investment in computers and other equipment. Major investments included the EDISON project (an IBM led investment in our Digital infrastructure), investments in Academic spaces including Psychology, Engineering, Architecture and the National Bakery School and continued investments in our campus infrastructure including the Sports Centre, the Perry Library and the University's WiFi network.

Financial trend analysis



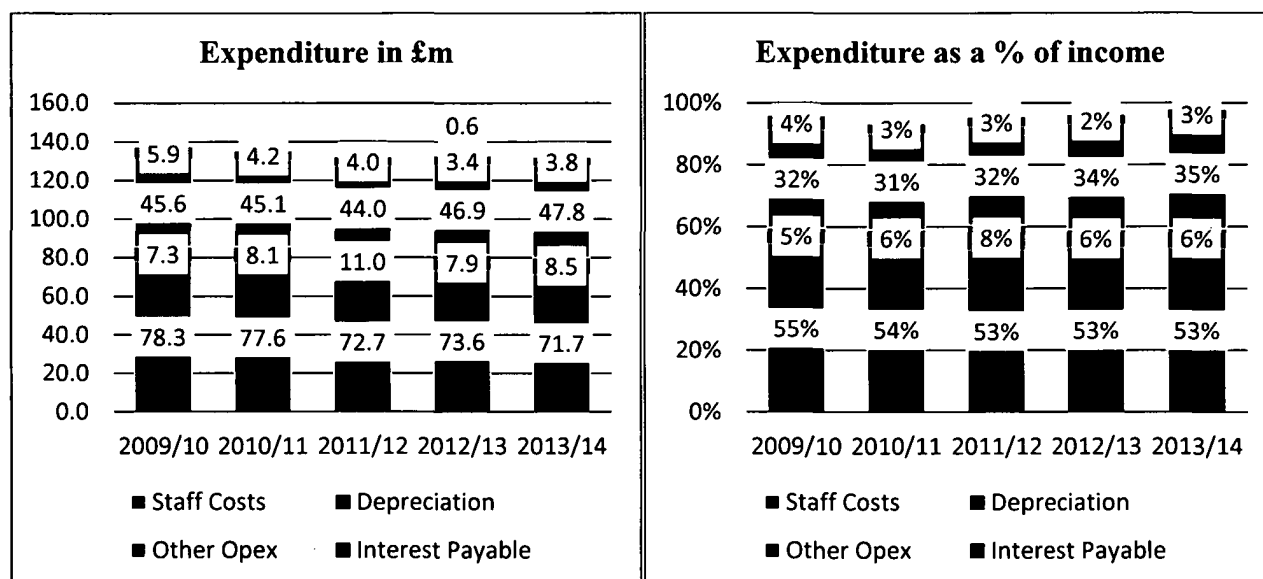
Between 2007/08 and 2010/11 income had grown steadily as a result of the introduction of higher tuition fees for full-time Home & European Union students from 2006 and growth in student numbers. However the number of new students enrolling in the University has declined as a result of the introduction of the new fee regime and is expected to remain below previous levels following the abolition of Student Number Controls.

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 the student experience and improved retention and progression.

The large increase in 2010/11 income can be explained by the one-off increase of 300 UGFT (Undergraduate Full-Time) Student Numbers. These discontinued in 2011/12 and income was further 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 also an additional change with regard to TTA funding in 2013/14 which further depressed income.

The surplus remained relatively constant over recent years but has reduced in 2013/14 by approximately £3m from £6m to £3m due to the decline in income. This reflects declining income but broadly static staff costs and operating expenditure. The University remains focused on cost control and income growth through improved progression.

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Staff costs

Staff costs (including restructuring costs but excluding Agency Staff) have decreased from £78.3m in 2009/10 to £71.7m in 2013/14. As a % of income, staff costs (excluding Agency Staff) have been broadly flat over the last 4 years.

Operating expenditure

Operating expenditure increased from 2008/09 as a result of the introduction of student bursaries alongside higher tuition fees. This began to reverse in 2012/13 and continued to fall in 2013/14 due to the replacement of Bursaries with fee waivers which impact income rather than expenditure. The increase in operating expenditure from 32% of income in 2009/10 to 35% in 2013/14 reflects the decline in income as well as additional expenditure particularly with regard to ICT and the maintenance of our Estate.

Interest

Interest payable decreased from £5.9m in 2009/10 to £3.8m in 2013/14 reflecting a reduction in borrowings outstanding and a requirement for a reduced FRS 17 interest charge compared to previous years.

Depreciation

Depreciation has increased over the 5-year period as a result of investments in the University's estate including the K2 building which came into use in November 2009, the Student Centre which came into use in 2012/13 and the Clarence Centre for Enterprise which came into use in 2013/14. The increase is expected to continue since the University has proposed further investments in the estate, additional investments in IT infrastructure and systems and has further plans to improve teaching spaces. Depreciation is actually higher than in 2011/12 because the impairment write down of £2.9m, linked to stabilisation of the terraces which were ultimately transformed into the Clarence Centre, was reflected in the depreciation charge that year.

Cashflows

The University generated a net cash outflow from operating activities of £6.0m in the year. After accounting for the cost of the Capital Investment programme and repayment of loans the net cash position was reduced by £17.3m. However this is after transferring over £10.3m to fixed term bank deposits. Net funds reduced by £5.4m to £23.5m at 31 July 2014.

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Pension liability

The pension liability with the London Pension Scheme Authority (LPFA) has increased from £62.2m to £76.5m, mainly as a result of actuarial losses. The FRS17 charge to the I&E account for the year is £6.9m (interest £2,341k and staff costs £4,581k) and a £12.5m loss is recognised in the statement of total recognised gains and losses (STRGL).

Creditor payment policy

It is the University's policy to abide by 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 25 (2013: 24).

Accounting policies

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 34-39. The University's Governing Body has reviewed the Group's accounting policies and considers them to be the most appropriate to the University'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 £nil in gift aid to the University this year (2013: £0.5m).

SBUEL is fully consolidated into the Group accounts.

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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 recently to ensure alignment with the new corporate strategy 2015-2020.

Risk and impact	Mitigation Strategy
Failure to meet recruitment targets leading to loss of income	<ul style="list-style-type: none"> - Financial modelling and scenario analysis, linking student number and financial planning much more closely - Sustainable strategy for recruitment including international students, building on our academic strengths - Different modes of delivery and ensuring differentiated marketing for undergraduate, part-time and post graduate programmes.
Potential loss of NHS contracts, leading to loss of income, loss of student numbers and negative impact on the University's reputation	<ul style="list-style-type: none"> - Five year financial forecast has made allowances for potential reductions - Contract discussions with Health Education England and Local Education and Training Boards (LETBs) - Focus on submission of strong returns to the Research Excellence framework (REF) exercise.
Failure to position the university to effectively respond to changes in government policy and the competitive landscape leading to loss of public funding, loss of HEFCE contract numbers, failure to recruit students and the University's business model becoming unsustainable	<ul style="list-style-type: none"> - Appropriate leadership through senior University appointments and a more strategic approach to Business Intelligence - Realigning the academic offering to the market through restructuring the faculties into 7 new schools.
Effectiveness of delivery impaired as the University goes through a re-structuring process, leading to loss of staff, reduction in service levels and less reliable data.	<ul style="list-style-type: none"> - Project management approach to the change with a Programme Director who reports directly to the Executive - Appointing an Executive Director of HR and freeing up staff from the organisation to act as a change team - New professional service groupings to ensure minimal impact on service delivery - Behavioural framework and extensive communications strategy to support staff engagement.
Increasing Staff pension scheme deficits leading to increased pension costs, weakened balance sheet and more requirement for cash payments into the scheme.	<ul style="list-style-type: none"> - Participation in sector discussions - Tight control of staff costs and early access to pensions - Establishment of a defined contribution pension scheme for some staff.
Ineffective data systems leading to insufficient evidence to support decision making, over recruitment penalties, poor league table and failure to satisfy requirements of professional, statutory and regulatory bodies	<ul style="list-style-type: none"> - Internal audit and systematic data checks - Staff training - Attendance monitoring.

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Going Concern

Governors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. 2013/14 has been another year of continued strong financial performance with a financial surplus of £3.1m.

A reduced budget surplus of £1m for 2014/15 has been approved. The reduced level of surplus is planned and takes account of increased investment to ensure delivery of future required outcomes. The next few years will remain challenging in financial terms and the levels of surplus are expected to remain lower than the recent past whilst we are in the process of investing for growth, delivering new income streams and improving retention and progression. This is entirely consistent with the University's financial model and approved five year forecasts.

Whilst financial performance is expected to remain challenging, the University will continue to deliver annual surpluses and generate positive cash inflows from operating activities. This, together with the current strong cash position (the University has £53m cash and bank deposits at 31 July 2014), 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.

The University has no linked charities.

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)

During the year, the Privy Council approved new Articles for LSBU. The new Articles included revised objects, approved by the Charity Commission. The revised charitable objects (under s.3 Charities Act 2011) of the University are to:

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

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

The University advances education for the public benefit by:

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

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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 academics and students;

The University provides associated support and welfare for students by:

- tutorial guidance, assessment and feedback;
- mentoring and coaching;
- providing student welfare and student accommodation;
- funding some individual students' education through bursaries and fee waivers;
- providing funds to London South Bank University Students' Union.

Beneficiaries

In carrying out its objects the University benefits the wider public, through research and knowledge transfer; 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, irrespective of background or ability to pay tuition fees. Throughout its history LSBU has enabled wider access to education. The University's Strategy, 2015-2020 sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; and access to education.

Like other universities LSBU must charge tuition fees. However, maintenance grants are available to those with restricted means, especially students from families on low incomes. In addition, the University offers financial assistance in the form of scholarships, bursaries and charitable funds to students in need. LSBU's fee structure for part-time students reflects the bursary/scholarship paid to full-time students thus ensuring that they are not disadvantaged by studying part-time.

The University's portfolio is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. 86% of graduates were in employment or further education six months after graduating (DLHE survey results 2013). Over 4,500 of LSBU's students are sponsored to study by employers.

The University's research activities also contribute to wider public benefit through the publication of technological advances, scientific knowledge and innovation. The University has undertaken and published research in 2013-14 which will benefit the wider public.

Achievements in relation to objectives

LSBU's student body is diverse and reflects its outreach to the wider community. During the year 97.8% of its full time first degree students came from state schools. LSBU is above the location adjusted benchmark in recruiting students from low participation neighbourhoods.

LSBU's Schools and Colleges Liaison team has received a number of accolades for their work in widening participation and in particular were the winner of a Times Higher Education Award 2012 for Widening Participation Initiative of the Year. This innovative scheme provides care leavers with a first-hand taster of University life and demonstrates that a career in the City is an attainable goal. Overall, the team encourage under-represented groups, such as care leavers, people with disabilities and those from other minority groups, to consider higher education. Through a

Strategic Report

number of workshops, mentoring and careers advice, along with visits to City firms such as UBS, PriceWaterhouseCoopers and Lloyds of London, participants leave with a set of transferable skills to utilise throughout the remainder of their education, along with defined pathways to their desired objective.

We were awarded the Frank Buttle Trust Quality Mark in 2008 for our processes in support of care leavers, and we offer all care leavers a bursary of £750 at the beginning of each academic year, up to £1,000 travel allowance, a dedicated link person to deal with their local authority, help accessing all the University's support services and support in finding accommodation appropriate to their needs and preferences, including year-round accommodation available outside term time.

The University Academy of Engineering South Bank, opened in September 2014, is the first academy in South London to be sponsored by a University. The Academy specialises in engineering within the broad science, technology, engineering and maths (STEM) framework. LSBU's sponsorship of the Academy is an example of community engagement which aims to create professional opportunities for students who have the ability to succeed and to enhance student success by preparing them for higher education.

Private Benefits

Governors are not paid in their capacity as governors. In revising the University's Articles of Association, an enabling power to remunerate governors was included. This power has not been used. It will only be used if the benefit of remunerating governors outweighs all the other options available.

Employment policy, diversity and training

During the year the University has continued to roll out action from its Equality Diversity and Inclusion Policy which was first developed to ensure that the University met all of its obligations under the terms of the Equality Act 2010 and in particular to deliver the requirements of the general equality duty in relation to staff. This requirement covers all staff and in particular those who are defined within the nine protected characteristics outlined in the Act.

We are committed to the promotion of equality, diversity and a supportive environment for all members of our community and aspire to be a truly inclusive organisation. To enable us to achieve this we have developed a wide ranging plan of action based on our Equality and Diversity and Inclusion Policy to strive to prevent and eliminate discrimination, promote fairness and celebrate the diversity within our community.

Employee recruitment and grading processes, together with programmes for employee involvement, communication and training are all designed to promote equal opportunity irrespective of age, disability, sex, gender reassignment, marriage/civil partnership, pregnancy and maternity, race, religion or sexual orientation.

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 have or become disabled during the course of their employment.

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

Strategic Report

Disclosure of information to auditors

At the date of making this report each of the Governors, as set out on page 4, 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

A resolution to reappoint Grant Thornton UK LLP as auditor of the University will be proposed at the forthcoming Annual General Meeting.

Directors' report

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

Approval

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



Mr David Longbottom
Chair of the Board of Governors



Professor David Phoenix
Vice Chancellor and Chief Executive

Responsibilities of the Board of Governors

In accordance with the University's Memorandum and Articles of Association approved by the Privy Council, the Board of Governors is responsible for the effective stewardship of the University and Group and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the University and the Group and to enable it to ensure that the financial statements are prepared in accordance with the University's Memorandum and Articles of Association, the HEFCE Accounts Direction, the Statement of Recommended Practice on Accounting for Further and Higher Education, other relevant accounting standards and comply with the Companies Act 2006. In addition, within the terms and conditions of a Financial Memorandum agreed between the HEFCE and the Board of Governors of the University, the Board of Governors, through its Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows of the Group for that year.

In preparing the financial statements, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed; and
- Financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

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 Financial Memorandum with the Funding Council 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;
- Safeguard the assets of the University and the Group and prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University and Group's resources and expenditure.

Signed on behalf of the Board of Governors by:



Mr David Longbottom
Chair of the Board of Governors

20 November 2014

Corporate Governance Statement

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

The University's Board of Governors is committed to maintaining the highest standards of corporate governance and in doing so complies with the CUC Governance Code of Practice. In carrying out its duties it also has regard to:

- The UK Corporate Governance Code (where applicable)
- The seven principles of behaviour in public life
- The HEFCE Financial Memorandum (now the 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 bodies
- The University's Memorandum and Articles of Association

In September 2011, the University received a positive outcome from HEFCE's five yearly assurance review, undertaken in July 2011, which examined how the University exercises accountability for the public funding it receives. The University's Internal Auditor's annual opinion on risk management, control and governance is that it is adequate and effective.

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, which govern how the University is run. During the year, the University amended its Articles of Association, approved by the Privy Council on 3 June 2014.

The Articles set 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 CUC Governance Code of Practice

The Board has complied with all aspects of the CUC Governance Code of Practice during the year under review, as demonstrated below.

Role of the Board of Governors

The University is headed by a Board of Governors which is collectively responsible for the strategic direction of the University, approval of major developments and creating an environment where the potential of all students is maximised. It takes the final decision on all matters of fundamental concern to the institution.

All governors, when appointed, agree to abide by the standards of behaviour in public life. As the University is also a company, its governors comply with the directors' duties as set out in sections 170 – 177 of the Companies Act 2006 and duties of charity trustees when making decisions. Governors are unremunerated but may claim back expenses properly incurred in the discharge of their duties.

The Board met seven times (five in 2012/13) during the year. In addition to the usual five ordinary business meetings the Board met twice (i) to approve the appointment of the Vice Chancellor; and (ii) to approve aspects of the Vice Chancellor designate's remuneration. In addition, the Board held two strategy days (two in 2012/13) allowing further

Corporate Governance Statement

time to discuss and debate longer-term strategic challenges for the University. The Board prioritises strategic matters at its meetings. Where necessary, governors receive presentations on a specific strategic matter before Board meetings to allow them to explore key issues in greater depth. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chairman. In the year under review there was an 87% (2012/13: 83%) attendance rate at Board meetings.

The Board has agreed a Statement of Primary Responsibilities (on page 25), which is reviewed annually and published on the University's website. It follows the model statement as recommended by the CUC and includes approval of the educational character, mission and strategic vision of the university and to ensure that these meet the needs of stakeholders.

The Board delegates day-to-day management of the University to the Vice Chancellor as Chief Executive and Chief Academic Officer. The Vice Chancellor's delegated authority is set out in the Articles of Association and includes:

- making proposals to the Board about the educational character and mission of the University;
- the organisation, direction and management of the University and leadership of staff;
- the determination, after consultation with the Academic Board, of the University's academic activities, and for the determination of its other activities;
- preparing annual estimates of income and expenditure for consideration by the Board of Governors, and for the management of budget and resources, within the estimates approved by the Board of Governors;
- for the maintenance of Student discipline and within the rules and procedures provided for within these Articles, for the suspension or expulsion of Students on disciplinary grounds and for implementing decisions to expel students for academic reasons.

The Vice Chancellor is the designated officer in respect of the use of Funding Council funds.

As Chief Academic Officer, the Vice Chancellor is the Chairman of the Academic Board. The Academic Board is responsible for all the academic affairs, subject to the overall responsibility of the Board of Governors, for determining the educational character and mission of the institution.

Governors are reminded of their duty to exercise their responsibilities in the interests of the University as whole during their induction and throughout their term of office. The University maintains a register of interests of governors and the Executive which is published on the University's website. New governors are required to complete a declaration on appointment and to inform the Secretary of any amendments to their entry. The register is reviewed annually by the Board who decide whether to authorise the declared interests. During the year under review all declared interests were authorised by the Board. No conditions were attached to any of the interests authorised by the Board. In addition, governors are asked at the opening of each Board and committee meeting to declare whether they have any interests in any matters on the agenda.

The University Court enhances the University's engagement with its key stakeholders. Although not a decision making body, the University Court plays an important advisory role in the development of the University through its wide membership of prominent and distinguished individuals. The University Court meets annually in the spring and helps the University build relationships with members and identify areas for collaboration for the benefit of students. The Court's annual meeting took place in the new Clarence Centre for Enterprise and Innovation on 20th March 2014. The University's Chancellor, Richard Farleigh, acts as the principal figurehead of the University and represents the University's interests externally. His role includes hosting the annual Court event, presiding at degree ceremonies and establishing relationships with the University's stakeholders.

Corporate Governance Statement

Structure and Processes

The Board when fully complemented consists of 18 governors: 13 independent governors, 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 4. The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association.

In accordance with the Articles of Association the Board consisted of a majority of independent governors throughout the year and at all Board and committee meetings. All "independent governors" are external and independent of the University.

The appointment of independent governors to the Board is determined by the Nomination Committee and Appointments Committee, both chaired by the Chairman of the Board. 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.

Each new governor is given an appropriate induction and encouraged to attend relevant external training. New governors are appointed to at least one committee.

At the University's expense, governors have the right to external, independent advice where necessary in order to fulfil their duties.

The Board of Governors is supported by the University Secretary and Clerk to the Board of Governors and his team. The Secretary provides independent advice on matters of governance to the Chairman. The Secretary ensures that governors receive information in a timely manner and of sufficient quality to allow the Board to fulfil its duties.

The University publishes minutes of Board and its sub-committee meetings on its external website. Minutes are redacted when the wider interests of the University as a whole demands it and in the spirit of the Freedom of Information Act 2000.

Effectiveness and Performance Reviews

The Board has appointed an independent facilitator to undertake a formal and rigorous review of the effectiveness of governance at the University. The review will include reviewing the effectiveness of the Board and its sub-committees, the Academic Board and its sub-committees, and their relationships with the University Executive. The review will be carried out during 2014/15. The agreed recommendations of the review will be implemented during 2015/16. The Board of Governors last reviewed its effectiveness in 2010.

Committees

The Board operates through a number of committees which report to the Board at each meeting. All committees are formally constituted with appropriate terms of reference which are reviewed annually. Terms of reference and membership of each committee are available on the governance pages of the University's website. All committees have a majority of independent governors, from whom its Chairman is drawn. The chairs of each committee are set out on page 26. The terms of reference of each committee complement the decision-making framework of the Matters Reserved to the Board, which the Board reviews annually.

Corporate Governance Statement

Matters specifically reserved to the Board as a whole for decision include:

- The determination of the educational character and mission of the University;
- The approval of the University's long-term mission and strategic vision;
- The approval of the annual budget and five year forecasts;
- Investment in capital projects above agreed levels;
- Election of the Chairman of the Board;
- Appointment of the Vice Chancellor and the Clerk to the Board and other senior post holders; and
- The variation of the University's Memorandum and Articles of Association.

Current committees of the Board are:

- Policy and Resources Committee
- Audit Committee
- Educational Character Committee
- Human Resources Committee
- Property Committee
- Nominations Committee
- Appointments Committee
- Remuneration Committee

The Policy and Resources Committee advises the Board of Governors on the solvency and the use and safeguarding of its resources and assets, and recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to those budgets. It reviews high level corporate policy of the University. Throughout the year under review it met on five occasions.

The Audit Committee is responsible for meeting the external auditors and internal auditors of the University and reviewing their work. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. It provides oversight of the risk management process and receives regular risk reports from management. It also scrutinises the University's relationship with HEFCE and monitors adherence with its regulatory requirements. It reviews the University's annual financial statements together with the accounting policies. In addition to the four independent governor members, there is one independent external member co-opted to the committee. Whilst members of the Executive attend meetings of the Audit Committee, they are not members of the Committee. The Chairman of the Board is not a member of the Committee and does not attend its meetings. The committee met four times during the year under review.

The Educational Character Committee helps the Board gain a greater insight and understanding of the educational and academic work of the institution. It considers issues such as student retention and progression, student satisfaction and reports from the Academic Board. The committee met three times in the year under review.

The Human Resources Committee is responsible for setting the framework for the determination and implementation of policies and procedures relating to the employment of staff. It also sets the framework for collective salary and conditions of service negotiations. The Committee considers the broad financial implications of the University's staffing needs. With the Chair's permission, one of the staff governors attends as an observer. The committee met three times during the year under review.

The Property Committee advises the Board of Governors on property and estates matters. It considers all major estates projects before recommending their approval to the Policy and Resources Committee and the Board of Governors. The Property Committee monitors the execution of these projects. It met three times during the year under review.

Corporate Governance Statement

The Nomination Committee meets as necessary to consider candidates for independent governor vacancies on the Board of Governors. Independent Governors are appointed for a term of four years by the Appointments Committee. Renewal for an additional term can be considered, but is not automatic. The Nominations Committee met twice during the year and recommended two new independent governors for appointment. The Appointments Committee met twice during the year.

The Remuneration Committee determines the annual remuneration of senior post holders. It met twice during the year.

Modernisation of the Articles

During the year the Board reviewed the University's constitution and a new set of Articles was approved by the Privy Council in September 2014.

Board of Governors – Statement of Primary Responsibilities (approved by the Board at its meeting in October 2013)

- 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.
- To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel management 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.
- To ensure the establishment and monitoring of 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.
- 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.
- 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.
- 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.
- To safeguard and promote the good name and values of the institution.
- To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
- 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.
- To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
- 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.
- 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.
- To make such provision as it thinks fit for the general welfare of students.
- 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.
- 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.

Corporate Governance Statement

This Statement of Primary Responsibilities does not replace the provisions of the University's Articles of Association. If the two conflict, the Articles shall prevail.

Key individuals

Chair of the Board of Governors	Mr David Longbottom
Joint Vice Chair of the Board of Governors	The Revd Canon Sarah Mullally DBE
Joint Vice Chair of the Board of Governors (Appointed 9 th October 2014)	Mr Jeremy Cope
Head of Institution (Vice Chancellor and Chief Executive)	Professor David Phoenix
Chair of Policy and Resources Committee	The Revd Canon Sarah Mullally DBE
Chair of Audit Committee	Mr Andrew Owen
Chair of Educational Character Committee	Mr Douglas Denham St Pinnock
Chair of Human Resources Committee	Ms Anne Montgomery
Chair of Property Committee	Mr Ken Dytor
Chair of Nominations Committee	Mr David Longbottom
Chair of Appointments Committee	Mr David Longbottom
Chair of Remuneration Committee	Ms Diana Parker
University Secretary and Clerk to the Board of Governors	Mr 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 Memorandum and 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 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

- We meet a minimum of four times a year 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 provides oversight of the risk management process and comments on its effectiveness;

Corporate Governance Statement

- 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 function. 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 functions; 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 20 November 2014 and were signed on its behalf by:



Mr David Longbottom

Chair of the Board of Governors



Professor David Phoenix

Vice Chancellor and Chief Executive

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 2014 which comprise the principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated statement of historical cost surpluses and deficits, the University and consolidated balance sheet, the consolidated cash flow statement 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).

This report is made solely to the Governing Body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B (4) of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992. Our audit work has been undertaken so that we might state to the University's Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and its Governing 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 set out on page 25, the Governing Body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and University's affairs as at 31 July 2014 and of its incoming resources and application of resources, including its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; 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.

Opinion on other matters prescribed by HEFCE's Financial Memorandum dated July 2010

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the funding council's Financial Memorandum and any other terms and conditions attached to them.

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

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

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the Statement of Internal Control is inconsistent with our knowledge of the University.

Grant Thornton UK LLP

David Barnes
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
20 November 2014

London South Bank University

Consolidated income and expenditure account Year ended 31 July 2014

		2014 £'000	2013 £'000
Income	Note		
Funding council grants	1	25,825	34,750
Academic fees and support grants	2	88,453	83,282
Research grants and contracts	3	2,255	3,255
Other operating income	4	17,890	16,001
Endowment income and interest receivable	5	331	566
Total income		<u>134,754</u>	<u>137,854</u>
Expenditure			
Staff costs	6	71,663	73,619
Depreciation	13	8,455	7,870
Other operating expenses	8	47,763	46,876
Interest payable	10	3,776	3,433
Total expenditure		<u>131,657</u>	<u>131,798</u>
Surplus before exceptional items		<u>3,097</u>	<u>6,056</u>
Exceptional Items: Deconsolidation of the Students' Union	11	<u>-</u>	<u>(556)</u>
Surplus for the year		<u><u>3,097</u></u>	<u><u>5,500</u></u>

The notes on pages 40-60 form an integral part of the Financial Statements. All activities consist of continuing operations.

London South Bank University

Consolidated statement of total recognised gains and losses Year ended 31 July 2014

		2014 £'000	2013 £'000
	Note		
Surplus for the year	22	3,097	5,500
Actuarial (losses)/gains relating to pension scheme	24	(12,500)	14,237
Change in market value of endowment asset investments	26	7	88
		<hr/>	<hr/>
Total recognised (losses)/ gains relating to the financial year		(9,396)	19,825
		<hr/>	<hr/>

Reconciliation

Opening reserves and endowments	83,077	63,252
Total recognised (losses)/gains for the year	(9,396)	19,825
	<hr/>	<hr/>
Closing reserves and endowments	73,681	83,077
	<hr/>	<hr/>

Note of consolidated historical cost surplus Year ended 31 July 2014

		2014 £'000	2013 £'000
Reported surplus for the year	22	3,097	5,500
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	22	792	794
		<hr/>	<hr/>
Historical cost surplus for the year		3,889	6,294
		<hr/>	<hr/>

**Balance sheets
As at 31 July 2014**

		Consolidated 2014 £'000	2013 £'000	University 2014 £'000	2013 £'000
Fixed assets	Note				
Tangible assets	13	176,532	174,292	176,532	174,292
Investments	14	38	38	38	38
		<u>176,570</u>	<u>174,330</u>	<u>176,570</u>	<u>174,330</u>
Endowment fixed assets					
Total Endowments	26	736	729	736	729
		<u>736</u>	<u>729</u>	<u>736</u>	<u>729</u>
Stocks		45	18	45	18
Debtors	15	8,663	7,823	9,023	7,770
Bank Deposits		15,540	5,206	15,540	5,206
Cash at bank and in hand		37,492	54,750	36,526	53,821
		<u>61,740</u>	<u>67,797</u>	<u>61,134</u>	<u>66,815</u>
Creditors: amounts falling due within one year	16	(32,408)	(38,137)	(31,890)	(37,835)
Net current assets		<u>29,332</u>	<u>29,660</u>	<u>29,244</u>	<u>28,980</u>
Total assets less current liabilities		<u>206,638</u>	<u>204,719</u>	<u>206,550</u>	<u>204,039</u>
Creditors: amounts falling due after more than one year	17	(28,243)	(29,592)	(28,243)	(29,592)
Pension liability	19	(76,502)	(62,211)	(76,502)	(62,211)
Net assets		<u>101,893</u>	<u>112,916</u>	<u>101,805</u>	<u>112,236</u>
Deferred capital grants	20	28,212	29,839	28,212	29,839
Endowments					
Permanent	26	392	388	392	388
Expendable	26	344	341	344	341
		<u>736</u>	<u>729</u>	<u>736</u>	<u>729</u>
Capital and reserves					
Income & expenditure account excluding pension reserve	22	120,047	114,367	119,959	113,687
Pension reserve	22	(76,502)	(62,211)	(76,502)	(62,211)
		<u>43,545</u>	<u>52,156</u>	<u>43,457</u>	<u>51,476</u>
Income and expenditure account including pension reserve		<u>43,545</u>	<u>52,156</u>	<u>43,457</u>	<u>51,476</u>
Revaluation reserves	21	29,400	30,192	29,400	30,192
Total		<u>101,893</u>	<u>112,916</u>	<u>101,805</u>	<u>112,236</u>

These financial statements were approved by the Board of Governors on 20 November 2014 and were signed and authorised on their behalf by:

Mr David Longbottom (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

London South Bank University

Consolidated Cash flow statement Year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	29	6,038	12,729
Returns on investments and servicing of finance	30	(1,103)	(906)
Capital expenditure and financial investment	31	(10,744)	(18,552)
Acquisitions and disposals	32	-	(547)
Net cash outflow before management of liquid resources and financing		(5,809)	(7,276)
Management of liquid resources	33	(10,334)	(61)
Financing	34	(1,115)	(1,914)
Decrease in cash	35	(17,258)	(9,251)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash	35	(17,258)	(9,251)
Cash outflow/(inflow) from/(to) liquid resources	33	10,334	61
Net decrease in debt	36	1,470	2,254
Change in net funds		(5,454)	(6,936)
Net funds at 1 August	35	28,961	35,897
Net funds at 31 July	35	23,507	28,961

London South Bank University

Principal Accounting Policies Year ended 31 July 2014

The following principal accounting policies 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

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, in accordance with the Companies Act 2006 and with the Statement of Recommended Practice (SORP) for Further and Higher Education 2007, and in accordance with applicable accounting standards and HEFCE's Accounts Direction.

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 16 of these accounts. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

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 the London South Bank University Students' Union (LSBUSU) from August 2012, the University no longer exercises control over the LSBUSU and therefore took the decision to cease consolidating the accounts of LSBU SU within these financial statements.

The University Sponsors an Academy, University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC Trust (which was incorporated on 24th October 2014). Although the University has representation on the Academy's Board of Trustees and Governing Body, the Trustees and Governors act for the Academy and not the University. Furthermore, if the Academy were to fail, the University would not receive its assets or reserves. Therefore the Accounts of the Academy are not consolidated into the University Accounts.

Consolidation of subsidiaries is based on the equity method.

Income recognition

Recurrent funding council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account 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.

Income from research grants, contracts and other services rendered is included when conditions attaching to its receipt have been met. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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

London South Bank University

Principal Accounting Policies Year ended 31 July 2014

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowments, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus. Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, debiting or crediting the endowment fund and is reported in the statement of total recognised gains and losses.

Tangible fixed assets

Upon implementation of FRS 15 'Tangible Fixed Assets', the University opted to include assets in its books at historical cost/revalued amount at the date of introduction of the FRS. 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

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 market value.

London South Bank University

Principal Accounting Policies Year ended 31 July 2014

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. The costs in relation to these schemes are accounted for in accordance with FRS 17 (Retirement benefits).

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.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. Endowment and investment income includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

Taxation status

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

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

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

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

Agency arrangements

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

London South Bank University

Principal Accounting Policies Year ended 31 July 2014

Leases

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

Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the institution, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Maintenance

Maintenance expenditure is charged to the consolidated income and expenditure account 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

Designated reserves represent retained reserves generated by activities not funded by the HEFCE. Any surplus or deficit for the year is transferred from the income and expenditure reserve to designated reserves.

Where fixed assets were revalued prior to the implementation of FRS 15, 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.

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 of assets, which in normal practice are generally convertible to cash. 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.

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.

London South Bank University

Principal Accounting Policies Year ended 31 July 2014

Provisions, contingent liabilities and contingent assets

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

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

Contingent assets are disclosed by way of a note, where there is probable, rather than a present asset arising from a past event.

Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution. These are shown as unrestricted permanent endowments in the balance sheet.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income. These are shown as restricted expendable endowments in the balance sheet if the donation is to be retained for more than two years, and as deferred income within creditors due within one year if the donation is to be fully expended within two years.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. These are shown as restricted permanent endowments in the balance sheet.

Total return on investment for permanent endowments

Total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen.

The total return, less any part of the return which has previously been applied for the purposes of the institution, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

London South Bank University

Notes to the accounts Year ended 31 July 2014

1. Funding council grants	2014	2013
HEFCE	£'000	£'000
Recurrent grant	22,102	30,993
Specific grants	808	810
Pension liabilities	244	224
Other funding bodies		
Skills Funding Agency (SFA) grant	-	60
Teaching Agency grant	689	770
Deferred capital grants released (note 20)	1,982	1,893
	<u>25,825</u>	<u>34,750</u>
2. Academic fees and support grants	2014	2013
	£'000	£'000
Full-time home and EU students	43,871	38,120
Full-time international students	8,067	8,456
Part-time students	8,606	7,486
Other courses	721	191
Strategic Health Authority education contracts	27,188	29,029
	<u>88,453</u>	<u>83,282</u>
3. Research grants and contracts	2014	2013
	£'000	£'000
Research councils	689	1,123
UK based charities	310	279
European Commission	295	434
Other grants and contracts	678	750
Knowledge Transfer Partnerships	283	669
	<u>2,255</u>	<u>3,255</u>
4. Other operating income	2014	2013
	£'000	£'000
Residence and catering income	9,626	9,125
Other income	8,264	6,876
	<u>17,890</u>	<u>16,001</u>
5. Endowment income and investment income	2014	2013
	£'000	£'000
Income from permanent endowments	12	12
Income from expendable endowments	14	13
Interest receivable	305	541
	<u>331</u>	<u>566</u>

London South Bank University

Notes to the accounts Year ended 31 July 2014

6. Staff - consolidated	2014	2013
Average staff numbers by major category:	No.	No.
Academic staff	676	665
Part time teaching staff	282	307
Student support staff	366	411
Other support staff	395	385
	<u>1,719</u>	<u>1,768</u>
	2014	2013
Costs:	£'000	£'000
Wages and salaries	58,276	59,355
Social security costs	5,065	5,207
Employers' pension contributions	8,322	9,057
	<u>71,663</u>	<u>73,619</u>

Staff costs for the year include costs arising from redundancies of £1.3m (2013: £1.5m).

7. 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.

	2014	2013
	£'000	£'000
Salaries	378	447
Pension contributions	41	23
	<u>419</u>	<u>470</u>

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2014 five trustees were paid total expenses of £3,897 (2013: six trustees were paid total expenses of £3,716) for travel and subsistence.

London South Bank University

Notes to the accounts Year ended 31 July 2014

B. Higher paid employees

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 (2013:7). These employees are grouped as follows:

	2014 No.	2013 No.
£100,000 to £109,999	2	3
£110,000 to £119,999	3	2
£120,000 to £129,999	-	1
£130,000 to £139,000	3	1
£140,000 to £149,999	1	-
£160,000 to £169,999	1	1
£230,000 to £239,999	-	1
	<u>10</u>	<u>9</u>

In addition to the remuneration above, one higher paid employee received compensation for loss of office of £93,000.

C. Remuneration of the Vice Chancellor

	2014 £'000	2013 £'000
Salary and taxable benefits	247	233
Pension Scheme Contributions	20	-
	<u>267</u>	<u>233</u>

Total emoluments and remuneration

Remuneration of the Vice Chancellor (excluding pension contributions) includes payments of £140,383 to the current Vice Chancellor Professor David Phoenix, and payments to former Vice Chancellor Professor Martin Earwicker of £106,906. Professor Martin Earwicker was employed until to 31st December 2013 and Professor David Phoenix commenced employment on 1st January 2014. The Vice Chancellor is the highest paid Governor. 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.

8. Other operating expenses	2014 £'000	2013 £'000
Academic	11,487	13,585
Academic support	5,845	5,232
Other support	5,668	5,174
Premises	16,912	16,076
Residence and catering	1,758	1,089
Other expenses	6,093	5,720
	<u>47,763</u>	<u>46,876</u>

London South Bank University

Notes to the accounts Year ended 31 July 2014

	2014 £'000	2013 £'000
Group other operating expenses are stated after charging:		
Auditors' remuneration		
<i>External audit</i>		
Grant Thornton UK LLP*	49	51
<i>Internal audit**</i>		
PricewaterhouseCoopers LLP	98	95
<i>Other services**</i>		
Grant Thornton UK LLP	3	3
Rentals under operating leases		
Plant and machinery	356	269
Other assets	-	120
Loss on disposal of fixed assets	50	8

* Includes £44,714 attributable to the University (2013: £47,736)

** All attributable to the University

Depreciation includes £192,000 attributable to assets held under finance leases (2013: £340,000)

9. 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 £24,147 (2013: £13,410). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	2014 £'000	2013 £'000
10. Interest payable		
Loans repayable within five years	-	15
Loans not wholly repayable within five years	1,423	1,420
Unwinding of discount in respect of pension liability less expected return on pension assets (see note 19)	2,341	1,961
Finance leases	12	37
	<u>3,776</u>	<u>3,433</u>

11 Exceptional items

There were no exceptional items in the year ending 31st July 2014. The Exceptional item of £556,000 for the year ending 31st July 2013 related to a loss on derecognition following a change to the constitution of the London South Bank University Students' Union.

London South Bank University

Notes to the accounts Year ended 31 July 2014

12. Surplus of parent company

The income and expenditure account of the parent company (London South Bank University) has not been presented as part of these accounts. This dispensation is allowed under section 408 of the Companies Act 2006.

The surplus, after depreciation of assets at valuation, of London South Bank University was £3.1m (2013: £6.1m).

London South Bank University

Notes to the accounts Year ended 31 July 2014

13. Tangible fixed assets (University and Consolidated)

	Equipment, Furniture and Motor Vehicles £'000	Freehold £'000	Land and buildings Long Leasehold £'000	Short Leasehold £'000	Assets in Course of Construction £'000	Total £'000
Cost or Valuation						
At 1 August 2013	33,013	167,111	47,281	52	17,267	264,724
Additions	308	-	-	-	10,437	10,745
Disposals	(185)	-	-	-	-	(185)
Transfers	7,545	10,614	-	-	(18,159)	-
At 31 July 2014	40,681	177,725	47,281	52	9,545	275,284
Depreciation						
At 1 August 2013	(24,723)	(41,430)	(24,234)	(45)	-	(90,432)
Charge for the year	(2,830)	(4,330)	(1,295)	-	-	(8,455)
Disposals	135	-	-	-	-	135
At 31 July 2014	(27,418)	(45,760)	(25,529)	(45)	-	(98,752)
Net book value						
At 31 July 2014	13,263	131,965	21,752	7	9,545	176,532
At 31 July 2013	8,290	125,681	23,047	7	17,267	174,292

If the land and buildings detailed above had not been revalued, tangible fixed assets would have been included in these financial statements at 31 July 2014 at the following amounts:

	Equipment, Furniture and Motor Vehicles £'000	Freehold £'000	Land and buildings Long Leasehold £'000	Short Leasehold £'000	Assets in Course of Construction £'000	Total £'000
Cost	33,013	98,763	24,854	52	9,545	166,227
Depreciation	(24,723)	(24,099)	(15,961)	(45)	-	(64,828)
Net book value	8,290	74,664	8,893	7	9,545	101,399

London South Bank University

Notes to the accounts Year ended 31 July 2014

Land and buildings were valued in September 1994 by Drivers Jonas, Chartered Surveyors. Properties were valued at their open market value for existing use, and where this was not practical, the depreciated replacement cost was used.

All properties, other than those detailed below, are included at 1 August 1994 prices less subsequent depreciation in accordance with the Drivers Jonas valuation report of September 1994:

Freehold Land and Buildings

- ❖ The K2 building is stated at cost of £45.9m. The land at the site of the K2 building is stated at a cost of £4.3m.
- ❖ The Keyworth Centre is stated at cost of £25.8m.
- ❖ The David Bomberg House hall of residence is stated at cost of £11.6m.
- ❖ The Learning Resource Centre is stated at cost of £4.7m.
- ❖ The St George's Circus and Chapel sites are stated at a cost of £11.1m, represented by land of £0.7m and £10.4m cost of redeveloping the Clarence Centre for Innovation and Enterprise.
- ❖ The Technopark building is stated at purchase cost of £3.6m.
- ❖ Phase 2 of the Dante Road hall of residence is stated at cost of £2.1m.
- ❖ The Student Centre is stated at cost of £6.8m.

Long leasehold Land and Buildings

- ❖ The New Kent Road hall of residence was originally held under a finance lease. It is included in these accounts at the capital cost of the original lease charges payable, the agreed amount of which was £1.1m. The finance lease was settled before the expiry of its term. Although this property is treated as a long leasehold property the University also owns the freehold of this property, which has a nominal value.
- ❖ Phase 1 and phase 3 of the Dante Road hall of residence are included in these accounts under long leasehold land and buildings at capital costs of £3.5m and £2m respectively.
- ❖ McLaren House, a 620 bed hall of residence, is stated at cost of £16.3m. It was originally held under a finance lease however the lease was settled before the expiry of its term. Although this property is treated as a long leasehold property, the University also holds the underlying freehold, which has a nominal value.

Included in long leasehold land and buildings is £0.7m (2013: £0.7m) of capitalised interest. This interest was capitalised in 1996 in connection with the construction of McLaren House.

London South Bank University

Notes to the accounts Year ended 31 July 2014

Assets held under Finance Leases

Consolidated and University equipment, furniture and motor vehicles include assets held under finance leases as follows:

	2014 £000	2013 £000
Cost	2,870	2,870
Accumulated depreciation	(2,815)	(2,623)
Net book value	55	247
Depreciation charge for the year	192	340

14. Investments

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £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. 5 of these shares have been held since 5 February 1988 with a further 5 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. 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 2014 (2013: £nil).

Other investments

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

London South Bank University

Notes to the accounts Year ended 31 July 2014

15. Debtors: amounts falling due within one year	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade debtors	5,284	4,849	5,430	5,104
Amounts owed by group undertakings	-	-	554	17
Other debtors	271	672	198	617
Prepayments & accrued income	2,758	2,302	2,491	2,032
Total debtors due within one year	8,313	7,823	8,673	7,770
Debtors: amounts falling due after one year: amounts owed by related parties (note 25)	350	-	350	-
Total Debtors	8,663	7,823	9,023	7,770

16. Creditors: amounts falling due within one year	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank and other loans	1,294	1,278	1,293	1,277
Obligations under finance leases	55	192	55	192
Trade creditors	1,997	1,652	1,997	1,652
Other creditors	957	1,547	892	1,487
Social security and other taxation payable	1,354	1,482	1,354	1,482
Accruals and deferred income	26,751	31,986	26,299	31,745
	32,408	38,137	31,890	37,835

17. Creditors: Amounts falling due after more than one year	Consolidated and University	
	2014 £'000	2013 £'000
Bank and other loans	28,243	29,537
Obligations under finance leases	-	55
	28,243	29,592

18. Borrowings	Consolidated and University	
	2014 £'000	2013 £'000
Bank loans and finance leases are repayable as follows:		
Due in less than one year (note 16)	1,349	1,470
Due between one and two years	1,309	1,349
Due between two and five years	4,039	3,981
Due after five years	22,895	24,262
Total due after one year (note 17)	28,243	29,592
	29,592	31,062

Details of bank loans:

London South Bank University

Notes to the accounts Year ended 31 July 2014

- The loan from Allied Irish Bank (GB) in respect of the Dante Road hall of residence is repayable over 26.5 years to 2027. The amount outstanding at 31 July 2014 was £5.000 million (2013: £5.377 million). The loan bears interest at a rate of 6.67% per annum. The loan is secured on the property to which it relates.
- There is a loan facility from Barclays Bank of £37 million, secured on David Bomberg House halls of residences. Within the facility, the following balances are outstanding at 31 July 2014:
 - An amount of £5.441 million in respect of David Bomberg House was outstanding at 31 July 2014 (2013: £5.752 million). This borrowing is repayable over 25 years to 2032 and bears interest at a fixed rate of 5.67% per annum.
 - A further £21.830 million of the Barclays facility was drawn down to finance the K2 building. Of this amount, £18,896 million was outstanding at 31 July 2014 as follows: £5.000m (2013: £5.000m) is interest-only, repayable in April 2029, and bears interest at a fixed rate of 5.25% per annum; £8.625m (2013: £8.917m) is repayable over 23.25 years to 2032 and bears interest at a fixed rate of 5.54% per annum, and £5.271 (2013: £5.568m) is repayable over 23 years to 2032 and bears interest at a variable rate of 0.225% above LIBOR per annum.

19. Pension liability

The pension liability has been measured in accordance with the requirements of FRS17 and relates to the London Pension Fund Authority pension scheme (LPFA).

	Consolidated and University	
	2014 £'000	2013 £'000
Balance at 1 August	62,211	74,664
Current service cost	4,228	4,449
Settlements and curtailments	104	307
Contributions	(4,882)	(4,933)
Other finance cost (note 24)	2,341	1,961
Actuarial losses/(gains) recognised in STRGL (note 24)	12,500	(14,237)
Balance at 31 July	76,502	62,211

London South Bank University

Notes to the accounts Year ended 31 July 2014

20. Deferred capital grants

Consolidated and University

	Land and buildings £'000	Equipment £'000	Total £'000
Balance at 1 August 2013	26,165	3,674	29,839
Release to income and expenditure account (note 1)	(1,286)	(696)	(1,982)
Grants received	-	355	355
Transfers to deferred income			
Balance at 31 July 2014	24,879	3,333	28,212

21. Revaluation reserves

Consolidated and University

	2014 £'000	2013 £'000
Balance at 1 August	30,192	30,986
Transfer to income & expenditure reserves being excess depreciation on revalued assets (note 22)	(792)	(794)
Balance at 31 July	29,400	30,192

22. Income and expenditure account

Consolidated and University

	2014 £'000	2014 £'000
Reserve		
Balance at 1 August 2013	114,367	113,687
Surplus for the year	3,097	3,689
Transfer from revaluation reserve	792	792
Net FRS17 pension costs transferred to pension reserve	1,791	1,791
Balance at 31 July 2014	120,047	119,959
Pension reserve		
Balance at 1 August 2013	(62,211)	(62,211)
Actuarial loss	(12,500)	(12,500)
Net FRS17 pension costs transferred from income and expenditure reserve	(1,791)	(1,791)
Balance at 31 July 2014	(76,502)	(76,502)

23. Designated reserves

The income and expenditure account of the Group does not include any amount which are designated reserves. (2013: £nil).

London South Bank University

Notes to the accounts Year ended 31 July 2014

24. Pension arrangements

The University participates in the Teachers Pension Scheme (TPS) and the Universities Superannuation Scheme Limited (USS) for academic employees and the London Pension Fund Authority (LPFA) Pension Fund for non-academic employees.

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 2004 and revealed that total liabilities in the scheme (pensions currently in payment and estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds of notional investments) amounted to £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The real rate of earnings growth is assumed to be 1.5% and the assumed gross rate of return is 6.5%.

From 1 January 2007, and as a part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution rate is 19.75% plus a supplementary contribution rate of 0.75%; a total contribution rate of 20.5%. This translated into an employee contribution rate of 6.4% and an employer contribution rate of 14.1%. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 14.1% (2013: 14.1%) of salaries and the University's contribution to the TPS for 2014 was £3,590,765 (2013: £3,549,403). Employee contribution rates were between 6.4% and 12.4% depending on earnings.

Actuarial scheme valuations are dependent on assumptions about the valuation of future costs and design of benefits. These are being discussed in the context of the design for a reformed TPS and scheme valuations are therefore currently suspended. The Government however has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in FRS17 '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.

London South Bank University

Notes to the accounts Year ended 31 July 2014

B. The Universities Superannuation Scheme

The Universities Superannuation Scheme is a defined benefit scheme which is externally funded. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. Contributions are paid by the University and charged to the Income and Expenditure account. The contribution rate for 2014 is 16% of salaries.

The latest triennial valuation of the scheme for which results are available was 31 March 2011. At the valuation date, the value of the assets in the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7million, indicating a shortfall of £2,910.2 million. The assets were therefore sufficient to cover 92% of the benefits accrued to members after allowing for expected future increases in earnings.

The financial assumptions of that valuation are as follows:

Investment returns per annum – past service	4.4%
Investment returns per annum – future service	6.2%
Salary scale increases per annum	4.4%
Price increases per annum	2.9%
Pension increases	3.4%

The Trustees have determined, after consultation with employers, a recovery plan to pay off the shortfall by 31 March 2021. A formal triennial valuation took place at 31 March 2014. It is expected to show a considerable ongoing scheme deficit. Although the formal results of the valuation are not expected until later in 2014, the employers and the University and College Union continue to work together constructively to respond to the USS funding position. The contribution rate will be reviewed as part of this valuation and may be reviewed more frequently.

At 31/7/14 the University had 48 active members participating in the scheme. The University's contribution to the USS for 2014 was £414,047 (2013: £409,605). The scheme has tiered employer contribution rates of between 6% and 9% depending on employee earnings.

Under the definitions set out in FRS17 'Retirement Benefits', the USS scheme 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.

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. New employer contribution rates effective from 1 April 2014 are 15.2% of pensionable salaries to cover the cost of future service plus an annual lump sum of £1,418,000 to clear the deficit over a recovery deficit period of 17 years.

Pension costs under FRS17

London South Bank University

Notes to the accounts Year ended 31 July 2014

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 2014 % per annum	31 July 2013 % per annum
Salary increases	4.5	4.2
Pension and price increases	2.7	2.5
Discount rate	4.2	4.7

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

On the advice of our actuaries we have assumed that members will exchange half of their commutable pension for cash at retirements. 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 which has then been projected with the Medium Cohort Projection, allowing for a minimum rate of improvement of 1% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males Years	Females Years
Current pensioners	21.8	25.0
Future pensioners	24.2	27.2

London South Bank University

Notes to the accounts Year ended 31 July 2014

Fund assets

The expected return on fund assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 August 2013 for the year to 31 July 2014). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields. The employer assets in the scheme and the expected rates of return are as follows:

	Expected rate of return at 31 July 2014	Fair value as at 31 July 2014 £'000	Expected rate of return at 31 July 2013	Fair value as at 31 July 2013 £'000
Equities	6.7%	44,008	6.4%	45,279
Target return portfolio	6.1%	28,644	4.9%	27,938
Alternative assets	-	-	5.4%	7,707
Cash	3.2%	13,803	0.5%	944
Cashflow matching	3.4%	6,116	3.4%	14,451
Infrastructure	6.3%	3,343	-	-
Commodities	6.1%	1,067	-	-
Property	5.6%	2,745	-	-
Total fair value of assets		<u>99,726</u>		<u>96,319</u>

C. The London Pension Fund (continued)

Net pension liability

The following amounts at 31 July related to London South Bank University measured in accordance with the requirements of FRS17:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of Employer Assets	99,726	96,319	80,635	78,471	70,432
Present value of funded obligations	<u>(164,260)</u>	<u>(146,774)</u>	<u>(143,181)</u>	<u>(121,971)</u>	<u>(123,986)</u>
Net underfunding in funded plans	(64,534)	(50,455)	(62,546)	(43,500)	(53,554)
Present value of unfunded obligations	<u>(11,968)</u>	<u>(11,756)</u>	<u>(12,118)</u>	<u>(11,840)</u>	<u>(12,065)</u>
Net Pension Liability	<u>(76,502)</u>	<u>(62,211)</u>	<u>(74,664)</u>	<u>(55,340)</u>	<u>(65,619)</u>

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

London South Bank University

Notes to the accounts Year ended 31 July 2014

Analysis of the amount included in staff costs for the year

	2014	2013
	£'000	£'000
Current service cost	4,228	4,449
Curtailments and settlements	104	307
Enhancements to former employees (recoverable in full from HEFCE (note 1))	249	229
Total operating charge	4,581	4,985

Analysis of the amount included in interest payable for the year

	2014	2013
	£'000	£'000
Expected return on pension scheme assets	(5,209)	(4,173)
Interest on pension scheme liabilities	7,550	6,134
Net charge	2,341	1,961

Analysis of the amount recognised in STRGL

	2014	2013
	£'000	£'000
Actual return less expected return on pension scheme assets	(2,910)	11,058
Experience gains and losses	10,002	(237)
Changes in assumptions underlying the present value of scheme liabilities	(19,592)	3,416
Actuarial (losses)/ gains recognised in STRGL	(12,500)	14,237

Analysis of movement in the present value of scheme liabilities

	2014	2013
	£'000	£'000
At 1 August	158,530	155,299
Current service cost	4,228	4,449
Interest cost	7,550	6,134
Actuarial loss/(gains)	9,590	(3,179)
Losses on curtailments	104	307
Benefits paid	(4,248)	(4,877)
Contributions by scheme participants	1,323	1,294
Unfunded pension payments	(849)	(897)
At 31 July	176,228	158,530

London South Bank University

Notes to the accounts Year ended 31 July 2014

Analysis of movement in the fair value of scheme assets

	2014 £'000	2013 £'000
At 1 August	96,319	80,635
Expected return on scheme assets	5,209	4,173
Actuarial (losses)/gains	(2,910)	11,058
Contributions by employer	4,033	4,036
Contributions by scheme participants	1,323	1,294
Benefits paid	(4,248)	(4,877)
At 31 July	99,726	96,319

The projected pension expense for the year to 31 July 2015 is £6,141,000 (2014: £6,665,000)

Experience gains & losses in year

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between the actual and expected return on pension scheme assets	(2,910)	11,058	(4,000)	1,206	1,935
Experience gains and losses arising on scheme liabilities	10,002	(237)	(374)	12,593	4,498

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	175,030	176,228	181,417
Projected service cost	4,350	4,228	4,541
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of total obligation	172,413	176,228	183,974
Projected service cost	4,306	4,228	4,582

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 31/7/14 the University had 9 members participating in the scheme. The University's contribution to the Friends Life scheme for 2014 was £22,750 (2013: nil) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31st July 2014 were nil (2013: nil)

London South Bank University

Notes to the accounts Year ended 31 July 2014

25. 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 FRS8 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 £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.

The Vice Chancellor of the University is a member of the University Academy of Engineering South Bank (UAESB), which the University sponsors. During the year UAESB paid the University £8,527 in reimbursement of actual expenses incurred on behalf of the Academy.

The Vice Chancellor of the University, Professor David Phoenix received an interest free loan 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 30th October 2015 (or later as agreed). As of 31st July 2014 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.

26. Endowments

	Consolidated and University			
	Unrestricted Permanent £'000	Restricted Expendable £'000	2014 Total £'000	2013 Total £'000
Balance at 1 August 2013	388	341	729	641
Investment income	14	12	26	25
Expenditure	(14)	(12)	(26)	(25)
Increase in market value of investments	4	3	7	88
Balance at 31 July 2014	392	344	736	729

27. Operating lease commitments

At 31 July 2014 the University and the Group were committed to making the following annual payments in respect of operating leases on land and buildings:

	2014 £'000	2013 £'000
Expiring in over five years	51	51
	51	51

London South Bank University

Notes to the accounts Year ended 31 July 2014

		Consolidated and University	
		2014	2013
		£'000	£'000
28.	Capital commitments		
	Commitments contracted at 31 July	5,369	5,006
Commitments include those relating to building projects, being undertaken as part of the University's Estates and ICT Strategy.			
29.	Reconciliation of consolidated operating surplus to net cash inflow from operating activities		
		2014	2013
		£'000	£'000
	Surplus after depreciation of assets at valuation	3,097	6,056
	Depreciation (note 13)	8,455	7,870
	Loss on disposal of fixed assets	50	8
	Investment income	(331)	(566)
	Interest payable (note 10)	3,776	3,433
	(Increase)/Decrease in stocks	(27)	21
	(Increase)/Decrease in debtors	(841)	1,248
	Decrease in creditors	(5,609)	(2,092)
	Decrease in provisions	(550)	(1,356)
	Deferred capital grants released to income (note 20)	(1,982)	(1,893)
	Net cash inflow from operating activities	6,038	12,729
30.	Returns on investments and servicing of finance		
		2014	2013
		£'000	£'000
	Income from endowments (note 5)	26	25
	Interest receivable (note 5)	305	541
	Interest paid (note 10)	(1,434)	(1,472)
	Net cash outflow from returns on investments and servicing of finance	(1,103)	(906)
31.	Capital expenditure and financial investment		
		2014	2013
		£'000	£'000
	Payment to acquire tangible fixed assets	(10,744)	(18,544)
	Adjustment for Students' Union assets	-	(8)
	Net cash outflow from capital expenditure and financial investment	(10,744)	(18,552)
32.	Acquisitions and disposals		
		2014	2013
		£'000	£'000
	Transfer of assets to Students' Union	-	(547)

London South Bank University

Notes to the accounts Year ended 31 July 2014

33. Management of Liquid Resources	2014	2013
	£'000	£'000
Cash added to fixed term	(10,334)	(61)
Net cash outflow from returns on investments and servicing of finance	(10,334)	(61)

34. Financing	2014	2013
	£'000	£'000
Capital element of bank loan repayments	(1,277)	(1,914)
Capital element of finance lease repayments	(193)	(340)
Capital grants received in year	355	340
Net cash outflow from financing	(1,115)	(1,914)

35. Analysis of changes in net funds	At 31 July 2013 £'000	Cash flow £'000	At 31 July 2014 £'000
Cash at bank and in hand	54,750	(17,258)	37,492
Endowment asset investments	67	-	67
	54,817	(17,258)	37,559
Fixed Term deposits	5,206	10,334	15,540
Debt due within one year (note 16)	(1,470)	121	(1,349)
Debt due after more than one year (note 17)	(29,592)	1,349	(28,243)
Net funds	28,961	(5,454)	23,507

36. Analysis of changes in financing during the year

Bank and Other Loans	2014	2013
	£'000	£'000
Balance at 1 August	31,062	33,316
Capital repayments	(1,470)	(2,254)
Balance at 31 July	29,592	31,062

London South Bank University

Notes to the accounts Year ended 31 July 2014

37. Access & Hardship funds	2014	2013
	£'000	£'000
Balance at 1 August	5	21
HEFCE grant	530	543
Administration costs	(15)	(15)
Distributed to students	(520)	(521)
Funds returned	-	(23)
	<hr/>	<hr/>
Balance at 31 July	-	5
	<hr/>	<hr/>

Access and Hardship funds are paid to universities by HEFCE to provide financial assistance to students whose access to further or higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, face financial difficulties.

The grant from HEFCE grant 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.

38. Teacher Training Bursaries	2014	2013
	£'000	£'000
Balance at 1 August	(190)	(61)
Funding council grant	682	692
Disbursed to students	(569)	(821)
	<hr/>	<hr/>
Balance at 31 July	(77)	(190)
	<hr/>	<hr/>

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

The grant from the 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.