

SOUTH BANK COLLEGES

Report and Financial Statements
for the year ended 31 July 2019

Company Number 11495376

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Six individuals are declared as key management personnel in 2018/19 in the financial statements – these were:

Names	Position	Date Joined
Fiona Morey	Executive Principal	01/09/2018
Hassan Rizvi	Deputy Principal	10/06/2019
Michael Webb	Chief Financial Officer	14/01/2019
Philip Cunniffe	Assistant Principal – Student Success	01/02/2019
Monica Marongiu	Assistant Principal – Curriculum and Quality	01/02/2019
Alistair Dunkwu	Head of MIS	15/04/2019

The Accounting Officer is David Phoenix, the Vice Chancellor of London South Bank University.

Board of Governors

A full list of the Board of South Bank Colleges is given on page 13 and 14 of these financial statements. Ruth Farwell was Chair of the Board from June 2019 and before that Andrew Owen was the Acting Chair.

Financial Statements Auditors and Regularity Reporting Accountants:

KPMG LLP (UK)

15 Canada Square

London, E14 5GL

Internal Auditors:

RSM UK LLP (to 31 July 2019)

25 Farringdon Street

London, EC4A 4AB

BDO LLP (from 1 August 2019)

Acacia House, Maritime Walk

Southampton SO14 3TL

Bankers:

Barclays Bank Plc

Level 28, 1 Churchill Place

London, E14 5HP

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Trustees' Report

These financial statements are for South Bank Colleges and its wholly-owned subsidiary, SW4 Catering Ltd (the Group).

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2019.

Summary

These are the first set of accounts for South Bank Colleges (SBC), a Company incorporated on 1 August 2018 as an exempt charitable company limited by guarantee. It is a subsidiary wholly controlled by London South Bank University (LSBU). The company was incorporated with the intention of acquiring the assets and liabilities of Lambeth College Corporation which completed on 31 January 2019. LSBU had been the preferred merger partner for Lambeth College Corporation for some time and the acquisition of Lambeth College by SBC was the culmination of a great deal of effort over a number of years.

From incorporation to 31 January 2019, the Board of Trustees reviewed the business case and due diligence for the acquisition of Lambeth College. From 1 February 2019, the Board of Trustees of SBC have had responsibility for the oversight and direction of Lambeth College, a provider of further education, apprenticeships and training for young people and adults.

The college made a £16.3m surplus in the year to July 2019 as a result of recognising the fair value of the assets and liabilities acquired from Lambeth College Corporation and also consequent on the release of £1.3m of an ESFA grant of £13.75m received on the first day of the College trading within SBC; without these two the college would have delivered a £1.3m loss. The College had been dependent on exceptional financial support from the government prior to its acquisition, and its financial position before the end of January would have been described as "inadequate". The reported financial health for the period to the end of July 2019 was "outstanding".

Legal status

South Bank Colleges (SBC) was incorporated on 1 August 2018. It is registered at Companies House under number 11495376 and its registered address is 103 Borough Road, London, SE1 0AA. SBC is a company limited by guarantee and has no share capital. The Company is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal charity regulator is the Office for Students (OfS).

As an exempt charity, the governing body is the Board of Trustees which is responsible for the effective stewardship of the College and has control of the revenue and the property of the College. The company's corporate governance arrangements are described on pages 12-16 and the Trustees who served during the year ended 31 July 2019 are listed on pages 13 and 14. The Trustees are also directors under the Companies Act 2006.

Mission

To improve the lives, work and economic prospects of the current and future generations in Lambeth and beyond.

Public Benefit

South Bank Colleges is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated as a charity by the OfS. The Board are the trustees of the charity, and are disclosed on page 13.

In setting and reviewing the company's strategic objectives, the Board has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the company provides the following identifiable public benefits through the advancement of education:

- Widening participation and tackling social exclusion
- Good progression record for students
- Strong student support systems
- Links with employers, industry and commerce.

Further examples of the delivery of public benefit are covered throughout the Members' Report.

College Plans

Following acquisition, the College is in the process of developing a new strategic plan with a vision having community, diversity, social inclusion and economic prosperity at its heart, and will focus on learner success, careers focus and financial sustainability. In particular the College's ambition is to:

- Increase the number of young people accessing level 3 technical education
- Establish clear occupational progression pipelines that support young people and adults to undertake level 2-4 technical education
- Engage directly with employers in the design and delivery of our offer
- Increase the take-up of apprenticeships by Lambeth residents
- Increase the number of adults engaged in training and upskilling and reskilling
- Provide bespoke provision tailored to meet local demand, in particular addressing the needs of those at risk of becoming NEET and/or excluded from education and/or the workplace
- Increase the number of adults and young people achieving english, maths and digital skills as gateway qualifications.

Estates Strategy

SBC has committed, in collaboration with LSBU, to a major redevelopment of the Vauxhall campus to include a Science, Technology, Arts, Engineering and Maths Centre at the heart of the campus. Target date for completion of this building is September 2021 and this project will be part funded by LEAP funding through the GLA.

This project will be the first that moves to deliver the College's estate strategy for its three sites. At each of its three Centres, South Bank Colleges will provide learners and employers a clearly defined and branded offer aligned to local travel to learn patterns.

Clapham Campus

The Gateway Centre at the Clapham Campus will focus on gateway provision, delivering English, maths and digital skills and support for entry to employment. The Centre will continue to be home to our SEND provision supporting students to develop their entry to employment skills and supporting more young people and adults to progress to level 3 and 4 qualifications

Brixton Campus

The Brixton Campus is well established as a Centre of Excellence for ESOL, including provision of employment and digital skills, and will support progression to Vauxhall Technical College.

Vauxhall Campus

The new Vauxhall Technical College will be the heart of a ground-breaking technical further education offer. Our innovative delivery model featuring local employers will integrate education and skills, ensuring the education is current and delivered in the context of application in the workplace, giving leavers a clear route into their chosen careers.

Vauxhall Technical College is situated in the Vauxhall Nine Elms Battersea Opportunity Area (OA), which straddles the boroughs of Lambeth and Wandsworth.

Innovative space use will enable more efficient educational delivery. The phased masterplan for Vauxhall will eventually provide 25,000m2 of floor space. With the facilities at Clapham and Brixton, this amounts to a reduction of 25% of the gross floor space of the College as it stood in 2015.

Financial objectives

This is the first year of operation of South Bank Colleges and its financial performance is summarised in the table below

Performance indicators

Key performance Indicator	Actual to 31 July 2019
Surplus	£47k
Staff Cost / Income ratio	76%
Cash at 31 July 2019	£1,381k

The performance indicators ignore the gain on transfer of assets and liabilities in calculating the measures and the staff cost measure relates to internally delivered income only. These set of results only relate to six months activity in the College so need combining with the previous six months results of Lambeth College Corporation to understand the full year performance of the College. Whilst performance in the second half was reasonable the shortfall in adult student recruitment in September 2018 affected performance in the year.

FINANCIAL POSITION

Financial results

Group turnover was £32.5m in the year to the end of July 2019. This included a gain on acquisition of assets and liabilities from Lambeth College Corporation of £16.2m. The main changes in funding in the 2018/19 year compared to 2017/18 are in 16-18 grant income where the full year grant is due to be £0.4m higher than 2017/18 and in Adult grant where the full year grant is £1.6m higher than last year. This is offset by a reduction of £0.6m for apprenticeship income reflecting lower levels of activity.

Staff costs were £7.9m for the six months compared to £16.4m for the full year in 2017/18, and other operating expenses were £7.1m compared to £10.1m for the full year in 2017/18.

The result is a surplus in the six-month period of £16.3m compared to a full year deficit in 2017/18 of £6.1m before actuarial gains in respect of pension schemes. This includes the gain of £16.2m; without this a gain of £47k would have been reported.

Tangible fixed asset additions during the period amounted to £2.3m, principally including work on the new Vauxhall campus building.

Total creditors due within one year have reduced at the 31 July 2019 to £3.6m compared to the 31 July 2018 figure of £38.0m. Within these creditors are accruals and deferred income of £2.4m.

SW4 Catering Ltd delivered a break-even result compared to a loss of £12k for the full year in 2017/18. These figures are included in the group figures in these financial statements.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Chief Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

The College's cash flow and liquidity has been underpinned by the receipt of a one off grant from the Educational and Skills Funding Agency of £13.7m. The College generated £3.4m in operating cash inflows in the year to 31 July 2019. The College spent £2.3m on investing activities in the six months to 31 July. The college ended the year with cash balances of £1.4m.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation. As at the balance sheet date the Income and Expenditure reserve stands at a positve figure of £16.0m compared to a negative figure of £21.3M at 31 July 2018. It is the College's intention to secure this position following best practice of LSBU as parent.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers and achievements

In 2018/19 the College recorded success or failure against 2,649 qualification programmes started by 16-18 year old funded students, and 10,216 qualification programmes started by adults.

Student achievements

The college has seen improved outcomes for students in the year 2018/19, as follows:

Age group/Provision	2016/17	2017-18	2018-19	National Rates
All ages	71.8%	84.2%	88.3%	85.2%
16-18 (Study programmes)	61.3%	72.8%	82.2%	82.1
19+ (Adults)	75.2%	87.3%	89.9%	88.3%
High Needs	76.8%	76%	88.3%	83.7%
Apprenticeships (Overall)	69%	44.8%	50.2%	67.3%

The outcomes stated above are provisional and based on the claims made at the time of reporting. Some apprenticeships outcomes are still to be finalised and will continue to require improvement against national averages.

The college was inspected by Ofsted from 14 to 17 May, 2019 and was awarded Requires Improvement for Overall Effectiveness. However, provisions including Adult learning programmes, High needs and Personal development, behaviour & welfare were each graded as Good, this represents an improvement over the previous Ofsted visit.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2018/19 most suppliers were paid within a month of their invoices being authorised.

Post Balance Sheet Events

In September 2019, the College was awarded a £19.9m grant from the London Economic Action Partnership which will provide support for the first phase of the redevelopment of the College's Vauxhall site. It is intended that the balance of funds required to secure the first phase of the redevelopment of the College's Vauxhall site will be secured through the sale of part of the Clapham site.

Future prospects

The College is working towards a financial plan which will deliver on the conditions of the restructuring grant awarded by the Department for Education.

Going Concern Assumption

The College considers that the use of the going concern basis for the preparation of these financial statements is appropriate.

The activities of the College are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

As reflected in these financial statements, the College has recorded a deficit on Total Comprehensive income of £860k for the period ended 31 July 2019 after a charge of £907k resulting from the actuarial loss in respect of the LGPS scheme. In addition the corporation set a deficit budget for the full year 2018/19 of £2.7M. The College has access to the ESFA deferred grant to fund operating activities over the coming year whilst the College implements a sustainable financial model.

COLLEGE COMPANIES

The College has a subsidiary company SW4 (Catering) Limited. Further details are provided in Note 11.

RESOURCES:

The College has various resources which it can deploy in pursuit of its strategic objectives.

Tangible resources at the 31 July 2019 included the two main College sites at Vauxhall and Clapham and the right to occupy part of the Brixton site on Brixton Hill.

After taking account of deferred capital grants and pension liabilities the College finished the period to 31 July 2019 with net liabilities of £4.6m.

The College employed 294 FTE staff in 2018/19 of whom 119 FTE were teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College Board has arrangements for managing risk and uncertainty.

The College Leadership Group also considers risks which are identified during the year.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and by the College Leadership Group. The risk register identifies significant risks, the likelihood of those risks occurring, their potential impact on the College and the actions

being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Lambeth College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- The local community;
- Other FE & HE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College website and by meetings.

The College considers good communication with its staff to be very important and to this end publishes a weekly newsletter from the Principal during term time for all staff and holds regular staff briefings. The College encourages staff and student involvement through the membership of formal committees, sub-committees and focus groups. The College also undertakes annual course reviews where the input of students is a requirement and encourages student and sponsor views of the College through regular student and employer perception surveys.

Equality

Lambeth College celebrates and values the diversity brought to its workforce and learner population by individuals and believes that the College will benefit from recruiting staff from a variety of backgrounds, thus allowing it to better meet the needs of its diverse student population. We are committed to:

EQUALITY - Working towards the elimination of discrimination in all forms;

RESPECT - Treating all employees and students with respect and dignity;

SAFETY - Providing a positive working and learning environment free from discrimination and harassment in relation to race, disability, gender, transgender, age, religion or belief and sexual orientation;

INCLUSIVENESS - Building a College that is truly inclusive and one that understands, appreciates and values the diversity of each individual;

ACTION - Incorporating actions that make people feel valued and able to fully participate in all aspects of College life.

The Lambeth College Single Equality Scheme covers the rights and responsibilities of governors, staff, students and any visitors / contractors to all of the sites. It includes an Action Plan to assist in the monitoring and reviewing of the progress made to address equality and diversity issues across the equality strands: age, disability, gender, transgender, race, religion or belief, sexual orientation, marriage and civil partnerships and pregnancy and maternity.

Disability statement

Lambeth College is committed to helping all learners with learning difficulties and/or disabilities achieve their personal goals by adopting a model of 'inclusivity'. It provides specialist advice, guidance, assessments and where needed resources and additional support to improve access for learners with learning difficulties and/or disabilities to curriculum areas and College services.

College facilities have lifts, ramps and hoists and specialist equipment to ensure that buildings are accessible to people with disabilities. Over 95% of the College's estate is fully accessible to people with disabilities. The College also has a qualified team of student support assistants to help those who need this level of assistance. The College's arrangements for people with disabilities are detailed in the Disability Statement which is updated annually in line with requirements

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the Board of trustees of South Bank Colleges and signed on its behalf by:

Ruth Farwell.

Ruth Farwell

Chair

Date 10 December 2019

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of South Bank Colleges to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and in accordance with the guidance to Colleges from the Association of Colleges in the Code of good Governance for English Colleges ("the Code"). In the opinion of the Governors, the Corporation acts with due regard to the provisions of the Code, and has done so throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The College is an exempt charity within the meaning of Part 3 of the *Charities Act 2011*. The Governors, who are also the Trustees for the purposes of the *Charities Act 2011*, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

It is the College's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The College is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The College Board meets on a regular basis.

The College conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the College Board. These committees are , quality & improvement and audit. Full minutes of all College meetings, except those deemed to be confidential by the College Board, are available on the College's website at lambethcollege.ac.uk or from the Clerk to South Bank Colleges at:

103 Borough Road, London, SE1 0AA

The Clerk maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the College as a whole. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis

The College has a strong and independent non-executive element and no individual or group dominates its decision-making process. The College considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

South Bank Colleges Board

Since the 1 August 2018 the following have been members of the South Bank Colleges Board:

Name	Appointed	End of Office	Term	Role	Committees
Jerry Cope	1 August 2018	26 February 2019	4 years	LSBU Trustee	Chair of the Board
David Phoenix	1 August 2018		by virtue of office	Accounting Officer	
Sue Dare	1 October 2018		4 years	Independent Trustee	Quality & Improvement Committee (Chair)
Andrew Owen	1 February 2019		4 years	LSBU Trustee, Interim Chair of the Board (1 February 2019 – 6 May 2019) and Vice Chair (7 May 2019 onwards	Audit Committee (Chair)
Stephen Balmont	1 February 2019		4 years	LSBU Trustee	Audit Committee Remuneration Committee (Chair)
Shakira Martin	1 February 2019		4 years	Independent Trustee	Quality & Improvement Committee
Mee Ling Ng	1 February 2019		4 years	LSBU Trustee	Audit Committee
Leslie Bortey	1 February 2019	12 July 2019	1 year	Student Trustee	Quality & Improvement Committee
Nigel Duckers	12 April 2019		4 years	Staff Trustee	Quality & Improvement Committee
Ruth Farwell	7 May 2019		4 years	LSBU Trustee and Chair of the Board	Chair of the Board
Jennifer Brathwaite	17 May 2019		4 years	Independent Trustee	

Adesewa Ogunyomi	9 September 2019		1 year	Student Trustee	Quality & Improvement Committee

Audit Committee

The Audit Committee comprises three members of the Board (and does not include the Accounting Officer or the Chair). The Committee operates in accordance with written terms of reference approved by the Board and available on the Lambeth College website.

The Audit Committee reviews the effectiveness of the systems of control in place across the organisation.

Quality & Improvement Committee

The Quality and Improvement Committee comprises four member of the Board. The Committee operates in accordance with written terms of reference approved by the Board and available on the Lambeth College website.

The Quality & Improvement Committee has overall responsibility delegated to it by the Board for monitoring and reviewing the quality of education provided by the College. It meets four times a year.

Internal control

Scope of responsibility

The College Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board delegated the day-to-day responsibility to the Executive Principal, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between SBC and the funding bodies. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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 designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lambeth College for the period ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those

risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the College Board on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

The Chief Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements and regularity assurance auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The College Leadership Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded throughout the College. The College Leadership Group and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Board's business cycle includes a regular item for consideration of risk and control and receives reports thereon from the College Leadership Group and the Audit Committee. The

emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 14 November 2019, the Board carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the College Leadership Group and internal audit, and taking account of events since 31 July 2019.

The Annual Audit Report for 2018/19 produced by the Head of Internal Audit concluded that "The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective".

Approved by order of the members of the Board on and signed on its behalf by:



Ruth Farwell
Chair

Dave Phoenix
Accounting Officer

Date 10 December 2019

Statement of Regularity, Propriety and Compliance

The College has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm on behalf of the College, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Ruth Farwell.



Ruth Farwell
Chair

Dave Phoenix
Accounting Officer

Date: 10 December 2019

Statement of Responsibilities of the Trustees of the College

The members of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the College, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the College is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The College is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the group and parent College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the College are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts, and any other conditions that may be prescribed from time to time. Members of the College must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the College are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the trustees of the Board and signed on its behalf by:

Ruth Farwell.

Ruth Farwell

Chair

10 December 2019

Independent auditor's report to the Members of South Bank Colleges

Opinion

We have audited the financial statements of South Bank Colleges ("the College") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019 and of the Group's and College's income and expenditure, gains and losses and changes in reserves, and cash flows for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education.
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

Other information

The College is responsible for the other information, which comprises the Members' Report and the College's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

- we have not identified any material misstatements in the other information.
- in our opinion the information given in the Member's Report and the College's statement of corporate governance and internal control, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion the director's report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency, we are required 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in their statement set out on page 18, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view, such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and College ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless hey either intend to liquidate the group or the College or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue

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

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

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the SBC Board, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Article 22 of the College's Articles of Association. Our audit work has been undertaken so that we might state to the College Board 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 Trustees of the College, for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

Date: 13 December 2019

Reporting Accountant's Report on Regularity to the members of South Bank Colleges and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA")

In accordance with the terms of our engagement letter dated 11 February 2019 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by South Bank Colleges during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the Members of South Bank Colleges and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Members of South Bank Colleges and the ESFA those matters we are required to state in a 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 Members of South Bank Colleges and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South Bank Colleges and the reporting accountant

South Bank Colleges is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

The work undertaken to draw to our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Fleur Nieboer
For and on behalf of KPMG LLP, Reporting Accountant
15 Canada Square
Canary Wharf
London
E14 5GL

Date 13 December 2019

South Bank Colleges
Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2019	Year ended 31 July 2018
		Group £'000	Group £'000
INCOME			
Funding body grants	2	13,794	-
Tuition fees and education contracts	3	1,774	-
Other grants and contracts	4	17	-
Other income	5	390	-
ESFA other income	5	-	-
Endowment and investment income	6	2	-
Donations and Endowments	7	271	-
Gain on transfer of assets and liabilities from Lambeth College	12	16,210	
Total income		**32,458**	-
EXPENDITURE			
Staff costs	8	7,865	-
Other operating expenses	9	7,109	-
Depreciation	13	1,001	-
Interest and other finance costs	10	226	-
Total expenditure		**16,201**	-
Surplus before other gains and losses		**16,257**	-
Surplus before tax		**16,257**	-
Taxation	11	-	-
Surplus for the period	11	**16,257**	-
Actuarial loss in respect of pensions schemes		(5)	-
Total Comprehensive Income for the period		**16,252**	-
Represented by:			
Unrestricted comprehensive income		**16,252**	-

South Bank Colleges
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Total
	£'000	£'000
Group		
Balance at 1st August 2018	-	-
Surplus from the income and expenditure account	16,257	16,257
Other comprehensive income	(5)	(5)
Total comprehensive income for the year	16,252	16,252
Balance at 31st July 2019	**16,252**	**16,252**
College		
Balance at 1st August 2018	-	-
Surplus from the income and expenditure account	16,257	16,257
Other comprehensive income	(5)	(5)
Total comprehensive income for the year	16,252	16,252
Balance at 31st July 2019	**16,252**	**16,252**

South Bank Colleges
Balance sheets as at 31 July 2019

	Notes	Group	College	Group	College
		Year ended 31 July 2019 £'000	Year ended 31 July 2019 £'000	Year ended 31 July 2018	Year ended 31 July 2018
Fixed assets					
Tangible fixed assets	13	71,286	71,286	-	-
		71,286	**71,286**	-	-
Current assets					
Trade and other receivables	14	955	971	-	-
Cash and cash equivalents	18	1,381	1,381	-	-
		2,336	**2,352**	-	-
Less: Creditors – amounts falling due within one year	15	(3,156)	(3,172)	-	-
Net current liabilities		**(820)**	**(820)**	-	-
Total assets less current liabilities		**70,466**	**70,466**	-	-
Less: Creditors – amounts falling due after more than one year	16	(32,529)	(32,529)	-	-
Provisions					
Defined benefit obligations	17	(19,620)	(19,620)	-	-
Other provisions	17	(2,065)	(2,065)	-	-
Total net assets		**16,252**	**16,252**	-	-
Unrestricted reserves					
Income and expenditure account		16,252	16,252	-	-
Total unrestricted reserves		**16,252**	**16,252**	-	-

The financial statements on pages 24 to 52 were approved and authorised for issue by the Board of Trustees and were signed on its behalf by:

Ruth Farwell.

Ruth Farwell
Chair

Dave Phoenix
Accounting Officer

10 December 2019

South Bank Colleges
Consolidated Statement of Cash Flows

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash inflow from operating activities			
Surplus for the period		16,257	-
Adjustment for non cash items			
Depreciation		1,001	-
Gain on transfer of assets and liabilities from Lambeth College		(16,210)	
Decrease in debtors		486	-
Decrease in creditors due within one year		(22,569)	-
Increase in creditors due after one year		23,823	-
Increase in provisions		131	-
Pensions costs less contributions payable		575	-
Enhanced pension adjustment		(5)	-
Taxation		-	
Adjustment for investing or financing activities			
Investment income		(273)	-
Interest payable		226	-
Taxation paid		-	-
Net cash flow from operating activities		**3,442**	**-**
Cash flows from investing activities			
Investment income		273	-
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(2,305)	-
		(2,032)	-
Cash flows from financing activities			
Interest paid		(226)	-
Repayments of amounts borrowed		-	-
Deferred grant		-	-
		(226)	-
Increase in cash and cash equivalents in the year		**1,184**	**-**
Cash and cash equivalents at beginning of the year	18	-	-
Deemed costs of Lambeth College Corporation assets and liabilities at 31 January 2019	18	197	
Cash and cash equivalents at end of the year	18	1,381	-

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

These financial statements have been prepared in accordance with the *2015 Statement of Recommended Practice - Accounting for Further and Higher Education* (the SORP), with the *Accounts Direction 2016 to 2017* and in accordance with applicable Accounting Standards.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going Concern

The Corporation considers that the use of the going concern basis for the preparation of these financial statements is appropriate.

The activities of the College are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

As reflected in these financial statements, the College has recorded a surplus on Total Comprehensive income of £6.5m for the period ended 31 January 2019. The College owed the Education & Skills Funding Agency £6.2m at 31 January 2019. Previous bank loans have been transferred to London South Bank University which is shown under creditors due within one year.

The merger with LSBU took place 31st January 2019 and all College's business, staff, assets and liabilities were transferred to South Bank Colleges. South Bank Colleges is a company limited by guarantee and subsidiary by virtue of control of London South Bank University.

Recognition of Income

The recurrent grants from the funding bodies represent the funding allocations attributable to the current financial year and are credited to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process and the results of any funding audit.16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors e.g. employers. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted

1 ACCOUNTING POLICIES (continued)

purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post-Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which is managed by the London Pensions Fund Authority (LPFA). These are defined benefit pension schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the Income and Expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Short term Employment benefits

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

Enhanced Pensions

Under the TPS, the actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet in line with guidance issued by the funding bodies.

The same arrangements pertained to the LGPS until autumn 2005. Thereafter under the LGPS, a payment to cover the expected future cost of any enhancement to the ongoing pension of a former member of staff is made in full to the LPFA and is charged in full to the College's income and expenditure account in the year that the member of staff retires. No provision is therefore created.

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE/HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

1 ACCOUNTING POLICIES (continued)

Tangible Fixed Assets

Land and Buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of the assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were valued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under Construction

Assets under construction are included at cost, based on the value of architects' certificates and other direct costs, incurred to the period end. They are not depreciated until they are brought into use.

Subsequent Expenditure on existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently moved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs;
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

Motor vehicles	20% per year
General equipment	20% per year
Computer equipment	20% per year

1 ACCOUNTING POLICIES (continued)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy. The related grant is credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment on a basis consistent with the depreciation policy. All fully depreciated equipment has been written out of the financial statements.

Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. The capital element is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding bodies' capital equipment grants, the associated assets are designated as grant-funded assets.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

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

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and

1 ACCOUNTING POLICIES (continued)

expenditure account and are shown separately in note 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding council grants

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Recurrent grants		
Education and Skills Funding Agency - adult	7,509	-
Education and Skills Funding Agency – 16 -18	3,779	-
Education and Skills Funding Agency - apprenticeships	166	-
Specific Grants		
Education Funding Agency - Bursary	931	-
Education Funding Agency - Other Grants	31	-
Releases of deferred grants	1,378	-
Total	**13,794**	-

3 Tuition fees and education contracts

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Adult education fees	772	-
Education contracts	1,002	-
Total	**1,774**	-

4 Other grants and contracts

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
European Commission	17	-
Total	**17**	-

5 Other income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Catering and residences	24	-
Other income generating activities	292	-
Miscellaneous income	74	-
Total	**390**	-

ESFA other income are funds received in the previous year as emergency financial support and now have been waived

6 Investment income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Other interest receivable	2	-
	2	-

7 Donations

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Unrestricted donations in kind	271	-
Total	271	-

The donation represents the estimated market value of Lambeth College's rent free occupation of its Brixton premises. During 2017/18 the College moved from older premises to newly built premises and the increase in the value of the donations in kind reflects the changed nature of th College's premises.

8 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	Year ended 31 July 2019 No.	Year ended 31 July 2018 No.
Teaching staff	125	-
Non teaching staff	191	-
	316	-

Staff costs for the above persons

		Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Wages and salaries		5,230	-
Social security costs		572	-
Other pension costs		1,113	-
Payroll sub total		**6,915**	-
Contracted out staffing services		899	-
		7,814	-
Fundamental restructuring costs	contractual	51	-
	non contractual	–	-
		7,865	-

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal and Accounting Officer, Chief Financial Officer,Deputy Principal Curriculum and Quality, Assistant Principal Curriculum and Innovation, Assistant Principal Curriculum and Student Success and Head of MIS and Exams.

Determining pay of senior staff

The pay of the Executive Principal is set by the LSBU Remuneration Committee which meets annually in November to determine the remuneration of the LSBU Group Executive. As part of its decisions on pay and bonus award of the Executive Principal the committee considers a recommendation from the Group CEO who consults with the Chair of the SBC Board and the SBC Lead Trustee for Remuneration. All other SBC staff are engaged on main pay scale rates.
Severance payments for senior staff are determined by the Executive Principal and by the Group CEO in consultation with the SBC Chair.

8 Staff costs - Group and College (continued)

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	Year ended 31 July 2019 No.	Year ended 31 July 2018 No.
The number of key management personnel including the Accounting Officer was:	7	-
	7	-

The number of key management personnel and other staff who received annual emoluments, excluding employer contributions to national insurance and pension but including benefits in kind, in the following ranges was:

	Senior staff		Other staff	
	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2019	Year ended 31 July 2018
	No.	No.	No.	No.
£60,000 to £65,000	1	-	1	-
£65,001 to £70,000	2	-	-	-
£70,001 to £75,000	-	-	-	-
£75,001 to £80,000	-	-	-	-
£80,001 to £85,000	1	-	1	-
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	-	-	-	-
£95,001 to £100,000	-	-	-	-
£100,001 to £105,000	-	-	-	-
£110,001 to £115,000	1	-	-	-
£115,001 to £120,000	1	-	-	-
£130,001 to £135,000	-	-	-	-
£145,001 to £150,000	-	-	-	-
	6	-	2	-

FTE for key management personnel is 4.9 and the total pay for these senior individuals was £255,000 .

8

Key management personnel compensation is made up as follows:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Basic salary	221	-
Pension contributions	34	-
Benefits in kind	-	-
Total key management personnel compensation	255	-

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amount paid to the Principal and Chief Executive and who is the highest paid member of staff of:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Basic salary	59	-
Pension contributions	10	-
Benefits in kind	-	-
	69	-

The Accounting Officer draws not salary from the College.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	Year ended 31 July 2019	Year ended 31 July 2018
Principal's basic salary as a multiple of the median of all staff	3.9	-
Principal and CEO's total remuneration as a multiple of the median of all staff	4.6	-

The members of the Corporation, other than the Accounting Officer and staff governors, did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9 Other operating expenses

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Teaching costs	342	-
Non teaching costs	5,822	-
Premises costs	945	-
Total	**7,109**	-

Other operating expenses include:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Auditors' remuneration:		
Financial statements audit	48	-
Internal audit	25	-
		-
Premises costs (including a notional charge re Brixton campus which is matched by the notional income in Note7)	271	-
Surplus on disposal of tangible fixed assets	-	-
Hire of assets under operating leases	51	-

10 Interest payable - Group and College

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
On bank loans, overdrafts and other loans:	(3)	-
	(3)	-
On finance leases	-	-
Pension finance costs (note 25)	229	-
Enhanced pension finance costs	-	-
Total	**226**	-

11 Taxation - Group only

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
United Kingdom corporation tax	-	-
Total	-	-

The members do not believe the College was liable for any corporation tax arising out of its activities during either the current or prior year.
The College holds 100% of the issued £1 ordinary shares in SW4 Catering Ltd (incorporated on 10 July 2014, Company Number 09125790) whose principal business activities are catering, cleaning and security. The company has been trading since August 2014 and is consolidated within these financial statements . The subsidiary company wasincorporated in England and Wales and the shares were purchased at par and are carried at cost. Total cost of shares held is £1.
Any profits made by the subsidiary are donated to the College and would attract no corporation tax.

12 South Bank Colleges acquisition of Lambeth College

South London Colleges acquired the assets and liabilities of Lambeth College on 31 January 2019.
A summary of the Balance Sheet position at 31 January 2019 is given below:

	Closing Lambeth College		Fair Value
Fixed assets	**49,817**		**69,982**
Current assets			
Trade and other receivables	1,441	1,441	
Cash and cash equivalents	197	197	
	1,638	**1,638**	
Less: Creditors – amounts falling due within one year	**(25,730)**	**(25,730)**	
Net current liabilities	**(24,092)**		(24,092)
Total assets less current liabilities	**25,725**		**45,890**
Less: Creditors – amounts falling due after more than one year	(8,706)		(8,706)
Provisions			
Defined benefit obligations	(19,040)		(19,040)
Other provisions	(1,934)		(1,934)
Total net liabilities	**(3,955)**		**16,210**
Unrestricted reserves			
Income and expenditure account	(10,600)		16,210
Revaluation reserve	6,645		-
Total unrestricted reserves	**(3,955)**		**16,210**

13 Tangible fixed assets (Group)

	Land and buildings				
	Freehold	Long leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2018	-	-	-	-	-
Deemed costs of Lambeth College Corporation assets and liabilities	65,697	2,468	1,130	687	69,982
Additions	28	(10)	28	2,259	2,305
At 31 July 2019	**65,725**	**2,458**	**1,158**	**2,946**	**72,287**
Depreciation					
At 1 August 2018	-	-	-	-	-
Charge for the year	692	25	284	-	1,001
At 31 July 2019	**692**	**25**	**284**	**-**	**1,001**
Net book value at 31 July 2019	**65,033**	**2,433**	**874**	**2,946**	**71,286**
Net book value at 31 July 2018	-	-	-	-	-

The freehold Properties comprising Lambeth College Clapham and Lambeth College Vauxhall were valued as at 1 February 2019 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuations were prepared in accordance with the requirements of the RICS Valuation – Global Standards (July 2017 edition) and guidance set out in UK national supplement 2018 [collectively "the Standards"] published by the Royal Institution of Chartered Surveyors (RICS) and Financial Reporting Standard 102 and the Statement of Recommended Practice 'Accounting for Further and Higher Education. The valuations were undertaken on a Fair Value basis, and valued by reference to the comparative and residual methods. The valuation is reported under the special assumption to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced, except where stated separately within the valuation report.

13 Tangible fixed assets (College only)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2018	-	-	-	-	-
Deemed costs of Lambeth College Corporation assets and liabilities	65,697	2,468	1,130	687	69,982
Additions	28	(10)	28	2,259	2,305
At 31 July 2019	**65,725**	**2,458**	**1,158**	**2,946**	**72,287**
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At 1 August 2018	-	-	-	-	-
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Net book value at 31 July 2019	**65,033**	**2,433**	**874**	**2,946**	**71,286**
Net book value at 31 July 2018	-	-	-	-	-

The freehold Properties comprising Lambeth College Clapham and Lambeth College Vauxhall were valued as at 1 February 2019 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuations were prepared in accordance with the requirements of the RICS Valuation – Global Standards (July 2017 edition) and guidance set out in UK national supplement 2018 [collectively "the Standards"] published by the Royal Institution of Chartered Surveyors (RICS) and Financial Reporting Standard 102 and the Statement of Recommended Practice 'Accounting for Further and Higher Education. The valuations were undertaken on a Fair Value basis, and valued by reference to the comparative and residual methods. The valuation is reported under the special assumption to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced, except where stated separately within the valuation report

14 Debtors

	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	College Year ended 31 July 2018 £'000
Amounts falling due within one year:				
Trade receivables	944	944	-	-
Amounts owed by group undertakings:				
Subsidiary undertakings	-	16	-	-
Prepayments and accrued income	11	11	-	-
Total	**955**	**971**	-	-

15 Creditors: amounts falling due within one year

	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	College Year ended 31 July 2018 £'000
Trade payables	1	1	-	-
Other taxation and social security	498	514	-	-
Accruals and deferred income	2,198	2,198	-	-
Other creditors	145	145	-	-
Deferred income - government capital grants	314	314	-	-
Total	**3,156**	**3,172**	-	-

16 Creditors: amounts falling due after one year

	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	College Year ended 31 July 2018 £'000
LSBU Creditor	8,875	8,875	-	-
Other creditors	2,576	2,576	-	-
Deferred income - government capital grants	8,532	8,532	-	-
Deferred grant	12,546	12,546	-	-
Total	**32,529**	**32,529**	-	-

17 Provisions

	Group and College				
	Defined benefit Obligations	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
01 August 2018	-	-	-	-	-
Deemed costs of Lambeth College Corporation assets and liabilities	19,040	-	1,934	-	20,974
Expenditure in the period	(436)	-	(74)	-	(510)
Transferred from income and expenditure account	1,016	-	205	-	1,221
31 July 2019	**19,620**	**-**	**2,065**	**-**	**21,685**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

The enhanced pension provision relates to the cost of staff who retired with enhanced pension provisions between 1995/96 and 2006/07. The value of the provision is calculated in accordance with guidance issued by the Association for Colleges.
The principal assumptions for this calculation are:

18 Cash and cash equivalents

	At 1 July 2018	Acquisition of LCC assets and liabilities	Cash flows	Other changes	Year ended 31 July 2019
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	197	1,184	-	1,381
Total	**-**	**197**	**1,184**	**-**	**1,381**

19 Capital commitments

	Group and College	
	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Commitments contracted for at 31 July	765	-

20 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Future minimum lease payments due		
Other		
Not later than one year	77	-
Later than one year and not later than five years	41	-
later than five years	-	-
	118	-

21 Contingent liabilities

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

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

22 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the London Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2016 and of the LGPS 31 March 2016.

Total pension cost for the year		**Year ended 31 July 2019 £'000**
Teachers Pension Scheme: contributions paid		395
Local Government Pension Scheme:		
Contributions paid	(436)	
FRS 102 (28) charge	1,154	
Charge to the Statement of Comprehensive Income		718
Enhanced pension charge to Statement of Comprehensive Income		-
Total Pension Cost for Year within staff costs		**1,113**

Teacherrs' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the period amounted to £395,011.

22 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pensions Fund Authority . The total contribution made for the year ended 31 July 2019 was £388,153 (2018: £509,213), of which employer's contributions totalled £256,657 (2018: £390,761) and employees' contributions totalled £131,526 (2018: £118,452). The agreed contribution rates for future years are 13.5% (2018:22.27 %) for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 January 2019 by a qualified independent actuary

	Year ended 31 July 2019
Rate of increase in salaries	3.90%
Future pensions increases	2.40%
Discount rate for scheme liabilities	2.10%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	Year ended 31 July 2019
	years
Retiring today	
Males	20.30
Females	23.10
Retiring in 20 years	
Males	22.10
Females	25.00

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Whilst the LGPS Scheme was not part of SBC in 2018 the comparative figures for the College are shown for information.
The College's share of the assets in the plan and the expected rates of return were:

	%	Fair Value at 31 July 2019 £'000	%	Fair Value at 31 July 2018 £'000
Equities	54%	24,033		
Target return portfolio	25%	11,202		
Infrastructure	6%	2,528		
Property	9%	4,018		
Cash	5%	2,327		
Total market value of assets	100%	**44,108**		**0**

The amount included in the balance sheet in respect of the defined benefit pension plan [and enhanced pensions benefits] is as follows:

	31 July 2019 £'000	31 July 2018 £'000
Fair value of plan assets	44,108	
Present value of plan liabilities	(63,263)	
Present value of unfunded liabilities	(465)	
Net pensions (liability)/asset (Note 17)	**(19,620)**	-

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	31 July 2019 £'000	31 July 2018 £'000
Amounts included in staff costs		
Current service cost	704	
Past service cost	44	
	748	**0**
Amounts included in investment income		
Net interest income on the defined liability	237	
	237	-
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	3,581	
Experience losses arising on defined benefit obligations	114	
Changes in assumptions underlying the present value of plan liabilities	(6,783)	
Changes in demographic assumptions	3,083	
	(5)	-

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability/asset during the year

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Surplus/(deficit) in scheme at 1 August	-	
Acquisition of LCC assets and liabilities at 31 January 2019	(19,040)	
Movement in year:		
Current service cost	(704)	
Employer contributions	436	
Past service cost	(44)	
Unfunded pension payments	12	
Net interest on the defined (liability)/asset	(263)	
Actuarial gain or loss	(5)	
Settlement and curtailments	(12)	
Net defined benefit (liability)/asset at 31 July	**(19,620)**	-

Asset and Liability Reconciliation	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	59,282	
Current Service cost	704	
Interest cost	768	
Contributions by Scheme participants	139	
Experience gains and losses on defined benefit obligations	-	
Changes in financial assumptions	6,783	
Change in demographic assumptions	(3,083)	
Experience loss/(gains) on defined benefit obligations	(114)	
Estimated benefits paid	(783)	
Past Service cost including curtailments	44	
Unfunded pension payments	(12)	
Defined benefit obligations at end of period	**63,728**	-
Reconciliation of Assets		
Fair value of plan assets at start of period	40,242	
Interest on plan assets	531	
Return on plan assets	3,581	
Other acturial gains/(losses)	-	
Employer contributions	436	
Contributions by Scheme participants	139	
Estimated benefits paid	(795)	
Administration expenses	(26)	
Assets at end of period	**44,108**	-

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	62,539	63,728	64,941
Projected service cost	1,413	1,447	1,482
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	63,802	63,728	63,654
Projected service cost	1,180	1,180	1,180
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	64,862	63,728	62,615
Projected service cost	1,481	1,447	1,414
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	66,102	63,728	61,442
Projected service cost	1,493	1,447	1,402

23 Related party transactions

Owing to the nature of the College'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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the period was £nil.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year.

London South Bank University – parent company from 1st August 2018.
Purchase transactions in commercial terms for the period amounted to £964,000 and there was a balance of £8,875,000 outstanding at period end shown as LSBUcreditors in note 15.
During the period the College borrowed £7,938M from LSBU, part of a £13.75m funding grant received from the ESFA.

SW4 Catering Limited, a subsidiary of SBC, purchase transactions amounted to £242,000 and has a balance of £15,000.

London Borough of Lambeth: total of transactions value over the period was of £898,462 with a trade debtor balance of £1,043,655 and a nil creditor balance.

24 Amounts disbursed as agent

Learner support funds

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Acquired at 31 January 2019	305	-
24+ Bursary	231	-
	536	-
Disbursed to students	(516)	-
Administration costs	(20)	-
Balance unspent as at 31 January, included in creditors	-	-

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.