


# FINANCIAL REVIEW

2014/15







FINANCIAL REVIEW FOR  
THE YEAR ENDED  
31 JULY 2015

HIGHER EDUCATION CORPORATION



WELCOME

University of Portsmouth



## WELCOME FROM THE CHAIR OF GOVERNORS AND THE VICE CHANCELLOR

We are an ambitious University. In 2014/15, we launched our new strategic plan to further build and strengthen our success, to create a springboard for our future growth, and to guarantee our continued achievement within a rapidly changing higher education landscape. Our strategic plan will see us pursue bold ideas within an environment where creativity, innovation and success are encouraged and celebrated.

We are a successful modern university with a growing international profile and a reputation for excellence in teaching, research and innovation. We are ranked within the top 2% of the world's universities and within the top 100 universities in the world that are less than 50 years old. The Good University Guide also named us as one of the top 10 modern universities in the UK. Over 60% of our research was assessed as world leading or internationally excellent in the Research Excellence Framework undertaken in 2014. We also received the highest outcome possible from our Quality Assurance Agency (QAA) Higher Education Review in 2015.

We place students and the quality of their experience at the heart of everything we do at the University. Responses to the National Student Survey show that 89% of students are satisfied with their experience at Portsmouth, placing us amongst the top performers for student experience in the country and above the national average for the ninth successive year. 88% of 2014 graduates were in employment or undertaking further study within six months of graduation.

We are investing in world-class, groundbreaking facilities. We have delivered a joint £9m building programme with the New Theatre Royal to provide highly specialised drama and music teaching facilities and television studios and building work will be completed in 2017 to create a new £11m Future Technology Centre. We are also about to embark upon ambitious investment plans to radically transform our estate and facilities through the development of a comprehensive Estates Masterplan that will meet the needs of students and staff for the decades to come.

Our financial strength is key to realising these ambitious strategies and plans. Constraints in public funding mean that universities need to identify and secure new income streams, use existing resources more efficiently and effectively, and generate higher surpluses to sustain future investment. This Operating and Financial Review is a testament to the University's success and to the hard work and achievements of its staff and students. The Review demonstrates that the University is well placed to meet the current and future challenges for higher education and to continue its trajectory of success.

A handwritten signature in black ink that reads "Bill Salmond".

Bill Salmond  
Chair of the Board of Governors

A handwritten signature in black ink that reads "Graham Galbraith".

Professor Graham Galbraith  
Vice-Chancellor

November 2015



FINANCIAL REVIEW FOR THE  
YEAR ENDED 31 JULY 2015



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GOVERNORS AND  
SENIOR STAFF

BOARD OF GOVERNORS  
AND SENIOR FINANCIAL  
OFFICERS OF THE  
UNIVERSITY OF  
PORTSMOUTH HIGHER  
EDUCATION CORPORATION

1 AUGUST 2014 –  
23 NOVEMBER 2015





## Board of Governors (who are also Trustees)

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### External Members

Dr Peter Bunyan	
Janice Caplan	
Marie Costa	Up to 31 July 2015
Bishop Christopher Foster	
Mark Greenwood	
Jane Hoskins	
Martin James	Deputy Chair
Anne Lambert	
Mark Lemon	
The Honourable Virginia Lovell	From 1 April 2015
Frances Morris-Jones	From 1 March 2015
Paul Myers	
Mark Readman	
Bill Salmond	Chair
Margaret Scott	From 1 March 2015
Brian Sellwood	From 1 March 2015
Professor Nairn Wilson	
Edward Gordon	Up to 31 July 2015
Waqar Younas	From 1 August 2015
Dr Sherria Hoskins	
David Smith	
Professor Mike Tipton	
Anne Burrill	
Grant Clarke	Up to 30 June 2015
Nick Johnson	From 1 July 2015
Professor Graham Galbraith	

### Student Governor

### Nominated by Academic Council

### Nominated by Academic Staff

### Nominated by Support Staff

### Nominated by Student Body

### Vice-Chancellor

## Senior Financial Officers of the University

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### Vice-Chancellor

### Director of Finance

### Deputy Director of Finance

### University Secretary and Clerk to the Board of Governors

### Acting Clerk to the Board of Governors

### Director of Corporate Governance and Clerk to the Board of Governors

Professor Graham Galbraith	
Emma Woollard	
Dr Elizabeth Bartle	
Sally Hartley	To 28 February 2015
Annette Bourke	From 1 March 2015 to 10 May 2015
Adrian Parry	From 11 May 2015

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# OPERATING AND FINANCIAL REVIEW





# DIRECTOR OF FINANCE REPORT

## OVERALL PERFORMANCE

The University's financial results for 2014/15 are, once again, excellent.

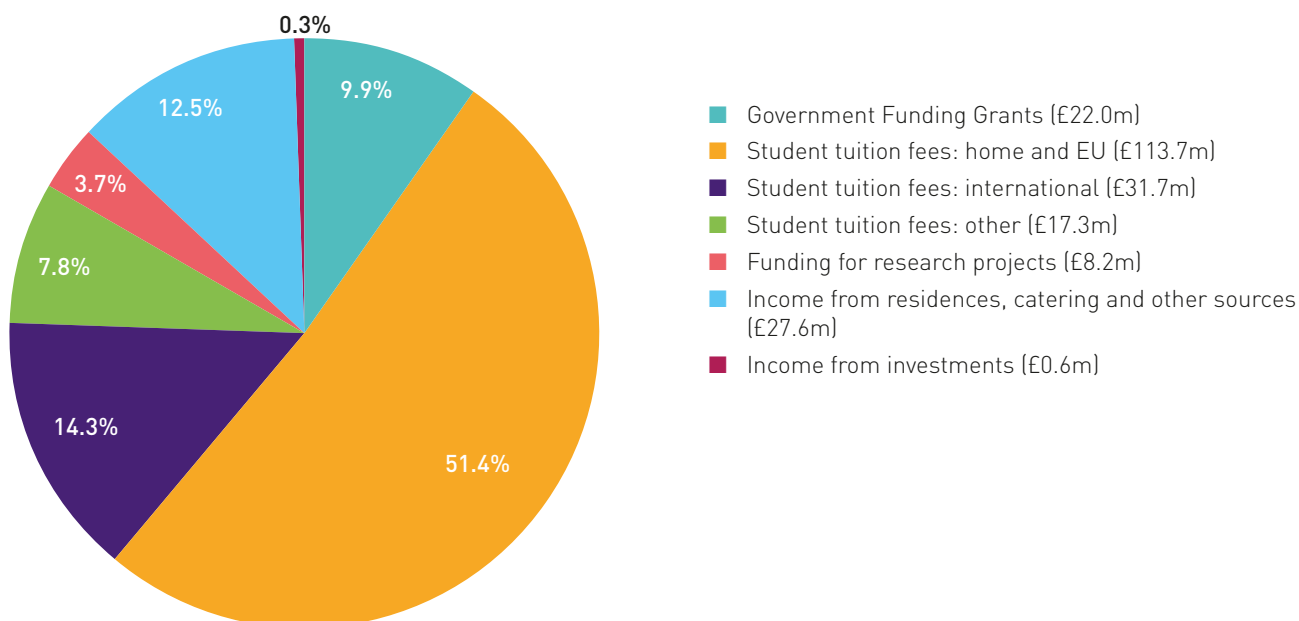
Student numbers exceeded our budget targets for both home/EU full-time undergraduate and international students, contributing to the excellent reported surplus for 2014/15. Expenditure from these funds is largely planned from the start of 2015/16.

Income from Innovation Activities, Residences and Catering has increased by £5.5m (24.9%). This is mainly significant growth in work supported by the Government and Regional Growth Funds.

## INCOME

The University's income for 2014/15 totals £221.1 million, compared to £197.5 million in 2013/14.

Sources of Income	2014/15 £000	2013/14 £000	Change £000	Change %
Government Funding Grants	21,986	34,344	(12,358)	(36.0)
Student tuition fees: home and EU	113,756	90,751	23,005	25.3
Student tuition fees: international	31,652	27,512	4,140	15.1
Student tuition fees: other	17,301	15,498	1,803	11.6
Funding for research projects	8,219	6,887	1,332	19.3
Income from innovation activities, residences and catering and other sources	27,595	22,097	5,498	24.9
Income from investments	581	450	131	29.1
<b>Total</b>	<b>221,090</b>	<b>197,539</b>	<b>23,551</b>	<b>11.9</b>



## GOVERNMENT FUNDING GRANTS

The reduction in funding council grants includes a £11.4 million cut in HEFCE recurrent teaching funds, which was expected as part of the continuation of the transition to higher tuition fees, and a £815,000 decrease in the HEFCE National Scholarship Fund grant. Both changes were included in the University's 2014/15 budget.

## STUDENT TUITION FEES

The fee income received from home/EU full-time students increased by £23.0 million (25.3%), which is a reflection of the third year of increased tuition fees (to £9,000) combined with continued strong recruitment.

International fee income increased by £4.1 million, a 15.0% increase on 2013/14 and an excellent result. The University remains aware that this market is highly competitive. Equally the University is conscious of the uncertainty caused by policies of the Government and UK Visas and Immigration and remains vigilant to ensure it meets the monitoring and other actions required.

Other tuition fee income has increased by £1.8 million (11.6%) to £17.3 million; this is primarily due to increased income from part-time fees.

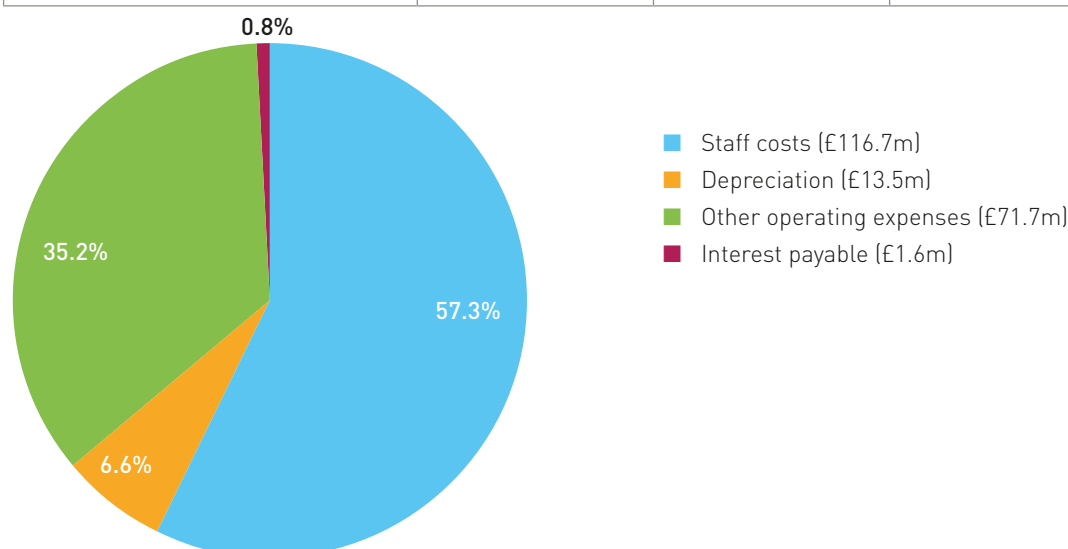
## OTHER SOURCES OF INCOME

Income from research grants and contracts has increased by £1.3 million to £8.2 million (19.3%) in 2014/15. As well as growth in specific areas, this includes RDEC (Research and Development Expenditure Credit) income of £1 million.

Other contract income has increased by £2.7 million (82.8%); this increase reflects Regional Growth Fund awards in 2014/15. As this funding is determined by the amount government attribute on a periodic basis, the opportunity to bid for these awards is not guaranteed in future years (the University is bidding for alternative regional development funding via the European Structural Fund).

## EXPENDITURE

Expenditure by type	2014/15 £000	2013/14 £000	Change £000	Change %
Staff costs	116,675	111,923	4,752	4.2
Depreciation	13,517	12,641	876	6.9
Other operating expenses	71,743	65,135	6,608	10.1
Interest payable	1,593	2,577	(984)	(38.2)
<b>Total</b>	<b>203,528</b>	<b>192,276</b>	<b>12,252</b>	<b>5.9</b>





Expenditure has increased from £192.3 million to £203.5 million. This figure includes a 4.2% increase in staff costs, which includes the effect of annual increments (1% on average), the 2% August cost of living pay award, along with some new investment in staffing.

The University was allocated 330 National Scholarship places in 2014/15 (last year of government funding) and continued to meet the requirement to provide matched funding by offering significantly more scholarships than required by the government scheme. In 2014/15 the University offered 1,400 national scholarships at £2,100 each (first year, £1,060 years two and three). These scholarships were offered to those students with a family income of £25,000 or less per annum. The University also took the decision to increase its own hardship fund, particularly in respect of care leavers, as well as maintaining the previous bursary scheme for continuing students. In total the University spent £9.1 million to support students during the 2014/15 academic year. This is included within Other Operating Expenses.

Depreciation has increased by £876,000, reflecting increased investment in equipment, in-year spend at the Portland and Eastney sites and Park Building roof, plus the first full year of depreciation for the University's Data Centre.

## HISTORICAL COST SURPLUS

The historical cost surplus on the University's accounts is £23.1 million (10.5% of total income) compared to £11.1 million in 2013/14. The historical cost surplus is a consequence of strong home/EU and international recruitment, along with significant growth in external contract income. We have continued to target expenditure towards directly enhancing the student experience. We also continued to invest selectively in the research environment and support for innovation services. This investment increases significantly in 2015/16 following the approval of the University's Strategy for 2015 to 2020 in July 2015.

## BALANCE SHEET (31 JULY 2015)

Net Assets:	31 July 2015 £000	Represented By:	31 July 2015 £000
Fixed Assets & Endowments	359,339	Deferred Capital & Endowments	46,028
Net Current Assets	80,282	General Reserve	170,052
Creditors due after one year	7,458	Revaluation Reserve	216,083
Pension Liability	97,590	Pension Reserve	97,590
Net Assets	334,573	Total Funding	334,573

The consolidated balance sheet for the University and its subsidiaries increased in value by £103.6 million to £334.6 million.

There was an overall increase in the University's fixed assets after depreciation of £92.0 million; this is predominantly due to the 2015 estates revaluation exercise. The increase also includes capital works during the year, including the White Swan development and extensive remodelling of the ground floor of the University Library, including the significantly increased IT open access area and the coffee shop.

Cash and short-term deposits increased by £16.1 million (to £95.2 million) in the year. This increase in cash held at 31 July 2015 compared to 31 July 2014 occurred despite ongoing capital expenditure on major projects and on premises and related infrastructure improvements. This activity is at a reduced level compared to 2013/14, pending development of the Estates Masterplan and full consideration of the recent condition survey.

The pensions liability increased by £10.8 million from £86.8 million to £97.6 million. Approximately 50% of the University staff is members of the Hampshire County Council local government pension scheme. The increased liability is because the updated figure for present and future pension payments is greater than the value of pension fund assets. We are not required to recognise a liability on our other pension schemes as they are multi-employer final salary schemes where it is not possible to allocate accurately an appropriate share of assets and liabilities of the schemes to the member bodies.

## INVESTMENT PERFORMANCE

The University continues to adopt a risk-based approach to its treasury management, with a clear commitment to ensuring its cash balances remain as secure as possible. Investment income has increased slightly in 2014/15 as a consequence of greater cash balances.

## FINANCIAL STRATEGY

2014/15 was the first year of our new approach to strategic and financial planning. This had at its heart strengthening and making explicit the link between academic and financial planning. It is clear this is enabling us to:

- Promote a greater focus on delivering our strategic ambitions as a University
- Deploy resources effectively, allowing successful implementation of our strategy
- Plan our capital investment effectively, deriving maximum strategic benefits
- Enable more explicit monitoring of planned and actual investment

During 2014/15, work to embed the process continued. We have been able to plan significant further investment for 2015/16 both to enhance our teaching capacity and student experience and also increase and diversify our research and innovation activity.

This approach will be integral to delivering our financial strategy and ensuring our financial sustainability. It will provide a clear basis to develop a funding strategy for our Estates Masterplan, which is now under development.





## FINANCIAL SUSTAINABILITY AND FINANCIAL HEALTH

The University's Financial Key Performance Indicators (KPIs) for Sustainability and Health are reported to the relevant governors committees. Discussion focuses on the University's position over time and also relative to sector benchmarks. The Financial KPIs suggested by HEFCE's Financial Sustainability Strategy Group for the last five years are shown in the table below.

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Earnings before interest, taxes, depreciation and amortization	23,578	17,971	18,657	18,745	30,485
Earnings before interest, taxes, depreciation and amortization as a % of Income	13.28%	10.18%	10.08%	9.49%	13.79%
Historical cost surplus as a % of total income	9.71%	6.89%	6.14%	5.60%	10.47%
Total reserves (excluding pension liability) as a % of income	143.84%	148.62%	144.28%	138.56%	174.65%
Borrowings as a % of total income	6.64%	6.11%	5.39%	4.44%	3.37%
Net cash flow as a % of income	0.06%	(0.38%)	0.42%	(0.12%)	(0.15%)
Days ratio of net liquidity to total expenditure (excluding depreciation)	173	168	163	161	183
Staff costs as a % of income	55.82%	58.65%	57.70%	56.66%	52.77%

After making enquiries, the Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, the University continues to adopt the Going Concern basis in preparing the accounts.

The University's Annual Report and Accounts can be viewed online at:  
<http://www.port.ac.uk/departments/services/finance/publishedfinancialstatements/>

## CONCLUSION

Once again the University delivered a significant surplus as reported in its financial statements. This builds on several years of excellent financial performance. With the University Strategy 2015–2020 being approved in July 2015, significant investment is essential to ensure we fulfil our ambitions. The results this year prepare us for this, alongside the substantial investment in our estate planned for the coming years.

# STRATEGIC AMBITIONS 2012-2015





# STRATEGIC AMBITIONS 2012 2015

## INTRODUCTION

These ambitions covered the period to July 2015 when a new University Strategy was agreed by our Board of Governors.

## OUR VISION FOR THE UNIVERSITY

We will enhance our position as a leading modern university through the delivery of excellent teaching, through engagement in research of international quality and in innovation services of the highest standard, enabling us to make a major contribution to social, cultural, educational and economic development.

## VALUES UNDERPINNING THE STRATEGY

We will be a socially responsible university, serious about inclusivity and committed to improving social mobility. We will maintain the highest levels of academic and professional integrity and will ensure that we deliver our obligations in relation to corporate social responsibility. Our strategy will be driven by values of equality, openness, tolerance and respect. We will demonstrate and expect of others ethical and responsible behaviours.

## EXCELLENT IN ALL WE DO

Excellence is at the heart of our strategy. We aim for the highest quality in all we do, achieved through a culture of evaluation and continuous enhancement. The full commitment of our staff, and constructive staff support and development, are essential to the delivery of our vision for the success of the University.

## AN INTEGRATED AND BROAD BASE

As a major distinctive feature of our provision, we will exploit the interrelations and interdependencies of teaching, fundamental and applied research, and our work in innovation services, to benefit our students and partners. Securely founded in the disciplines, we will create a knowledge base that is leading edge and relevant and our activities will make a major contribution to cross-disciplinary and thematic developments. We will maintain a broad base of subjects, and levels and modes of study, built on foundations of research and professional practice.

## OUTSTANDING TEACHING AND SUPPORT

We will be transformative in our educational vision, known for outstanding, innovative and inspiring teaching and support for learning, which will deliver life-enhancing opportunities for our students. We will provide high-quality support for our students' academic and personal development and for their preparation for successful and rewarding future careers. We will ensure that our curriculum enables students to develop the skills and capabilities we specify as defining the Portsmouth graduate, and that we embed employability as a core aspect of our teaching. Our students at all levels will experience intellectual challenge and a curriculum informed by the best and most up-to-date research and professional practice. We will work more closely with students to enhance all aspects of their experience.

## COMMITMENT TO SOCIAL INCLUSION AND WIDENING ACCESS

Our commitment to social inclusion will be demonstrated in our recruitment of and support for students from under-represented social groups. Our Admissions Policy will reflect this commitment and our Education Strategy will recognise the diverse academic and personal needs of our students.

## EXCELLENCE IN RESEARCH AND INNOVATION SERVICES

Our research and our innovation services will be of excellent quality and supportive of our ambitions for outstanding teaching. Our strategy for research will be ambitious, selective and oriented to impact. It will be responsive to the external research context and funding opportunities, so that we maximise research income in order to create a sustainable research environment. We will create a new structure and strategy for innovation services which will support expansion of our activities and raise the University's profile as a provider of choice for research-led innovation.

## A UNIVERSITY OF CHOICE

We aspire to be the first choice for students, educational and research partners and those accessing our innovation services. In order to achieve this, we will ensure that our educational, research and commercial offer is of the highest quality and relevance, and that we demonstrate responsiveness, flexibility and an enterprising approach in all our activities. Our students and graduates are a testimony to our success and we will ensure that our continued relationship with them through our Alumni Association is strengthened.

## LOCAL IMPACT WITH GLOBAL REACH

We have a special responsibility to our local community, particularly in the city of Portsmouth. In addition to the economic benefit we bring and our location in the heart of the city, our influence will extend to the provision of intellectual and cultural leadership, support for educational aspiration and attainment and benefits to businesses and local organisations through our innovation services and student volunteering programmes. We will seek further opportunities to contribute to strategic discussions and actions around the planning and development of the city.

Our business is also global, most immediately in terms of our recruitment, overseas partnerships and research strategy, but as significantly, in the global perspective of our curriculum, promoting a world view essential for contemporary employment and professional development. We are able to harness our global networks and influence to benefit our students and partners, and will seek to extend our international collaborations in relation to all three core strategies.



## FIRST CLASS ESTATE, FACILITIES AND SERVICES

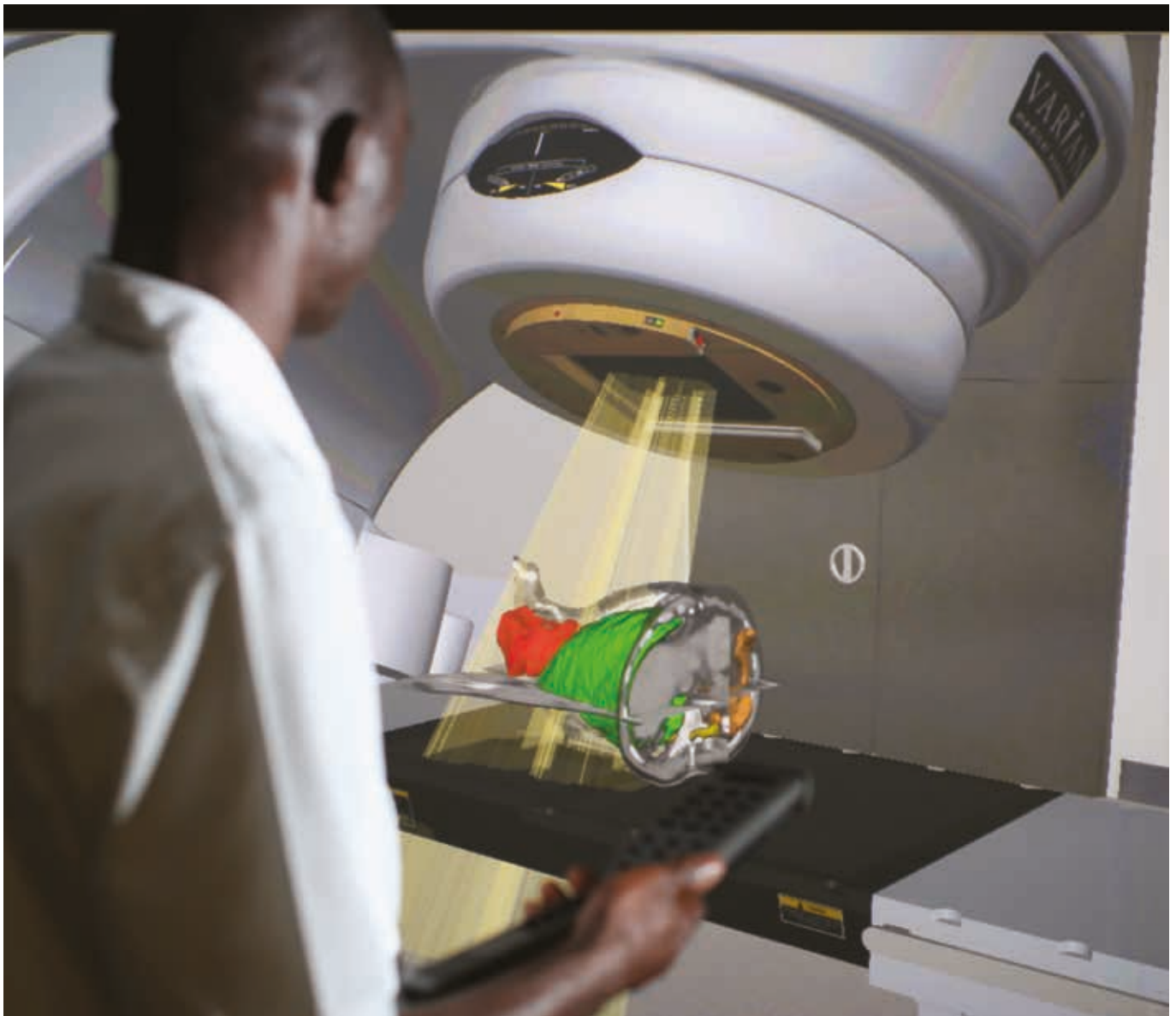
We will develop and enhance the estate and facilities of the University to support our core business. This will require a combined strategic approach across the University and significant further investment to ensure that our estate and facilities are first class. We will create an operating environment that is effective, efficient and addresses environmental and financial sustainability.

## MONITORING THE SUCCESS OF OUR STRATEGY

Our agreed Key Performance Indicators are monitored regularly by senior managers and the Board of Governors to review progress with regard to implementation of our strategy.

## DEVELOPING OUR FUTURE STRATEGY

Following extensive consultation with staff and students through the 'Shaping our Future' conversation, a new University Strategy 2015–2020 has now been approved. Information about our future plans is contained in the next section of this Operating and Financial Review.





STRATEGIC AMBITIONS  
2015-2020



# STRATEGIC AMBITIONS 2015 2020

## CONTEXT

Following an extensive 'Shaping our future' consultation with staff and students, the University's new mission, vision and values were launched in November 2014. These set out our long-term direction, with a focus on our position in ten to fifteen years' time.

The full University Strategy 2015–2020 was approved by Governors in July 2015. The focus of this University Strategy is on the medium term; setting out our objectives and targets for the next five years.

## OUR MISSION

**We delight in creating, sharing and applying knowledge to make a difference to individuals and society.**

## THE WAY WE WORK

### **Ambitious**

- We pursue bold ideas in an environment where creativity, innovation and success is encouraged and celebrated.
- We nurture and value relationships and partnerships that foster a global outlook.
- We inspire and support staff and students to achieve their potential and meet the challenges of society.
- We never settle for second best.

### **Responsible**

- We act with integrity for the greater good.
- We insist on upholding the highest academic and professional standards.
- We respect and celebrate diversity and equal opportunity through an inclusive culture.
- We aim for sustainability across all our activities.

### **Open**

- We work consultatively and collaboratively to benefit from new perspectives.
- We share ideas and maintain transparency.
- We are trustworthy and do what we say we will do.
- We listen and respond to the needs of our students and staff.

## OUR VISION

### **We will deliver transformational education, research and innovation by...**

- Recognising and sustaining our strengths in undergraduate education and growing our provision in the areas of postgraduate, part-time, CPD and flexible modes of study.
- Ensuring every student takes part in career-enhancing activities such as placements, exchanges, enterprise, volunteering or work-based learning.
- Building on our financial strength and increasing the contribution to income that comes from research and commercial activities.
- Establishing nationally and internationally recognised cross-discipline thematic areas that address key issues facing society.
- Creating a network of strategic global partnerships to support internationalisation.
- Raising expectations and creating ladders of opportunity for people in our region to take part in higher education.

### **Enabling the delivery of our vision**

- Supporting and developing our people to deliver excellence with commitment and passion.
- Developing a flexible physical and digital environment that promotes enjoyment and engagement within a community of learning.
- Being a proud part of Portsmouth and our region, working in partnership to support and influence the economic, educational and cultural life of the city.

### **Building on our underpinning strengths**

- Using our financial strength in support of our strategic ambitions for maximum impact and sustainability.
- Maintaining and enhancing our quality, reputation and visibility.

The full Strategy is available here:  
<http://www.port.ac.uk/vision/>



# KEY PERFORMANCE INDICATORS





# UNIVERSITY OF PORTSMOUTH STRATEGY 2012 2015

## ASSESSMENT OF PERFORMANCE FOR 2014/15

These ambitions relate to University Strategy 2012–2015. Key Performance Indicators related to each ambition were agreed by the Board of Governors. Governors receive a detailed quarterly report that reviews performance. This summary presents an overview, with more information about our performance contained in the Strategic Commentary section of this Operating and Financial Review.

Strategic and sustainability ambitions	2012/13	2013/14	2014/15
<b>1 Outstanding teaching and support</b>			
Outstanding teaching and support	Good	Good	Good
Social inclusion	Good	Good	Good
Student achievement	Satisfactory	Good	Satisfactory
<b>2 Excellence in research</b>	Mixed	Mixed	Satisfactory
<b>3 Expansion of innovation activity</b>	Satisfactory	Good	Good
<b>4 University of choice</b>			
Student demand	Good	Good	Satisfactory
Broad base of subjects and levels of study	Good	Good	Good
<b>5 Local impact with global reach</b>	Good	Good	Good
<b>6 Institutional quality</b>	Good	Good	Good
<b>7 Financial sustainability</b>	Good	Good	Good
<b>8 First-class facilities</b>	Mixed	Mixed	Mixed

On track

Broadly on track but some concerns need to be addressed

Some significant concerns which could be damaging if not addressed

Serious concerns threaten this area; impact on the University's overall performance

Good
Satisfactory
Mixed
Problematic

STRATEGIC  
COMMENTARY



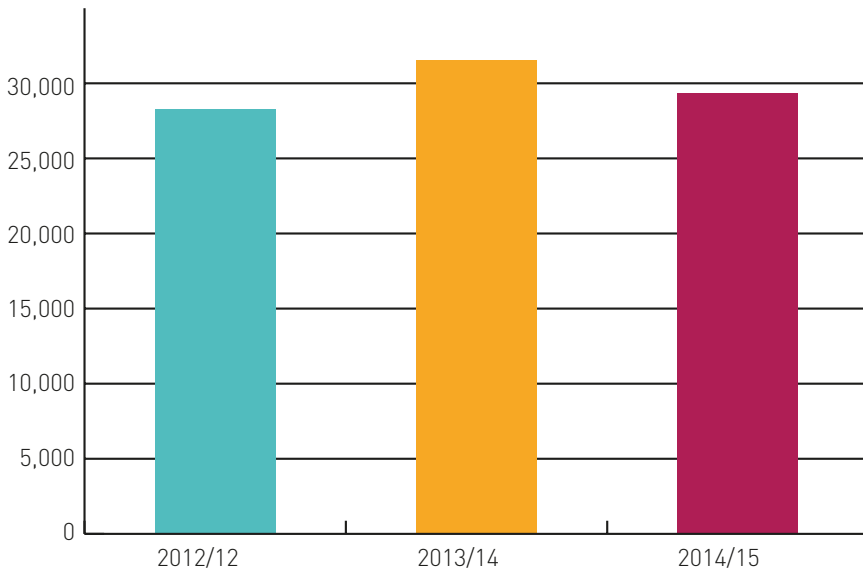
## STRATEGIC DEVELOPMENT

The University ran a 'Shaping Our Future' consultation involving all staff and students in 2014. This identified emerging themes providing a basis of debate about the strategic future of the University from which followed a new University Mission and Vision. The Mission and Vision underpinned development of a new University Strategy, which covers the five-year period from 2015 to 2020 and is explained in the Strategic Ambitions section of this document.

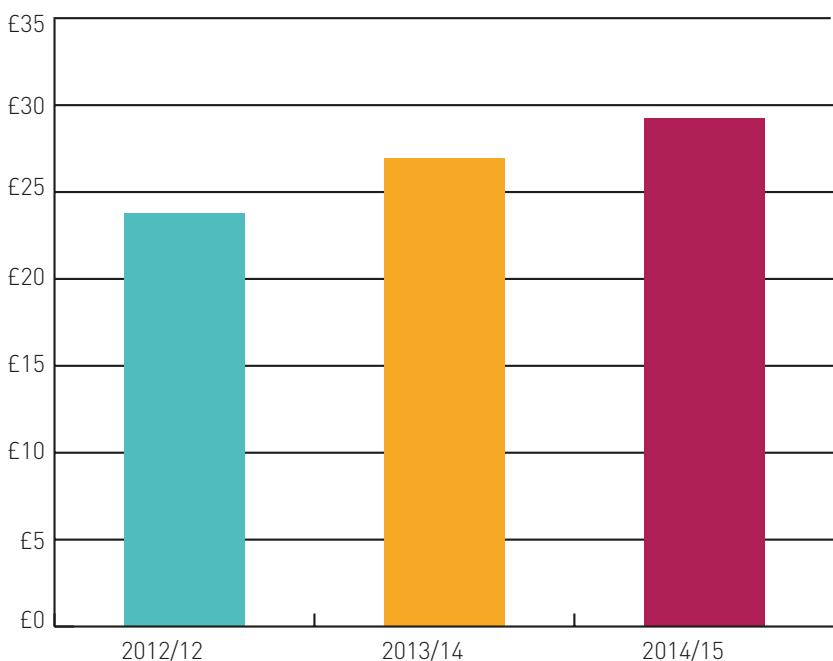
## APPLICANT DEMAND

The vast majority of applications received by the University in 2014/15 were for entry in Autumn 2015. For the 2015/16 academic year the Student Number Control (SNC) has been removed by HEFCE, which heightens the potential for increased competition, as institutions are no longer liable for financial penalties for over-recruitment. Despite this significant external change, overall application levels for our courses have remained strong with only a slight reduction in total Home/EU UCAS applications compared to the previous year. Demand from international students also remains strong.

### HOME/EU UCAS APPLICATIONS



### INTERNATIONAL FEE INCOME (£M)





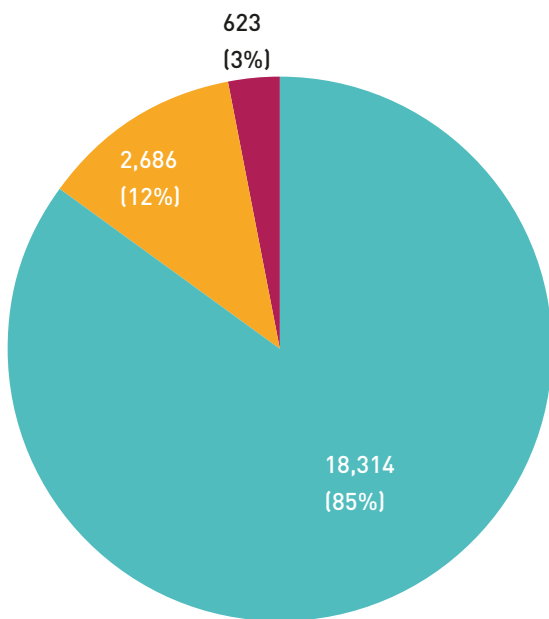
## STUDENT NUMBERS

Overall student numbers have decreased marginally from a total enrolment of 21,840 in 2013/14 to 21,623 in 2014/15. The decrease can be primarily attributed to a reduction in the number of part-time and postgraduate taught student numbers. Full-time undergraduate student numbers remain strong with the University recruiting above SNC and to the top of the flexibility range permitted by HEFCE.

The distribution of students in 2014/15 is shown in the charts below:

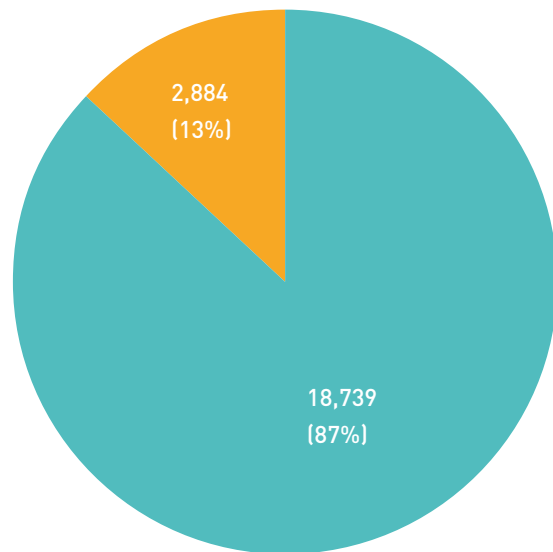
### STUDENTS BY LEVEL OF STUDY

- Undergraduate
- Postgraduate taught
- Postgraduate research



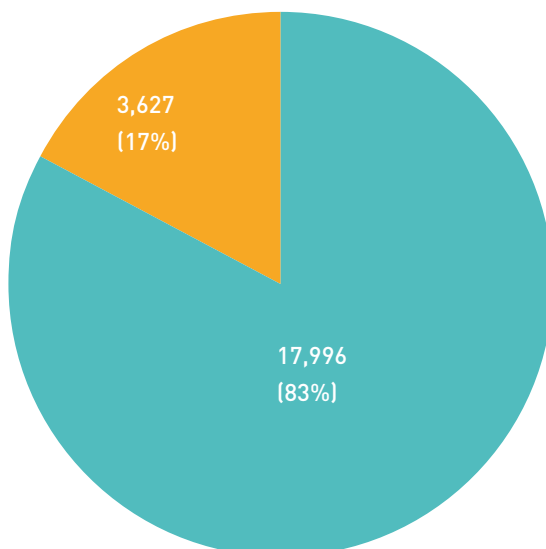
### STUDENTS BY REGION

- UK/EU students
- International students



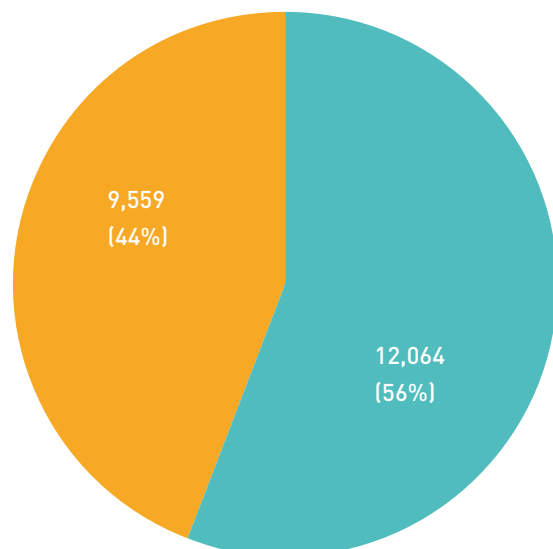
### STUDENTS BY MODE OF STUDY

- Full-time and sandwich
- Part-time



### STUDENTS BY GENDER

- Male
- Female

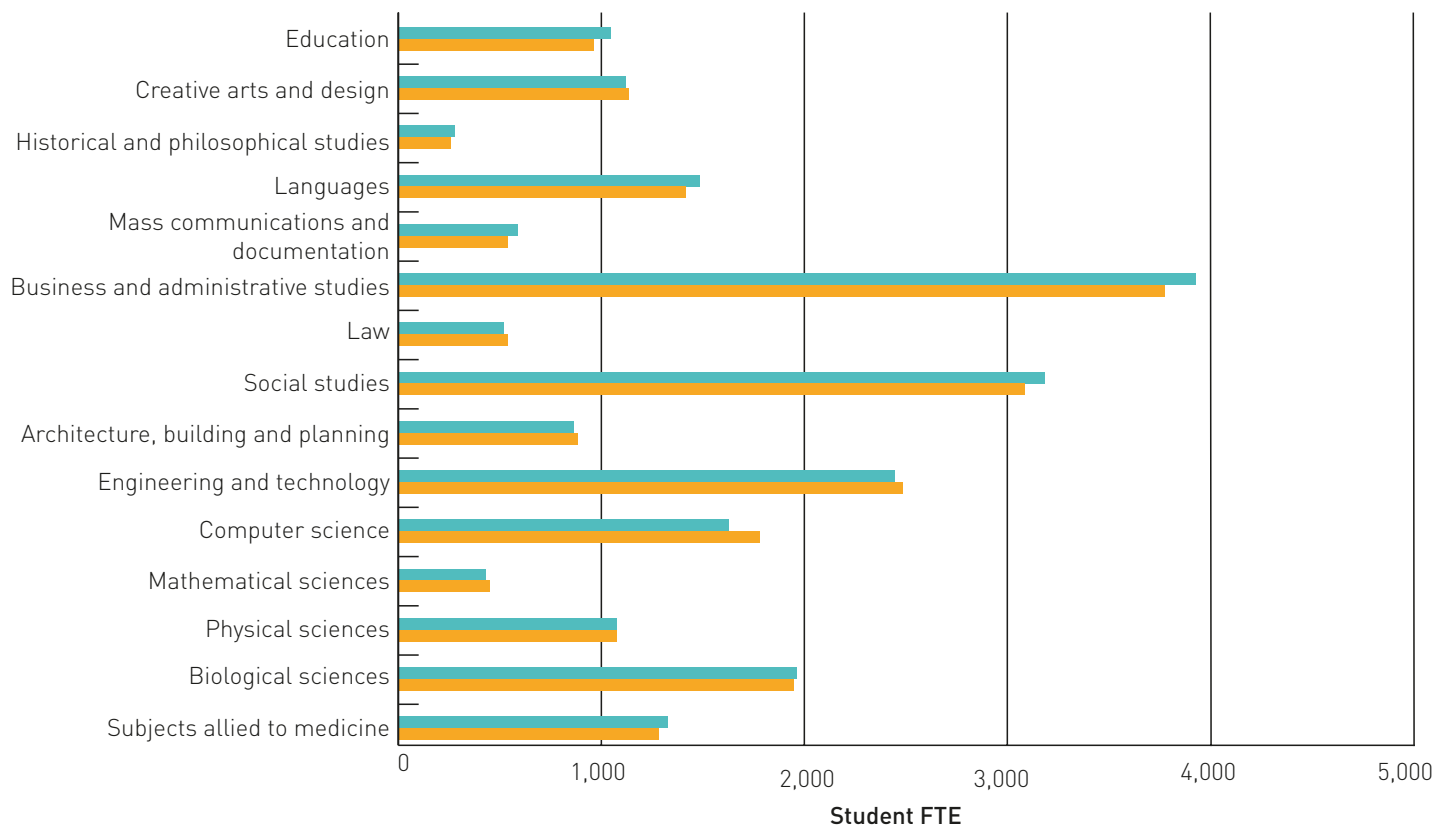


## AN INTEGRATED AND BROAD BASE

The University is committed to maintaining a broad base of subjects across five distinct faculties, with many of our undergraduates undertaking courses that lead to professional accreditation. The chart below shows our student numbers by subject area. We will continue to ensure our portfolio of taught courses remains relevant and produces highly skilled, employable graduates who can contribute to society and the economy.

### STUDENT FTE BY SUBJECT AREA

Source: HESA 2014/15



■ 2013/14 FTE  
 ■ 2014/15 FTE

## COMMITMENT TO SOCIAL INCLUSION, WIDENING ACCESS AND EQUALITY OF OPPORTUNITY

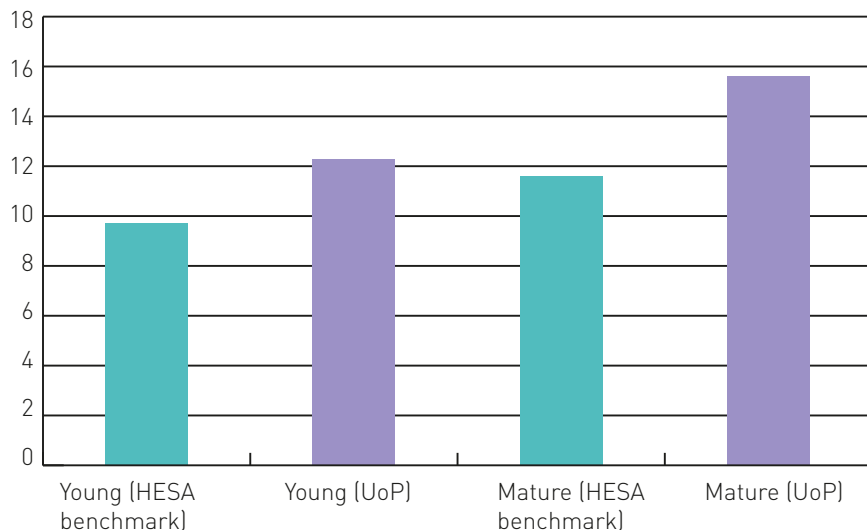
The University is committed to social inclusion through our recruitment of and support for students from under-represented social groups; this is reflected through our inclusive admissions policy. There are relatively low levels of educational attainment and participation in higher education within the city of Portsmouth. The University invests heavily in outreach activity working with local state schools and colleges to address this. We recognise the diverse academic and personal needs of all our students.

We are committed to offering financial support to those students in the most need of it through the award of non-repayable bursaries to English students from low-income households. In 2014/15 we made bursary payments totalling over £8m in excess of 6,800 students.

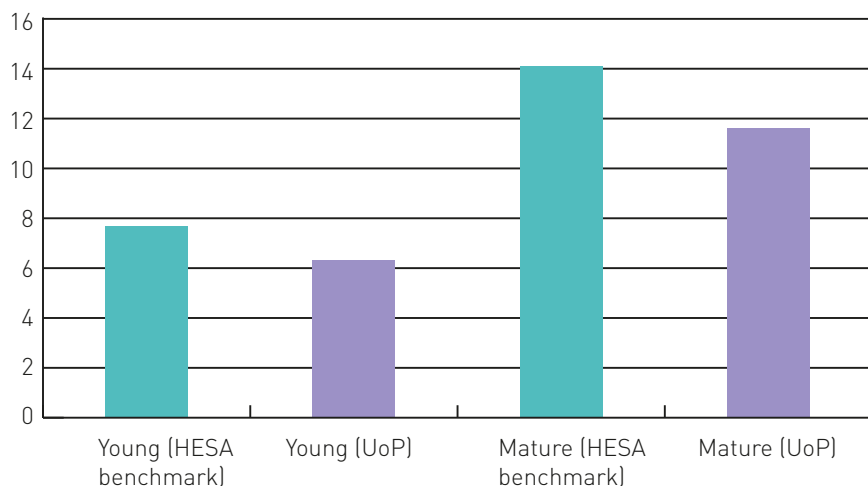
Our recruitment and retention of students from low participation neighbourhoods (LPNs) is strong, as evidenced by our performance against location-adjusted benchmarks defined through the annual HESA performance indicators. These indicators reflect recruitment above benchmark and targets, and withdrawal (non-continuation) rates below benchmarks. Our 2016/17 Access Agreement has been approved by the Office of Fair Access and includes even more stretching targets against these measures in coming years.

### Widening participation – recruitment and retention (Source: HESA Performance Indicators)

#### 2013/14 RECRUITMENT OF NEW ENTRANTS FROM LOW PARTICIPATION NEIGHBOURHOODS (POLAR3)



#### 2013/14 NON CONTINUATION RATES OF NEW ENTRANTS FROM LOW PARTICIPATION NEIGHBOURHOODS (POLAR3)



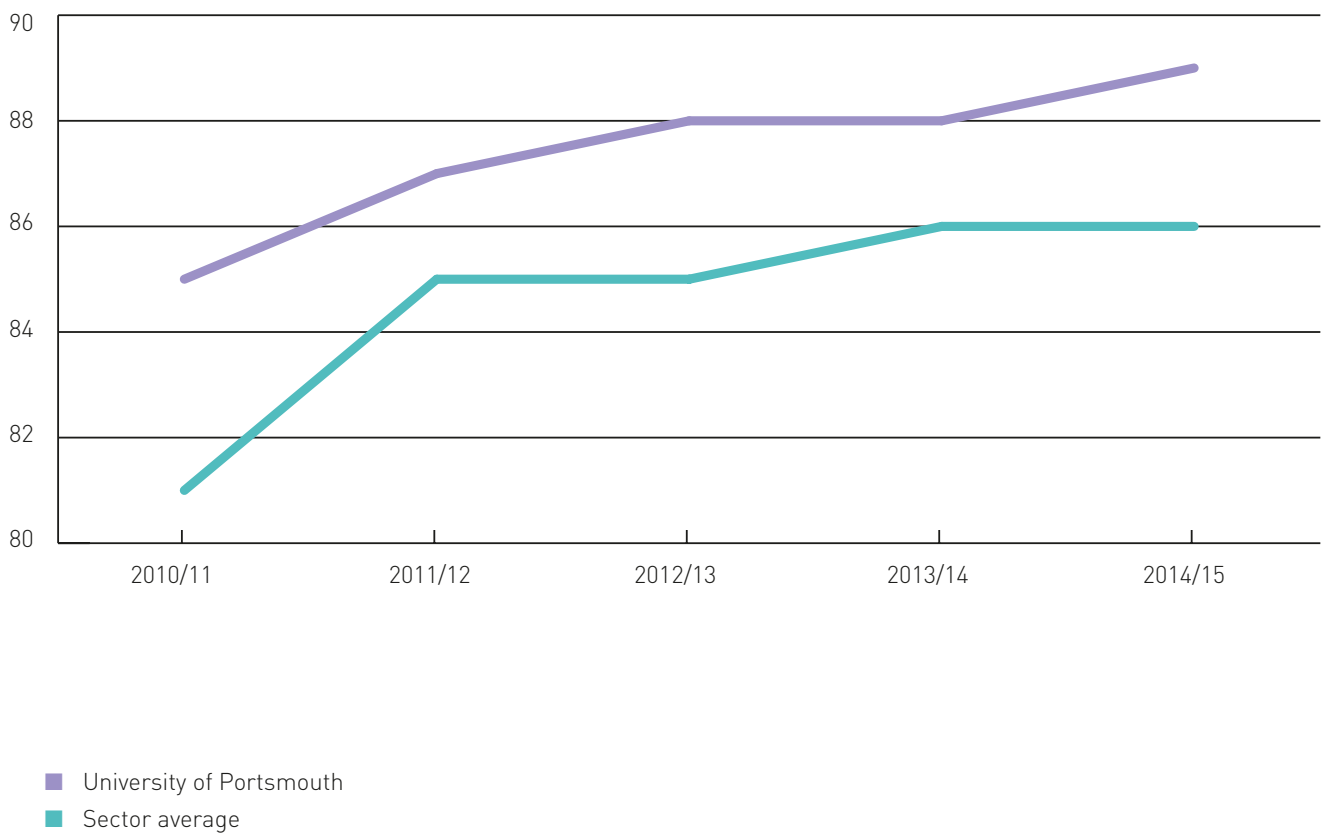


# OUTSTANDING TEACHING AND SUPPORT

Our teaching quality has been externally validated with us achieving the highest possible outcome in our recent Quality Assurance Agency (QAA) Higher Education Review, carried out in March 2015.

Our commitment to outstanding teaching and support has once again been demonstrated through excellent National Student Survey (NSS) outcomes in 2015. For the ninth consecutive year our students' overall satisfaction levels are higher than the national average and the gap between our performance (89% of students satisfied overall) and that of the sector (86% of students satisfied overall), has increased. There have been notable improvements in our performance in relation to satisfaction with Student Assessment and Feedback and Organisation and Management of courses. Nine subject areas recorded overall student satisfaction at 95% or higher.

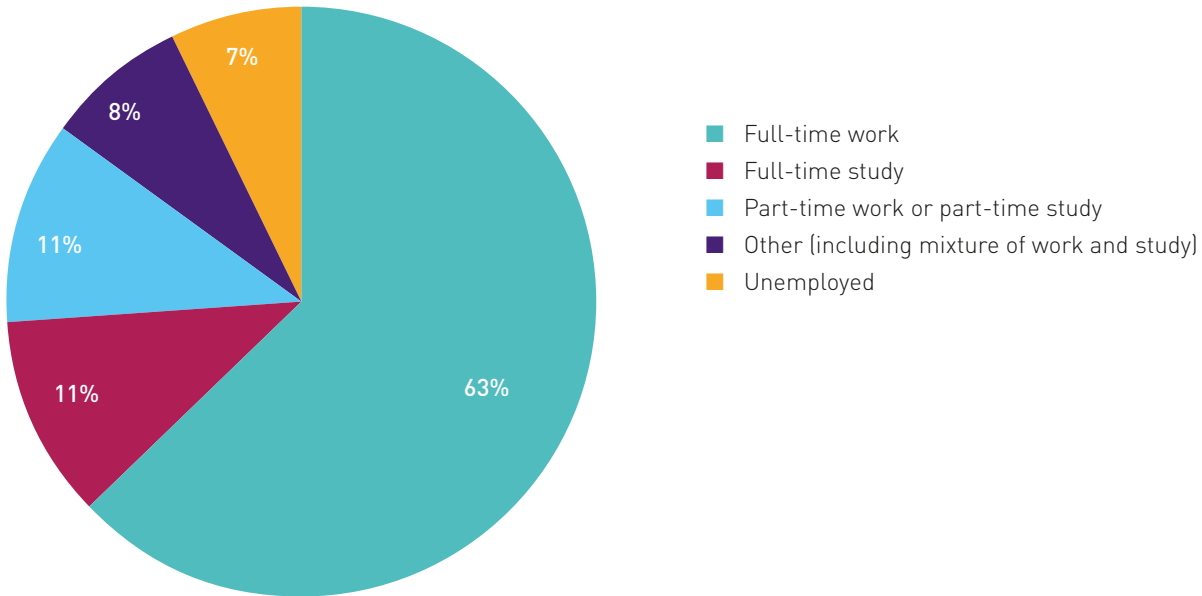
## NSS OVERALL SATISFACTION



## GRADUATE DESTINATIONS

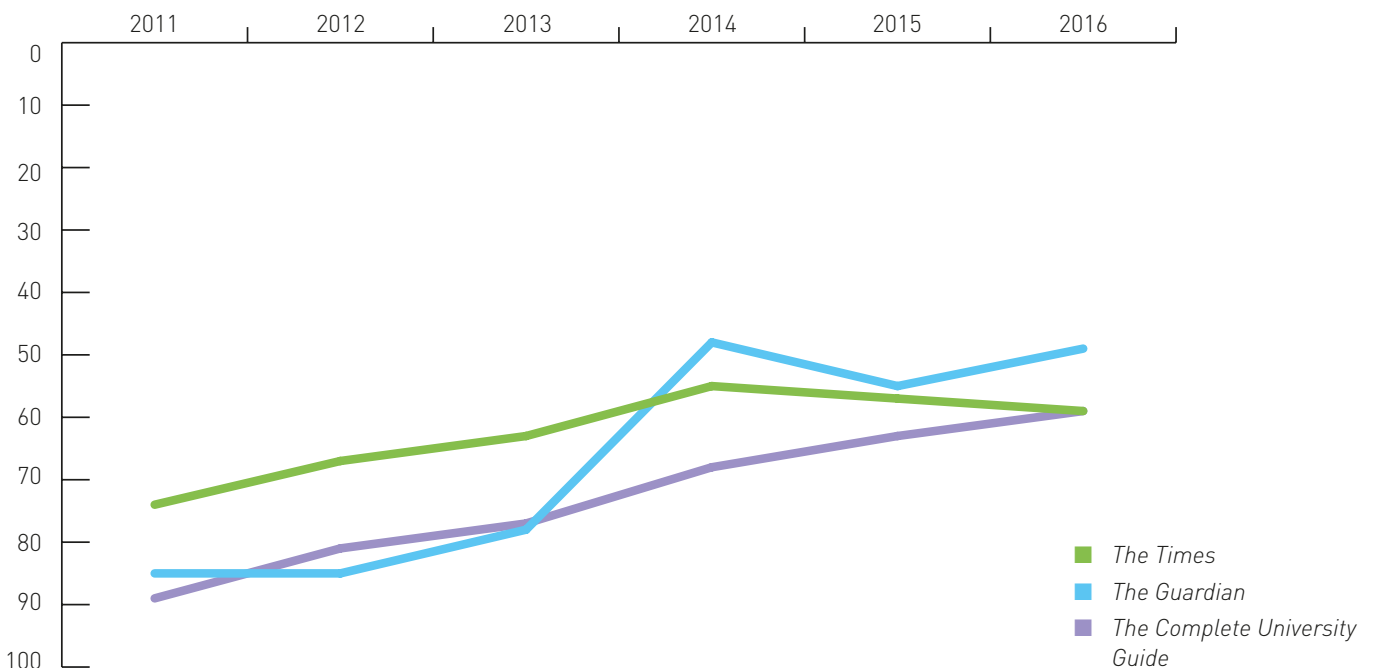
We continue to prepare our students for life after university by ensuring that they possess knowledge and skills required for working life or further study. The Destination of Leavers from Higher Education (DLHE) is an annual survey that reviews graduates' primary activities six months after leaving the University. The latest survey, published in July 2015, reviews the destination of students who left between August 2013 and July 2014.

The chart below shows the destinations of full-time UK domiciled undergraduates. The employment indicator for full-time UK domiciled first-degree students was 88% and the graduate unemployment rate was 7%. Over two thirds of UK leavers in employment six months after graduation were employed in managerial and professional roles (formerly described as 'graduate occupations'). Our new Mission and Vision focus strongly on promoting career-enhancing activities and this emphasis is reflected in the new University Strategy.



## PERFORMANCE IN EXTERNAL LEAGUE TABLES

The University is included in the Top 500 of the Times Higher Education World University Rankings for the fourth consecutive year and continues to perform well in domestic league tables. In addition, this year we have been included in the Times Higher Education 100 Under 50 rankings for the first time.



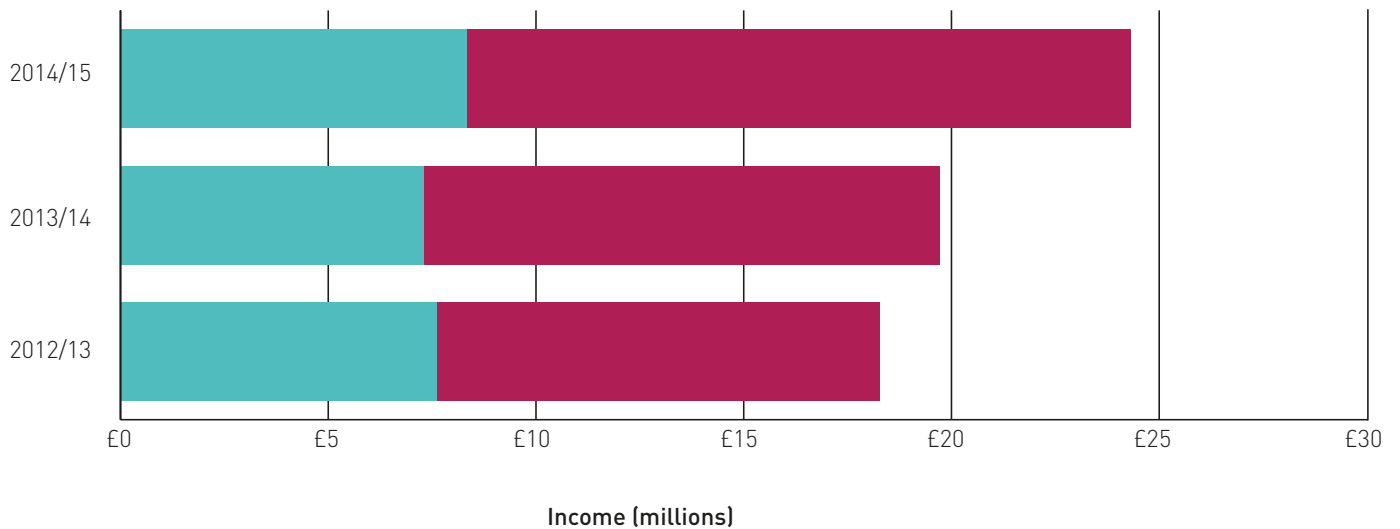
# EXCELLENCE IN RESEARCH AND INNOVATION

Total research income for 2014/15 was £7.7m, with an additional £650,000 from research studentships. This represents an increase of 14% on 2013/14, with the increase being largely contributed from pure research income and Research Development Expenditure Credit. Maintaining current income levels for research from Research Councils and other government funding streams is increasingly competitive.

Innovation income has increased by over £3.5m, to £15.9m, due to our successful efforts regarding the Solent Growth Hub, Future Solent Green Growth Grants and the drawing down of central government funds to support the Cell Block Studios project. This is a one-off increase, which will reduce in future years. Other innovation income remains stable; the University is working to diversify activities in this area.

Knowledge Transfer Partnership (KTP) programmes continue to be a popular method of delivering applied research with local SMEs. Sectors that experienced a drop following the 2008 recession such as business expertise-led projects are beginning to recover with three new KTPs awarded in the Business School this academic year. The University has also engaged in collaborative consortia to secure two Innovate UK Collaborative Research and Development awards. We are currently exploring how we can integrate with major UK Government Innovation Catapult Centres in key regional strategic sectors.

## RESEARCH AND INNOVATION INCOME



- Research income (inc studentships)
- Innovation income



## REF2014 RESULTS

The Research Excellence Framework (REF) is the new peer review process for assessing the quality of research in UK Higher Education Institutions (HEIs) that will be used to allocate HEFCE quality-related research (QR) funding from 2015-16. The University submitted 282 FTE staff to 15 Units of Assessment; six of which were new areas of submission for the institution.

We achieved excellent results in REF2014, with over 60% of research submitted rated as world leading and internationally excellent. The quality of the impact component of the University of Portsmouth submission was particularly high; with over 80% of our research impact being judged as having 'outstanding' or 'very considerable' impacts in terms of reach and significance.

In seven out of the 15 units of assessment we submitted, the impact of our research has been rated as outstanding and very considerable in terms of both its reach and significance. As a result of our performance in REF2014, our mainstream QR income increased to £4.4m for 2015/16, an increase of 30%.

## STAFF

The University employs over 2,500 full-time equivalent (FTE) staff, across a variety of academic and support roles. We are committed to the engagement and development of excellent staff through the promotion of excellent performance, investment in staff development, best practice in talent management, developing working practices fit for the future, supporting change and team development and providing a safe, healthy and inclusive working environment. The University is a committed equal opportunities employer and has been awarded an Athena Swan institutional bronze award by the Equality Challenge Unit. It is also a Stonewall Diversity Champion.

## ESTATE AND FACILITIES

In 2014/15 work has taken place on a condition survey of the University estate. The results of this have given us a better understanding of the potential future maintenance requirements, enabling better planning and scheduling of work in this area.

External consultants are also assisting the University in the development of an Estates Masterplan. This is a major project that will set the framework and blueprint for the development of the University's estate in the longer term and includes consultation with a wide range of stakeholders.

In the meantime there has been continued investment in the upgrading and modernisation of our campus including a recently opened £9m joint building programme which will strengthen our links with the city's historic New Theatre Royal; expanding the original building to incorporate new facilities including a new studio theatre and performance and technical spaces to be used by students from the Faculty of Creative and Cultural industries.



# ENVIRONMENTAL SUSTAINABILITY

## **Our commitment**

The University is committed to achieving sustainability across all activities and to securing a low carbon future. We have a number of policies, plans and practices that support this commitment. These range from the way we manage procurement, construction and travel to encouraging the adoption of recycling, waste reduction, 'green' meetings, and to facilitating changes in behaviour that assist these goals within our community of staff and students.

In addition to the work of our Environment Team, the University has a wider role in creating positive environmental impacts that have regional, national and international benefits through our research, teaching and collaborations with business and industry. The University of Portsmouth Environment Network (UPEN) seeks to coordinate and promote our activities in this area.

The University's Carbon and Environment Board monitors environmental performance, including our continued certification to the international standard for environmental management, ISO 14001.

## **Recycling and waste management**

University waste is managed centrally under three external waste contracts. We also benefit from working with major providers in the waste management sector and with other local universities to procure waste services. This approach has delivered continued improvements in waste management and recycling across the campus in recent years. Our overall recycling rates are currently 69%, with further improvements expected in future years.

## **Energy consumption**

Energy consumption is the main factor affecting our carbon emissions. Energy efficiency schemes and plant room improvement programmes have resulted in more efficient fuel consumption in recent years. The University now regularly specifies energy efficient LED lighting inside and outside buildings, which delivers added benefit through reduced maintenance costs.

## **Carbon management**

The University continued its compliance with Carbon Reduction Commitment (CRC) regulations (2014–15, Phase 2) with the purchase of carbon allowances worth £250,000. Our carbon emissions, unfortunately, remained static despite decreased energy use. This was due to an increase to the Government's electricity conversion factor, reflecting the increased use of carbon intensive fuels to generate electricity in the UK.

## **Behaviour change**

Improving our environmental performance depends greatly on our ability to effect behavioural change across our staff and student communities. Our 'Green Champion' network is helping us to consolidate our environmental performance by working with the National Union of Students 'Green Impact' behaviour change scheme. This raises staff awareness, which helps to maintain our high recycling rates and reduced energy consumption. Students engage in this scheme by being trained as environmental auditors and Green Champion buddies. Students are also recruited and trained to fulfil the role of Green Living Assistants – raising awareness about recycling and energy efficiency in halls of residence.

Continued membership of the easitPORTSMOUTH scheme aims to influence commuting travel behaviour by delivering discounted sustainable transport options to staff for their everyday and business journeys. The University again achieved first place in the Hampshire My Journey Commuter Challenge in 2015 and launched a cycle to work scheme during the year.

# FUTURE RISKS AND TRENDS





The University has a comprehensive approach to risk management. The University's overall risk register is regularly reviewed by the Board of Governors. This table summarises key strategic risks and the mitigation in place to minimise their impact.

Issue	Risk	Mitigation
<b>Recruit to our home/ EU student target</b>	Removal of the Student Number Control from 2015/16 may impact on our undergraduate recruitment levels, due to changes in competitor behaviour.	We will maximise our recruitment of new entrants by continuing to improve and offer an excellent student experience. We keep our provision under review to ensure we deliver a portfolio of courses that meet student expectations and the needs of society and the economy.
<b>Meet international income targets</b>	Over-reliance on particular countries for international recruitment.  Increased regulation and limitations being imposed on students from outside the EU wishing to study in the UK may have a detrimental effect on demand, which may impact on our ability to recruit international students.	We are building our profile in other countries, through in-country offices, agents and establishing new partnerships.  We have robust administration procedures in place to satisfy current UKVI requirements comprehensively and in a timely manner, on behalf of our international applicants and registered students.
<b>Reliance on full-time undergraduates</b>	Further decline in postgraduate recruitment, due to undergraduate students paying higher tuition fees and leaving with increased debts.	We will diversify our student population through targeted growth of our provision in the areas of postgraduate, part-time, CPD and flexible modes of study, responding to the needs of students and employers.
<b>Competition in the sector</b>	Growth in competition including private, international and online competitors.  Deregulation of HE, allowing providers from the private sector access to fundable students.	We will ensure that our course offering remains competitive, of high quality, matches applicant and employer demand and that we continue to provide an excellent student experience.
<b>External indicators of performance, including NSS and DLHE</b>	Decline in performance affects student outcomes and our performance in league tables.	We strategically invest in teaching enhancement and increase support for graduate employability through and beyond the curriculum. We will maintain our quality review and enhancement processes to maximise our performance against these indicators.
<b>Increased concentration of research funding</b>	Difficulty in securing research funding awards in a more competitive environment.	We will diversify our activity, whilst maintaining the high quality of our provision and building on our successes in REF2014, to ensure we are in a strong position to obtain new funding streams through the provision of research and innovation services.  We will continue to develop and invest strategically across our existing and emergent research, innovation and educational strengths in response to key national and international challenges.

Issue	Risk	Mitigation
<b>Meet completion targets on capital projects supporting the student experience</b>	Delays to building and improvement projects may lead to problems providing an adequate level and quality of teaching and residential space, leading to a diminished student experience.	<p>We ensure that project plans are as robust and realistic as possible and that communications between stakeholders are effective.</p> <p>We ensure adequate plans and contingencies are in place to deal with disruption should these be required.</p> <p>We will develop an Estates Masterplan that sets the framework and blueprint for the development of the University's estate in the longer term.</p>
<b>Financial sustainability</b>	Further cuts in funding by HEFCE and other public bodies following the Comprehensive Spending Review.	We will carefully manage cost and resources to ensure we maximise efficiency and effectiveness of activities, support the delivery of our priorities and deliver excellent value for money to our students. We will continue to explore and develop other sources of income generation.
<b>Public sector spending</b>	The Comprehensive Spending Review may result in further reductions in public spending, within and outside HE, which could impact on revenues raised through provision to key partners including the NHS and Probation Service.	<p>We forecast cash balances for a three-year period. Throughout this period, balances remain significantly higher than the minimum levels stipulated in our Treasury Management Policy.</p> <p>Cash balances are high as capital expenditure has been more limited compared to earlier years as we prepare for major investment as part of the Estates Masterplan and in support of the University Strategy.</p>





PUBLIC  
BENEFIT



## OVERVIEW

The University of Portsmouth is a Higher Education Corporation and, as such, is an exempt charity regulated by HEFCE on behalf of the Charity Commission for England and Wales. Our primary purpose, as contained in the Education Reform Act 1988 (as amended), is the provision of education, including higher education, and carrying out and publishing research. The members of the Board of Governors, who include the Vice-Chancellor and staff and student members, are the trustees of the charity. As such, the Board of Governors, as trustees, have due regard to the Charity Commission's general guidance on public benefit.

The University Strategy sets key targets across teaching, research, innovation, and access and community engagement. The aims of our strategy demonstrate our focus on the delivery of higher education and high-quality research enabling us to make a major contribution to social, cultural, educational and economic development. Direct beneficiaries from our activities include students registered on our programmes of study and individuals and groups who are positively impacted by our research and innovation services activity.

We acknowledge our special responsibility to our local community. In addition to the economic benefits provided by our students and staff (numbers to be added following HESA returns), our influence extends to the provision of intellectual and cultural leadership within the city, support for educational aspiration and attainment and bringing benefits to businesses and local organisations.

Through each of our main areas of activity – education, research and innovation – we provide many additional benefits to the communities we serve, some examples are provided below. These examples are in addition to the public benefit identified within other sections of this document, including the Strategic Commentary.

## EDUCATION

The University delivers undergraduate and postgraduate programmes to over 22,000 students in the UK and abroad. We provide the regional, national and international economies with graduates in possession of the knowledge and skills required for successful careers. Our provision includes courses in subjects recognised as being strategically important by the government such as science, engineering, mathematics and modern foreign languages and many of our courses are professionally accredited. Our graduates are in high demand with two-thirds employed in professional or managerial occupations within six months following graduation, many remaining in the city and surrounding area.

The University strives to offer a high-quality education to all with the ability to benefit, and offers generous financial assistance to students from low-income households to mitigate against economic barriers preventing progression to higher education.

We work closely with local schools and colleges through our Education and Liaison and Outreach Team (ELOT) who create links between the University and local schools and colleges, offering a range of activities designed to interest and inform pupils about university life. This offering is made through incremental packages available through our UP for Juniors, UP for Uni and Post-16 schemes - from Year 5 through to Year 13 – and seeks to increase applications to HE from under-represented groups in higher education. We work particularly closely with the many schools and colleges in the area where there has traditionally been low progression in to higher education. We continue to perform strongly against HESA Widening Participation Indicators.

We deliver a Student Ambassadors scheme working with 9–18 year olds on a variety of activities targeted at raising aspirations and encouraging young people in the city to think about progression routes. For a number of our Student Ambassadors higher education was not an automatic choice, which means they are excellent role models for those who feel unsure about continuing with their studies.

The University is the lead sponsor in the establishment of a University Technical College (UTC) within the heart of the City of Portsmouth, working collaboratively with Portsmouth City Council and local employers including the Royal Navy and BAE Systems to provide technical education to 14–19 year olds that will help to address current and future skills requirements of employers in the region. The new UTC, which is due to open in September 2017, will provide a focus for raising aspirations and developing skills and is an important keystone in developing the city's future as a centre for advanced manufacturing and engineering. Additionally, in late 2014 the University secured £5m from HEFCE towards the cost of an £11m Future Technology Centre. This new initiative for teaching and learning will be collaboration between the Faculties of Technology and Science, involving local employers, and will extend our provision in both areas.

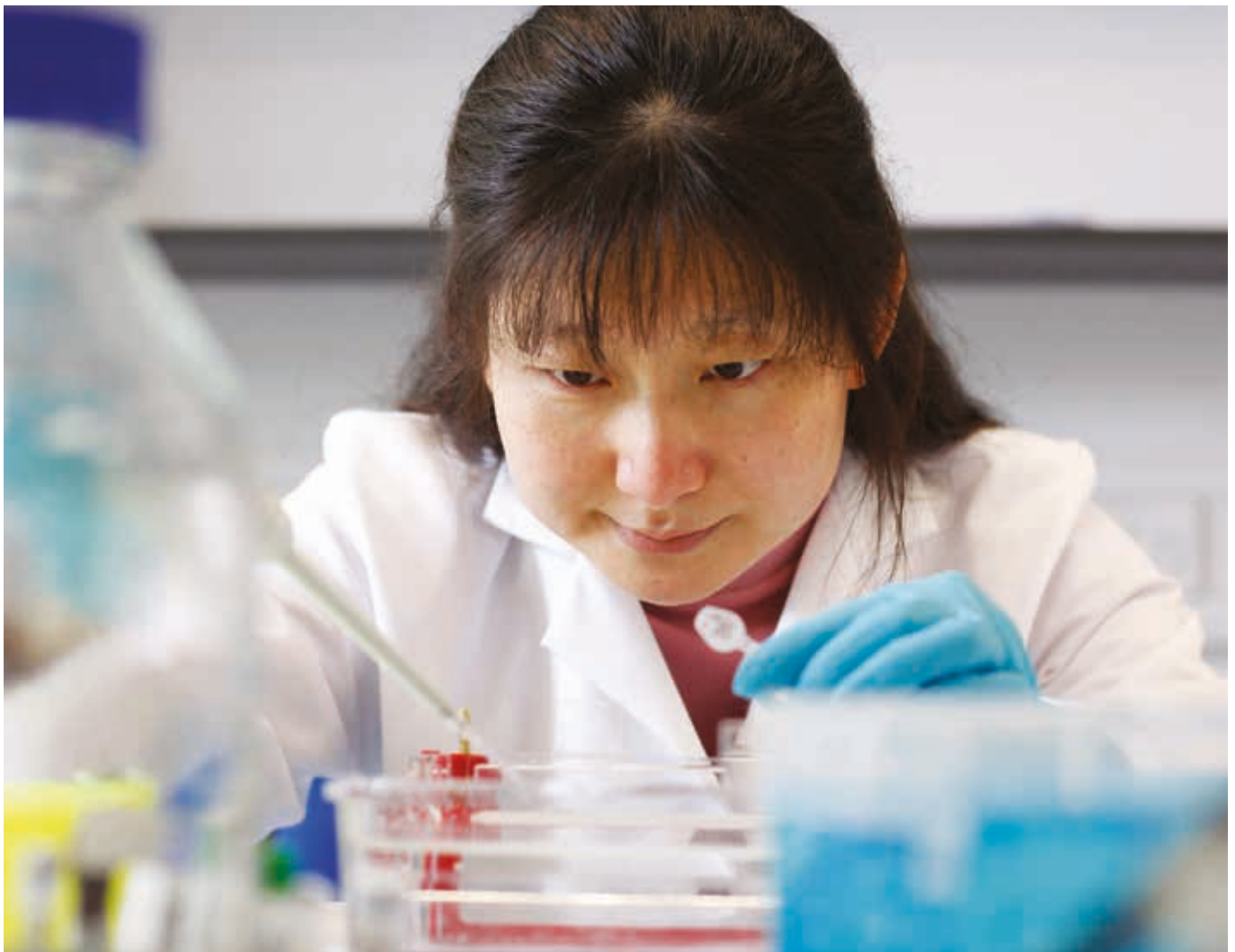
## RESEARCH AND INNOVATION

Research excellence and innovation are integral to our activity and we seek to address fundamental and strategically important questions, and to deliver economic, social and cultural impact. Our research ranges from the purest sciences to the most economically and technologically applied ones, with the outputs influencing a wide range of users including industry, charities and government agencies. Over 60% of the research the University submitted to REF2014 was rated as world leading and internationally excellent; with over 80% of our research impact being judged as having 'outstanding' or 'very considerable' impact in terms of reach and significance.

In 2015 researchers from the University received international attention following the publication of research showing that limpet teeth might be the strongest natural material known to man, and that the biological structures could be replicated and applied to high-performance engineering applications such as aircraft structures or Formula 1 racing cars. Closer to home, researchers from our Department of Psychology are involved with the 'Changing Mindsets' project, which is piloting techniques aimed at developing a growth mindset in primary school pupils within the city and this project continues to have an impact on local educational services.

We work with business partners of all sizes through collaborative research and consultancy. We provide our partners with access to world-class facilities and laboratories, as well as providing advice and support to SMEs in the region.

Working with Portsmouth City Council and the Shaping the Future of Portsmouth group the University has brought together an elite group of entrepreneurs and facilitators to engender a supported culture of start-up businesses in the city. Global Entrepreneurship week facilitated 150 philanthropic events from the local business community attracting over 2,000 people, who benefited from seminars and training to improve their business. Additionally, our Innovation Space project continues to grow – working with partners this has led to the creation of three self-sustaining business networks for female entrepreneurs, creatives and incubation managers.





## COMMUNITY ENGAGEMENT

The following section provides a small selection of examples of benefits we provide to the community:

### **Information technology**

In collaboration with Portsmouth City Council, our Information Services department has provided Wi-Fi in 79 locations across the city, including libraries, community centres and sports venues. In addition to benefitting our staff and students, the service is also used by thousands of residents and visitors to the City. With the aid of funding from HEFCE and with support from Google we have also completed an investigation in to how local schools can work together to provide enhanced and more efficient IT solutions. The project included pilots in local primary schools.

### **Work experience and placements**

In addition to being a principal employer within the city of Portsmouth, the University offers work experience placements to school students; college students; wounded, sick and injured service personnel; service personnel leaving the armed forces and unemployed disabled people in Portsmouth, through the Government-supported Work Choice employment programme.

### **The University of Portsmouth Dental Academy**

Students at the University of Portsmouth Dental Academy (UPDA) combine their state-of-the-art education with the treatment of local people and meeting their diverse needs, working in partnership with many community-based organisations in the city including homeless people, children's centres, young people, older people, offenders on probation, and many other support groups. These projects allow students to improve their clinical and patient management skills and ensure dental graduates have an informed and meaningful insight in to the factors contributing to health inequalities at a community level. The expected benefits to the wider community are a better understanding of the causes of disease, improved oral health and a reduction in oral health inequalities. Subsequently, many disadvantaged people are able to benefit from dental care and treatment.

UPDA also works with the local branch of 'Chernobyl Children's Life Line' to provide access to oral healthcare to children living with the aftermath of the 1986 disaster.

### **University clinics**

Students in our School of Law provide supervised clinics for the local community; these include an Employment Law Clinic, an Intellectual Property Law Clinic and a Generalist Legal Advice Clinic which offers drop-in advice on subjects across many areas including housing, immigration, benefits, bereavement, debt, consumer issues and fraud. Additionally, during 2014/15 35 students from our Accounting and Financial Management subject area volunteered to apply their skills in accounting or audit-related work to support local charities.

Our students work with partners in the community – for example asylum seekers and refugees at British Red Cross centres are seen by our students and advised on a number of issues including explaining their rights and responsibilities and offering interview training to clients so they are better equipped to speak to immigration officials, helping with access to solicitors and signposting to other agencies. Students also work with the Portsmouth Mediation Service, Trading Standards and the Citizens' Advice Bureau.

# THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE



## MEMBERSHIP

The University's Board of Governors draws its authority from the University's Articles and Instrument of Government. The majority of Governors are external to the University, and the Board also includes student and staff members, together with the Vice-Chancellor and the President of the Students' Union (both ex officio). The roles of Chair and Deputy Chair of the Board are separate from the role of the University's Chief Executive, which is the Vice-Chancellor.

## GOVERNORS' REMUNERATION

Governors receive no remuneration from the University in respect of activities undertaken while acting as Governor, but are paid expenses for travel and subsistence and training in relation to duties undertaken as a consequence of Board membership.

## GOVERNORS' INSURANCE

The University maintains insurance for its Governors in respect of their duties as Governors of the institution.

CUC Governance Code of Practice and Principles

The University operates in accord with the Committee of University Chairs (CUC) Code of Governance and, in October 2015, affirmed its commitment to the delivery of the core values and principles enshrined within the Code.

## RESPONSIBILITIES

The University's Board of Governors is responsible for the ongoing strategic direction of the University and approval of major developments. The Board takes an overview of the inherent risks facing the institution. The Governors discharge the responsibilities set out in the CUC Code of Governance, including responsibilities for the proper conduct of public business, strategic planning, monitoring performance, finance, audit, estate management, charitable status, staffing, the Students' Union, and health and safety. The matters reserved specifically for the Board for decision are set out in the Articles of Government of the University and under the Memorandum of Assurance and Accountability with the HEFCE. The Board receives regular reports from executive officers on the day-to-day operations of the University's business and also on the activities of its subsidiary companies.

- 1 The Articles of Government can be found at:  
<http://www.port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,77031,en.pdf>
- 2 The Instrument of Government can be found at:  
<http://www.port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,77030,en.pdf>

## STATEMENT OF PRIMARY RESPONSIBILITIES

In accordance with the CUC Code of Governance, the Board of Governors maintains a Statement of Primary Responsibilities, which summarises the key accountabilities of the Governors. This confirms that the Board of Governors shall be responsible for the following:

### **Strategy**

Approving the mission and strategic vision of the institution, including the determination of the educational character and mission of the University and for oversight of its activities, long-term business plans, key performance indicators and annual budgets, and ensuring that these meet the interests of stakeholders. This enables the institution to achieve and develop its primary objectives of teaching and research, which includes considering and approving the institution's Strategy which sets the academic aims and objectives of the institution and identifies the financial, physical and staffing strategies necessary to achieve these objectives.

### **Vice-Chancellor**

Appointing the head of the institution as its chief executive officer and putting in place suitable arrangements for monitoring his/her performance.

### **Clerk to the Board of Governors**

Appointing the Clerk to the Board of Governors and putting in place suitable arrangements for monitoring his/her performance.

### **Senior postholders**

The appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts, including the Vice-Chancellor.



## **Staff**

Setting a framework for the pay and conditions of service of all other staff.

## **Stewardship**

Ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest; for the effective and efficient use of resources, the solvency of the University and the Corporation and for safeguarding their assets; for approving annual estimates of income and expenditure and for approving annual actuals of income and expenditure.

## **Monitoring**

Monitoring regularly institutional performance against its planned strategies and operational targets and approved Key Performance Indicators, which should be, where possible and appropriate, benchmarked against other institutions.

## **Corporate governance**

Observing the highest standards of corporate governance, including ensuring and demonstrating integrity and objectivity in the transaction of Board business, and wherever possible following a policy of openness and transparency in the dissemination of Board decisions.

## **Audit**

Directing and overseeing the institution's arrangements for internal and external audit.

## **Estates and information technology**

Oversight of the strategic management of the institution's land and buildings and the physical resources to support information technology (IT). As part of this responsibility it considers, approves and keeps under review:

- an estate strategy which identifies the property and space requirements needed to fulfil the objectives of the institution's Strategy, and also provides for a planned programme of maintenance;
- an IT strategy which identifies the hardware and software requirements and the related business processes and infrastructure needed to fulfil the objectives of the institution's Strategy, and provides for a planned programme of maintenance.

## **Students' Union**

To take such steps as are reasonably practicable to ensure that the Students' Union operates in a fair and democratic manner and is accountable for its finances (Education Act 1994).

## **Health and safety**

The health and safety of employees, students and other individuals whilst on the institution's premises and in other places where they may be affected by its operations, including ensuring that the institution has a written statement of policy on health and safety and arrangements for the implementation of that policy (Health and Safety at Work Act 1974).

## **Equality and diversity**

Ensuring the University provides an inclusive environment for work and study through embedding diversity and equal opportunities into everything the University does, particularly in those core functions and activities that directly affect staff and students at work and study.

## **Board's reserved powers**

The Board of Governors shall not delegate the following:

- the determination of the educational character and mission of the University
- the approval of the annual estimates of income and expenditure
- ensuring the solvency of the University and the Corporation and the safeguarding of their assets
- the appointment or dismissal of the Vice-Chancellor
- the varying or revoking of the Articles of Government

## BOARD AND COMMITTEE MEETINGS

The Board meets five times a year and has several committees. All of the committees are formally constituted with terms of reference and are chaired by an external member of the Board. The committees are Audit and Quality Committee, Finance Committee, Human Resources Committee, Estate and Information Technology Committee, Nominations Committee and Remuneration Committee.

### **Audit and Quality Committee**

This committee meets four times a year with the External Auditors and Internal Auditors of the University and reviews their work. The Committee has responsibility for overseeing the development and implementation of risk management. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control, including business, operational and compliance controls in addition to financial controls, management's response thereto and implementation plans. In addition, it considers matters relating to academic quality assurance. It also receives and considers reports from the HEFCE as they affect the University's business and monitors adherence to regulatory requirements. It reviews the University's annual financial statements together with the accounting policies. The Committee has responsibility for confirming and promoting Value for Money. Whilst senior executives attend meetings of the Audit and Quality Committee, they are not members of the Committee and the Committee's terms of reference provide that members have a regular opportunity to meet on their own with the External and Internal Auditors for independent discussions.

### **Finance Committee**

This committee examines and monitors, on behalf of the Board, all areas of the University's financial policy and strategy and makes recommendations and proposals and provides advice thereon. As part of its remit, it also recommends to the Board the University's annual revenue and capital budgets and monitors performance against the approved budgets.

### **Human Resources Committee**

This committee considers and approves the pay and conditions of service for staff other than the holders of senior posts as defined in the Articles. It monitors workforce-planning data and approves relevant human resources strategies and policies. It also has responsibility for overseeing the University's promotion of good practice in equality and diversity, and in health and safety.

### **Estate and Information Technology Committee**

This committee is concerned with the strategic and operational planning of the University's estate and its information technology infrastructure, including the formulation of the Estate and IT Strategies.

### **Nominations Committee**

This committee considers and recommends nominations for appointments to the Board membership in accord with the Instrument of Government and also oversees succession planning for governors. It ensures that there is a balance of required skills and attributes amongst governors to enable the Board to meet its primary responsibilities and to secure stakeholder confidence.

### **Remuneration Committee**

This committee determines the annual remuneration of the Vice-Chancellor, other holders of senior posts and the Clerk to the Board, as required by the Articles.

### **Risk management**

The current Risk Management Policy was approved by the Board of Governors in October 2015 and will be reviewed annually. The maintenance and update of the Risk Register is the responsibility of the Director of Corporate Governance. As one means of complying with the key principles of risk management, all committees of the Board of Governors conduct their work in the context of the University Strategy and the Risk Management Policy. In essence, committees will examine the inherent risks in the strategic objectives of the committees as they contribute to the University Strategy.

# FINANCIAL RESPONSIBILITIES





# 2014/15 FINANCIAL RESPONSIBILITIES OF THE UNIVERSITY'S BOARD OF GOVERNORS

In accordance with the University's Articles, the Board is responsible for the management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records which disclose with accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Articles, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between the HEFCE and the University, the Board, through its accountable officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University at the year end and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation

The Board has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the HEFCE and any other conditions which the HEFCE may from time to time prescribe
- ensure that there are appropriate financial and managerial controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and to prevent and detect fraud
- secure the economical, efficient and effective management of the University's resources and expenditure

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



## 2014/15 STATEMENT OF INTERNAL CONTROL

The governing body has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Instruments and Articles and the Memorandum of Assurance and Accountability with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2015 and up to the date of approval of financial statements. It continues to be reviewed and refined in accordance with the HEFCE guidance.

The governing body is responsible for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Board meets five times a year together with an annual strategic event to consider the plans and strategic direction of the institution.
- The Board receives periodic reports from the Chair of the Audit and Quality Committee concerning internal control, and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Quality Committee has responsibility for overseeing the development and implementation of our Risk Management Policy. In accordance with this policy, a corporate risk register is maintained throughout the year and regularly reviewed by the University Executive Board and by governors. Risks are prioritised according to defined criteria of likelihood and impact.
- The Audit and Quality Committee receives regular reports from the University's internal auditors, which include the internal auditor's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- Staff receive training to ensure their understanding of the University's risk management policies and processes and their responsibility for risk management.
- A system of key performance and risk indicators has been developed and is reported to the Board at each meeting in the quarterly operating statements.
- Reports are received from budget holders, department heads and project managers on internal control activities.

The Board's review of the effectiveness of the system of internal control is informed by the HEFCE Assurance Team, which operates to standards defined in the HEFCE Audit Code of Practice. The University was last reviewed by the HEFCE Assurance Team in February 2015 and the review confirmed the HEFCE's confidence in the effectiveness of the University's management and governance. The HEFCE's overall conclusion was that it was 'able to place reliance upon the University's accountability information', which is the highest achievement outcome that can be obtained from such reviews. In addition, the HEFCE makes an annual risk assessment of the University, which was confirmed in March 2015, and this stated that the University was deemed to be "not at risk". The internal auditors submit regular reports that include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

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

## PUBLIC INFORMATION

The University is committed to operating openly, transparently and fairly in all aspects of its business. As part of this goal, it publishes a range of public information to inform prospective and current students, staff, the public and other stakeholders about its work, purpose and objectives. The University has a public information scheme that is available via its website and it also makes its policies and procedures publicly available via its online document warehouse.





INDEPENDENT  
AUDITOR'S REPORT

**Portsmouth Business School**

The image shows the exterior of a modern, multi-story building, identified as Portsmouth Business School. The building has a white facade and numerous windows, many of which are decorated with colorful shutters in shades of yellow, pink, and orange. The ground floor features a large glass entrance area with brickwork accents. A street lamp is visible in the foreground on the left. The sky is clear and blue, and there are green trees in the upper left corner.

# INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF PORTSMOUTH

We have audited the financial statements of the University of Portsmouth for the year ended 31 July 2015, which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Board of Governors in accordance with the Financial Memorandum effective August 2014. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF THE GOVERNING BODY AND AUDITOR

As explained more fully in the Governing Body's Responsibilities Statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 July 2015 and of its surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND AUDIT CODE OF PRACTICE

In our opinion, in all material respects:

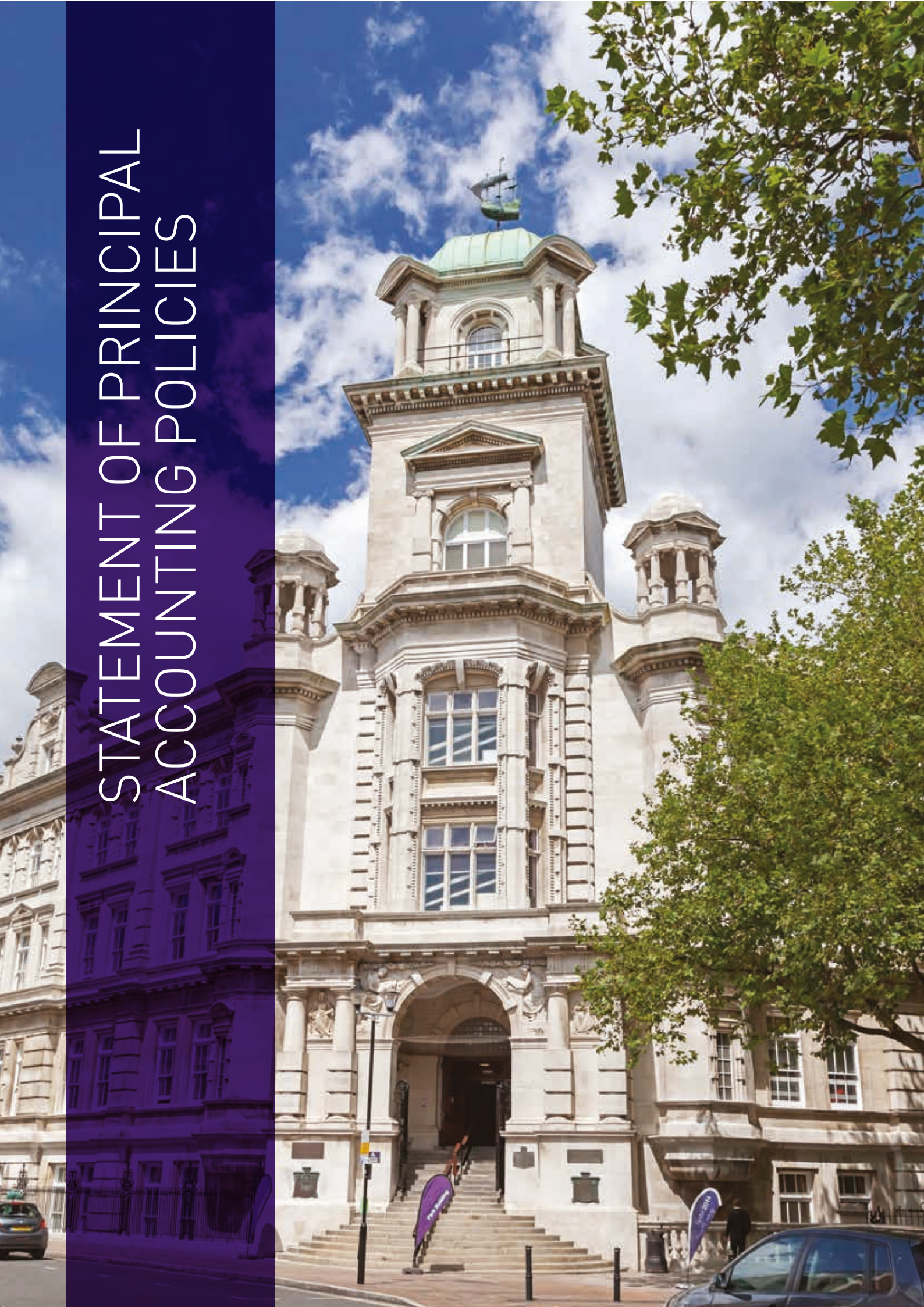
- income from the Higher Education Funding Council, the National College for Teaching and Leadership and the Skills Funding Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2015 have been applied for the purposes for which they were received
- income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, with the Higher Education Funding Council, the funding agreements with the National College for Teaching and Leadership and the Skills Funding Agency
- the requirements of HEFCE's accounts direction have been met

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading

30 November 2015



# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES





## ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. They are in accordance with both the Statement of Recommended Practice (revised and reissued July 2007): Accounting for Further and Higher Education (SORP) applicable Accounting Standards and HEFCE Accounts Direction.

## BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University and its subsidiary and quasi-subsidiary undertakings for the financial year to 31 July 2015.

The consolidated financial statements do not include those of the University of Portsmouth Students' Union, as it is a separate entity.

## RECOGNITION OF INCOME

Income from restricted expendable endowments, donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year. This is generally equivalent to the sum of the direct expenditure incurred during the year and any related contributions towards indirect costs.

Tuition fee income is recognised net of all discounts in accordance with application note G to FRS 5 "Reporting for the substance of transactions".

Gifts in kind, other than tangible fixed assets, are credited to donations in the income and expenditure account. Donated tangible fixed assets are valued and the amount credited to deferred capital grants.

Capital grants are deferred and amortised in the Income and Expenditure Account over the estimated lives of the related assets.

Where the institution disburses funds it has received as a paying agent on behalf of a funding body, or other body, and has no beneficial interest or risks related to the receipt and subsequent disbursement of the funds, these funds are excluded from the Income and Expenditure Account.

All other income is credited to the Income and Expenditure Account on a receivable basis.

## PENSION SCHEMES

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Hampshire County Council administered Local Government Pension Scheme (LGPS). Under the provisions of FRS17, the TPS is accounted for under the same terms as a defined contribution scheme, the LGPS is accounted for under the terms of a defined benefit scheme. The schemes are externally administered and contracted out of the State Earnings-Related Pension Scheme.

The TPS is valued every five years by the Government Actuary. The LGPS is valued every three years by an independent actuary using a market-led approach, the rates of contribution payable being determined by the actuary.

## FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rate. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## LEASES

Rental costs under operating leases are charged to the Income and Expenditure Account in the year in which they arise.

## LAND AND BUILDINGS

Land and buildings are included in the financial statements at cost or valuation.

Buildings under construction are accounted for at direct cost incurred to 31 July. They are not depreciated until they are brought into use.

Buildings are depreciated over their expected remaining useful lives (50 years or less). Freehold land is not depreciated.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

The University's leasehold buildings are separated into three types. Leaseholds in excess of 99 years are treated as freehold buildings and held at cost pending valuation. Leaseholds between 99 years and 20 years (long leaseholds) are held at the lower of cost or valuation, the leasehold is depreciated over the term of the lease. Leaseholds less than 20 years (short leaseholds) are held at cost and depreciated over the term of the lease. Tenant improvements to leasehold or rented property are capitalised and depreciated over the expected remaining useful lives (50 years or less).

An annual review of buildings is undertaken to determine if there has been any impairment in the accounting period. An impairment loss arising from the clear consumption of economic benefit is charged to the Income and Expenditure account. Where there are previous gains, these are transferred from the Revaluation Reserve to the General Reserve but this transfer is limited to the extent that previous gains are available. Other impairments that are not clearly related to the consumption of economic value are charged to the Revaluation Reserve to the extent that previous gains exist to absorb the reduction in value. Where there are no previous gains or previous gains are insufficient to absorb the reduction in value then this impairment is charged to the Income and Expenditure account.

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The Institution has a planned maintenance programme, which is reviewed on an annual basis.

Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired since incorporation 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. Where it is not possible to obtain a reliable cost or valuation or where the cost of obtaining a valuation is greater than the benefit to the users of the financial statements for inherited or donated assets these assets are excluded from capitalisation.

## EQUIPMENT AND VEHICLES

Equipment costing less than £15,000 per individual item or group of related items is written off in the year of acquisition except where it forms the IT infrastructure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

### Equipment:

AV equipment	3 years
IT infrastructure	5 years
Other equipment	5 years
Specialist scientific equipment	10 years

Vehicles	5 years
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Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

An annual review of equipment is undertaken to determine if there has been any impairment in the accounting period. Any impairment is charged to the Income and Expenditure account.

## INVESTMENTS

Endowment Asset Investments are included at current market values. All other investments are included at the lower of cost and net realisable value.

## STOCKS

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

## CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

## MAINTENANCE OF PREMISES

The University has a rolling maintenance plan, which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

## TAXATION STATUS

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. This exemption does not extend to the subsidiaries, UPEL and UPIL, where any profits or gains arising are chargeable to corporation tax. The Group receives no similar exemption in respect of Value Added Tax.

## PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the institution 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.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met, and includes three scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; and an inability to measure the economic outflow.

## PAYMENT OF CREDITORS

It is the University's policy to obtain the best terms for all business and therefore terms are negotiated individually with suppliers. The University's policy is to abide by specific payment terms made in those agreements. On average the University took 30 days to pay its creditors from the date of issue of the invoice (2013/14, 32 days).

## COMPARATIVES

Where notes have been enhanced to provide additional information comparative figures have been amended accordingly.

## INTRA GROUP TRANSACTIONS

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

## ACCOUNTING FOR RESEARCH AND DEVELOPMENT

Expenditure on pure and applied research is treated as part of the continuing activities of the University. It is expensed as incurred as the asset does not meet the criteria for recognition at this stage. In the current and preceding year, no projects have entered a development stage so no costs have been capitalised.



FINANCIAL STATEMENTS FOR  
THE YEAR ENDING 31 JULY 2015



# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Consolidated Income and Expenditure Account for the year ended 31 July 2015

	Note	2014/15 £000	2013/14 £000
<b>Income</b>			
Funding council grants	1	21,986	34,344
Tuition fees and education contracts	2	162,709	133,761
Research grants and contracts	3	8,219	6,887
Other income	4	27,595	22,097
Endowment and investment income	5	581	450
<b>Total Income</b>		<b>221,090</b>	<b>197,539</b>
<b>Expenditure</b>			
Staff costs	6	116,675	111,923
Depreciation	12	13,517	12,641
Other operating expenses	8	71,743	65,135
Interest payable	9	1,593	2,577
<b>Total Expenditure</b>		<b>203,528</b>	<b>192,276</b>
<b>Surplus after depreciation of assets at valuation and before tax</b>		<b>17,562</b>	<b>5,263</b>
Taxation	10	213	(5)
<b>Surplus on continuing operations after depreciation of assets at valuation and tax</b>	11	<b>17,349</b>	<b>5,268</b>

The consolidated income and expenditure account is wholly in respect of continuing operations.

### Consolidated statement of historical cost surpluses and deficits for the year ended 31 July 2015

Surplus after depreciation of assets at valuation and tax		17,349	5,268
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	5,793	5,793
<b>Historical cost surplus for the year after taxation</b>		<b>23,142</b>	<b>11,061</b>

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Consolidated Balance Sheet for the year ended 31 July 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
<b>Fixed Assets</b>					
Tangible assets	12		<b>357,204</b>		265,190
Investments	13		<b>37</b>		37
			<b>357,241</b>		<b>265,227</b>
<b>Endowment Assets</b>	14		<b>2,098</b>		1,956
<b>Current Assets</b>					
Stock		<b>332</b>		332	
Debtors	15	<b>7,996</b>		7,145	
Short term deposits		<b>94,090</b>		77,712	
Cash at bank and in hand		<b>1,085</b>		1,409	
		<b>103,503</b>		<b>86,598</b>	
<b>Creditors: amounts falling due within one year</b>	16	<b>(23,221)</b>		(27,325)	
<b>Net Current Assets</b>			<b>80,282</b>		59,273
<b>Total Assets less Current Liabilities</b>			<b>439,621</b>		<b>326,456</b>
<b>Creditors: amounts falling due after one year</b>	17		<b>(7,458)</b>		(8,768)
<b>Net Assets excluding Pension Liability</b>			<b>432,163</b>		<b>317,688</b>
<b>Net Pension Liability</b>	21/28		<b>(97,590)</b>		(86,760)
<b>Net Assets including Pension Liability</b>			<b>334,573</b>		<b>230,928</b>
<b>Deferred Capital Grants</b>	19		<b>43,930</b>		42,029
<b>Restricted Expendable Endowments</b>	20		<b>2,098</b>		1,956
<b>Reserves</b>					
General Reserve excluding Pension liability	21	<b>170,052</b>		146,770	
Pension Reserve	21/28	<b>(97,590)</b>		(86,760)	
		<b>72,462</b>		<b>60,010</b>	
General Reserve including Pension liability					
Revaluation Reserve	21	<b>216,083</b>		126,933	
<b>Total Reserves</b>	21		<b>288,545</b>		186,943
<b>Total</b>			<b>334,573</b>		<b>230,928</b>

The notes on pages 41 to 56 form part of these financial statements

These financial statements were approved by the Board of Governors on 23 November 2015

B. Salmond  
Chairman of Governors

G. Galbraith  
Governor & Vice-Chancellor



# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### University Balance Sheet for the year ended 31 July 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
<b>Fixed Assets</b>					
Tangible assets	12		<b>357,153</b>		265,123
Investments	13		<b>237</b>		237
			<u><b>357,390</b></u>		<u>265,360</u>
<b>Endowment Assets</b>	14		<b>2,098</b>		1,956
<b>Current Assets</b>					
Stock			<b>323</b>		324
Debtors	15		<b>8,161</b>		7,350
Short term deposits			<b>94,090</b>		77,712
Cash at bank and in hand			<b>553</b>		1,149
			<u><b>103,127</b></u>		<u>86,535</u>
<b>Creditors: amounts falling due within one year</b>	16		<b>(23,115)</b>		(27,419)
<b>Net Current Assets</b>			<b>80,012</b>		59,116
<b>Total Assets less Current Liabilities</b>			<u><b>439,500</b></u>		<u>326,432</u>
<b>Creditors: amounts falling due after one year</b>	17		<b>(7,458)</b>		(8,768)
<b>Net Assets excluding Pension Liability</b>			<u><b>432,042</b></u>		<u>317,664</u>
<b>Net Pension Liability</b>	28		<b>(97,590)</b>		(86,760)
<b>Net Assets including Pension Liability</b>			<u><u><b>334,452</b></u></u>		<u><u>230,904</u></u>
<b>Deferred Capital Grants</b>	19		<b>43,930</b>		42,029
<b>Restricted Expendable Endowments</b>	20		<b>2,098</b>		1,956
<b>Reserves</b>					
General Reserve excluding Pension liability	21		<b>169,931</b>		146,746
Pension Reserve	21/28		<b>(97,590)</b>		(86,760)
			<u><b>72,341</b></u>		<u>59,986</u>
General Reserve including Pension liability					
Revaluation Reserve	21		<u><b>216,083</b></u>		<u>126,933</u>
<b>Total Reserves</b>	21		<b>288,424</b>		186,919
<b>Total</b>			<u><u><b>334,452</b></u></u>		<u><u>230,904</u></u>

The notes on pages 41 to 56 form part of these financial statements

These financial statements were approved by the Board of Governors on 23 November 2015

B. Salmond  
Chairman of Governors

G. Galbraith  
Governor & Vice-Chancellor

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Consolidated Cash Flow Statement for the year ended 31 July 2015

	Note	2014/15 £000	2013/14 £000
<b>Net cash inflow from operating activities</b>	22	<b>29,995</b>	19,296
Returns on investments and servicing of finance	23	(245)	(431)
Taxation	10	(213)	5
Capital expenditure and financial investment	24	(12,183)	(13,798)
Management of liquid resources	25	(16,378)	(4,213)
Financing	26	(1,195)	(1,100)
Adjustment to subsidiary reserves		(103)	0
<b>(Decrease)/Increase in cash</b>	27	<b>(322)</b>	<b>(241)</b>

### Reconciliation of net cashflow to movement in net funds

Increase/(decrease) in cash	27	(322)	(241)
Increase in short term deposits	27	16,378	4,213
Decrease in debt due to repayments	27	1,195	1,099
Movement in net funds in year		<u>17,251</u>	<u>5,072</u>
Net funds at 1 August	27	69,326	64,254
Net funds at 31 July	27	<u>86,577</u>	<u>69,326</u>

### Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 July 2015

Surplus after depreciation of assets at valuation and tax		17,349	5,268
Movement in endowment asset funds	20	110	14
Endowment income retained/(withdrawn) for year	20	23	13
External endowments received	20	9	5
Unrealised surplus on revaluation of properties	21	94,943	0
Actuarial (loss)/gain in respect of pension scheme	28	(10,690)	8,260
<b>Total recognised gain relating to the year</b>		<u>101,744</u>	<u>13,560</u>

### Reconciliation

Opening reserves		186,943	173,415
Opening endowments		1,956	1,924
Total recognised gain for the year		101,744	13,560
<b>Closing funds</b>		<u>290,643</u>	<u>188,899</u>

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

**Notes to the Financial Statements**

	2014/15 £000	2013/14 £000
<b>1. Funding council grants</b>		
<b>Recurrent grants</b>		
Higher Education Funding Council for England (HEFCE)	19,166	30,570
<b>Total recurrent grants</b>	<u>19,166</u>	<u>30,570</u>
<b>Specific grants</b>		
Higher Education Innovation Fund (HEIF)	773	773
National Scholarship Programme	646	1,461
Joint Information Systems Committee (JISC) Digitisation Programme	0	7
Promoting Efficiencies	(14)	1
NCTL Grants	2	80
<b>Total specific grants</b>	<u>1,407</u>	<u>2,322</u>
<b>Deferred capital grants released in year</b>		
<b>Buildings:</b>		
HEFCE	1,059	773
<b>Equipment:</b>		
HEFCE	354	679
	<u>21,986</u>	<u>34,344</u>
<b>2. Tuition fees and education contracts</b>		
UK higher education students	98,661	78,370
European Union students	15,095	12,381
Non-EU students	31,652	27,512
UK further education students	0	0
Part time fees	5,643	4,699
Short course fees	1,425	1,251
Education contracts	8,097	8,216
Research training support grants	146	157
Franchise fee income	1,990	1,175
	<u>162,709</u>	<u>133,761</u>
<b>3. Research grants and contracts</b>		
Research councils	3,062	2,049
UK based charities	934	1,248
UK government/health authority	1,727	1,085
UK based industry/commerce	282	494
EU government	1,442	1,393
EU other	190	81
Other overseas	373	352
Other	209	185
	<u>8,219</u>	<u>6,887</u>



**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

**Notes to the Financial Statements (continued)**

	2014/15 £000	2013/14 £000
<b>4. Other income</b>		
Residences, catering and conferences	15,773	13,392
Other services rendered		
- Rental and Building Services Income	647	814
- Contract Income (excluding Research Income)	5,954	3,257
- Miscellaneous	1,755	1,577
Total other services rendered	<u>8,356</u>	<u>5,648</u>
Health Authorities	1,328	1,301
Released from deferred capital grants	104	104
Other income -		
- Erasmus	463	535
- Miscellaneous	1,571	1,117
Total other income	<u>3,466</u>	<u>3,057</u>
	<u>27,595</u>	<u>22,097</u>

**5. Endowment and investment income**

Transferred from restricted expendable endowments	68	60
Income from short term investments	513	390
	<u>581</u>	<u>450</u>

**6. Staff costs**

The average weekly number of persons (including senior post-holders) employed by the University during the period, expressed as full-time equivalents, was:

Average full time equivalent staff numbers by major category:

	Number	Number
Academic and Research	1,181	1,150
Technical, Administrative and Professional	1,332	1,313
	<u>2,513</u>	<u>2,463</u>

Staff full time equivalents are calculated quarterly and then averaged for the year.

Actual full time equivalent staff numbers by major category at year end:

Academic and Research	1,210	1,191
Technical, Administrative and Professional	1,331	1,313
	<u>2,541</u>	<u>2,504</u>

Staff costs attributed to:

	£000	£000
Academic and Research	66,056	63,508
Technical, Administrative and Professional	50,619	48,415
	<u>116,675</u>	<u>111,923</u>

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

**Notes to the Financial Statements (continued)**

<b>6. Staff costs (continued)</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Staff costs attributed to:		
Wages and salaries	<b>95,223</b>	91,214
Social security costs	<b>7,734</b>	7,397
Other pension costs	<b>13,718</b>	13,312
	<b>116,675</b>	111,923

Average full time equivalent staff numbers attributed to:	<b>Number</b>	<b>Number</b>
Academic and student support areas	<b>1,843</b>	1,816
External contract costs	<b>71</b>	61
Premises, catering and student residences	<b>230</b>	230
Administrative and other support services	<b>369</b>	356
	<b>2,513</b>	2,463

Staff costs attributed to:	<b>£000</b>	<b>£000</b>
Academic and student support areas	<b>87,630</b>	84,559
External contract costs	<b>4,928</b>	4,593
Premises, catering and student residences	<b>8,390</b>	8,107
Administrative and other support services	<b>15,727</b>	14,664
	<b>116,675</b>	111,923

**7. Higher paid staff emoluments**

**Emoluments of the Vice-Chancellor**

Emoluments of the Vice-Chancellor	<b>253</b>	237
Recognition award	<b>25</b>	0
Relocation expenses	<b>5</b>	3
Total emoluments excluding employer's contribution to the Teachers Pension Scheme	<b>283</b>	240
Employer's contribution to the Teachers Pension Scheme	<b>35</b>	32
Total emoluments including employer's contribution to the Teachers Pension Scheme	<b>318</b>	272

The emoluments (net of employer's pension contribution) of the Vice-Chancellor are shown on the same basis as for higher paid staff. The total (£237k) for 2013/14 includes £17k part-year payment for the previous Vice Chancellor. The pension contributions are paid at the same rates as for other academic staff, up to the maximum notional earning cap and amounted to £35,236.

**Remuneration of other higher paid staff**

Remuneration of other higher paid staff, excluding employer's pension contributions, including consultancy payments made in respect of work undertaken through the University's subsidiary company, University of Portsmouth Enterprise Limited. The table below includes those staff who joined part-way through a year, but who would have received remuneration in these bands if employed by the University for the full year.

	<b>Number</b>	<b>Number</b>
£100,000 - £109,999	<b>1</b>	2
£110,000 - £119,999	<b>2</b>	2
£120,000 - £129,999	<b>0</b>	1
£130,000 - £139,999	<b>2</b>	1

The bandings presented exclude reimbursed relocation costs.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Notes to the Financial Statements (continued)

	2014/15 £000	2013/14 £000
<b>8. Other Operating Expenses</b>		
Academic and student support areas	34,030	30,996
External contract costs	5,762	2,441
Premises, catering and student residences	24,819	25,500
Administrative and other support services	7,132	6,198
	<u>71,743</u>	<u>65,135</u>
Other operating expenses include:		
External auditor remuneration in respect of audit services	50	53
External auditor remuneration in respect of non audit services	16	16
Internal auditor remuneration	87	99
Losses on disposal/demolition of tangible fixed assets	40	41
Operating lease rentals - land and buildings	3,753	3,680
Operating lease rentals - vehicles	65	144
Governors and Trustees expenses	7	8
Adjustments in respect of the estate revaluation	3,850	0
	<u>3,850</u>	<u>0</u>
<b>9. Interest Payable</b>		
Loans not wholly repayable within 5 years	783	877
Finance Cost on Pension Fund Liability	810	1,700
	<u>1,593</u>	<u>2,577</u>
<b>10. Taxation</b>		
University of Portsmouth	215	
UK corporation tax payable on the profits of and by University of Portsmouth Enterprise Limited and University of Portsmouth Investments Limited	(2)	(5)
	<u>213</u>	<u>(5)</u>
The University of Portsmouth tax charge for the year arises from the claim for Research and Development Expenditure Credits (RDEC)		
<b>11. Surplus on Continuing Operations for the Period</b>		
The surplus on continuing operations for the period is made up as follows:		
University's surplus for the period	17,252	5,060
Surplus generated by subsidiary undertakings	97	208
Total	<u>17,349</u>	<u>5,268</u>



**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

Notes to the Financial Statements (continued)

12. Tangible Fixed Assets

	Land and Buildings		Land & Buildings Total £000	Equipment £000	Vehicles £000	Total £000
	Freehold Properties £000	Leasehold Properties Long-Term £000				
<b>(a) Consolidated</b>						
<b>Cost or valuation:</b>						
At 1 August 2014	279,848	5,415	285,263	28,015	249	313,527
Additions at cost	4,637	0	4,637	5,973	18	10,628
Disposals/Demolitions	(12)	0	(12)	(701)	(20)	(733)
Revaluation at 31 July 2015	52,690	1,974	54,664	0	0	54,664
<b>At 31 July 2015</b>	<b>337,163</b>	<b>7,389</b>	<b>344,552</b>	<b>33,287</b>	<b>247</b>	<b>378,086</b>
<b>Depreciation:</b>						
At 1 August 2014	30,121	336	30,457	17,633	247	48,337
Depreciation for the year	9,640	182	9,822	3,692	3	13,517
Disposals/Demolitions	0	0	0	(673)	(20)	(693)
Revaluation at 31 July 2015	(39,761)	(518)	(40,279)	0	0	(40,279)
<b>At 31 July 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,652</b>	<b>230</b>	<b>20,882</b>
<b>Net Book Value</b>						
<b>At 31 July 2015</b>	<b>337,163</b>	<b>7,389</b>	<b>344,552</b>	<b>12,635</b>	<b>17</b>	<b>357,204</b>
At 31 July 2014	249,727	5,079	254,806	10,382	2	265,190

The University's land and buildings were revalued at 31 July 2015 using the Fair Value basis and, where it was available, market based evidence was used to calculate the asset value. For assets where market based evidence was not available such as where the assets are of a specialised nature (eg. the University Library and the academic buildings) the basis of the valuation was Depreciated Replacement Cost (DRC). The University appointed Gerald Eve, a firm of chartered surveyors, to undertake the valuation of the land and buildings.

Included in Land and Buildings is £31,302,000 (2014: £29,488,000) of land which is not depreciated.

Included in Freehold Land and Buildings is £10,424,000 (2014: £11,410,000) of work in progress valued at cost and these assets are not depreciated until they are brought into use.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Notes to the Financial Statements (continued)

#### 12. Tangible Fixed Assets (continued)

	Land and Buildings Freehold Properties £000	Leasehold Properties Long-Term £000	Land & Buildings Total £000	Equipment £000	Vehicles £000	Total £000
<b>(b) University</b>						
<b>Cost or valuation:</b>						
At 1 August 2014	279,842	5,415	285,257	27,878	251	313,386
<b>Additions at cost</b>	<b>4,638</b>	<b>0</b>	<b>4,638</b>	<b>5,966</b>	<b>18</b>	<b>10,622</b>
<b>Disposals/Demolitions</b>	<b>(12)</b>	<b>0</b>	<b>(12)</b>	<b>(701)</b>	<b>(20)</b>	<b>(733)</b>
<b>Revaluation at 31 July 2015</b>	<b>52,695</b>	<b>1,974</b>	<b>54,669</b>	<b>0</b>	<b>0</b>	<b>54,669</b>
<b>At 31 July 2015</b>	<b>337,163</b>	<b>7,389</b>	<b>344,552</b>	<b>33,143</b>	<b>249</b>	<b>377,944</b>
<b>Depreciation:</b>						
At 1 August 2014	30,116	336	30,452	17,562	249	48,263
<b>Depreciation for the year</b>	<b>9,640</b>	<b>182</b>	<b>9,822</b>	<b>3,671</b>	<b>3</b>	<b>13,496</b>
<b>Disposals/Demolitions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(674)</b>	<b>(20)</b>	<b>(694)</b>
<b>Revaluation at 31 July 2015</b>	<b>(39,756)</b>	<b>(518)</b>	<b>(40,274)</b>	<b>0</b>	<b>0</b>	<b>(40,274)</b>
<b>At 31 July 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,559</b>	<b>232</b>	<b>20,791</b>
<b>Net Book Value</b>						
<b>At 31 July 2015</b>	<b>337,163</b>	<b>7,389</b>	<b>344,552</b>	<b>12,584</b>	<b>17</b>	<b>357,153</b>
At 31 July 2014	249,726	5,079	254,805	10,316	2	265,123

The University's land and buildings were revalued at 31 July 2015 using the Fair Value basis and, where it was available, market based evidence was used to calculate the asset value. For assets where market based evidence was not available such as where the assets are of a specialised nature (eg. the University Library and the academic buildings) the basis of the valuation was Depreciated Replacement Cost (DRC). The University appointed Gerald Eve, a firm of chartered surveyors, to undertake the valuation of the land and buildings.

Included in Land and Buildings is £31,302,000 (2014: £29,488,000) of land which is not depreciated.

Included in Freehold Land and Buildings is £10,424,000 (2014: £11,410,000) of work in progress valued at cost and these assets are not depreciated until they are brought into use.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Notes to the Financial Statements (continued)

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>13. Investments</b>				
Investment in subsidiary companies at cost brought forward	0	0	200	200
Other Fixed Asset Investments: CVCP Properties plc	37	37	37	37
	<b>37</b>	<b>37</b>	<b>237</b>	<b>237</b>

CVCP Properties plc is a company owned by 100 higher education institutions, whose executive heads are members of Universities UK. The company owns two leasehold properties and the net profits from its activities are covenanted annually to Universities UK.

The investments in subsidiary companies shares comprises the following:

	Holding	Nature of Activity
University of Portsmouth Enterprise Limited:	100,002 Ordinary Class A £1 Shares fully paid (at cost)	Consultancy and bars
University of Portsmouth Investments Limited:	2 Ordinary Class A £1 Shares fully paid (at cost) 1,000,000 Ordinary Class B £0.10 Shares fully paid (at cost)	Recruitment services in China
University of Portsmouth Services Limited:	1 Ordinary Class A £1 Share fully paid (at cost)	Dormant

All subsidiary companies are registered in England and Wales. The University owns 100% of the shares in each of the subsidiary companies. The results of subsidiary companies are consolidated with those of the University.

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>14. Endowment assets</b>				
Value of investments at 1 August 2014	1,956	1,924	1,956	1,924
Purchase of investments	26	126	26	126
Sales of investments	(24)	(30)	(24)	(30)
Appreciation of investments	110	14	110	14
Increase/(decrease) in cash balances held at fund managers	30	(78)	30	(78)
Value of investments at 31 July 2015	<b>2,098</b>	<b>1,956</b>	<b>2,098</b>	<b>1,956</b>
Fixed Interest Stocks	8	8	8	8
Equities	1,887	1,777	1,887	1,777
Cash held by Investment Managers	33	3	33	3
Bank Balances	170	168	170	168
Total Endowment Asset Investments	<b>2,098</b>	<b>1,956</b>	<b>2,098</b>	<b>1,956</b>

All endowment funds have been accounted for as restricted expendable as they relate to a particular objective specified by the donor. The investments are managed by an external fund manager.

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>15. Debtors</b>				
Amounts falling due within one year:				
Debtors	1,510	2,464	1,421	2,397
Amounts owed by subsidiary undertakings	0	0	165	153
Prepayments and accrued income	6,403	4,576	6,361	4,535
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	0	0	131	160
Prepayments and accrued income	83	105	83	105
	<b>7,996</b>	<b>7,145</b>	<b>8,161</b>	<b>7,350</b>



**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

**Notes to the Financial Statements (continued)**

16. Creditors: Amounts falling due within one year	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Mortgages	1,310	1,195	1,310	1,195
Trade creditors	1,583	3,575	1,543	3,575
Other creditors	7,290	8,835	7,272	8,834
Amounts owed to subsidiary undertakings	0	0	78	169
Social security and other taxation payable	3,651	3,497	3,625	3,485
Deferred Corporation Tax	36	25	0	0
Accruals and payments received in advance	7,774	9,786	7,710	9,749
HEFCE grant to be repaid	1,577	412	1,577	412
	<b>23,221</b>	<b>27,325</b>	<b>23,115</b>	<b>27,419</b>

17. Creditors: Amounts falling due after more than one year	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Mortgages secured on residential and other property:				
Due between one and two years	1,427	1,310	1,427	1,310
Due between two and five years	5,105	4,681	5,105	4,681
Due in five years or more	626	2,477	626	2,477
	<b>7,158</b>	<b>8,468</b>	<b>7,158</b>	<b>8,468</b>
Other creditors				
Unsecured loans repayable between 2012 and 2034	300	300	300	300
	<b>7,458</b>	<b>8,768</b>	<b>7,458</b>	<b>8,768</b>

**18. Borrowings**

The bank mortgages are repayable over 25 years. Interest is charged at the rates shown below and all rates are fixed until the end of the loan term.

Mortgage £000	Term	Interest rate
1,320	25 years	7.4% fixed until May 2021
2,496	25 years	8.7% fixed until November 2020
4,652	25 years	8.6% fixed until November 2020

The mortgages are secured on the residential and academic accommodation to which they relate.  
 See mortgage creditors in note 16 and 17.

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

Notes to the Financial Statements (continued)

19. Deferred capital grants

	Consolidated and University		
	Funding Council	Other Grants & Benefactions	Total
	£000	£000	£000
At 1 August 2014			
Buildings	36,754	4,403	41,157
Equipment	872	0	872
<b>Total</b>	<b>37,626</b>	<b>4,403</b>	<b>42,029</b>
Cash received			
Buildings	3,418	0	3,418
Equipment	0	0	0
<b>Total</b>	<b>3,418</b>	<b>0</b>	<b>3,418</b>
Released to income and expenditure			
Buildings	(1,059)	(104)	(1,163)
Equipment	(354)	0	(354)
<b>Total</b>	<b>(1,413)</b>	<b>(104)</b>	<b>(1,517)</b>
At 31 July 2015			
Buildings	39,113	4,299	43,412
Equipment	518	0	518
<b>Total</b>	<b>39,631</b>	<b>4,299</b>	<b>43,930</b>

20. Endowments

	Consolidated and University
	£000
At 1 August 2014	1,956
External endowments received	9
Appreciation of endowment asset investments	110
Expenditure for year	91
Transferred to Income and Expenditure Account (Note 5)	(68)
<b>Movement in funds</b>	<b>142</b>
At 31 July 2015	<b>2,098</b>

All endowment funds have been accounted for as restricted expendable as they relate to a particular objective specified by the donor. The investments are managed by an external fund manager.

Representing:

Chairs and Lectureship Funds	169
Prize and Support Funds	1,929
<b>Total</b>	<b>2,098</b>

21. Movement in Reserves

	Consolidated and University	
21 (a) Revaluation Reserve	2014/15	2013/14
	£000	£000
At 1 August 2014	126,933	132,726
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(5,793)	(5,793)
Unrealised surplus on revaluation of properties	94,943	0
At 31 July 2015	<b>216,083</b>	<b>126,933</b>

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

**Notes to the Financial Statements (continued)**

**21. Movement in Reserves (continued)**

**21 (b) Income and Expenditure Reserve**

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
At 1 August 2014	146,770	134,189	146,746	134,373
Surplus before transfer from revaluation reserve	17,349	5,268	17,252	5,060
Transfer from revaluation reserve	5,793	5,793	5,793	5,793
Transfer from pension reserve	140	1,520	140	1,520
At 31 July 2015	<b>170,052</b>	146,770	<b>169,931</b>	146,746

**21 (c) Total Reserves**

At 1 August 2014	186,943	173,415	186,919	173,599
Surplus before transfer from revaluation reserve	17,349	5,268	17,252	5,060
Unrealised surplus on revaluation of properties	94,943	0	94,943	0
Actuarial gain in respect of pension scheme	(10,690)	8,260	(10,690)	8,260
At 31 July 2015	<b>288,545</b>	186,943	<b>288,424</b>	186,919
Represented by				
Income and Expenditure Reserve excluding Pension Reserve	170,052	146,770	169,931	146,746
Pension reserve	(97,590)	(86,760)	(97,590)	(86,760)
Revaluation reserve	216,083	126,933	216,083	126,933
Total reserves as at 31 July 2015	<b>288,545</b>	186,943	<b>288,424</b>	186,919

**22. Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	2014/15 £000	2013/14 £000
Surplus after depreciation of assets at valuation and before tax	17,562	5,263
Depreciation	13,517	12,641
Interest payable	1,593	2,577
Deferred capital grants released to income	(1,517)	(1,556)
Interest receivable	(581)	(450)
Loss on disposal of tangible fixed assets	40	41
Decrease in stock	0	43
(Increase)/decrease in debtors	(812)	680
Increase in creditors	863	237
Pension cost less contributions payable	(670)	(180)
Net cash inflow from operating activities	<b>29,995</b>	19,296

**23. Returns on investments and servicing of finance**

Interest received	541	465
Interest paid	(804)	(899)
Income from endowments	18	3
Net cash outflow from returns on investments and servicing of finance	<b>(245)</b>	(431)

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2015**

**Notes to the Financial Statements (continued)**

	<b>2014/15</b>	2013/14		
	<b>£000</b>	£000		
<b>24. Capital expenditure and financial investment</b>				
Payments to acquire tangible assets	(15,587)	(15,086)		
Payments on prize funds	(23)	(30)		
Proceeds on sale of investment	0	50		
Deferred capital grant received	3,418	1,263		
Endowments received	9	5		
Net cash outflow from investing activities	<u>(12,183)</u>	<u>(13,798)</u>		
<b>25. Management of liquid resources</b>				
Investment in deposits	(16,378)	(4,213)		
Net cash outflow from management of liquid resources	<u>(16,378)</u>	<u>(4,213)</u>		
<b>26. Financing</b>				
Mortgage principal payment	(1,195)	(1,100)		
Net cash outflow from financing	<u>(1,195)</u>	<u>(1,100)</u>		
<b>27. Analysis of changes in net funds</b>				
	At	Cash	Other	At
	1 August 2014	Flows	changes	31 July 2015
	£000	£000	£000	£000
Cash				
Cash at bank and in hand	1,409	(324)	0	1,085
Endowment assets	168	2	0	170
	<u>1,577</u>	<u>(322)</u>	<u>0</u>	<u>1,255</u>
Liquid resources				
Short term deposits	77,712	16,378	0	94,090
Debt				
Debt due within one year	(1,195)	1,195	(1,310)	(1,310)
Debt due after one year	(8,768)	0	1,310	(7,458)
Net funds	<u>69,326</u>	<u>17,251</u>	<u>0</u>	<u>86,577</u>



# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

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### Notes to the Financial Statements (continued)

#### 28. Pension and similar obligations

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Hampshire County Council administered Local Government Pension Scheme (LGPS). These are both independently administered schemes.

##### TPS

Under the definitions set out in Financial Reporting Standard 17 "Retirement benefits" (FRS17), the TPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS17 and has accounted for its contributions as if it were a defined contribution scheme.

Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts, are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the TPS, which is an unfunded scheme, teachers' contributions on a pay-as-you-go basis together with employers contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and an employer contribution rate of 14.1% payable. The cost sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

##### Scheme changes

From 1 April 2015 the employee contribution rate ranged between 7.4% and 11.7% (1 April 2013: 6.4% - 11.2%, 1 April 2014: 6.4% - 12.4%) depending on a member's Full Time Equivalent salary.

Contribution amounts outstanding as at 31 July 2015 and included in Social security and other taxation payable creditors is £938,499 (2014: £929,833)

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Notes to the Financial Statements (continued)

#### 28. Pension and similar obligations (continued)

##### LGPS

The LGPS is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Hampshire County Council Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 July 2015.

The main assumptions used for the purposes of FRS 17 are as follows:

	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
Discount rate	3.6%	4.1%	4.5%	4.1%	5.3%
Rate of increase of salaries	3.6%	3.7%	4.6%	4.6%	5.2%
Rate of revaluation of pension accounts	2.1%	2.2%	n/a	n/a	n/a
Rate of increase in deferred pensions	2.1%	2.2%	2.7%	2.1%	2.8%

Assets are valued at bid value, and comprise:

	£000	£000	£000	£000	£000
Equities	90,644	82,991	76,457	60,240	65,627
Bonds	43,351	34,741	34,099	32,173	26,895
Property	12,926	10,615	9,990	8,875	8,307
Cash	5,202	5,239	3,996	3,772	3,011
Other	5,517	4,274	8,658	5,880	0
<b>Total</b>	<b>157,640</b>	<b>137,860</b>	<b>133,200</b>	<b>110,940</b>	<b>103,840</b>

The proportion of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 July.

The Actuaries employ a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 July 2015.

	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
FTSE 100 Index (for information)	6674	6730	6621	5700	5815
FTSE All Share Index (for information)	3640	3586	3510	2950	3026

##### Mortality Assumptions

The mortality assumptions are based on the PNA00 series standard mortality tables with allowance for future mortality improvements in line with the "medium cohort" projection model, subject to a minimum level of annual improvement. Mortality rates in the underlying base table are further adjusted by the use of scaling factors to reflect the actual mortality experience of the Fund.

The assumed life expectations on retirement at age 65 at 31st July are:

	2015		2014	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	24.5	26.6	24.4	26.5
Female	26.3	28.6	26.2	28.5

The actuaries have allowed for the change in the mortality assumptions approximately by taking account of the Employer's split of liabilities between the pensioners and non pensioners and the relevant weighted average.

The following amounts were measured in accordance with the requirements of FRS 17:

	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
	£000	£000	£000	£000	£000
Fair value of share of assets in LGPS Pension Fund	157,640	137,860	133,200	110,940	103,840
Present value estimate liabilities	(245,860)	(215,250)	(216,980)	(200,790)	(170,740)
Present value estimate unfunded liabilities in LGPS Pension Fund	(9,370)	(9,370)	(9,720)	(9,380)	(9,250)
<b>Net value of University of Portsmouth's share of deficit in Scheme</b>	<b>(97,590)</b>	<b>(86,760)</b>	<b>(93,500)</b>	<b>(99,230)</b>	<b>(76,150)</b>

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Notes to the Financial Statements (continued)

#### 28. Pension and similar obligations (continued)

LGPS pension costs have been recognised in accordance with FRS17, the following components of the pension charge have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2015:

	2014/15 £000	2013/14 £000
Analysis of amounts charged to income and expenditure account:		
Current service cost	(6,890)	(6,840)
Past service cost	(100)	0
Total operating charge	<u>(6,990)</u>	<u>(6,840)</u>
Financing:		
expected return on pension scheme assets	8,460	8,560
interest on expected scheme liabilities	(9,270)	(10,260)
net return	<u>(810)</u>	<u>(1,700)</u>
Total expense recognised in income and expenditure account	<u><u>(7,800)</u></u>	<u><u>(8,540)</u></u>
Analysis of amounts recognised in statement of total recognised gains and losses:		
Total actuarial (loss)/gain on funded liabilities	(10,420)	8,130
Total actuarial (loss)/gain on unfunded liabilities	(270)	130
Total actuarial (loss)/gain recognised	<u><u>(10,690)</u></u>	<u><u>8,260</u></u>
Opening present value of funded liabilities		
	(215,250)	(216,980)
Movement in year:		
current service	(6,890)	(6,840)
interest cost	(8,910)	(9,860)
contributions by the participants	(2,570)	(2,350)
net benefits paid out	5,360	4,760
past service cost	(100)	0
actuarial (loss)/gain	<u>(17,500)</u>	<u>16,020</u>
Closing present value of funded liabilities	<u><u>(245,860)</u></u>	<u><u>(215,250)</u></u>
Opening present value of unfunded liabilities		
	(9,370)	(9,720)
Movement in year:		
interest cost	(360)	(400)
net benefits paid out	630	620
actuarial (loss)/gain	<u>(270)</u>	<u>130</u>
Closing present value of unfunded liabilities	<u><u>(9,370)</u></u>	<u><u>(9,370)</u></u>
The changes to the fair value of assets during the year is made up as follows:		
Opening fair value of assets		
	137,860	133,200
Movement in year:		
expected return on assets	8,460	8,560
contributions by the University	7,660	7,020
contributions by the participants	2,570	2,350
net benefits paid out	(5,990)	(5,380)
actuarial gain/(loss) on assets	<u>7,080</u>	<u>(7,890)</u>
Closing fair value on assets	<u><u>157,640</u></u>	<u><u>137,860</u></u>

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Notes to the Financial Statements (continued)

#### 28. Pension and similar obligations (continued)

	2014/15 £000	2013/14 £000
Actual return on assets:		
Expected return on assets	8,460	8,560
actuarial gain/(loss) on assets	<u>7,080</u>	<u>(7,890)</u>
Actual return on assets	<u>15,540</u>	<u>670</u>

The experience gains and losses for the year ended 31 July 2015 were as follows:

Difference between the expected and actual return on scheme assets:

During the year ended 31 July 2015, the investment return on the Fund's assets was lower than the assumptions set at the start of the year. This has resulted in a loss in the actual return less expected return on pension scheme assets

	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
Amount	7,080	(7,890)	11,910	(2,760)	1,710
Percentage of scheme assets	4.5%	-5.7%	8.9%	-2.5%	1.6%

Experience gains or losses on scheme liabilities

As the results of the actuarial valuation as at 31 March 2013 are available, differences between actual experience since the previous valuation, and that assumed in previous years, can be observed in the experience gains and losses.

Amount	1,050	2,560	(170)	(700)	(2,210)
Percentage of present value of scheme liabilities	0.4%	1.1%	-0.1%	-0.3%	-1.2%

Change in Assumptions

The financial assumptions underlying the calculation of the liabilities differ between the two accounting periods. This has increased the value placed on liabilities.

The demographic assumptions are the same as those used last year and are consistent with those used for the most recent actuarial valuation of the Fund as at 31 March 2010, apart from updating the allowance for future mortality improvements. This has increased the value placed on liabilities.

The overall effect of these changes is to place a value on the liabilities at the year end that is higher than was anticipated, resulting in a loss in the "change of assumptions".

Amount	18,820	(13,590)	4,080	18,150	4,900
Percentage of the present value of scheme liabilities	7.4%	-6.1%	1.8%	8.6%	2.7%

Total actuarial losses

Amount	(10,690)	8,260	7,660	(21,610)	(5,400)
Percentage of the present value of scheme liabilities	-4.2%	3.7%	3.4%	-10.3%	-3.0%

The total pension charge for the University and its subsidiaries can be analysed as follows:-

	2014/15 £000	2013/14 £000
TPS	6,505	6,246
LGPS	7,072	6,453
Other, including NHS	811	793
FRS17 adjustment re LGPS	(670)	(180)
Total pension cost (Note 6)	<u>13,718</u>	<u>13,312</u>

The University's regular contributions to the fund for the accounting period ending 31 July 2015 are estimated to be £7.29m. It expects to pay £0.64m directly to beneficiaries in respect of previous members of staff who took early retirement under enhanced terms and conditions applicable at the date of their retirement. This payment is in respect of members of both TPS and LGPS.



# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2015

### Notes to the Financial Statements (continued)

#### 29. Capital commitments

	Consolidated		University	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Commitments contracted at 31 July	1,521	4,726	1,521	4,726
Authorised but not contracted at 31 July	6,909	3,785	6,909	3,785
	<b>8,430</b>	<b>8,511</b>	<b>8,430</b>	<b>8,511</b>

These commitments exclude any costs included in work in progress - see note 12.

#### 30. Financial Commitments

	Consolidated and University	
	2014/15 £000	2013/14 £000
At 31 July the University had annual commitments under non-cancellable operating leases as follows:		
<b>Land and Buildings</b>		
Up to one year	1	43
Between two and five years	0	0
In more than five years	4,067	3,978
	<b>4,068</b>	<b>4,021</b>
<b>Vehicles</b>		
Up to one year	53	108
Between two and five years	19	36
	<b>72</b>	<b>144</b>

#### 31. Contingent Liability

There are no contingent liabilities.

#### 32. Related Party Transactions

The University has had transactions with its subsidiary companies, University of Portsmouth Enterprise Limited and University of Portsmouth Investments Limited. These transactions are eliminated on consolidation and accordingly the Corporation has availed itself of the dispensation in FRS 8 not to disclose such items in these financial statements.

During 2014/15 one member of the governing body was also a trustee of the New Theatre Royal (NTR). The new academic building to house Performing Arts is adjacent to the NTR, which is also extending and renovating its space at this time. Once fully open this will provide the ability to share space with the NTR and for potentially other synergies to follow. During the year the University made payments in connection with construction costs at the NTR site which related to the NTR element of the project. In accordance with the contractual agreement these costs were recharged in full to NTR and accordingly had no impact on the University's Income and Expenditure Account.

During 2014/15 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,129k from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

#### 33. Access and Hardship Funds

##### HEFCE Grants

Balance unspent b/fwd	100	100
Access & Fee Waiver	0	372
Collaborative Outreach	83	0
	<b>183</b>	<b>472</b>
Other	(70)	
Disbursed to students	0	(372)
Balance unspent	<b>113</b>	<b>100</b>

##### Non funding council grants

Balance unspent b/fwd	70	(3)
Other	877	469
	<b>947</b>	<b>466</b>
Disbursed to students	(793)	(396)
Balance unspent	<b>154</b>	<b>70</b>

##### NCTL Grants

Balance unspent b/fwd	129	38
Initial Teacher Training Bursaries	1,023	1,208
Student Associate Scheme Bursaries	0	0
	<b>1,152</b>	<b>1,246</b>
Disbursed to students	(967)	(1,117)
Balance unspent	<b>185</b>	<b>129</b>

Access and Hardship Funds are available solely for students, the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. Funds not distributed by 31 July 2015 are held as creditors within the Balance Sheet.



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