



UNIVERSITY OF  
PORTSMOUTH

# FINANCIAL REVIEW

FOR THE YEAR  
ENDED 31 JULY 2022

Higher  
Education  
Corporation



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

As we have emerged from the pandemic and 'learned to live with Covid', we have continued to build on our many successes and this year has been one with many highlights. On 7 July, we celebrated 30 years since being inaugurated as a University, with various events to celebrate this occasion.

We continue to take forward our ambitious University Strategy and have made impressive strides towards our vision of being the UK's top modern University and one of the world's top 100 young universities by 2030.

The Research Excellence Framework (REF) results were published in May, for which the University submitted 1,331 outputs and 54 impact case studies from 603 staff across 16 subject disciplines. The outcomes of the REF placed the University third of all modern post-92 UK universities for research power - which measures the quality and quantity of our research. This was a striking performance and is testament to much hard work by staff across the entire University.

Research and innovation are an integral and essential part of our University and in May we saw the official opening of the Centre for Enzyme Innovation's (CEI) new Industrial Engagement Hub, bringing together researchers and businesses to develop enzyme-enabled technologies for the recycling and upcycling of plastic waste at an industrial scale. Colleagues at the CEI were involved in the BBC Earthshot programmes, which again highlights our world leading research around the blight of single-use plastics.

The Portsmouth Climate Festival was organized and run by the University during October and November in support of the COP26 Climate Conference, which was held in Glasgow. The University was invited by the COP26 UK University Network to present our work on plastic waste within the COP26 green zone under the theme of 'youth and public empowerment'. It was at COP26 that we launched the Global Plastics Policy Centre to help find sustainable solutions to tackle plastic pollution around the world. In April, the University received further funding to extend our research and the United Nations Environment Programme (UNEP) recently enlisted the Policy Centre to inform negotiations for the possible adoption of an international agreement to tackle plastic pollution.

The Centre for Creative and Immersive Extended Reality (CCIXR), the UK's first integrated facility to support innovation in the creative and digital technologies of virtual, augmented and extended realities was opened in May to support economic growth and enhanced productivity in a variety of sectors locally, nationally and globally. In April, we launched an ambitious Mission Space strategy to unite businesses and organisations across the South of England to drive growth in the sector. June saw the launch of the Centre for Innovative and Sustainable Finance (CISF), to investigate challenges and catastrophes such as floods and forest fires caused by global warming, the Covid-19 pandemic, and the financial crisis brought on by a massive hike in fuel and gas prices with the aim to help governments, organisations, individuals, and society navigate an evolving financial landscape. These innovations will contribute significantly to our strategic ambition to become a leading civic university and benchmark the role of universities in civic engagement.

The University continues to improve its facilities and our outstanding Ravelin Sports Centre opened in September. Our major new academic Victoria Park building gained planning permission in December and is set to provide the City with an imposing and impressive landmark building. Our plans for a London Campus and for a Medical School are progressing to plan. The University appointed its Dean of Medical School Development and in February, the General Medical Council (GMC) informed us that we can proceed to Stage 2 to develop our medical school.

As a global university, the University hosted a successful Global Week in March, combining both virtual and in person events. Following the heartbreaking outbreak of war in Ukraine, we made it a priority to contact

all Ukrainian and Russian staff and students known to us to offer support and we continue to work with our city partners to make Portsmouth a City of Sanctuary. Within the University, we have implemented our Equality, Diversity and Inclusivity Framework to create a community built upon mutual dignity and respect and to make a positive difference to the lives and experience of our students and staff.

In July, the National Student Survey (NSS) 2022 results were published and these showed that we are now ranked 39th of universities in England for full and part time student satisfaction in the National Student Survey (NSS). 78% of all 2022 final year undergraduates were satisfied overall with their university experience, compared to 71% last year. In comparison the sector has risen from 75% last year to 76% this year, which means that on average our students say they have a better experience at Portsmouth than their peers at most other UK universities. Continuing to improve student satisfaction and ensuring that all students have the positive experience they can expect from Portsmouth will continue to be a key imperative in the coming year.

Graduation this year was held over two weeks in the summer during which 7,700 students received their awards at 37 ceremonies, held in person and surrounded by family and friends. It is the pinnacle of what the University achieves and it was inspiring to return to the joyful atmosphere that celebrating with loved ones brings. For those who were not able to travel to Portsmouth, three ceremonies were held virtually to celebrate the success of all our graduating students, especially given the challenging circumstances under which they had studied.

As we return to a bright and busy campus, we must acknowledge and thank our extraordinary University community, both staff and students, for all that we have achieved. We are privileged to work with and to lead such innovative and hard-working people. The last two academic years have certainly been memorable but we remain focused on our bold and ambitious plans to face the challenges of the future.



Jenny Crighton  
Chair of the Board of Governors



Professor Graham Galbraith  
Vice-Chancellor

November 2022

# FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2022

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# GOVERNORS AND SENIOR FINANCIAL OFFICERS

Board of Governors and Senior Financial Officers of the University of Portsmouth Higher Education Corporation

1 August 2021 – 31 July 2022

## Board of Governors (who are also Trustees)

External Members	Bahram Bekhradnia	
	Roger Burke-Hamilton	
	Jenny Crighton	Chair
	Claudia Iton	
	Liz Jolly	
	Vineet Khurana	
	David Madoc-Jones	
	Frances Morris-Jones	
	David Wilding	
	David Willan	Deputy Chair
	Christopher Williams	
	Mark Cubbon	Until 16 September 2021
	Penny Emerit	From 1 August 2022
	Professor Sandy Pepper	From 1 October 2022
	Madeline Denmead	From 1 October 2022
Student Governor	Dylan Powell	
	Aleksandra Siedlecka	From 1 August 2022
Nominated by Academic Council	Dr Catherine Carroll-Meehan	
	Dr Jenny Walden	
	Dr Adrian Hull	From 1 August 2022
Nominated by Academic Staff	Professor David Sanders MBE	
	Professor Richard Thelwell	From 1 August 2022
Nominated by Prof. Services Staff	Lyuda Wade	
	Becky Miles	From 24 January 2022
Nominated by Student Body	Michael Kiddell	
	Dominic Owen	From 1 July 2022
Vice-Chancellor	Professor Graham Galbraith	

## Senior Financial Officers of the University

Executive Director of Finance	Emma Woollard	
Deputy Directors of Finance	Dr Elizabeth Bartle	
	Mark Carter	
	Nicola Nestor	From 7 February 2022

## Secretariat

Executive Director of Corporate Governance and Clerk to the Board of Governors	Adrian Parry	
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# IMPLEMENTING OUR STRATEGY

## Developing Our Vision and Strategy

Our Vision and Strategy were approved by our Board of Governors in 2019; having been developed through extensive consultation with key stakeholders through various means including a series of focus groups, workshops and town-hall events attended by several hundred staff and students.

Our ambitious Vision 2030 states that:

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*By 2030 we will be the UK's top modern university and one of the top 100 young universities in the world*

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The onset of the COVID-19 pandemic in 2020 caused significant disruption to the implementation of our strategy. As per the previous Financial review the ongoing impact of the pandemic has seen different levels of focus placed on different elements of the strategy, with accelerated implementation of taking place in some areas, such as digital learning and teaching.

In July 2021, the University Executive Board identified some key elements of the University Strategy which would need to be addressed as a matter of imperative to provide the foundations for delivery of strategy to 2025. It was agreed that the University Executive Board would focus their attention on these imperatives and the delivery of a number of specific impacts.

Strategic Imperative	Impact
<b>Recruitment:</b> Increase Home full-time undergraduate applications and boost conversions, including plans to diversify student recruitment in other areas.	Attractive high-quality portfolio of UG courses.
	Improved applicant experience
	Improvements to digital presence, marketing and outreach
	Improvements to physical presence of the campus
<b>Student experience:</b> Pursue educational excellence, improve student experience and reduce variation in outcomes.	Improved functioning and outputs of student-related corporate systems
	Delivery of effective and timely timetabling
<b>Graduate employment:</b> Improve graduate employment.	Ensure every student has developed and can evidence skills for employment
	Introduce major student enterprise programme from 2022
<b>Research and innovation:</b> Increase our globally recognised research and innovation based on thematic areas, prioritising collaboration and international engagement.	Ensure strong REF submission and increase surplus generating R&I activity

Work on addressing these imperatives is underway. While we have begun to see some impacts; for example, improvements in student satisfaction and graduate outcomes in datasets released in 2021/22, there remain significant challenges to address in order to deliver fully on these imperatives.

These imperatives are aligned with and complement the existing strategy 2025, which remains in place. The table below details some of the key activities undertaken and notable achievements in 2021/22 in relation to our strategic aims.

Ambition	2021/22 Activity/Milestone
<b>We will deliver our vision by inspiring our staff community to be creative and bold</b>	<ul style="list-style-type: none"> <li>✓ Launch of Inclusive Leadership Programme to provide a comprehensive and joined-up programme for leadership and management – to develop skills to support the delivery of our Strategy.</li> </ul>
<b>Engage every student in a life-changing experience</b>	<ul style="list-style-type: none"> <li>✓ Enhanced internal monitoring of course quality; including action planning and target setting seeking to deliver improvements across all areas of the National Student Survey, Student Retention and Graduate Outcomes.</li> <li>✓ Launch of revised ‘Hallmarks of a Portsmouth Graduate’ to ensure that our students develop characteristics that will set them on the path to a successful and fulfilling career.</li> <li>✓ Awarded c. £2m capital funding from the Office for Students for development of an interprofessional learning hub for healthcare students, with state-of-the-art simulation and VR equipment preparing students for the team-based nature of healthcare professions.</li> <li>✓ NSS 2022 saw overall satisfaction return to above sector mean with Portsmouth ranked in the Top 40 of English Universities. Further improvements are required to ensure consistently high satisfaction across all aspects of the survey and all subject areas, with no pockets of poor performance.</li> <li>✓ Improved Graduate Outcomes data for 2019/20 in terms of percentage in work and/or further study and progression to professional-level occupations fifteen months after Graduation. This remains a key focus and further effort is required to ensure that these overall improvements are consistent across all subject areas and disciplines.</li> </ul>
<b>Meet changing demand and widen participation</b>	<ul style="list-style-type: none"> <li>✓ Initiation of external review of our applicant sales funnel which will inform action planning aimed at improving UK applicant numbers and conversion.</li> <li>✓ Collaborative project to launch branch campus in London Borough of Waltham Forest in January 2024.</li> </ul>

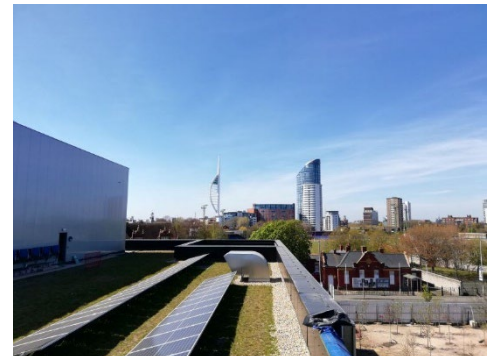
	<ul style="list-style-type: none"> <li>✓ Continued implementation of UG portfolio review ensuring courses are fit-for-purpose and attractive to potential students and employers.</li> <li>✓ Continued diversification of models of delivery including new Degree Apprenticeships; and online distance learning provision.</li> </ul>
<b>Deliver globally-recognised research and innovative solutions that improve society</b>	<ul style="list-style-type: none"> <li>✓ 77% of research submitted to REF 2021 rated either world-leading or internationally excellent.</li> <li>✓ Ranked 3<sup>rd</sup> of modern post-92 universities in the UK for research power (Times Higher Education, May 2022)</li> </ul>
<b>Significantly build our global reach and reputation</b>	<ul style="list-style-type: none"> <li>✓ Successful recruitment of international students above 2021/22 target including largest ever January intake 2022, with additional new courses to be added in January 2023.</li> <li>✓ Increased regional presence in Kenya and Hong Kong, with development ongoing to establish a presence in the Middle East</li> </ul>
<b>Become one of the UK's leading civic universities</b>	<ul style="list-style-type: none"> <li>✓ New partnership agreement signed with Ryde Town Council covering areas of mutual interest including addressing educational inequalities, finding solutions to environmental issues and supporting sustained economic growth in the region.</li> <li>✓ Working in partnership with the South Central Ambulance Service and St. John Ambulance to deliver life-saving skills to over 1,000 people in the City, including primary school children, through the 'Restart A Heart' scheme.</li> </ul>
<b>Lead in environmental sustainability and become climate positive by 2030</b>	<ul style="list-style-type: none"> <li>✓ Our Sustainability and the Environment Research theme include our Centres for Enzyme Innovation and Blue Governance.</li> <li>✓ Our recently-opened 11,000m<sup>2</sup> Sports Centre was designed to be one of the UK's most sustainable sports facilities and received an 'outstanding rating from BREEAM UK</li> </ul>



# ENVIRONMENTAL SUSTAINABILITY

## Our progress

Sustainability is at the heart of what we do and exploring ways to become climate-positive by 2030. This is a journey which starts with the modernisation of the estate with low-carbon designed buildings ably demonstrated by the new Ravelin Sports Centre achieving the highest BREEAM design rating 'Outstanding' for sustainable design. The design features renewable energy being generated from roof solar panels and internal heat recovery systems whilst excess pool water is used for toilet flushing.



It is important to note that our overall environmental performance during this period (consumption of utilities and recycling rate) is not indicative of progress as building occupancy remained low whilst university life was returning to normal post pandemic.

## Energy and carbon management

Energy prices have seen unprecedented increases and volatility due to restrictions in gas supplies to Europe. We continue to work with ESPO the specialist buying organisation for the public sector to purchase electricity and gas in advance through flexi purchase framework arrangements including 100% certified electricity from renewable wind, solar and hydro sources.

Our ambition to become climate-positive will mean accounting for all our emissions including those from travel and procurement activity not just those from electricity, gas, water consumption and waste. This work is underway and we are working to reduce our emissions but inevitably some will remain and require appropriate offsetting.

## Sustainable travel



Bus services for students and staff continue to support local authority efforts to improve air quality in the city whilst students and staff are actively discouraged from bringing cars into the city. Schemes including escooters, staff travel benefits and a cycle to work scheme provide a variety of options for the majority who now regularly use sustainable travel modes.

## Recycling and waste management

The introduction of new improved recycling signage and colour coding alongside the introduction of locations for students and staff to recycle soft plastics and office stationery plans to push recycling rates above 70% for the first time. This will be helped by a new furniture recycling/ reuse company working with our main waste contractor.



## Research, innovation and teaching

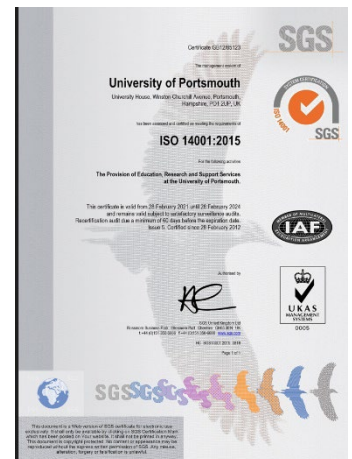
Through our Revolution Plastics initiative, we're working with partners in business, government and academia around the world to find innovative solutions to the planet's plastic pollution crisis. This is supported by our new research centres. From pioneering research into plastic-degrading enzymes through to our multi-disciplinary approach to inform blue governance policies around the world to secure the future of the planet's marine and freshwaters.



We are helping green growth in other ways too, our Greentech South team is working to support Small and Medium Sized Enterprises in reducing carbon emissions and facilitating the move towards a zero-carbon economy. Climate change and green infrastructure; clean water and sanitation; the impact of plastics and pharmaceuticals; low carbon design; ecological systems and biodiversity - these are just a handful of our sustainability and environment research areas.

## International standard for environmental management systems ISO 14001

Our independently certified environmental management system is a well-established system and continues to support departments comply with environmental regulations through routine checks and improvements to practices.



# FINANCIAL REVIEW

## Overall Performance

The University had an operating deficit of £6.7 million in 2021/22. This includes the impact of a decline in home and EU student recruitment which was partially anticipated and provided for within the 2021/22 budget. Recruitment in 2021/22 was affected by the uncertainty and volatility caused by the teacher-assessed A level grades and this was also the first year that EU students could not access UK Government loans to help support their tuition fees. This was partly offset by greater than budgeted international fee income, particularly for postgraduate taught courses with January 2022 start dates, where courses straddle both the 2021/22 and 2022/23 financial years.

## Financial Strategy

The University has a well embedded and rigorous approach to its annual strategic and financial planning process with the overarching ambition of maximising the resource used to deliver our key strategic priorities and support student experience. This approach is integral to delivering our strategy and ensure financial sustainability in an increasingly uncertain operating environment.

This has had to evolve in response to the Covid-19 pandemic and to the budgeted shortfall in home and EU student recruitment. However, the overarching objective of prioritising available resources to deliver our strategic ambition remains at the centre of our process.

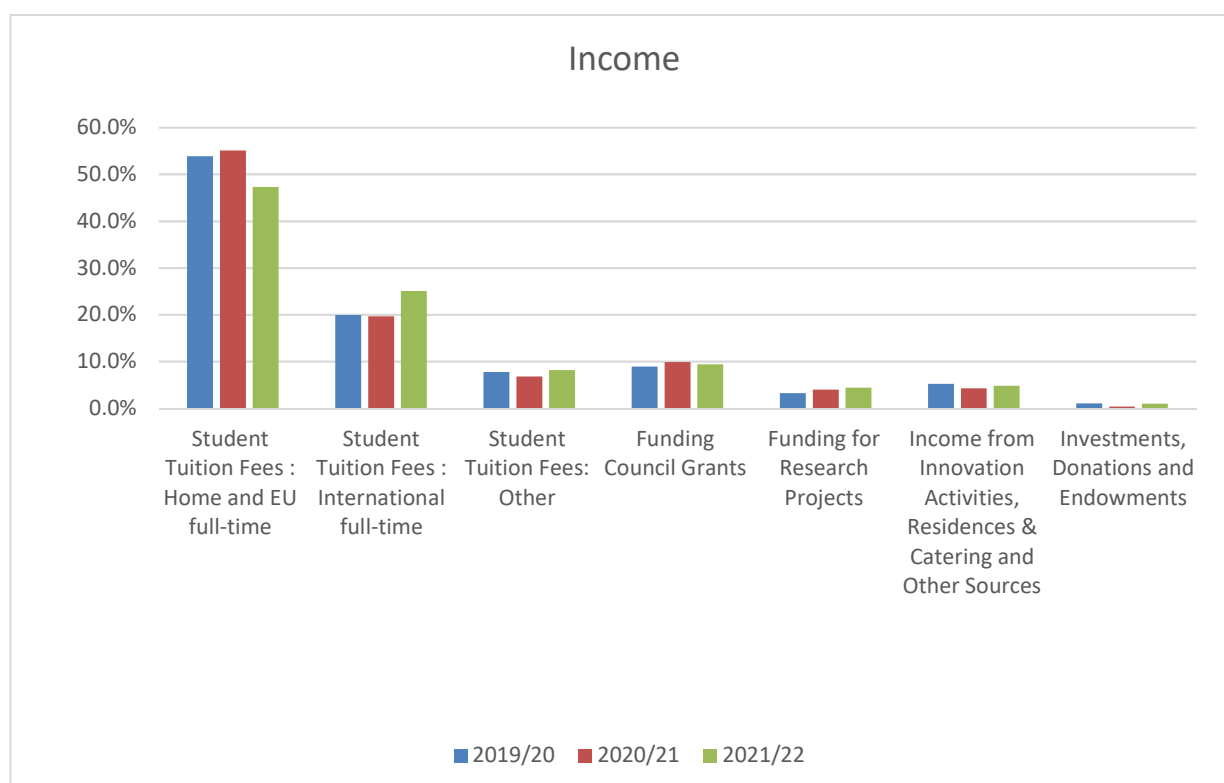
The Financial Strategy in support of the University's estates capital developments was approved in July 2017 with the agreed funding model being a combination of cash balances, cash generated in-year and long-term debt financing (£100 million private placement bond secured during 2017/18). Work on the redevelopment has been slower than originally envisaged, largely due to a combination of BREXIT and Covid-19. However, there was progress during 2021/22 to an extent and the University's new £57 million Sports Centre opened in September 2022. Planning permission was granted in February 2022 for the next major planned project which is the new academic building for the faculties of Business and Law and Humanities and Social Sciences. Due to current rates of inflation as well as challenges with the supply of raw materials, the plans for this building are being reconsidered and the planned date to start construction is now spring 2023 and the opening date is projected for to be before the end of 2025. In recognition of the delays to the estates masterplan to date the University is currently reviewing how best to accelerate other projects in parallel with the new academic building. This is challenging given the lack of available space in the City and the need to secure decant space so that major works can proceed with minimal disruption. This review is progressing well and plans are expected to be presented early in 2023 for approval. The University has sizeable cash balances set aside for this purpose.

The delays have, however, enabled the University to reconsider its requirements given the changes to teaching and working arrangements driven by Covid, which are being retained to enhance our pedagogic approach and efficiency and effectiveness of working. As part of this a digital investment plan has been developed.

## Income

The University group's income for 2021/22 totals £290.5 million, compared to £282.5 million in 2020/21, an increase of 2.8%.

Sources of Income	2021/22 £000	2020/21 £000	Change £000	Change %
Student Tuition Fees: Home and EU full-time	137,384	155,725	(18,341)	(11.8)
Student Tuition Fees: International full-time	72,750	55,522	17,228	31.0
Student Tuition Fees: Other	23,667	19,259	4,408	22.9
Funding Council Grants	27,229	27,792	(563)	(2.0)
Funding for Research Projects	12,730	11,284	1,446	12.8
Income from Innovation Activities, Residences & Catering and Other Sources	13,860	11,931	1,929	16.2
Income from Investments	2,650	1,006	1,644	163.4
Donations and Endowments	250	21	229	1090.5
Total	290,522	282,541	7,981	2.8





## Student Tuition Fees

Total fee income increased by £3.3 million compared to the previous year. The £18.3 million fall in Home & EU full time fee income was largely anticipated and was mainly offset by increased international recruitment where total fee income increased by £17.2 million. International recruitment was particularly strong for postgraduate taught courses with January 2022 starting dates. Other sources of tuition fee income increased by £4.4 million, this was mainly due to an increase in fees from part-time students, including those studying on Degree Apprenticeships where home and EU fee income doubled year on year to £5.3 million.

## Government Funding

Total funding fell by £563,000 (2.0%). This was due to fewer one-off grants in 2021/22 compared to the previous year (including those related to Covid-19 support for students and testing). These reductions were partly offset by general increases in recurrent grants.

## Other Sources of Income

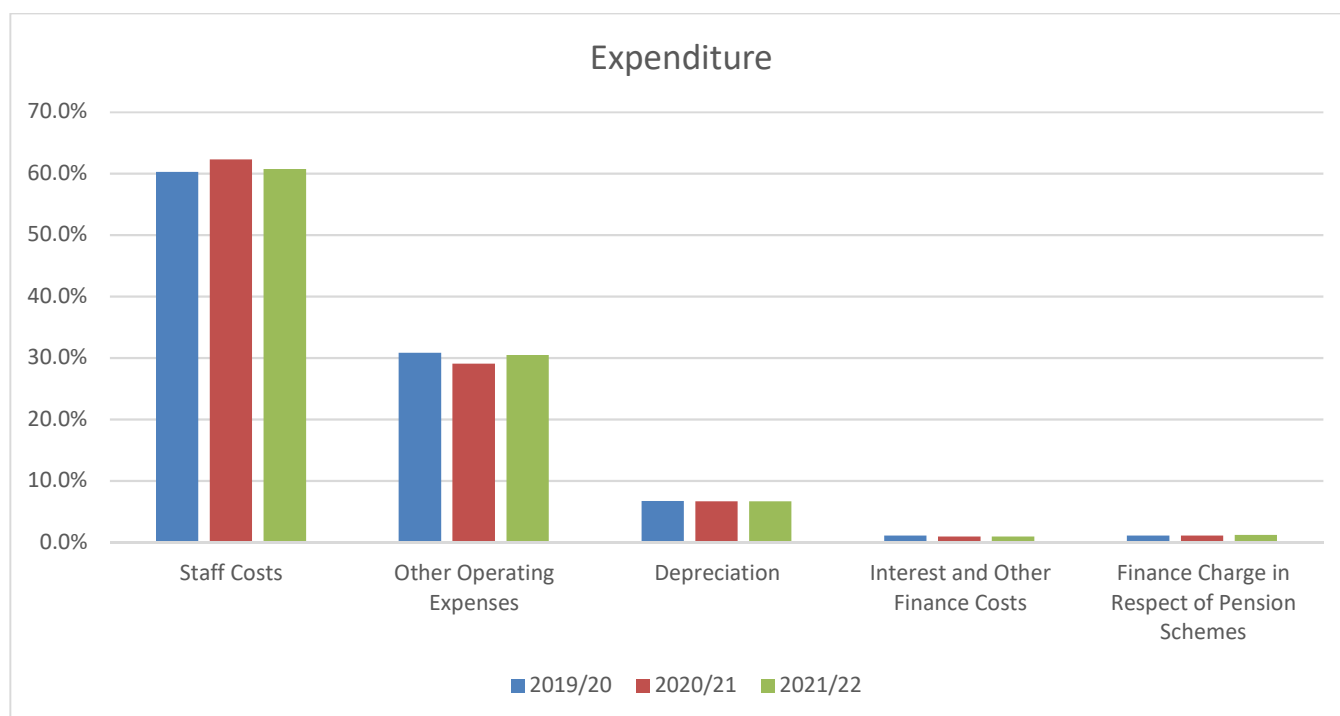
Income from research grants and contracts rose by £1.4 million (12.8%) to £12.7 million. There were increases across a number of sponsors (Research Council, UK Government/Health Authorities and Overseas) and general bid activity remained at a high level during the year.

Income from Innovation, Residences, Catering and Other increased by £1.4 million to £13.9 million, partly reversing Covid-19 related declines during 2020/21. This includes a £1.0 million increase in residences, catering and conference income plus £1.0 million increase in other income, mainly in the areas of Innovation and insurance claims receipts.

Investment Income increased by £1.6 million (163.4%) compared to 2020/21. Average cash balances in 2021/22 were £311.0 million compared to £292.1 million in 2020/21. The impact of the Covid-19 pandemic, which had resulted in depressed market rates, receded in the second half of the financial year as attention turned to concerns regarding inflation and economic growth. Between December 2021 and July 2022, the Bank of England base rate rose from 0.1% to 1.25% as a result of these concerns. Combined with higher cash balances, the strong improvement in the interest rate environment drove the increase in investment income.

## Expenditure

Expenditure by Type	2021/22 £000	2020/21 £000	Change £000	Change %
Staff Costs	180,474	168,093	12,381	7.4
Other Operating Expenses	90,612	78,423	12,189	15.5
Depreciation	19,745	17,933	1,812	10.1
Interest and Other Finance Costs	2,818	2,469	349	14.1
Finance Charge in Respect of Pension Schemes	3,536	2,949	587	19.9
Total	297,185	269,867	27,318	10.1



Expenditure increased by 10.1% from £269.9 million in 2020/21 to £297.2 million. Within this staff costs rose by £12.4 million (7.4%), including a £4.6 million increase in the actuarial adjustment for the Local Government Pension Scheme; excluding this adjustment staff costs rose by £7.8 million or 5.0%. £7 million of this increase is due to increments, the August 2021 pay award (1.5%) and an additional payment to all staff in July (£750, per full time equivalent member of staff) in recognition of the extremely hard work of all University staff during a continued period of turbulence following the pandemic. The overall increase in staff costs is despite the current challenging recruitment environment, leading to increased vacancy levels in certain academic and professional services specialisms.

Other Operating Expenditure increased by £12.2 million (15.5%) in the year. There were increases across a wide range of categories, many of which reflected “return to campus” spend the post Covid-19 lockdowns and were matched by increases in income. For example, staff and student travel (including fieldwork) increased by approximately £1.7m and hospitality and food costs were up by £1m. International commission payments increased by £2.7m, reflecting strong student recruitment and general Estates costs were up by £2.1 million. This last figure included £670,000 increases in utilities spend and £940,000 increase in building costs (also back to pre-pandemic levels). Both estates and IT expenditure has been impacted by global supply chain delays, in line with the wider economy.

Depreciation increased by £1.8 million (10.1%) compared to 2020/21. This includes accelerated depreciation charges (due to recalculated useful economic lives) for the Nuffield student services building, for Optometry equipment as well as certain items of corporate software.

Interest and other finance costs increased by £349,000 (14.1%) to £2.8 million in 2021/22, reflecting reduced capitalisation of Masterplan loan costs, as the Sports Building project was completed. The finance charge in respect of the local government pension scheme increased by £587,000.

## Deficit

The Operating Deficit for the year on the University’s consolidated accounts is £6.7 million, compared to £12.7 million surplus in 2020/21. As discussed above, the deficit is largely the result of a decline in home and EU student recruitment. This was anticipated and has been largely offset by greater than budgeted international student numbers and fee income.

Following adjustments for other gains and losses, the change in fair value of loan notes (this is a non-cash item) and taxation, the surplus for the year is £5.7 million (2020/21: £13.2 million).

## Statement of Financial Position

Net Assets:	31 July 2022 £000	Represented By:	31 July 2022 £000
Non- Current Assets	386,318	Income and Expenditure Reserve: restricted	2,948
Net Current Assets	267,292	Income and Expenditure Reserve: unrestricted	428,188
Creditors due after one year	(144,392)		
Pension Liability	(78,082)		
Net Assets	431,136	Total Reserves	431,136

Non-current assets fell by £2.5 million to £386.3 million, additions being less than the £19.7 million depreciation for the year. £9.4 million was spent on buildings (the Extreme Environment Laboratory, the Centre for Enzyme Innovation, final expenditure on the new Sports Building and other refurbishments). Equipment spend was £4.2 million and IT capital spend was £3.7 million. The investment value shown in the consolidated accounts relates to the Glaxo endowment, which the University has held since 1997.

Net current assets include the University's cash, short term deposits and cash investments as at the 31<sup>st</sup> July 2022. These have increased over the year by £21.4 million to £325.9 million. Under the FRS102 accounting standard, investments and short-term deposits are separated out from cash and cash equivalents. The former refers to fixed term cash investments, made from general funds and maturing at least three months after date of purchase, including government treasury bills. Short term deposits are those which are repayable on demand within 24 hours without penalty. Cash and cash equivalents refer to all other cash balances.

The pension liability, relating to University staff membership (approximately 50% of total staffing) of the Hampshire Local Government Pension Scheme, decreased by £135.0 million to £78.1 million. The pension liability is recalculated as at each financial year end for the purposes of the financial statements. The decreased liability at 31st July 2022 compared to twelve months previously is predominantly due to the actuarial gain of £154.8 million. This in turn is impacted by a doubling of the discount rate (to 3.4%) between the two year-end dates. This rate is set with reference to corporate bond yields. This results in lower present value (cost) being placed on future cash flows by the scheme actuaries and an increased calculation of scheme asset performance compared to 2020/21.

The University is not required to recognise a liability on our other pension schemes, principally the Teacher's Pension Scheme in respect of academic staff.

## Investment Performance

The University continues to adopt a reasonably risk-based approach to its treasury management. Cash balances and investments have increased (£325.9 million as at 31<sup>st</sup> July 2022 compared to £304.5 million at 31<sup>st</sup> July 2021), and these funds have been actively managed within the risk framework of the Treasury and Investment Management Policy. Increases in bank base rates from December 2021 onwards created a favourable investment environment for a significant proportion of the University's portfolio, and taken together with the increase in cash and investment balances, this explains the £1.6 million year on year rise in investment income.

The Treasury and Investment Management Policy continues to be actively reviewed and updated to ensure that all cash balances are managed carefully and proactively in order to maximise return and mitigate the cost of borrowing, whilst meeting the University's needs in respect of liquidity.



## Financial Sustainability and Financial Health

The University's Financial Key Performance Indicators (KPIs) for Sustainability and Health are reported to the relevant Governor committees. Discussion focuses on the University's position over time. The Financial KPIs for 2021/22 and 2020/21 are shown in the table below.

	2021/22	2020/21
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£33.1m	£45.5m
Earnings before interest, Taxes, Depreciation and Amortisation as a % of Income	11.4%	16.1%
Operating Surplus/(Deficit) as a % of Total Income	(2.3%)	4.5%
Unrestricted Reserves (excluding pension liability) as a % of Income	174.3%	170.1%
Borrowings as a % of Total Income	34.9%	35.9%
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	428.7	441.1
Staff Costs as a % of Income	62.1%	59.5%

The indicators above demonstrate the University's continuing financial health, despite the 2021/22 deficit, as well as changes compared to the previous year.

## Headline Risks

There are a number of financial risks in the short to medium term including:

### Financial

Strong financial management has meant that the University enjoyed a healthy financial position for several years. £100 million was borrowed in 2017 to help fund the Estates Master Plan in advance of needing to spend it, so that extremely favourable interest rates could be secured. Despite the 2021/22 deficit, several years of returning healthy surplus results, together with some delays to the delivery of the master plan mean the University continues to hold significant cash balances. These balances enable long-term planning and delivery of the University's strategic ambitions.

Inflation is a major risk for the sector and the University, affecting all areas of expenditure. This includes spending on staff costs where, as with the rest of the UK economy, there is likely to be pressure to increase salaries to match general cost of living increases. Estates-related and IT costs are also a significant concern. These include utilities and expected increases in build costs from external suppliers, impacted by their own cost increases as well as supply chain issues. IT issues are a world-wide problem, with shortages of computer chips causing inflation and significant delays to supply. These stresses on expenditure are then further exacerbated by the long-term freeze on home full time undergraduate tuition fees.

### The ongoing cost of public sector pension schemes

These have represented the largest cost pressure faced by the University and the Sector in recent years. There are two main defined benefit pension schemes in operation within the University. Employer costs for the

Teachers' Pension Scheme (TPS) increased substantially from 16.48% to 23.68% from 1st September 2019. The Local Government Pension Scheme (LGPS) was revalued as at 31st March 2022; draft results were received in October 2022 and indicate a reduction in employer costs from 23.2% to 20.6% from April 2023. These figures will be confirmed during the first quarter of 2023. The University's financial statements include a number of accounting adjustments in respect of the LGPS. Because of the year on year increase in discount rates, both the finance and current service costs increased significantly in 2021/22 and impacted the Income and Expenditure statement accordingly. The year-end adjustments are likely to remain volatile for the foreseeable future.

### **An increasingly competitive environment for both home and international student recruitment**

Recruitment of home full-time undergraduate students fell in 2021/22 and this has had a significant negative financial impact. This situation is partly mitigated by strong international student recruitment which has been helped by the ongoing fall in sterling (since the third quarter of 2021 in the case of the Chinese Yuan). There is a competition risk expected) from other recruiting countries (e.g. Australia) as they open up fully post-Covid. The more buoyant economy is also impacting the recruitment of post-graduate students as there are more graduate level jobs available.

The University continues to work hard to retain and enhance its market share including significant investment in marketing activities and in market research to understand better the current and projected (for the next few years) recruitment markets.

### **Covid-19**

Covid-19 had a more limited impact than in previous years, although there was an ongoing recruitment risk due to international travel restrictions and overseas lockdowns. The University will react appropriately to possible future changes in Government guidance over the 2022/23 winter period and international travel restrictions.

## **Going Concern**

The financial statements have been prepared on a going concern basis which the Board of Governors considers to be appropriate for the following reasons.

The Board of Governors has reviewed and agreed cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of down-side scenarios, including student recruitment, the Group and parent University will have sufficient funds to meet their liabilities as they fall due for that period.

The University considers going concern each year, including examination of down-side scenarios which might impact on the Group and the parent University's ability to continue to operate for the going concern period. This review is based on the University's financial position, the markets in which it operates and also the key risks, including those described above, that it faces. The responses to these risks and challenges are considered and their potential impact on our ability to continue to operate without the need to materially curtail the nature of our operations or ambitions. The going concern assessment includes monitoring all covenants associated with the Private Placement. These covenants were not breached in 2021/22 and the forecasts indicate that these covenants should not be breached during the going concern period, even in downside scenarios.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Conclusion

The University continues to prioritise investment to enable the University to support the delivery of the strategic aspirations articulated within the University Vision 2030 and Strategy 2025. The University expects that previously accumulated surpluses will be used to support our agreed ambitions for major redevelopment and enhancement of the institution's estate to ensure we continue to be a successful and financially sustainable University.

The University's Annual Report and Accounts can be viewed online at:

<https://www.port.ac.uk/about-us/publications/financial-statements-and-annual-report>

## ADDRESSING RISK

The University has a comprehensive approach to risk management. The University's overall risk register is regularly reviewed by the University Executive Board, the Audit and Quality Committee and the Board of Governors.

The Risk Management Policy for 2021/2022 was approved by the Board on 13 October 2021.

The corporate risk register is aligned with the 8 ambitions of the University Vision 2030 and Strategy 2025. A UEB member led each theme within the University Strategy and was responsible for developing an action plan to take the theme forward.

This table summarises key strategic risks and the mitigation in place to minimise their impact. The order in which the risks are noted below does not reflect the magnitude of risk but rather the order that they appear in the University Strategy and Vision.

THEME	RISK	MITIGATION
We will deliver our vision by inspiring our staff community to be creative and bold	<p>Failure to engage staff effectively results in limited participation and commitment to delivery of the University Strategy, adversely impacting upon the ability to manage and deliver change effectively</p> <p>Inability to recruit, develop and retain high calibre staff leads to a lack of required skills, knowledge and attributes with the consequence that the University's ability to attain strategic objectives is constrained.</p> <p>Inability to develop and support an adaptive workforce culture leads to a lack of resilience and inability to manage change and drive innovation effectively with the consequence that the University's ability to attain strategic objectives is constrained.</p>	<p>We have established strategies for effective and regular communication of goals and objectives.</p> <p>We offer competitive salary, relocation and reward packages along with good induction processes.</p> <p>We ensure that organisational structures facilitate required change and that recruitment processes take account of the skills sets and other attributes necessary for remote working.</p> <p>The University supports appropriate flexible and remote working patterns and structures.</p>



	<p>Failure to encourage enhanced performance results in under-achievement that impedes delivery of strategic objectives.</p> <p>Failure to increase BAME representation amongst staff results in a lack of role models that adversely impacts upon the BAME student attainment gap and achievement of the Access and Participation Plan.</p> <p>Failure to address the gender pay gap results in inequality and imbalance with the workforce, leading to negative perceptions of the University that impedes recruitment and retention of staff.</p> <p>Inability to provide effective wellbeing and support to staff results in diminished levels of staff engagement and commitment, leading to reduced ability to deliver and attain strategic objectives.</p> <p>Inability to manage the scale and pace of change creates an inability to deliver “business as usual” activities.</p>	<p>We have established targeted training and development for people managers.</p> <p>Work continues to identify progression barriers for BAME teaching staff, and recommendations to overcome these are in progress. We have implemented unconscious bias and diversity training.</p> <p>The University keeps under review shortlisting, interview and promotion processes with some targeted interventions to promote gender balance in discrete areas.</p> <p>The University has strategies and approaches to facilitate communication that supports wellbeing.</p> <p>Clear identification and focus on business-critical activities and objectives and the re-phasing of timescales.</p>
Engage every student in a life-changing experience	<p>Admissions processes do not optimise student recruitment with the result that student numbers fall</p> <p>Students withdraw or fail to progress resulting in a decline in retention rates with the consequence that students do not fulfil their potential</p>	<p>We have a strongly managed admissions process, with strategies for communication with applicants facilitated through a CRM system and through the provision of high-quality information and advice.</p> <p>We have strengthened strategies for communication with continuing students and the use of blended learning to strike an appropriate balance between face-to-face and remote learning.</p>

	<p>Declining student attainment and progression rates lead to poor TEF outcomes and league table positions that result in the University being less attractive to potential students</p> <p>Poor comparative performance in the NSS leads to poor TEF outcomes and league table positions that result in the University being less attractive to potential students</p> <p>Poor comparative performance in the Graduate Outcomes Survey (GOS) leads to poor TEF outcomes and league table positions that result in the University being less attractive to potential students</p>	<p>We have undertaken a review of our Programme Monitoring and Review (PMR) Policy and methodology and the use of benchmarks and benchmark thresholds to set expectations.</p> <p>We have identified of where focus should be placed to best effect, recognising that small percentage changes can have a disproportionate impact on league table positions.</p> <p>We have placed increased focus and targeting of resources upon the indicators and activities that enhance TEF outcomes and league table positions.</p>
Meet changing demand and widen participation	<p>Courses do not reflect demand in terms of content and mode of delivery, leading to poor student recruitment with the result that student numbers fall and the quality of the student intake declines</p> <p>Failure to achieve targets identified in the Access and Progression Plan leads to an inability to deliver required outcomes for students and results in a breach of a condition of OfS registration</p>	<p>We have reviewed the academic portfolio in the light of student demand and against a suite of internal performance indicators.</p> <p>We offer high-quality teaching and a responsive, attractive and up-to-date curriculum that responds to students' needs and expectations, underpinned by robust curriculum review processes. In addition, there is careful control and diversification of the course portfolio.</p> <p>Delivery of our Access and Progression Plan is underpinned by the use of benchmarks and benchmark thresholds and monitoring processes are in-place to guide targeted action plans and interventions.</p>

	<p>Changes in applicant behaviour result in reduced student recruitment with the consequence that student numbers and income decline</p> <p>Partnerships are insufficiently developed and supported resulting in a reduced ability to recruit with the consequence that student numbers and income are not optimised.</p>	<p>We make use of specially targeted and commissioned recruitment data from Data HE along with the development of tactical USPs to enhance recruitment</p> <p>Creation of targeted partnerships with progression routes that can be well-resourced and supported</p>
Deliver globally-recognised research and innovative solutions that improve society	<p>Poor REF outcomes result in diminished research reputation with the consequence that research profile, activities and associated income decline</p> <p>Declining levels of research and innovation activity result in a diminished volume of activity with the consequence that research profile, activities and associated income decline</p> <p>Failure to optimise use of innovation space constrains the creation of intellectual property and commercial capital and leads to underperformance in the KEF</p>	<p>We performed strongly in the REF and this momentum will be maintained. The REF strategy and code of practice will be kept under review in preparation for the next REF.</p> <p>Research leadership has been established for each research theme along with Strategic initiatives to improve performance in bidding for research funds</p> <p>The Implementation of Innovation Connect Strategy and a review of management arrangements for innovation centres will help maximise opportunities.</p> <p>The University seeks to promote stronger interactions between innovation centre tenants and the academic and business support expertise of the University</p>
Become one of the UK's leading civic universities	<p>Lack of alignment between civic engagement activities and University strategy, resulting in fragmented activities and expenditure of resources that lacks impact and does not deliver strategic imperatives.</p> <p>Failure to identify and secure strategic delivery partners, leading to diluted delivery of civic</p>	<p>We have worked to establish a "Civic University" Agreement with stakeholders that sets clear expectations and outcomes for all parties.</p> <p>We have identified key strategic partners with shared mutual interests.</p>

	<p>engagement or disproportionate delivery by the University</p> <p>Failure to identify and prioritise key civic stakeholders, resulting in civic engagement activities that do not address the differentiated priorities and needs of different civic stakeholder groups</p> <p>Failure to manage the expectations of civic stakeholders, resulting in dissatisfaction with the University's level of support and engagement and leading to criticism of the University's civic contribution and reputational damage</p>	
Significantly build our global reach and reputation	<p>Inability to cultivate strategic partnerships limits our global reach as an institution and engagement at all levels and leads to diminished ability to enhance education, research and innovation, resulting in reduced global impact and reputation.</p> <p>Failure to maintain or increase international student numbers results in diminished cultural wealth and diversity within the University community and will affect future sustainability and diversity of income streams.</p> <p>Inability to offer opportunities for students and staff to develop their global mindset, resulting in missed opportunities to acquire new skills and experiences which can impact on future employability of our graduates.</p> <p>Failure to enhance the University's global reputation leads to diminished ability to secure global</p>	<p>We have reviewed our strategic partnerships, including identification, approval and support processes.</p> <p>We have diversified of recruitment markets and have intensified our targeted marketing.</p> <p>Scenario planning and sensitivity analysis has been undertaken for international student numbers.</p> <p>We have developed an ecosystem of opportunities for students to develop global mindsets outside the UK.</p> <p>We have developed Global Operational Plans and Regional Strategies, along with Faculty Global Engagement Action Plans.</p>

	partnerships, research collaborations and to recruit international students.	
Lead in environmental sustainability and become climate positive by 2030	<p>Failure to increase the climate literacy of staff and students leads to a lack of engagement in climate positive choices, resulting in an inability to attain improvements in sustainability</p> <p>Failure to invest in sustainable resources and practices that embed sustainability as a “business as usual” activity leads to continued inefficiencies and waste, resulting in an inability to attain improvements in sustainability.</p> <p>Failure to develop and promote leading-edge research and innovation in sustainability leads to low impact activity, which results in a failure to optimise the provision of solutions for global sustainability challenges.</p>	<p>We have developed a roadmap to carbon positive activities, overseen by a Steering Group involving staff and students.</p> <p>A Climate literacy course has been launched.</p> <p>Clear KPIs and targets have been set, monitored and audited.</p> <p>We have invested in climate positive activities and disinvested in climate damaging activities</p> <p>We have ensured that new-build and refurbishment of the University estate supports sustainability and minimises detrimental impact on the environment</p> <p>We are prioritising clean growth research and innovation, for example in the areas of Plastic Revolution, EMpasis3 and Resilient Cities, and will support environmental research, for example through our Blue Governance Centre, Institute of Marine Studies</p>
Transform our alumni relations and advancement activity	<p>Failure to align advancement, alumni engagement and fundraising initiatives and outcomes with University strategy, resulting in suboptimal and/or conflicted investment relative to University values and strategic imperatives.</p> <p>Insufficient investment and resources in infrastructure, staffing, systems and skills to</p>	<p>We have established an Advancement Strategy Steering Group, supported by a Gifts Ethics Committee and a fundraising policy that includes a due diligence process.</p> <p>We have created an Alumni Relations and Advancement Team</p>

	<p>effectively cultivate and engage alumni and donors at the levels required to achieve targets, goals and vision.</p> <p>Lack of due diligence or ineffective management of volunteer, prospect and/or donor interactions and contributions, resulting in conflicts of interest, unrealistic expectations of influence, unethical affiliations, strain on academics and researchers, unrealised contributions, broken relationships and/or reputational damage.</p> <p>A lack of monitoring and process to disengage from relationships and/or funding sources no longer appropriate for the University resulting in misalignment with University values and potential reputational damage.</p> <p>Insufficient stewardship of donors and gifts, including a lack of ongoing management of and reporting on gift implementation, resulting in a failure to deliver on legal agreements, possible liability, as well as disgruntled stakeholders and lost future contributions.</p> <p>Ineffective gatekeeping and monitoring of alumni, volunteer and/or donor interactions with students, fellow graduates and others in the University community could allow unethical or inappropriate behaviour to take place resulting in reputational damage and even legal liability</p> <p>Inappropriate collection and/or use of confidential information resulting in regulatory (data protection and/or fundraising) noncompliance, opening the</p>	<p>A Fundraising policy has been established along with due diligence processes and a Gifts Ethics Committee</p>
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	University to liability, reputational and relationship damage.	
Deliver quality and excellence across all activities	<p>Non-compliance with legislation and regulatory requirements results in fines and prohibitions being imposed upon the University with the consequence that it suffers financial loss and reputational damage.</p> <p>Quality assurance requirements are not met resulting in poor inspection reports and negative publicity with the consequence that the University suffers reputational damage.</p> <p>Failure to maintain accreditation from professional bodies results in course closures without students being “taught out”, leading to the implementation of the Student Protection Plan.</p> <p>Required standards of governance are not met, leading to poor or delayed decision-making that results in financial loss and reputational damage.</p> <p>Inability to capture and sustain the efficiencies of the new activities and processes adopted to tackle the Covid-19 working environment result in a failure to take forward more efficient and cost-effective activities and processes</p> <p>Lack of ability to focus upon the implications and requirements of Brexit result in a failure to adequately prepare for the necessary degree of organisational change and new working practices</p>	<p>We have strong, well-publicised and enforced procedures for meeting our legal obligations.</p> <p>We have continued the provision of central support for reviews monitored through Quality Assurance Committee.</p> <p>We will develop action plans in response to any issues raised by Professional and Statutory Regulatory Bodies.</p> <p>We adhere to Instrument and Articles of Government, Standing Orders and relevant Committee of University Chairs (CUC) codes.</p> <p>We horizon scan to pre-empt new regulatory requirements and appraise briefings from sector representative bodies.</p>

<p>Invest in our future and maintain financial strength</p>	<p>Lack of a viable teaching offer and/or increased competition leads to a decline in student recruitment, resulting in a fall in student numbers and associated income</p> <p>Changes in government policy or redirection of funding to other sectors results in reductions in public funding with the consequence that the University's funding declines or is placed at risk</p> <p>Decline in overall income and/or an inability to identify and implement change programmes designed to achieve greater efficiency and effectiveness leads to increased costs as a proportion of overall income and results in sub-optimal use of resources.</p> <p>Increases in pension cost liabilities leads to a requirement for an increased employer contribution, resulting in lack of funds to resource strategic imperatives</p> <p>Inability to secure further borrowing due to the market view of the UK HE sector, resulting in an inability to finance further major investment in the estate.</p>	<p>We have developed a Marketing Strategy and associated campaigns and use our CRM system to enhance relationships with potential students.</p> <p>We undertake financial scenario planning to determine budgetary parameters and their sensitivity to change.</p> <p>We have placed increased focus on business cases to support new investment to identify and realise benefits'</p> <p>We undertake an enhanced and regular review of costs during implementation of change programmes'</p> <p>We seek to lobby and influence via sector representative bodies to protect and enhance our current levels of fundings.</p> <p>Regular contact with current investors and advisers has indicated that the ability to borrow more money is going to be harder. We are revisiting the master plan and this needs to consider the impact of moving a large proportion of activity to online.</p>
<p>Enhance our estate and infrastructure</p>	<p>Cost over-runs, scope creep and delays in timing result in the delivery of a physical infrastructure that is not as originally planned and compromises the delivery of the University's aspirations</p> <p>Failure to provide a modern and adaptable physical infrastructure leads to an estate that fails to retain its</p>	<p>Our estates masterplan is designed to be delivered in phases to provide control and opportunity to review.</p> <p>Individual Project boards monitor progress against programme, cost and quality with strict variation controls to ensure adherence to the brief. Risk registers are regularly updated and reviewed.</p>

	<p>fitness for purpose and thereby compromises the delivery of the University's aspirations</p> <p>Unanticipated loss of a major facility leads to an inability to deliver required services with the result that "business as usual" activities cannot be conducted effectively</p> <p>Problematic implementation of the new student records system creates error or delay which results in an adverse impact upon the student and user experience</p> <p>Cybersecurity breaches result in loss, theft or alteration of data; service denial; or impersonation which compromises the ability to conduct business effectively.</p>	<p>Changes to working practices, including increased hybrid working patterns are to be embedded in the review of the estates masterplan.</p> <p>Regular stress and security testing of all systems is undertaken to ensure capacity, integration and that activities can be sequenced.</p> <p>External consultancy secured and designated programme lead assigned to oversee the project.</p> <p>There is extensive consultation on requirements Attainment and maintenance of GCHQ Cyber Essentials Plus. Information security is a design decision within University IT systems. Additional investment in cyber security controls.</p>
Innovate through digital technologies	<p>Failure to secure and accelerate capacity and/or ineffective project management results in cost and/or time over-runs that prevent the University from providing an online and blended learning offer for the 2020/21 academic year (and beyond)</p> <p>Failure to match the digital learning offer with student expectations and/or demand results in lack of take-up and leads to an inability to deliver anticipated growth in student numbers</p> <p>The quality of the distance learning offer does not match competitors resulting in an uncompetitive offer that leads to poor demand and student take-up</p>	<p>We have appointed specialist staff and undertaken detailed due diligence and careful selection of our delivery partner.</p> <p>We have undertaken robust scrutiny of evidence of student demand.</p> <p>We have identified benchmark quality standards for online learning materials and have selected a delivery partner with experience, skills and capability of taking similar offers to market.</p>

	Inability to update and revise the digital learning offer results in a dated, uncompetitive offer that leads to poor demand and student take-up	We have purchased existing “off the shelf” online learning modules where these dovetail with the course offer.
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## PUBLIC BENEFIT

The University of Portsmouth is a Higher Education Corporation and, as such, is an exempt charity regulated by the Office for Students (OfS), on behalf of the Charity Commission for England and Wales.

Our primary purpose, as contained in the Higher 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 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's vision and strategy demonstrate our focus on the provision and delivery of Higher Education, high-quality research and innovative solutions that benefit society. Our aim is to engage every student in a life-changing experience, to meet changing demand; and to widen participation in Higher Education to ensure that those who have the potential to benefit from the experience are given the opportunity to do so. This is particularly important within a city with low HE participation rates compared to others in the South and South East of England.

The University delivers programmes at undergraduate and postgraduate level to over campus-based students across all levels and modes of study. In the most recent HESA performance indicators, relating to the 2020/21 academic year, 97% of our young UK domiciled entrants to first degrees, including many from local and regional populations, were admitted from state schools or colleges; compared to 90% for the UK as a whole, and 84% for the South East of England. 17% of these entrants were from neighbourhoods with the lowest level of HE participation; compared to 12% for the UK as a whole, and 12% for the South East of England.

We have a long tradition of widening access and participation to underrepresented groups through the work of our dedicated Recruitment and Outreach team. We engage with local schools and colleges on work encouraging growth mindsets and raising educational aspiration through projects, events, presentations and online activities and workshops. We also offer generous financial assistance and support to students from low-income households to mitigate some of the financial barriers to access and participation in Higher Education. Our expenditure against our Access and Participation plan is detailed in Note 10 to the Financial Statements.

Our teaching activity covers a wide range of areas including STEM and other strategically important areas including modern foreign languages and the creative industries. Many of our programmes are accredited by professional bodies to ensure curricula are aligned with current professional standards. This ensures our students graduate with the skills required by employers locally, regionally and beyond.

We aim to deliver globally-recognised research and innovative solutions that improve society. Our submission to REF 2021 included more than 600 staff across 16 subject disciplines; including over 1,400 research outputs and over 50 impact case studies. 77% of the research we submitted was rated in the highest categories – world-leading and internationally excellent – with impacts on society, health, culture and the environment.

Our research themes are focused on contemporary global issues including democratic citizenship, future and emerging technologies, health and wellbeing, security and risk; and sustainability and the environment. Our research, and these themes, inform the curricula of our taught programmes where relevant, ensuring our students benefit from exposure to current research and scholarship.

# THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

## Membership

The University's Board of Governors draws its authority from the University's Articles<sup>1</sup> and Instrument of Government<sup>2</sup>, which were formally adopted on 1 January 2020. The majority of Governors are external to the University, and the Board also includes student and staff members, together with the Vice-Chancellor and an elected officer 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 a 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 accordance with the Committee of University Chairs (CUC) Code of Governance and in March 2021 the Board formally adopted the core values of the new CUC Code of Governance 2020.

The CUC Higher Education Audit Committees Code of Practice was published in June 2020. It was presented to the University Audit and Quality Committee at its September 2020 meeting and the Committee affirmed its commitment to the 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's decision are set out in the Articles of Government of the University and under the terms and conditions of regulation and funding that are set by the Office for Students (OfS). 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.

## 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.

In January 2022 the Board agreed a revised model Statement of Primary Responsibilities. This was updated from March 2021 and ensured continued compliance with the suggested 19 responsibilities outlined in the CUC Code, including processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself. The Board will receive an annual assurance report that summarises the business that it has conducted to discharge the Statement of Primary Responsibilities.

The current Statement of Primary Responsibilities confirms that the Board of Governors shall be responsible for the following:

<sup>1</sup> The Articles of Government can be found at: <http://policies.docstore.port.ac.uk/policy-097.pdf>

<sup>2</sup> The Instrument of Government can be found at: <https://policies.docstore.port.ac.uk/policy-096.pdf>



### Strategy

Approving the mission and strategic vision of the institution, including the determination of the educational character and mission of the University; oversight of its activities, long-term business plans, key performance indicators and annual budgets, and ensuring that these meet the interests of stakeholders; enabling the institution to achieve and develop its primary objectives of teaching and research, including 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 Vice-Chancellor and Chief Executive Officer and establishing suitable arrangements for monitoring their performance.

### Clerk to the Board of Governors

Appointing the Clerk to the Board of Governors and establishing suitable arrangements for monitoring their 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; the effective and efficient use of resources; the solvency of the University and for safeguarding its assets; approving annual estimates of income and expenditure; and approving annual actuals of income and expenditure.

### Monitoring

Monitoring institutional performance regularly 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 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

Safeguarding 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 equality into all University activities, particularly in those core functions and activities that directly affect staff and students at work and study.

### Board's Responsibilities

In accordance with The Articles of Government, the Board of Governors shall be responsible for:

- the determination of the educational character and mission of the University;
- the financial sustainability and viability of the University including approving the annual budget and financial forecast and the annual statement of income and expenditure;
- the effective and efficient use of the University's resources and the safeguarding of its assets;
- upholding the Regulator's public interest governance principles and complying with its conditions of registration and any other requirements of the Regulator and its other regulators; and
- the appointment, appraisal, suspension, dismissal and for determining the remuneration of and terms and conditions of service of the Vice-Chancellor, the Clerk to the Board of Governors and other senior postholders

### Board and Committee Meetings

The Board normally holds five meetings per year and has several standing committees. All of the committees are formally constituted with terms of reference and are chaired by an external governor. The committees are Audit and Quality Committee; Infrastructure and Finance Committee; People, Culture and Engagement Committee; Nominations Committee; and the two Remuneration Committees (the Vice-Chancellor's Remuneration Committee and the Senior Postholders' Remuneration Committee).

### Audit and Quality Committee

This Committee normally 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 OfS 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 overseeing the University's compliance with relevant legislation and good practice in health and safety and 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.

### Infrastructure and 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 to the Board on these matters. It reviews the University's financial statements and financial forecasts and advises the Board upon their approval. 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. This Committee is also responsible for oversight of the strategic planning of the University's estate and its information technology infrastructure, including the formulation and oversight of the delivery of the Estate Masterplan and IT Strategy.

### People, Culture and Engagement Committee

The purpose of this Committee is to guide and support the delivery of the University Strategy by overseeing and evaluating how the University utilises and enhances the skills, experience and behaviour of staff to create and sustain a University-wide culture of ambition, high performance and active engagement. It oversees the "people contribution" to the University Strategy by gaining assurance that the University is deploying and engaging its staff effectively to deliver its strategic imperatives and explores the "lived experience" of University staff to ensure that all have opportunities to contribute and engage in activities that facilitate the delivery of the University Strategy.

### Nominations Committee

This Committee considers and recommends nominations for appointments to the Board, in support of the Board's responsibility to determine and prescribe in Regulations its membership numbers and composition, as stated in the Instrument of Government. It 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, effectively oversee and scrutinize the work of the Executive and to secure stakeholder confidence.

### Vice-Chancellor's Remuneration Committee and Senior Postholders' Remuneration Committee

These two Committees separately determine the annual remuneration of the Vice-Chancellor and senior postholders. The Committees support the Board's responsibility to appoint, appraise and determine the remuneration and terms and conditions of service of the Vice-Chancellor, the Clerk to the Board of Governors and other senior postholders (a separate report on the Remuneration Committees is provided later in this document).

### Internal Control

The adequacy and effectiveness of arrangements for corporate governance, risk management and oversight of any statutory and other regulatory responsibilities, including compliance with the OfS' ongoing conditions of registration and any terms and conditions of funding, are ensured through ongoing oversight and review to ensure that they remain fit-for-purpose. This is achieved through a range of review mechanisms including those undertaken internally and by external parties, including the internal and external auditors. The Board is ultimately responsible for these arrangements, but discharges detailed review and monitoring to sub-committees and management under a Scheme of Delegation.

These arrangements allow the University to ensure propriety and regularity in the use of public funding. This is achieved through the operation of frameworks and policies, including the Financial Regulations and policies covering issues such as travel and expenses; declarations of interest; gifts and hospitality; anti-bribery; anti money laundering; counter-fraud; credit control; and whistleblowing.

- The key elements of the University's system of internal control, which is designed to support the Board of Governors in carrying out its responsibilities, include:
  - Clear definitions of the responsibilities of, and the authority delegated to, senior officers of the University.
  - A comprehensive annual planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
  - A regular review of institutional performance and of financial results, involving variance reporting and updates of forecast out-turns.
  - Clearly defined and formalised requirements for approval and control of expenditure.
  - Procedures for the management of investment and risk.
  - A professional internal audit service delivered under terms of reference which reflect guidance issued by the OfS, and whose annual programme is approved by the Audit and Quality Committee.

The Audit and Quality Committee is responsible for meeting, at least quarterly, with the external auditors and the internal audit service, and reviewing their work.

The Board of Governors' review of the effectiveness of the system of internal control is also informed by the University Executive Board, which has responsibility for the oversight of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

### Risk Management

The Risk Management Policy was approved by the Board of Governors in October 2021 and is reviewed annually. The maintenance and update of the Risk Register is the responsibility of the Executive 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 context of the strategic objectives that pertain to their remit and as they contribute to the University Strategy. The Audit and Quality Committee is responsible for oversight of risk management and for advising the Board on the effectiveness of risk management processes.

# REMUNERATION COMMITTEES

The University has two remuneration committees. These are the senior postholders' remuneration committee and the Vice-Chancellor's remuneration committee.

The Vice-Chancellor's salary is set each year (2021/2022 in this instance) by the Vice-Chancellor's Remuneration Committee by reference to the previous financial year (2020/2021 in this instance). The Vice-Chancellor is not a member of this Committee and does not attend its meetings.

## The Operating Context

The Vice-Chancellor leads a University that in 2020/2021 had:

- A turnover of c.£273 million
- The highest rating of "Gold" in the Teaching Excellence Framework
- 78% student satisfaction rates in the National Student Survey and in the top 40 for student satisfaction
- 94% of UK, FT, FD Graduates progressing to employment or further study 15 months after graduation
- 12 of its 15 STEM Schools in receipt of Athena SWAN Bronze Awards

## Process for Assessing Value and Performance

### Framework for Setting the Pay of Senior Postholders

The Vice-Chancellor's remuneration is set in accordance with the Framework for Setting the Pay of Senior Postholders. This is reviewed and, if necessary, updated each year.

When making changes to the salaries of senior staff the University will take account of:

- (i) Sustained performance and contribution during the preceding year(s). The performance of individual postholders will be formally reviewed each year, mirroring the University's PDR process that applies to all staff. Any senior postholder identified as requiring significant improvement in their performance would not receive any pay increase in the relevant year.
- (ii) Any material changes in roles and responsibilities since the previous review period.
- (iii) The percentage increase in salary awarded to staff on national payscales as a consequence of national negotiations.
- (iv) The average percentage increase in salary received by staff on national payscales to reflect incremental pay progression.
- (v) Maintaining the relative value of salaries when compared with benchmarking data in the annual UCEA survey of senior staff remuneration within the higher education sector, with a particular focus upon:
  - All higher education institutions with a turnover of £202m to £400m.
  - All post-92 higher education institutions with a turnover of £202m to £400m

- All higher education institutions in London and the South East of England with a turnover of £202m to £400m
- (vi) The overall affordability of any proposed increases to senior salaries, taking account both of the University's financial performance and the need to offer salaries that compare favourably with competitor institutions.
- (vii) The University will review and moderate the pattern of increases across all senior postholders in order to ensure fairness and consistency.

The Framework also states that:

- (i) In occasional instances of truly exceptional performance in delivering the strategic imperatives of the University, a senior postholder may be considered for a non-consolidated special payment, in recognition of their achievement.
- (ii) The University will ensure that its highest paid staff member will not earn more than 20 times the full-time equivalent salary of its lowest paid staff member.
- (iii) The University will monitor the ratio between the highest paid member of staff and the median pay level across the University. This ratio should reflect other comparable universities and the earnings multiple should not exceed 10:1.

The Framework is published on the University's website at:

<https://www.port.ac.uk/about-us/structure-and-governance/organisational-structure/board-of-governors-committees>

## Assessment of Value and Performance

### Contextual Information

To enable the Vice-Chancellor's Remuneration Committee to assess the value and performance delivered by the Vice-Chancellor, the following contextual information is provided to the Committee:

- (i) A narrative based on the discussions conducted at the Vice-Chancellor's personal development review (PDR) meeting with the Chair and Deputy Chair of the Board of Governors.
- (ii) An assessment of achievement against the Vice-Chancellor's personal objectives for the reporting year.
- (iii) A summary of the salary and benefits received by the Vice-Chancellor.
- (iv) Details of the remuneration received by the Vice-Chancellor in previous years.
- (v) CUC and UCEA comparator data.
- (vi) Lowest paid staff member pay ratio and median pay rate ratio data for the University.

In addition, the Chair of the Board of Governors formally writes to all governors to invite comments, feedback and observations on the Vice-Chancellor's performance.



## Judgement of Performance

In reaching their decision, the Vice-Chancellor's Remuneration Committee concluded that:

- (a) Comments, feedback and observations on the Vice-Chancellor's performance from governors confirmed that it was their view that the Vice-Chancellor had led the University with great commitment and had provided strong leadership during an extremely challenging year. In particular, he had demonstrated and combined strong and exemplary strategic leadership with a firm and focussed approach to the crisis management necessitated by the Covid-19 pandemic.
- (b) The assessment of the Vice-Chancellor's achievement against his objectives for 2020/21 showed that some objectives had been achieved in full and that good progress had been made towards the delivery of others. Some objectives were longer term and could not be achieved in full within a single year. University-wide action plans had been established under the Vice-Chancellor's direction and encouragement to address areas where the University had identified scope to improve its performance.
- (c) The Vice-Chancellor had communicated effectively with the University community throughout the period of uncertainty and disruption created by the Covid-19 pandemic. He had provided reassurance and confidence to governors that the University had responded effectively to the challenges of the pandemic.

Having discussed and taken account of all relevant factors and especially the requirements of the Framework for Setting the Pay of Senior Postholders, the Vice-Chancellor's Remuneration Committee agreed that the Vice-Chancellor should receive a salary of £296,700 with effect from 1 August 2021.

## Other Benefits

### Health Insurance

The Vice-Chancellor receives family healthcare insurance cover under the Universities and Colleges Corporate Healthcare Scheme. This insurance cover is available to all senior postholders of the University. The cost to the University of providing this cover was £1,432.50 in 2021/2022. It is a taxable benefit and the Vice-Chancellor pays tax upon this.

### Pension Allowance

The University allows any member of staff who can demonstrate that they have met their maximum lifetime pension allowance to opt-out of their pension scheme and, instead, receive a pension allowance from the University in lieu of pension contributions. The Vice-Chancellor has availed himself of this option and received an annual allowance of £59,014 in lieu of pension contributions from the University during the 2020/21 financial year. This is anticipated to be £60,805.20 during the 2021/22 financial year.

The Vice-Chancellor also participates in an excepted group life assurance scheme which replicates the current life insurance benefits provided by membership of the pension scheme. This is available to all staff in receipt of a pension allowance from the University. The cost of this scheme that relates to the Vice-Chancellor is £933 per annum and this is paid for by the Vice-Chancellor through deduction from his pension allowance payment

## TRADE UNION FACILITY TIME

The University has a statutory requirement under The Trade Union (Facility Time Publication Requirements) Regulations 2017 to publish information on trade union facility time annually.

This information is not subject to audit and is required by statute to be produced to year end 31<sup>st</sup> March (i.e. not the financial year end date).

Data for the reporting period 1 April 2021 to 31 March 2022 is as follows:

### Trade Union representatives and full-time equivalents

Number of employees who were relevant union officials during the relevant period	18.0
FTE number of trade union representative for this period	10.5

### Percentage of working hours spent on facility time

Number of trade union representatives employed during the relevant period spending a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time

0% working hours	0
1% to 50% working hours	13
51% to 99% working hours	3
100% working hours	0

### Percentage of pay bill spent on facility time

Total cost of facility time	£196,791
Total pay bill	£161,413,483
Percentage of the total pay bill spent on facility time	0.12%

### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	n/a
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# INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF PORTSMOUTH

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of the University of Portsmouth ("the University") for the year ended 31 July 2022 which comprise the Consolidated and Institution Statement of Comprehensive Income and Expenditure, Consolidated and Institution Statement of Changes in Reserves, Consolidated and Institution Statement of Financial Position, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2022, and of the Group's and of the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

### Basis for opinion

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

### Going concern

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

In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board of Governors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit & Quality Committee, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit & Quality Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the non-complex revenue recognition criteria, which limits the opportunity to fraudulently manipulate revenue.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying and testing journal entries based on risk criteria and comparing the identified entries to supporting documentation. These included high risk users, unusual postings to specific accounts including cash, borrowings and revenue and journals posted following the period end.

### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related higher education legislation), taxation legislation, pensions legislation and higher education financial reporting related regulation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified health and safety, data protection laws, employment law, and compliance with regulatory requirements of the Office for Students as those most likely to have such an effect, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on the University's use of funds in the section of our audit report dealing with other legal and regulatory requirements.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## Other information

The Board of Governors is responsible for the other information, which comprises the Financial Review for the year ended 31 July 2022. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## Board of Governors responsibilities

As explained more fully in its statement set out on page 31, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

## Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 10 has been materially misstated.

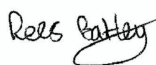
We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 4 to the financial statements has been materially misstated.

We have nothing to report in these respects.



## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors in accordance Section 10 of the Articles of Government. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



**Rees Batley**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
66 Queen Square  
Bristol  
BS1 4BE  
25 November 2022

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## General

The University of Portsmouth is a higher education corporation and an exempt charity under the Charities Act 2011. Its registered office and principal place of business is University House, Winston Churchill Avenue, Portsmouth, PO1 2UP.

## Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (as modified by financial instruments measured at fair value). Under the disclosure exemption provided by FRS102, a separate University only cash flow has not been prepared.

## Going Concern

The financial statements have been prepared on a going concern basis which the Board of Governors considers to be appropriate for the following reasons.

The Board of Governors has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the going concern period), which indicate that, taking account of down-side scenarios, including the impact of the student recruitment and pay and non-pay inflation, the Group and parent University will have sufficient funds to meet their liabilities as they fall due for that period.

The University considers going concern each year, including examination of down-side scenarios which might impact on the Group and the parent University's ability to continue to operate for the going concern period. This review is based on the University's financial position, the markets in which it operates and also the key risks, including those described in the Financial Review section, that it faces. The responses to these risks and challenges are considered and their potential impact on our ability to continue to operate without the need to materially curtail the nature of our operations or ambitions. The going concern assessment includes monitoring all covenants associated with the Private Placement. These covenants were not breached in 2021/22 and the forecasts indicate that these covenants should not be breached during the going concern period, even in downside scenarios.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Basis of Consolidation

The consolidated financial statements include the University and all its subsidiary companies for the financial year to 31 July 2022.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

## Income Recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount (e.g. prompt payment, alumni or employee), income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the Consolidated Statement of Comprehensive Income and Expenditure where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## Grant Funding

Grant funding including funding council block grant, research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

## Donations and Endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund. There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## Capital Grants

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

## Accounting for Retirement Benefits

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). The TPS is an unfunded scheme where no assets are set aside, and the benefits are paid for by the employer as and when they fall due. Therefore, this scheme is accounted for 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.

### Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University.

The Group recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## Employment Benefits

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

## Finance Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities

are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

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

## Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

## Foreign Currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit (except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in Other Comprehensive Income).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

## Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The revaluation was performed by qualified quantity surveyors based upon their independent review of the estate and supporting information from the University. At this time, the estimated useful lives of the buildings were reviewed and updated based upon an assessment of the age and condition of the estate.

An annual review of buildings is undertaken to determine if there have been any indicators of impairment in the accounting period.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

## Land and Buildings

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives (maximum 50 years).

No depreciation is charged on assets in the course of construction.

## Equipment (including Fixtures, Fittings, Plant and Machinery)

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 part of 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
IT Systems	5 or 10 years
Specialist Scientific Equipment	10 years
Vehicles	5 years

Assets are depreciated on a straight line basis. Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

## Borrowing Costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of that fixed asset.

## Intangible Assets and Goodwill

Intangible assets are amortised over 10 years representing the remaining estimated economic life of the assets.

Goodwill and intangible assets are subject to periodic impairment reviews as appropriate.

## Investments

Investments in subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

## Stocks

Stock is held at the lower of cost and net realisable value and is measured using an average cost formula.

## Cash and Cash Equivalents

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.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## Financial Instruments

Financial assets and financial liabilities are recognised when the University becomes a party to the contractual provisions of the instrument.

All receivables, payables and investments in subsidiaries are initially measured at transaction price (including transaction costs) and held at amortised cost, except for those financial instruments classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method. Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss. The fair value for the private placement bond (non-basic element only) was calculated using credit risk spreads and considering similar financial instruments held by other institutions.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the University intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the University transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the University, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

- (a) The University has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision where material is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

## Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) 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.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost. The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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

## Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

## Accounting Estimates and Judgements

The following are the critical judgements that the University has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Pension provision assumptions:

Retirement benefits for University employees are provided by two defined benefit schemes; the Teachers' Superannuation Scheme (an unfunded Government scheme) and the Hampshire Local Government Pension Scheme (LGPS). In the case of the latter, the University is able to identify its share of the underlying assets and liabilities on a consistent basis and provides for these in the financial statements in accordance with FRS 102.



All relevant calculation are based on information provided by the Scheme's actuaries (Aon Hewitt) and this information in based on a number of key assumptions. Key among these is the discount rate which is used for the calculation of the defined benefit liabilities. The rate is assumed to be equal to the yield on high quality (AA rated) corporate bonds. Other assumptions include estimated future pay increases, scheme membership numbers and mortality. All assumptions are tested during the external audit process.

Pension liabilities by their very nature include significant estimates and judgements; the appropriate sensitivity analysis by the scheme actuaries has been provided.

Whilst the valuation of the private placement bond involves a degree of estimation, the University does not consider this to have a material effect on the financial statements.

University of Portsmouth  
Consolidated and Institution Statement of Comprehensive Income and Expenditure  
for the year ended 31 July 2022

	Note	Year ended 31 July 2022		Year ended 31 July 2021	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	233,802	233,603	230,507	230,402
Funding body grants	2	27,229	27,229	27,792	27,792
Research grants and contracts	3	12,730	12,353	11,284	10,945
Other income	5	13,860	13,466	11,931	11,595
Investment income	6	2,650	2,652	1,006	1,008
Donations and endowments	7	250	250	21	21
<b>Total Income</b>		<b>290,522</b>	<b>289,554</b>	<b>282,541</b>	<b>281,763</b>
<b>Expenditure</b>					
Staff costs	8	180,474	180,207	168,093	167,852
Other operating expenses		90,612	90,201	78,423	77,962
Depreciation	14	19,745	19,620	17,933	17,859
Interest and other finance costs	9	2,818	2,828	2,469	2,468
Finance charge in respect of pension scheme		3,536	3,536	2,949	2,949
<b>Total Expenditure</b>	11	<b>297,185</b>	<b>296,392</b>	<b>269,867</b>	<b>269,090</b>
<b>Operating (Deficit)/Surplus</b>		<b>(6,663)</b>	<b>(6,838)</b>	<b>12,674</b>	<b>12,673</b>
Gain on disposal of fixed assets	14	0	0	0	0
(Loss)/Gain on investment	17, 24	(3,030)	(3,030)	229	229
<b>(Deficit)/Surplus after other gains and losses</b>		<b>(9,693)</b>	<b>(9,868)</b>	<b>12,903</b>	<b>12,902</b>
Technical adjustment in relation to fair value of loan notes*		15,371	15,371	314	314
<b>Surplus before tax</b>		<b>5,678</b>	<b>5,503</b>	<b>13,217</b>	<b>13,216</b>
Taxation	12	23	0	19	0
<b>Surplus for the year</b>		<b>5,655</b>	<b>5,503</b>	<b>13,198</b>	<b>13,216</b>
Actuarial gain in respect of pension schemes	31	154,796	154,796	19,767	19,767
<b>Total comprehensive income for the year</b>		<b>160,451</b>	<b>160,299</b>	<b>32,965</b>	<b>32,983</b>
<b>Represented by:</b>					
Endowment comprehensive (expenditure)/income for the year	24	(153)	(153)	306	306
Unrestricted comprehensive income for the year		160,604	160,452	32,659	32,677
		<b>160,451</b>	<b>160,299</b>	<b>32,965</b>	<b>32,983</b>

All items of income and expenditure relate to continuing activities.  
The accompanying notes and policies on pages 57 to 69 form part of these financial statements.

\* The technical adjustment relates to the fair value movement on the private placement bond; this is not part of the operating surplus. As the cashflows over the life of the loan are contractually fixed, except in the event of an early repayment, the change in fair value of the loan notes does not indicate any change in the cashflows payable by the University over the life of the borrowings.

University of Portsmouth  
Consolidated and Institution Statement of Financial Position  
as at the year ended 31 July 2022

	Note	Year ended 31 July 2022		Year ended 31 July 2021	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Intangible asset	13	0	0	0	0
Tangible fixed assets	14	383,495	381,013	385,823	383,221
Investments	15	2,823	5,721	3,016	6,047
		<b>386,318</b>	<b>386,734</b>	<b>388,839</b>	<b>389,268</b>
<b>Current Assets</b>					
Stock		265	265	210	210
Trade and other receivables	16	27,450	27,392	16,300	16,185
Investments	17	62,818	62,818	59,512	59,512
Short term deposits	18	216,313	216,313	187,313	187,313
Cash and cash equivalents		46,747	45,483	57,660	56,494
		<b>353,593</b>	<b>352,271</b>	<b>320,995</b>	<b>319,714</b>
Less: Creditors: amounts falling due within one year	19	(86,301)	(85,821)	(68,378)	(67,801)
<b>Net current assets</b>		<b>267,292</b>	<b>266,449</b>	<b>252,617</b>	<b>251,914</b>
<b>Total assets less current liabilities</b>		<b>653,610</b>	<b>653,184</b>	<b>641,457</b>	<b>641,182</b>
Creditors: amounts falling due after more than one year					
Deferred grant income	20	(52,843)	(52,843)	(50,766)	(50,766)
Unsecured loans	20	(91,548)	(91,548)	(106,920)	(106,920)
<b>Provisions</b>					
Pension provision	23	(78,082)	(78,082)	(213,086)	(213,086)
<b>Total net assets</b>		<b>431,136</b>	<b>430,710</b>	<b>270,685</b>	<b>270,410</b>
<b>Restricted reserves</b>	24	<b>2,948</b>	<b>2,948</b>	<b>3,101</b>	<b>3,101</b>
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		428,188	427,762	267,584	267,309
<b>Total Reserves</b>		<b>431,136</b>	<b>430,710</b>	<b>270,685</b>	<b>270,410</b>

The accompanying notes and policies on pages 57 to 69 form part of these financial statements.

These financial statements were approved by the Board of Governors on 23 November 2022.



J Crighton  
Chair of The Board of Governors



G Galbraith  
Governor & Vice-Chancellor

University of Portsmouth  
Consolidated and Institution Statement of Changes in Reserves  
for the year ended 31 July 2022

	Note	Income and expenditure account		Total
		Endowment (note 24) £000	Unrestricted £000	£000
<b>Consolidated</b>				
<b>Balance at 1 August 2020</b>		<b>2,795</b>	<b>234,925</b>	<b>237,720</b>
Surplus for the year		306	12,892	13,198
Actuarial loss in respect of pension scheme	31	0	19,767	19,767
Total comprehensive income for the year		306	32,659	32,965
<b>Balance at 1 August 2021</b>		<b>3,101</b>	<b>267,584</b>	<b>270,685</b>
Surplus for the year		(153)	5,808	5,655
Actuarial gain in respect of pension scheme	31	0	154,796	154,796
Total comprehensive expenditure for the year		(153)	160,604	160,451
<b>Balance at 31 July 2022</b>		<b>2,948</b>	<b>428,188</b>	<b>431,136</b>

**University**

<b>Balance at 1 August 2020</b>		<b>2,795</b>	<b>234,633</b>	<b>237,428</b>
Surplus for the year		306	12,910	13,216
Actuarial loss in respect of pension scheme	31	0	19,767	19,767
Total comprehensive income for the year		306	32,677	32,983
<b>Balance at 1 August 2021</b>		<b>3,101</b>	<b>267,309</b>	<b>270,410</b>
Surplus for the year		(153)	5,656	5,503
Actuarial gain in respect of pension scheme	31	0	154,796	154,796
Total comprehensive expenditure for the year		(153)	160,452	160,299
<b>Balance at 31 July 2022</b>		<b>2,948</b>	<b>427,762</b>	<b>430,710</b>

University of Portsmouth  
Consolidated Statement of Cash Flows  
for the year ended 31 July 2022

	Note	Year ended 31 July 2022 Consolidated	Year ended 31 July 2021 Consolidated
		£000	£000
<b>Cash flow from operating activities</b>			
Surplus for the year		5,655	13,198
<b>Adjustments for non-cash items</b>			
Depreciation	14	19,745	17,933
Change in fair value of loan notes		(15,371)	(314)
Loss/(Gain) on endowments and investments		3,030	(229)
(Increase)/decrease in stock		(55)	6
(Increase)/decrease in debtors		(11,150)	7,664
Increase/(Decrease) in creditors		20,550	13,691
Net pensions cost for the year	31	19,792	14,603
		<b>36,541</b>	<b>53,354</b>
<b>Adjustment for investing or financing activities</b>			
Investment income		(2,650)	(1,006)
Interest payable		2,818	2,469
Endowment net income		(2,877)	(77)
Loss on the sale of fixed assets	14	0	0
Capital grant income		(2,604)	(2,204)
		<b>(5,313)</b>	<b>(818)</b>
Taxation paid		(23)	(19)
<b>Net cash inflow from operating activities</b>		<b>36,859</b>	<b>65,715</b>
<b>Cash flows from investing activities</b>			
Net movement of current asset investments	17	(3,306)	16,810
Net movement of short term deposits	18	(29,000)	(48,100)
Investment income		2,650	1,006
Deferred capital grants received		2,078	2,514
Payments made to acquire fixed assets	14	(17,417)	(45,169)
Net movement of non-current asset investments		(2,836)	575
		<b>(47,831)</b>	<b>(72,364)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(2,818)	(2,469)
Endowment cash received		2,877	77
New endowment deposits		0	0
Repayment of amounts borrowed		0	(627)
		<b>59</b>	<b>(3,019)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>(10,913)</b>	<b>(9,668)</b>
Cash and cash equivalents at the beginning of the year		57,660	67,328
Cash and cash equivalents at the end of the year		<b>46,747</b>	<b>57,660</b>

## 1 Tuition fees and education contracts

Full-time home students
Full time EU students
Full-time international students
Part-time students
Education contracts
Franchise fee income
Short courses and Research Training Support Grants

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
128,426	128,426	142,307	142,307
8,958	8,958	13,418	13,418
72,750	72,750	55,522	55,522
12,596	12,596	8,982	8,982
7,229	7,229	6,742	6,742
2,520	2,520	2,334	2,334
1,322	1,123	1,202	1,097
233,802	233,603	230,507	230,402

## 2 Funding council grants

### Recurrent grants

Office for Students
Research England
Release of capital grant

### Specific grants

Higher Education Innovation Fund
Miscellaneous
Department for Education
Education and Skills Funding Agency

13,458	13,458	12,508	12,508
6,947	6,947	6,869	6,870
2,500	2,500	2,100	2,100
2,320	2,320	2,164	2,164
1,863	1,863	3,964	3,963
84	84	117	117
56	56	70	70
27,229	27,229	27,792	27,792

## 3 Research grants and contracts

Research councils
UK charities
UK Government/health authorities
Industry and commerce
EU Government
EU other
Other overseas
Other

4,385	4,385	3,506	3,506
974	974	783	783
2,829	2,744	2,289	2,235
837	570	909	664
1,979	1,979	2,557	2,557
172	172	212	212
1,411	1,386	982	942
143	143	46	46
12,730	12,353	11,284	10,945

## 4 Grant and fee income

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

Grant income from the Office for Students
Grant income from other bodies
Fee income for research awards
Fee income from non-qualifying courses
Fee income for taught awards

15,959	15,959	14,608	14,608
24,001	23,624	24,468	24,129
2,031	2,031	2,898	2,898
3,622	3,423	4,304	4,199
228,149	228,149	223,305	223,305
273,761	273,185	269,583	269,139

## 5 Other income

Residences, catering and conferences
Contract income
Other income

4,716	4,716	3,669	3,669
3,772	3,183	3,989	3,334
5,373	5,568	4,273	4,592
13,860	13,466	11,931	11,595

Within the Other Income line is £0m (2019/20: £1.1m) received from the UK Government under the Coronavirus Job Retention Scheme.

## 6 Investment income

Interest from short term investments
Investment income on endowments

2,572	2,574	925	927
79	79	81	81
2,650	2,652	1,006	1,008

## 7 Donations and endowments

Donations with restrictions
Unrestricted donations

0	0	1	1
250	250	20	20
250	250	21	21

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2022**  
**Notes to the Financial Statements (continued)**

**8 Staff costs**

Staff Costs:

Salaries  
Social security costs  
Apprenticeship levy  
Other pension costs (note 31)

Total

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
123,831	123,595	118,325	118,114
13,102	13,089	12,034	12,021
592	592	559	559
42,949	42,931	37,174	37,157
180,474	180,207	168,093	167,852

Where an employee gives written notice that he or she intends to withdraw from the Teachers' Pension Scheme or the Local Government Pension Scheme because they have reached the maximum Lifetime Allowance and/or are at a threshold income level that would be adversely affected by the tapered annual allowance, the employers pension contribution is replaced with a payment of equivalent value. The value of this payment is adjusted so that it is cost neutral to the University, allowing for the associated employers' national insurance contribution.

Average full time equivalent staff numbers by major category:

Academic and Research  
Technical, Administrative and Professional

Number	Number
1,384	1,341
1,453	1,410
2,837	2,751
£000	£000
297	287
1	1
298	288
61	57
0	0
359	345

Emoluments of the Vice-Chancellor:

Basic salary  
Taxable benefits in kind

Pension allowance in lieu of pension contributions  
Employer's contribution to the Teachers Pension Scheme

Total emoluments including employer's contribution to the Teachers Pension Scheme

Higher paid staff:

Basic salary plus taxable benefits of other higher paid staff, including consultancy payments made in respect of work undertaken through the University's subsidiary companies.

£100,000 - £104,999  
£105,000 - £109,999  
£110,000 - £114,999  
£115,000 - £119,999  
£120,000 - £124,999  
£125,000 - £129,999  
£130,000 - £134,999  
£135,000 - £139,999  
£140,000 - £144,999  
£145,000 - £149,999  
£150,000 - £154,999  
£155,000 - £159,999  
£160,000 - £164,999  
£165,000 - £169,999  
£170,000 - £174,999  
£285,000 - £290,000  
£295,000 - £299,999

Number	Number
1	3
0	0
4	5
1	1
3	2
1	0
0	1
0	1
3	0
0	1
0	0
0	0
1	2
1	0
1	0
0	1
1	0
17	17

Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University defines key management personnel as those staff appointed by the University's Governing Body. As at 31st July 2022 this group of staff consists of the Vice-Chancellor, the Senior Deputy Vice-Chancellor, the Chief Operating Officer & Deputy Vice-Chancellor, the Deputy Vice-Chancellor (Global Engagement and Student Life), the Pro Vice-Chancellor (Research, Innovation and External Relations) and the Executive Directors of Finance and Corporate Governance.

Basic salary  
Taxable benefits in kind  
Employer's contribution to the Local Government and Teachers Pension Scheme

Key management personnel compensation

£000	£000
1,274	1,219
8	9
128	137
1,410	1,365

## 8 Staff costs (continued)

Relationship between Vice-Chancellor remuneration (salary, taxable benefits and employers pension contributions) and all other employees remuneration

	Year ended 31 July 2022 Consolidated £000	Year ended 31 July 2021 Consolidated £000
Vice-Chancellor Salary	297	287
Vice-Chancellor Remuneration	359	345
Median Salary all other staff	40	39
Median Remuneration all other staff	48	47
Pay Multiple (Median Salary)	7.5	7.3
Pay Multiple (Median Remuneration)	7.5	7.3

The median salary and remuneration ratio calculations are calculated in accordance with the methodology proscribed by the Office for Students and are based on all staff employed at any point during the respective financial year; all part-time staff have been converted to full-time as required by this methodology. The calculations do not take account of outsourced staff; which are limited to grounds maintenance, cleaning and security services.

	Year ended 31 July 2022 Consolidated £000	Year ended 31 July 2021 Consolidated £000
Vice-Chancellor Emoluments	359	345
Salary and Employer Pension Costs for lowest paid staff member	23	22
Ratio	16	16

The Vice-Chancellor's salary is set in accordance with the University's Framework for Setting the Pay of Senior Postholders. The Framework was established by the Board of Governors upon the recommendation of its Vice-Chancellor's and Senior Postholders' Remuneration Committee and is reviewed on an annual basis. The Committee is charged by the Board of Governors with the setting the pay of senior pay holders (key management personnel, as described in Note 8 of the Financial Statements).

The Framework ensures that the University monitors the ratio between its highest paid member of staff and the median pay level to ensure that this remains compatible with ratios at comparable universities and that the earnings multiple should not exceed 10:1. In turn the Framework also adopts the proposal considered by the Hutton Review of Fair Pay in the Public Sector, namely that its highest paid staff member will not earn more than 20 times the full-time equivalent salary of its lowest paid staff member.

### Redundancy and Severance Costs, all Staff

	Year ended 31 July 2022 Consolidated £000		Year ended 31 July 2021 Consolidated £000	
		number		number
Contractual redundancy and severance payments	337	43	273	44
Payments in relation to a voluntary severance scheme	0	0	0	0
Other	256	40	23	1
Total	593	83	296	45

### Board of Governors:

The University's Governors are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Board of Governors, with some members being drawn from local public and private sector organisations, it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

No member of the Board of Governors has received any remuneration/waived payments from the University or its subsidiary companies during the year (2020/21: £0) in respect of activities undertaken as a consequence of Board membership.

Total expenses paid to or on behalf of members of the Board of Governors was £5,519 (2020/21: £0 due to the impact of COVID 19). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and charity events in their official capacity.



University of Portsmouth  
Financial Statements for the Year Ended 31 July 2022  
Notes to the Financial Statements (continued)

## 9 Interest and other finance costs

Interest on loans repayable (unsecured bank loans - Barclays)  
Interest on loans repayable (unsecured placement loans - other)  
(Gain)/Loss on currency exchange transactions

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
0	0	17	17
2,872	2,872	2,425	2,425
(55)	(45)	27	26
<b>2,818</b>	<b>2,828</b>	<b>2,469</b>	<b>2,468</b>

## 10 Access and participation

Access Investment  
Financial Support  
Disability Support (excluding expenditure included in the two categories above)  
Research and Evaluation

3,814	3,814	3,776	3,776
4,303	4,303	4,950	4,950
982	982	946	946
209	209	164	164
<b>9,308</b>	<b>9,308</b>	<b>9,836</b>	<b>9,836</b>
<b>3,679</b>	<b>3,679</b>	<b>3,666</b>	<b>3,666</b>

Staff costs included in above

The University access and participation plans can be found at:

<https://www.officeforstudents.org.uk/advice-and-guidance/the-register/search-for-access-and-participation-plans/#/AccessPlans/accessplans/10007155>

## 11 Analysis of total expenditure by activity

Academic and related expenditure  
Other income generating activities  
Administration and central services  
Premises  
Residences, catering and conference  
Research grants and contracts  
Salary charge in respect of pension scheme  
Interest and other finance costs  
Finance charge in respect of pension scheme

166,396	165,786	152,468	152,016
4,078	3,432	2,184	1,569
55,779	56,335	53,591	53,994
33,120	33,120	30,422	30,422
5,322	5,322	4,986	4,986
9,879	9,776	9,143	9,031
16,256	16,256	11,654	11,654
2,818	2,828	2,469	2,468
3,536	3,536	2,949	2,949
<b>297,184</b>	<b>296,391</b>	<b>269,866</b>	<b>269,089</b>

Other operating expenses include:

External auditor's remuneration in respect of audit services (excl. VAT)  
External auditor's remuneration in respect of non audit services (excl. VAT)  
Internal auditor's remuneration  
Operating lease rentals - land and buildings  
Operating lease rentals - other

140	88	127	88
59	54	98	93
80	80	78	78
297	196	311	220
62	62	114	114

## 12 Taxation

Recognised in the statement of comprehensive income

Current tax  
Current year  
Current tax expense

23	0	19	0
23	0	19	0
<b>23</b>	<b>0</b>	<b>19</b>	<b>0</b>

Total tax expense

## 13 Intangible asset

Opening balance  
(Decrease)/Increase in value during the year

Closing balance

0	0	575	0
0	0	(575)	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 14 Tangible fixed assets

	Freehold Land and Buildings £000	Long Leasehold Land and Buildings £000	Assets under Construction £000	Land and Buildings Total £000	Fixtures, Fittings and Equipment £000	Plant and Machinery £000	Computing Equipment and IT Projects £000	Total £000
<b>Consolidated</b>								
<b>Cost or deemed cost:</b>								
At 1 August 2021	368,200	8,388	58,963	435,551	35,962	323	33,481	505,317
Additions at cost	3,127	0	6,322	9,449	4,240	0	3,728	17,417
Transfer of assets under construction	2,579	0	(2,579)	0	0	0	0	0
Disposals/Demolitions	(2,492)	0	0	(2,492)	(11)	0	(986)	(3,489)
<b>At 31 July 2022</b>	<b>371,414</b>	<b>8,388</b>	<b>62,706</b>	<b>442,508</b>	<b>40,191</b>	<b>323</b>	<b>36,223</b>	<b>519,245</b>
<b>Depreciation:</b>								
At 1 August 2021	78,028	815	0	78,843	24,438	323	15,890	119,494
Depreciation	13,874	211	0	14,085	3,630	0	2,030	19,745
Disposals/Demolitions	(2,492)	0	0	(2,492)	(11)	0	(986)	(3,489)
<b>At 31 July 2022</b>	<b>89,410</b>	<b>1,026</b>	<b>0</b>	<b>90,436</b>	<b>28,057</b>	<b>323</b>	<b>16,934</b>	<b>135,750</b>
<b>Net Book Value</b>								
<b>At 31 July 2022</b>	<b>282,004</b>	<b>7,362</b>	<b>62,706</b>	<b>352,072</b>	<b>12,134</b>	<b>0</b>	<b>19,289</b>	<b>383,495</b>
At 31 July 2021	290,172	7,573	58,963	356,708	11,524	0	17,591	385,823
<b>University</b>								
<b>Cost or deemed cost:</b>								
At 1 August 2021	363,705	8,388	58,963	431,056	35,962	323	33,469	500,810
Additions at cost	3,122	0	6,322	9,444	4,240	0	3,728	17,412
Transfer of assets under construction	2,579	0	(2,579)	0	0	0	0	0
Disposals/Demolitions	(2,492)	0	0	(2,492)	(11)	0	(986)	(3,489)
<b>At 31 July 2022</b>	<b>366,914</b>	<b>8,388</b>	<b>62,706</b>	<b>438,008</b>	<b>40,191</b>	<b>323</b>	<b>36,211</b>	<b>514,733</b>
<b>Depreciation:</b>								
At 1 August 2021	76,131	815	0	76,946	24,438	323	15,882	117,589
Depreciation	13,750	211	0	13,961	3,630	0	2,029	19,620
Disposals/Demolitions	(2,492)	0	0	(2,492)	(11)	0	(986)	(3,489)
<b>At 31 July 2022</b>	<b>87,389</b>	<b>1,026</b>	<b>0</b>	<b>88,415</b>	<b>28,057</b>	<b>323</b>	<b>16,925</b>	<b>133,720</b>
<b>Net Book Value</b>								
<b>At 31 July 2022</b>	<b>279,525</b>	<b>7,362</b>	<b>62,706</b>	<b>349,593</b>	<b>12,134</b>	<b>0</b>	<b>19,286</b>	<b>381,013</b>
At 31 July 2021	287,574	7,573	58,963	354,110	11,524	0	17,587	383,221

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## 15 Non-current investments

	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
<b>Consolidated</b>			
At 1 August 2021	0	3,016	3,016
Additions	0	(194)	(194)
<b>At 31 July 2022</b>	<b>0</b>	<b>2,823</b>	<b>2,823</b>
<b>University</b>			
At 1 August 2021	3,031	3,016	6,047
Additions	(132)	(194)	(326)
<b>At 31 July 2022</b>	<b>2,898</b>	<b>2,823</b>	<b>5,721</b>

The investments in subsidiary companies shares comprises the following:

Name of subsidiary	Holding
University of Portsmouth Enterprise Limited	100,002 Ordinary Class A £1 Shares fully paid
University of Portsmouth Investments Limited	2 Ordinary Class A £1 Shares fully paid
	1,500,000 Ordinary Class B £0.10 Shares fully paid
University of Portsmouth Services Limited	1 Ordinary Class A £1 Shares fully paid
Technology Enterprises Portsmouth Limited	2 Ordinary Class A £1 Shares fully paid
Portsmouth Technopole Limited	1,915,850 Ordinary Class A £1 Shares fully paid
ASTA Technology UK Limited	10 Ordinary Class A £1 Shares fully paid
UOPM Sdn Bhd	270,001 Ordinary Shares of 1 Malaysian Ringgit
UOP Academic Services Limited	1 Ordinary Class A £1 Shares fully paid

UOPM Sdn Bhd was incorporated in Malaysia on 15 January 2019 and is a wholly owned subsidiary of University of Portsmouth Investments Limited. The registered office for UOPM Sdn Bhd is Level 21, Suite 21.01, the Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. All other subsidiary companies are registered in England and Wales. The registered office for these subsidiary companies is: University House, Winston Churchill Avenue, Portsmouth, PO1 2UP. The University ultimately owns 100% of the shares in each of the subsidiary companies. The results of all subsidiary companies are consolidated with those of the University.

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Other non-current investments consist of:		
CVCP Properties plc	37	37
Hampshire Community Bank	97	150
Endowment asset (see note 24)	2,688	2,829
	<b>2,823</b>	<b>3,016</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.

## 16 Trade and other receivables

Amounts falling due within one year:

	Year ended 31 July 2022 Consolidated £000	University £000	Year ended 31 July 2021 Consolidated £000	University £000
Research grants receivable	2,638	2,638	2,641	2,641
Other trade receivables	11,363	11,211	4,364	3,981
Prepayments and accrued income	13,449	13,214	9,295	9,252
Amounts due from subsidiary undertakings	0	226	0	109
	<b>27,451</b>	<b>27,290</b>	<b>16,300</b>	<b>15,983</b>

Amounts falling due after one year:

	Year ended 31 July 2022 Consolidated £000	University £000	Year ended 31 July 2021 Consolidated £000	University £000
Amounts due from subsidiary undertakings	0	103	0	202
	<b>0</b>	<b>103</b>	<b>0</b>	<b>202</b>
	<b>27,450</b>	<b>27,392</b>	<b>16,300</b>	<b>16,185</b>

Included in amounts due from subsidiary undertakings is a loan to Portsmouth Technopole Limited of £103k (2020/21: £202k) with an interest rate of 1% above the base rate set by the Bank of England. All other amounts due from subsidiary undertakings are unsecured, repayable on demand and do not attract interest.

## 17 Current asset investments

	Other current asset investments	Total
	£000	£000
<b>Consolidated</b>		
At 1 August 2021	59,512	59,512
Additions	6,195	6,195
Change in market value	(2,889)	(2,889)
<b>At 31 July 2022</b>	<b>62,818</b>	<b>62,818</b>
<b>University</b>		
At 1 August 2021	59,512	59,512
Additions	6,195	6,195
Change in market value	(2,889)	(2,889)
<b>At 31 July 2022</b>	<b>62,818</b>	<b>62,818</b>

An investment of £57,814k (2020/21: £59,512k) is held as two segregated funds managed on behalf of the University by Goldman Sachs International. A £5,004k (2020/21: £0) certificate of deposit is also held with the Toronto Dommion Bank.

## 18 Short term deposits

Short term bonds

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
216,313	216,313	187,313	187,313
<b>216,313</b>	<b>216,313</b>	<b>187,313</b>	<b>187,313</b>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority. These short term deposits do not meet the definition of cash equivalent. The interest rates for these deposits are fixed for the duration of the deposit at time of placement. At 31 July 2022 the weighted average interest rate of these fixed rate deposits was 1.19% (31 July 2021: 0.17%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 135 days (31 July 2021: 140 days). The fair value of these deposits was not materially different from the book value.

## 19 Creditors: Amounts falling due within one year

Accrued interest on placement loan  
Trade payables  
Other creditors  
Social security and other taxation payable  
Deferred income  
Deferred capital grants  
Holiday pay accrual  
Amounts owed to subsidiaries

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
1,439	1,439	1,430	1,430
2,424	2,424	1,376	1,376
44,121	43,854	31,763	31,329
7,430	7,428	4,055	4,053
19,517	19,277	17,367	17,171
2,604	2,604	2,204	2,204
8,766	8,766	10,183	10,183
0	30	0	55
<b>86,301</b>	<b>85,821</b>	<b>68,378</b>	<b>67,801</b>

### Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

Research grants received on account

4,121	4,121	5,718	5,718
<b>4,121</b>	<b>4,121</b>	<b>5,718</b>	<b>5,718</b>

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## 20 Creditors: Amounts falling due after more than one year

Deferred income:

Due between one and two years  
Due between two and five years  
Due in five years or more

Unsecured bank loans and placement loan:

Due between one and two years  
Due between two and five years  
Due in five years or more\*

Unsecured at 31 July 2022

Other creditors:

Unsecured loans repayable by 2034

\* includes fair value movement of -£15,371k (2020/21: £2,309k).

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
2,604	2,604	2,204	2,204
7,812	7,812	6,611	6,611
42,427	42,427	41,951	41,951
52,843	52,843	50,766	50,766
0	0	0	0
0	0	0	0
91,248	91,248	106,620	106,620
91,248	91,248	106,620	106,620
300	300	300	300
144,392	144,392	157,686	157,686

## 21 Unsecured bank loans and placement loan

	Market Value as at 31/7/2022	Market Value as at 31/7/2021			
	£000	£000			
Allianz Life Insurance Company of North America	25,036	29,826	15 years	2.73% fixed until February 2033	University
Sun Life Assurance Company of Canada (Bermuda)	8,265	10,672	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada (UK) Limited	10,000	10,000	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada	20,000	20,000	25 years	3.13% fixed until February 2043	University
Sun Life Assurance Company of Canada (Bermuda)	17,947	26,122	30 years	3.22% fixed until February 2048	University
Sun Life Assurance Company of Canada	10,000	10,000	35 years	3.19% fixed until February 2053	University
Subtotal	91,248	106,620			
Accrued interest	1,439	1,430			
Total of placement loan	92,687	108,050			

The unsecured loan within other creditors represents an interest free energy efficiency loan from Salix Finance Limited.

## 22 Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

Financial Assets:

Measured at undiscounted amount receivable

Trade and Other Debtors (Note 16)  
Amounts due from subsidiary undertakings (Note 16)

Equity instruments measured at cost less impairment:  
Investments in subsidiaries and associates (Note 15)

Measured at fair value through profit and loss:  
Equity investments

Financial Liabilities:

Measured at undiscounted amount payable

Bank loans (Note 19 and 20)  
Trade and other creditors (Note 19 and 20)  
Amounts owed to subsidiaries (Note 19)

Measured at amortised cost

Loan notes (Note 21)

Measured at fair value through profit and loss:  
Loan notes (Note 21)

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Interest Expense:

Total interest expense for financial liabilities at undiscounted amount payable  
Total interest expense for financial liabilities at fair value

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
27,450	27,063	16,300	15,874
0	226	0	109
134	3,033	187	3,218
65,507	65,507	62,341	62,341
0	0	0	0
139,144	138,634	119,144	118,511
0	30	0	55
40,595	40,595	40,595	40,595
52,092	52,092	67,455	67,455
0	0	17	17
2,872	2,872	2,425	2,425

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	Pension provision (note 31) £000	Deferred tax £000	Total £000
<b>23 Provisions for liabilities</b>			
<b>Consolidated</b>			
At 1 August 2021	(213,086)	0	(213,086)
Decrease in liability	135,004	0	135,004
<b>At 31 July 2022</b>	<b>(78,082)</b>	<b>0</b>	<b>(78,082)</b>
<b>University</b>			
At 1 August 2021	(213,086)	0	(213,086)
Decrease in liability	135,004	0	135,004
<b>At 31 July 2022</b>	<b>(78,082)</b>	<b>0</b>	<b>(78,082)</b>

**24 Endowment funds**

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Expendable endowments £000	2022 Total £000	2021 Total £000
At 1 August 2021				
Capital	1,112	0	1,112	1,112
Accumulated income	1,920	69	1,989	1,683
	3,032	69	3,101	2,795
Appreciation of restricted investments	79	0	79	81
Expenditure	(90)	(1)	(91)	(4)
(Decrease)/Increase in market value of investments	(141)	0	(141)	229
	(152)	(1)	(153)	306
<b>At 31 July 2022</b>	<b>2,880</b>	<b>68</b>	<b>2,948</b>	<b>3,101</b>

Represented by:

Capital	1,112	1,112
Accumulated income	1,836	1,989
	2,948	3,101
Analysis by type of purpose:		
Lectureships	2,880	3,032
Prize funds	68	69
	2,948	3,101
Analysis by asset:		
Investments	2,688	2,829
Cash	260	272
	2,948	3,101

The Endowment is managed by CCLA Investment Management Limited. The funds are primarily held as units in Ethical Investment (67%) and Fixed Interest (27%). The remaining 6% is held within a Deposit Fund.

**25 Consolidation of net debt**

Net debt 1 August 2021	50,690	
Movement in cash and cash equivalents	10,913	
Other non-cash changes	(15,362)	
<b>Net debt 31 July 2022</b>	<b>46,240</b>	
Change in net debt	(4,449)	
Analysis of net debt:		
Cash and cash equivalents	46,747	57,660
Borrowings: amounts falling due within one year		
Unsecured loans	1,439	1,430
Borrowings: amounts falling due after more than one year		
Unsecured loans	91,548	106,920
<b>Net debt</b>	<b>46,240</b>	<b>50,690</b>

## 26 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2022:

Commitments contracted at 31 July

Year ended 31 July 2022		Year ended 31 July 2021	
Consolidated £000	University £000	Consolidated £000	University £000
8,843	8,843	7,532	7,532
<b>8,843</b>	<b>8,843</b>	<b>7,532</b>	<b>7,532</b>

## 27 Contingent liabilities

The University has given written undertakings to support the following subsidiary companies for twelve months from the date of approval of their financial statements:

University of Portsmouth Investments Limited  
University of Portsmouth Services Limited  
Technology Enterprises Portsmouth Limited  
Portsmouth Technopole Limited  
UOPM Sdn Bhd  
University of Portsmouth Enterprise Limited  
ASTA Technology UK Limited  
UOP Academic Services Limited

## 28 Minimum lease payments

Total rentals payable under operating leases:  
Up to one year  
Between two and five years  
In more than five years

Year ended 31 July 2022			Year ended 31 July 2021
Land and Buildings £000	Consolidated Plant and Machinery £000	Total £000	Total £000
278	62	340	374
285	0	285	693
0	0	0	0
<b>563</b>	<b>62</b>	<b>625</b>	<b>1,067</b>

## 29 Events after the reporting period

The University does not consider that there are any post balance sheet events that would impact the values of assets or liabilities recognised in the balance sheet at year-end.

## 30 Related party transactions

The University has had transactions with its subsidiary companies, University of Portsmouth Enterprise Limited, University of Portsmouth Investments Limited, University of Portsmouth Services Limited, Technology Enterprises Portsmouth Limited, Portsmouth Technopole Limited, ASTA Technology UK Limited, UOPM Sdn Bhd and UOP Academic Services Limited. These transactions are eliminated on consolidation and accordingly the Corporation has availed itself of the dispensation in FRS102 not to disclose such items in these financial statements.

During 2021/22 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,194k (2020/21: £1,267k) from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

Due to the nature of the University's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

No Board member has received any remuneration/waived payments from the group during the year (2020/21: £Nil).

### 31 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

##### Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

##### The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

##### Valuation Of The Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme took place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website: <https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>

##### Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, has rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination. Any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

Department for Education  
Bishopsgate House, DARLINGTON DL1 5QE

TPS financial note – August 2019

Contribution amounts outstanding as at 31 July 2022 and included in social security and other taxation payable creditors is £1,702,144 (31 July 2021: £1,674,191).



### 31 Pension and similar obligations (continued)

#### LGPS

The Local Government Pension Scheme (LGPS) is a defined benefit scheme based on final pensionable salary. The results below relate to the funded and unfunded liabilities within the fund which is part of the LGPS. The funded nature of the LGPS requires the employer and its employees to pay contributions into the fund, calculated at a level to balance the pension liabilities with investment assets. The unfunded liabilities are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. No fund exists to meet these benefits. The most recent valuation was carried out as at 31 March 2019, and has been updated by independent actuaries to the Hampshire County Council Pension Fund to take account of the requirements of FRS102 in order to assess the liabilities of the Fund as at 31 July 2022. The actuarial assumptions for the long term liabilities of the LGPS are detailed in the table below and include an assumed 3.6% increase for salary costs. This is set at 1.0% above CPI and includes annual pay awards, increments and promotions.

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the FRS102 discount rate, have increased significantly since 31 July 2022, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore while both gross DBOs and assets will have fallen, it is difficult to estimate the impact of these changes on the net balance sheet position.

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	Year ended 31 July 2022	Year ended 31 July 2021
Discount rate	3.4%	1.7%
Rate of increase of salaries	3.6%	3.6%
Rate of revaluation of pension accounts	2.6%	2.6%
Rate of increase in pensions	2.6%	2.6%
Rate of inflation CPI	2.6%	2.6%

Assets are valued at fair value, and comprise:

	£000	£000
Equities	187,970	193,228
Bonds	48,382	57,067
Property	26,479	20,691
Multi Asset Credit	29,095	-
Cash	2,615	3,337
Other	32,364	59,404
Total	326,905	333,728

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

	2022		2021	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	22.7	24.1	22.9	24.3
Female	25.1	26.6	25.3	26.8

Analysis of amounts shown in the balance sheet:

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Fair value of scheme assets	326,905	333,728
Present value of funded scheme liabilities	(398,964)	(539,470)
Present value of unfunded scheme liabilities	(6,023)	(7,344)
Deficit in the scheme - net pension liability recorded within pension provision (note 23)	(78,082)	(213,086)

Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:

Current service cost	(26,341)	(26,832)
Curtailement/Past service cost	(90)	(100)
Total operating charge	(26,431)	(26,932)
Financing:		
expected return on assets	5,726	3,912
interest on expected scheme liabilities	(9,262)	(6,861)
Net return	(3,536)	(2,949)
Total expense recognised in income and expenditure account	(29,967)	(29,881)

Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:

Total actuarial gain/(loss) on funded liabilities	153,961	19,791
Total actuarial (loss) on unfunded liabilities	835	(24)
Total actuarial loss recognised	154,796	19,767

### 31 Pension and similar obligations (continued)

The changes to the fair value of assets during the year is made up as follows:

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Opening fair value of assets	333,728	273,910
Movement in year:		
expected return on assets	5,726	3,912
contributions by the University	10,175	15,278
contributions by the participants	3,405	3,314
net benefits paid out	(7,525)	(7,633)
actuarial (loss)/gain on assets	(18,604)	44,947
Closing fair value of assets	326,905	333,728
Opening present value of funded liabilities	(539,470)	(484,325)
Movement in year:		
current service	(26,341)	(26,832)
interest cost	(9,142)	(6,756)
contributions by the participants	(3,405)	(3,314)
net benefits paid out	6,919	7,013
curtailment/past service cost	(90)	(100)
actuarial gain/(loss)	172,565	(25,156)
Closing present value of funded liabilities	(398,964)	(539,470)
Opening present value of unfunded liabilities	(7,344)	(7,835)
Movement in year:		
interest cost	(120)	(105)
net benefits paid out	606	620
actuarial gain/(loss)	835	(24)
Closing present value of unfunded liabilities	(6,023)	(7,344)
Actual return on scheme assets:		
Expected return on scheme assets	5,726	3,912
Actuarial (loss)/gain on assets	(18,604)	44,947
Actual return on assets	(12,878)	48,859

History of experience gains and losses for the year ended 31 July 2022 were as follows:

	Year ended 31 July 2022	31 July 2021	31 July 2020	31 July 2019	31 July 2018
Difference between the expected and actual return on scheme assets:					
Amount £000	(18,604)	44,947	5,895	9,210	16,020
Percentage of scheme assets at end of year	-5.7%	13.5%	2.2%	3.6%	6.9%

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

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
TPS	14,122	13,559
LGPS	12,039	11,470
Other, including NHS	532	491
FRS102 adjustment re LGPS	16,256	11,654
Total pension cost (Note 8)	42,949	37,174