



UNIVERSITY OF
PORTSMOUTH

FINANCIAL REVIEW

FOR THE YEAR
ENDED 31 JULY 2023



TEF
2023

Gold

Teaching
Excellence
Framework

Higher
Education
Corporation

WELCOME FROM THE CHAIR OF GOVERNORS AND THE VICE-CHANCELLOR

This year, the University has continued to build on our many successes. Following the opening of the new Ravelin Sports Building on 3 September 2022, feedback from students', staff and the community has been fantastic and it has proved to be a hugely popular facility. The new Sports Centre was formally opened by Lauren Steadman MBE, our gold-winning Paralympian and alumnus in March 2023.

We were very pleased that Karen Blackett OBE would continue to be our Chancellor for a further five years as an inspiring role model for our students and an ideal partner for our University. We have sustained our upward trend in both global and national league tables as we progress towards our vision of being the UK's top modern University and one of the world's top 100 young universities by 2030.

In August, the National Student Survey (NSS) 2023 results were published and these showed that we are now ranked 23rd of all providers with at least 1,000 responses and an overall positivity rate of 81.9%. There were a number of changes to the survey this year and it was highlighted that the University is 18th in England for learning resources (89% positive feedback compared to a sector average of 86%) and 19th in England for academic support (87% positive feedback compared to a sector average of 84%). The Graduate Outcomes Survey results were published in July and showed that 71.6% of our students were in professional level employment 15 months after graduation, a 2.9% increase on last year. 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 and are now part of the regulatory framework.

To enable our strategic plan, four delivery strategies have been launched in the following main areas: education; global; people; and research and innovation. The four delivery strategies will be key in ensuring the practical implementation of our strategy. In April, an organisational reset was launched to address the economic challenges facing the sector and our students. The reset involves taking a holistic view of our organisation, stripping out the unnecessary, improving efficiencies, and using all our resources in a smarter way.

The Teaching Excellence Framework (TEF) has been updated and Office for Students announced that its second iteration would take place in this academic year. The assessment would be determined more qualitatively by TEF panels and the rating will remain valid for four years. The University submitted its written provider submission in January 2023 and the results published in September 2023 awarded us an overall rating of Gold, one of only 27 Gold-rated universities in England and one of just 16 universities to achieve this twice, including Gold for Student Experience. In May, the University's degree apprenticeship provision was awarded the top rating in two out of three areas in our Ofsted inspection.

Our plans to establish a Medical School have developed during the year and work has continued to gain General Medical Council (GMC) approval to deliver a medical degree and once government funding is approved, the University will be ready to recruit students as soon as possible. Our new London Campus is gathering pace as the Campus Principal was appointed in June and we look to welcome our first students in early 2024. Based in the London Borough of Waltham, the new campus will help us achieve our growth ambition for 2030.

We have continued to invest in improving our facilities and campus; in digital transformation of our HR systems to provide colleagues with improved and more effective access to support and information; in cyber security upgrades to protect the University systems and information from cyber threats; and in new buildings and building upgrades. A grant worth over £3 million was awarded to the University by the Public Sector Decarbonisation Scheme to improve three buildings which will bring us closer to our ambition of becoming climate positive by 2030.

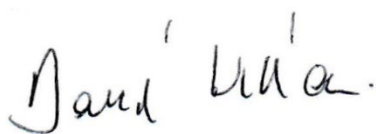
Investment in research is a key priority and funding was successfully sought from the Office for Students to fund new equipment, laboratories and simulated learning environments in the Faculty of Technology. Such investment responds to employer skills needs and the integration of our research strengths into curriculum development. The Global Plastics Policy Centre is the first of its kind and is designed to give governments and industry groups the evidence needed to make better decisions on plastic policies. The Centre for Blue Governance was awarded a Horizon Research and Innovation Action grant to develop innovative land sea governance schemes. The 'Space Mission Incubator' set up with the UK Space Agency supports scientists and researchers to come up with an initial concept for a space mission and see it through to a full mission design alongside industry experts. Plans are in development for a Portsmouth Research Institute for Space Missions (PRISM) to bring all our space activity under one roof.

As a global university, the University hosted another successful Global Week in March, combining both virtual and in person events. The Festival of Cultures was the flagship event and the week culminated in a joyful Holi Colour Run in Ravelin Park. As a civic University, we are proud to continue our collaboration with Portsmouth Hospitals NHS Trust and also Portsmouth Football Club which plays a key role in the economic, educational and cultural life of the city and community.

The University has undertaken a lot of work to strengthen support for, and solidarity with, refugees and asylum seekers and a number of events throughout the year has supported the initiative to achieve University of Sanctuary status. In the new academic year two Sanctuary Scholarships have been granted to undergraduate recipients who will receive support to remove some of their financial pressures and will make a real difference to their lives.

Our Graduation this year was held over eight days in July during which nearly 7,700 students received their awards at 26 ceremonies, held in person and surrounded by family and friends. It is the highlight of the University year and it is always inspiring to see student success celebrated with their loved ones. For those who were not able to travel to Portsmouth, two ceremonies were held virtually to celebrate the success of all our graduating students.

As we look forward to a new academic year we acknowledge and thank our extraordinary University community, both staff and students, for all that we have achieved. It is a privilege to work with and to lead such remarkable and hard-working teams as we focus on our plans to face the challenges of the future.



David Willan
Chair of the Board of Governors



Professor Graham Galbraith
Vice-Chancellor

September 2023

FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2023

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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 2022 – 31 July 2023

Board of Governors (who are also Trustees)

External Members	Bahram Bekhradnia	
	Roger Burke-Hamilton	
	Claudia Iton	
	Liz Jolly	
	Vineet Khurana	
	David Madoc-Jones	
	Frances Morris-Jones	Until 31 July 2023
	David Wilding	
	David Willan	Deputy Chair until 23 November 2022 Chair from 24 November 2022
	Christopher Williams	
	Jenny Crighton	Until 23 November 2022
	Penny Emerit	From 1 August 2022
	Professor Sandy Pepper	From 1 October 2022
Student Governor	Madeline Denmead	From 1 October 2022
	Aleksandra Siedlecka	Until 31 July 2023
Nominated by Academic Council	Morgan Lowman	From 1 August 2023
	Dr Adrian Hull	From 1 August 2022
Nominated by Academic Staff	Professor Richard Thelwell	From 1 August 2022
Nominated by Prof. Services Staff	Becky Miles	
Nominated by Student Body	Dominic Owen	Until 30 June 2023
	Temidayo Dosunmu	From 1 September 2023
Vice-Chancellor	Professor Graham Galbraith	

Senior Financial Officers of the University

Executive Director of Finance	Emma Woollard	Until 6 August 2023
	Stephen Avery	until 30 October 2023
Deputy Directors of Finance	Dr Elizabeth Bartle	Until 30 November 2022
	Mark Carter	
	Nicola Nestor	
	Vicky Bruce	From 1 November 2022

Secretariat

Executive Director of Corporate Governance and Clerk to the Board of Governors	Adrian Parry	Until 31 December 2022
	Claire Dunning	From 1 January 2023

IMPLEMENTING OUR STRATEGY

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

Our ambitious Vision states that: By 2030 we will be the UK's top modern university, and one of the top 100 young universities in the world.

The Covid-19 pandemic caused significant disruption to the implementation of our Strategy in 2020 and 2021; and required the prioritisation of a small number of strategic imperatives to address challenges faced by the University as a result, as highlighted in the 2021/22 Financial Review.

Our strategic imperatives
Recruitment: Reverse the ongoing decline in our Home full-time undergraduate applications and boost conversions including plans to diversify student recruitment in other areas.
Student experience: Pursue educational excellence, improve student experience and reduce variation in outcomes.
Graduate employment: Rapidly improve graduate employment.
Research and innovation: Increase our globally recognised research and innovation based on thematic areas, prioritising collaboration and international engagement.

Our overall position is improving in relation to these strategic imperatives. Whilst recruitment of home full-time undergraduate new entrants is increasingly challenging across the sector, Portsmouth has continued to diversify student recruitment through the development of international markets, as well as our continued introduction of alternative delivery methods such as degree apprenticeships and online distance learning programmes. We continue to monitor our portfolio of courses to ensure that it meets the needs of current and potential students.

Our continued focus on student experience has seen steady increases in undergraduate student satisfaction, with improvement in our relative performance across each of the National Student Survey categories relating to the quality of teaching, assessment and feedback, and the organisation and management of courses.

The University continues to address variation in outcomes through our internal quality improvement and related development processes, including 'enABLe', which is a team-based approach to course and module design incorporating co-creation with students.

Additionally, the 2023 Postgraduate Taught Experience Survey (PTES) and 2023 Postgraduate Research Experience Survey (PRES) both show Portsmouth student overall satisfaction rates that are above sector averages.

The University continues to invest in physical and digital, simulated and real work environments that support student learning in safe environments before real-world practice, building skills and confidence for employment. The most recent Graduate Outcomes survey, published in 2022/23, tracking students

who graduated in 2021, showed that 71.6% were in professional occupations fifteen months after Graduation; this has increased from 68.7% in the previous survey.

Our newly appointed Director of Student Employability and Employment is working with colleagues across our Faculties and Professional Services, to introduce further pro-active support for continuing this improvement in progression to professional occupations.

Collaboration with our students is key to successful improvement. Following a positive pilot, the University has allocated £0.5 million to the Students' Union, between 2022 and 2024, to expand their 'Better Student Outcomes' initiative, which includes a professional development plan for students. This programme was collaboratively designed by a sabbatical officer and staff; and supports students to enhance their employability skills gained at university; and relate them to the 'Hallmarks of a Portsmouth Graduate' that seek to set them on the path to a successful and fulfilling career.

The University was awarded the highest overall rating of Gold in the Teaching Excellence Framework (TEF 2023) announced in September 2023.

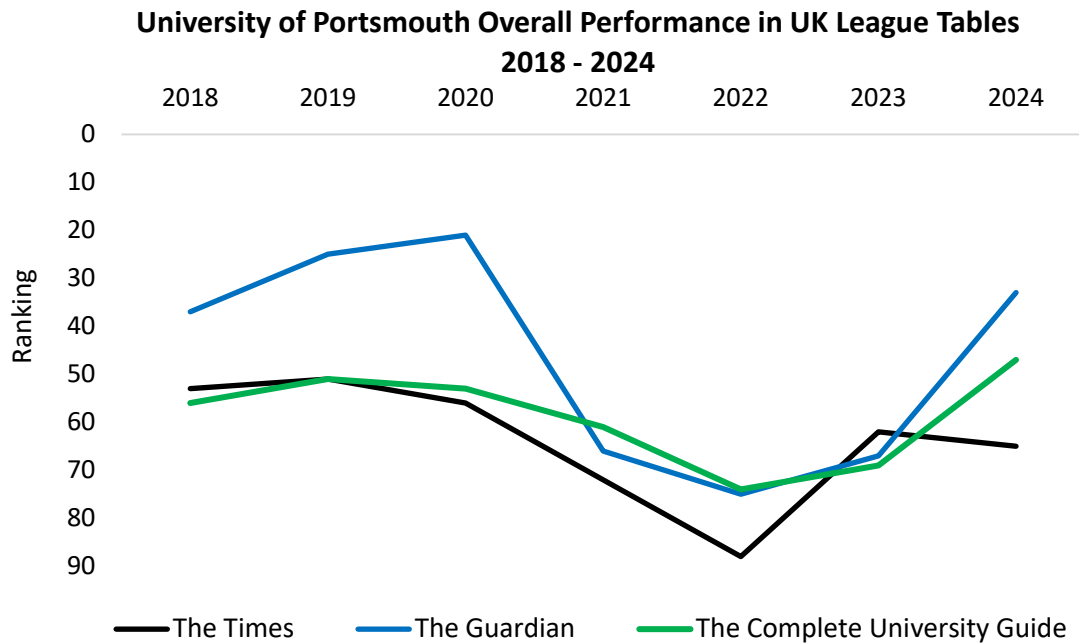
TEF is a national assessment of teaching quality across universities and higher education providers in England and Wales, designed to give students a clear and independent indication of quality. Portsmouth is one of only 27 Gold rated universities in England and one of five Gold rated universities in the South East.

The University also achieved Gold in the last TEF review in 2017. This renewed accreditation, which lasts for four years, confirms the sustained and consistent nature of the University's outstanding offer to students and ranks Portsmouth amongst the top universities in the UK for teaching.

Our researchers work closely with business, industry and the public sector seeking to solve issues facing society. For example, Revolution Plastics is an interdisciplinary initiative drawing together colleagues from across the University and assembling teams of researchers, business leaders, campaigners and citizens who share a commitment and ambition to transforming the way plastic is made, used and disposed of. Researchers at our Centre for Enzyme Innovation have already developed enzyme technology to reduce single use plastics and are now working to develop enzymes that can deconstruct plastics in polyester, the most widely-used clothing fibre in the world.

The most recent Research Excellence Framework exercise (REF 2021) saw 77% of research submitted by the University rated in the highest categories; world-leading and internationally excellent. The University was ranked third of all modern, post-1992 universities in the UK for research power, a measure of the quantity and quality of research submitted in to the exercise.

Overall, these improvements can be seen through our performance in UK university league tables published during the last year, which draw on metrics relevant to these imperatives, including student satisfaction, levels of graduate employment, and research quality.



The University Executive Board has recently approved four, more detailed strategies providing further clarity on what is required to deliver our strategic imperatives and our overall Strategy 2025, to ensure we remain on course to achieve our 2030 vision. These include an Education Strategy, Research and Innovation Strategy, Global Strategy and People Strategy.

Additionally, an organisational reset was launched in April 2023, to address the economic challenges facing the University, along with the wider sector, in light of continued real terms decreases to funding and rising costs. The reset will build on projects already completed, or in progress, such as the transformation of our HR function and processes. Through reset, we aim to further improve efficiency and remove bureaucracy, reshape and develop our organisational structures and processes, make greater and better use of technology, and invest strategically in our estate, to enable us to deliver on our imperatives and achieve our Vision. Overall, we are making positive progress in many areas, however we remain focused on reducing variability and ensuring a consistently outstanding student experience resulting in positive outcomes for all of our students, and producing globally recognised and impactful research and innovation.

ENVIRONMENTAL SUSTAINABILITY

Climate Positive future

In view of our new Climate Positive and Sustainability Policy we are raising awareness with carbon literacy training for staff, departments and students to help everyone understand and contribute to the low carbon journey we must now pursue. The estate is being modernised to provide low energy and sustainably accredited facilities so it is important that Support and Academic services play their part to reduce carbon emissions and improve sustainability for the services they deliver. The University is determined to create a Climate Positive future and in particular work with its supply chain to achieve this.

Low carbon building design

A multi-million building decarbonisation grant awarded by Salix Finance is enabling the University to remove fossil fuel heating in three buildings and convert to all-electric air source heat pump heating and ventilation technology. At the same time, the University is taking the opportunity to make building thermal fabric improvements, and convert to low energy LED lighting throughout in order to balance the electricity demand. Given our experience of the new Ravelin Sports Centre, this technology and design approach is ably delivering substantial thermal comfort and impressive energy efficiencies.

Biodiversity enhancement and use of plastic

The University has been working with leading consultants to integrate biodiverse spaces and features in the upcoming estate masterplan design guide. This approach follows the successful introduction of wildflower spaces around Ravelin Sports Centre. Our commitment to significantly reduce our use of plastic, which has been so widely publicised for damaging environments worldwide, continues by introducing laboratory plastics recycling. Our commitment then extends to the world stage where our Revolution Plastics team has been engaging researchers and business-leaders to transform the way we make and use plastic and provide international policy solutions to the plastic pollution crisis.

Utility management

The University continues to seek sustainable options and efficiencies from our utility suppliers. Procuring electricity and gas requirements via advance purchase arrangements, including our 100% certified renewable electricity supply, which allows us to report zero electricity supply emissions. Switching our water and waste water supplier will deliver operational efficiencies and the installation of automatic meter reading devices will enhance our ability to identify unnecessary water use and save this valuable resource.

Sustainable travel

The University continues to provide a free term time local bus service for students and staff to maintain efforts to improve air quality in the city and we also actively discourage students and staff from bringing cars into the city. There are plenty of choices to get around though, the new e-scooter and Beryl Bike scheme is proving popular. We are also going to be offering staff an EV salary sacrifice scheme, as well as onsite charging stations.

ISO 14001 International standard for environmental management

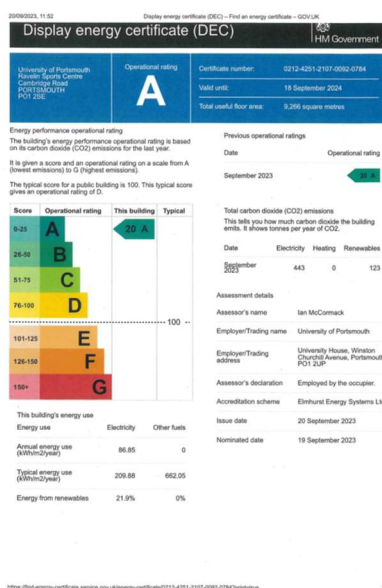
To give us an overview of how we are progressing we maintain an independently certified environmental management system which continues to support faculties and departments to help comply with environmental best practice, regulations and facilitates continual improvement.

Research, innovation and education

The recent approval of our Climate Positive and Sustainability Policy outlines how research, innovation and education play a part in our commitment to environmental sustainability.

The University of Portsmouth has a strong institutional focus and track record in research and innovation in [environment and sustainability](#), which is one of the five University research themes. This draws together natural, social, economic and arts-based researchers to tackle some of the most pressing environmental challenges facing the world today. We have continued to prioritise relevant research and innovation to reach our Climate Positive goal, in line with our new policy.

Embedding the principles of Education for Sustainable Development (ESD) into curriculum design is now an inherent requirement for Higher Education. AdvanceHE and QAA's 2021 Guidance on ESD acknowledged the breadth of interconnected environmental and social issues that pose existential threats to humanity and require wider and urgent attention in HE curricula. Moreover, meaningfully including environmental sustainability in our academic delivery supports the strategic imperatives of student recruitment, student experience and graduate outcomes. Academic Development is taking a lead role in facilitating wider institutional engagement with ESD, to capitalise on the excellent pockets of best practice across the University.



FINANCIAL REVIEW

Overall financial performance

Strong financial standing and management has meant that the University had enjoyed a healthy financial position for a number of years, generating surplus returns. Delays to the estates master plan combined with these healthy returns has meant that the University continues to hold significant cash balances. These balances enable long term planning and delivery of the University's strategic ambitions to become the best modern university and provide an excellent experience for students. They also provide cash contingencies and strong liquidity for the University as it works through a challenging economic period.

Despite an uncertain operating environment, including challenges recruiting home and EU undergraduate students, the University is still very much focussed upon using our resources effectively to achieve our strategic goals, as we continue to develop and renew our facilities.

The University's income increased during 2022/23 by £21.9 million, partially through stronger than forecast international student recruitment, particularly for postgraduate taught courses with January 2023 start dates, and partially as a result of an increase in investment income as a result in high interest rates.

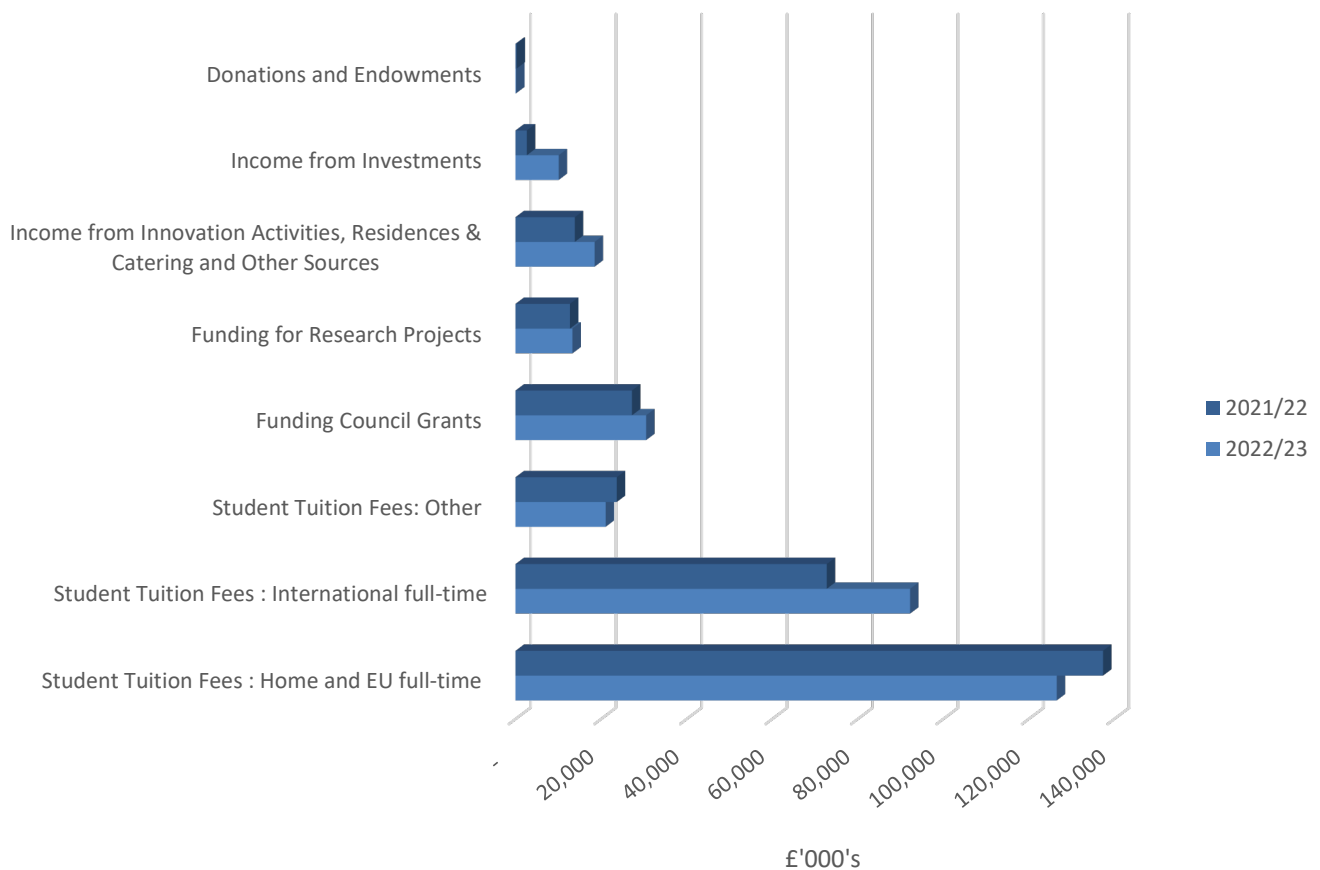
The budgeted position of an operating deficit for 2022/23 of £21.0 million actually reduced to a considerably smaller deficit of £2.4 million. Cash balances improved by £2.8 million, from £325.9 million in 2021/22, compared to £328.7 million in 2022/23 (this includes cash and cash equivalents, short term deposits and investments).

Income

The University group's income for 2022/23 totals £312.4 million, compared to £290.5 million in 2021/22, an increase of 7.5%.

Sources of Income	2022/23 £000	2021/22 £000	Change £000	Change %
Student Tuition Fees: Home and EU full-time	126,553	137,384	(10,832)	(7.8)
Student Tuition Fees: International full-time	92,240	72,750	19,490	26.8
Student Tuition Fees: Other	21,073	23,667	(2,594)	(11.0)
Total fee income	239,866	233,802	6,064	2.6
Funding Council Grants	30,542	27,229	3,313	12.1
Funding for Research Projects	13,308	12,730	577	4.5
Income from Innovation Activities, Residences & Catering and Other Sources	18,492	13,860	4,632	33.4
Income from Investments	10,095	2,650	7,445	280.9
Donations and Endowments	135	250	(114)	(45.9)
Total income	312,438	290,522	21,917	7.5

Income analysis: 2022/23 vs 2021/22



Student Tuition Fees

Total fee income increased by £6.0 million compared to the previous year. An increase in full-time international student recruitment resulted in an increase of £19.4 million income, which has offset the reductions in all other sources of income. Income from full-time home and EU students was down £10.8 million from the previous year, income from part time students was down £0.6m and educational contract income was down £1.9 million.

The fall in Home & EU full time fee income was largely offset by increased international recruitment where total fee income increased by £19.4 million. International recruitment was particularly strong for postgraduate taught courses.

Government Funding

Funding council grants (note 2) increased by £3.3 million (12.1%). This was due to an increase in the Research England grant of £4.3 million following our excellent REF results in which we were ranked third of all modern post-92 universities for research power. This improvement offset the expected reduction for the Centre for Enzyme Innovation of £1.1 million, as the funding came to an expected end.

Other Sources of Income

Income from research grants and contracts (note 3) increased overall by £0.6 million (4.5%) to £13.3 million. There were increases of £1.4 million across a number of sponsors (including Research Council, UK Charities, and Industry and Commerce) which offset decreases in other sponsor income (including UK Government/health authorities and EU government income).

Other income (note 5) increased by £4.6 million to £18.5 million. Residences, catering and conferences income increased by £2.1 million to £6.8 million in 2022/23. £0.6 million can be attributed in part to Bateson Hall being brought back online following refurbishment during 2021/22, and a further £1.0 million increase was as a result of a growth in food sales and room hire following the downturn during Covid. Other income also increased by £2.2 million to £7.6 million. This includes £1.9 million additional sports income as a result of the Ravelin Sports Centre opening in September 2022.

Investment Income (note 6) increased by £7.4 million (289.5%) compared to 2021/22. Average cash balances in 2022/23 were £326.6 million compared to £311.0 million in 2021/22. During the year the Bank of England base rate continued to rise steadily to a fifteen year high of 5.0% as at 31st July 2023. These high levels, not seen since 2008, and increased cash balances, drove the significant increase in investment income.

Expenditure

Expenditure by Type	2022/23 £000	2021/22 £000	Change £000	Change %
Staff Costs	176,056	180,474	(4,418)	(2.5)
Other Operating Expenses	111,798	90,612	21,186	23.4
Depreciation	21,240	19,745	1,495	7.6
Interest and Other Finance Costs	3,001	2,818	183	6.5
Finance Charge in Respect of Pension Schemes	2,728	3,536	(808)	(22.9)
Total	314,823	297,185	17,638	5.9

Overall expenditure increased by £17.6 million (5.9%) from £297.2 million in 2021/22 to £314.8 million in 2022/23.

Staff costs

The University's staffing costs decreased overall by £4.4m (from £180.5 million in 2021/22 to £176.0 million in 2022/23). There were a number of factors impacting this variance including:

Accounting adjustments: *LGPS pension adjustment (-£9.9m); Holiday Accrual (+£1.9m).	(£8.0m)
Decrease in staff numbers: Academic staff - see note 8 (-£1.5m); IS staff following a restructure (-£1.2m); Innovation staffing costs on the Probation contract (-£1.2m); DSAA SITS staff support as the project completed (-£0.4m); DSAA MyPort Hubs reduced and Clearing and Graduation staffing savings(-£0.4m); Nursery closure (-£0.2m); Other (-£0.3m).	(£5.2m)
Increase in staff numbers: Ravelin Sports Centre opening Sept 2022 (+£0.5m); Global international admissions staff to support increased numbers (+£0.5m).	£1.0m
Severance: June 2023 Voluntary Severance Scheme (+£3.0m); Other (non VSS) severance costs (+£0.6m).	£3.6m
Changes in wage costs during the year: Recognition award of £750 per employee paid in 2021/22 (-£2.8m); Incremental increase (+£2.1m); Pay award in August 2022 and February 2023 (+£6.8m) LGPS increased pension contributions (-£1.9m)	£4.2m
Overall variance between 2021/22 and 2022/23	(£4.4m)

* The LGPS pensions adjustment is the actuarial estimate of employee benefits accrued during the year from employee service in the current and prior periods.

Other Operating Expenses

Other non-staff operating expenditure include costs such as marketing, building and equipment maintenance, legal and professional fees, and other consumables. These costs increased by £21.1 million (23.4%) in the year across a number of different areas including:

- International commission payments increased by £3.4 million (from £9.2 million in 2021/22 to £12.6 million in 2022/23) and payments to Franchise Colleges increased by £2.6 million (from £7.9 million in 2021/22 to £10.5 million in 2022/23), reflecting strong student recruitment in these areas.
- Travel costs increased by £0.9 million (from £0.9 million in 2021/22 to £1.8 million in 2022/23) as staff continue to travel more following the pandemic.

- Inflation continued to push up campus services costs with a 93% increase of £3.5 million across Gas and Electric (from £3.8 million in 2021/22 to £7.3 million in 2022/23) and £0.5 million in Contract Cleaning costs (from £2.0 million in 2021/22 to £2.6 million in 2022/23).
- General estates costs increased over 100% by £2.1 million (from £2.1 million in 2021/22 to £4.3 million in 2022/23) as work continues in earnest to update the University estate.
- Bad debt write-offs increased by £2.9 million as a one-off catch up cost following Covid (from £0.1 million in 2021/22 to £3.0 million in 2022/23). During the pandemic extended credit terms were offered and credit control was more lenient, with only very limited amounts of debt being written off.
- There were also two one-off provisions totalling of £2.1 million in 2022/23.

Access and participation costs

Access and participation costs (note 10) also form part of Other Operating Expenses and decreased by £0.6 million (from £9.3 million in 2021/22 to £8.8 million in 2022/23). This was as a result of a reduction in the number of students eligible to receive support from 4,499 students in 2021/22 to 3,684 students in 2022/23 (a drop of 815 students). The value of the bursary remained unchanged in 2022/23.

Depreciation

Depreciation (note 13) increased by £1.5 million (from £19.7 million in 2021/22 to £21.2 million in 2022/23) due to the commissioning of the Ravelin Park Sports Centre in 2022/23.

Interest and other finance costs

Interest and other finance costs (note 9) increased by £0.2 million (6.5%) to £3.0 million in 2022/23, reflecting reduced capitalisation of the masterplan loan costs, as Ravelin was completed and only minimal costs for the Victoria site were incurred. The finance charge in respect of the local government pension scheme decreased by £0.8 million this year (compared to an increase of £0.6 million in 21/22). This was as a result of increased interest rates pushing up projected returns.

Deficit

The University has recorded an operating deficit of £2.4 million for 2022/23 (2021/22 deficit of £6.7 million) compared with a budgeted deficit of £20.9 million. Income rose by £21.9 million to £312.4 million (2021/22 £290.5million), with a substantial increase in international student tuition fees offsetting a marked reduction in fees from home and EU students. However, despite the implementation of a number of cost saving measures, total expenditure also increased significantly to £314.8 million (2021/22 £297.2 million).

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 £1.3 million (2021/22: £5.7 million).

Statement of Financial Position

The statement of financial position shows the assets and liabilities of the University.

Net Assets:	31 July 2023 £000	Represented By:	31 July 2023 £000
Tangible fixed assets	384,602	Income and Expenditure Reserve: restricted	2,878
Investments	2,665		
Non- Current Assets	387,267		
Stock	253	Income and Expenditure Reserve: unrestricted	514,750
Trade and other receivables	33,792		
Investments	62,846		
Short term deposits	241,500		
Cash and cash equivalents	24,331		
Creditors < 1 year	(94,873)		
Net Current Assets	267,849		
Deferred grant income	(51,885)		
Unsecured loans	(85,603)		
Creditors due after one year	(137,488)		
Pension Liability	0		
Net Assets	517,628	Total Reserves	517,628

Non-current assets

The net book value of tangible fixed assets increased overall by £1.1 million (from £383.5 million in 2021/22 to £384.6 million in 2022/23). Additions during the year (note 13) totalled £22.3 million, including £9.8 million for land and buildings, £1.4 million for fixtures, fitting and equipment, and £11.0 million for IT capital spend. Depreciation was £21.2 million. As Ravelin was completed in September 2022, £56.1 million was transferred from assets under construction to land and buildings.

Asset additions included:

IT capital spend - £1.4 million for the HR System transformation; £1.6 million for the website rebuild; £1.3 million in Cyber Security costs; £1.1 million in networking costs; £0.3 million for the finance system upgrade; Land and Buildings - £1.5 million for St Andrews Court works; £2.7 million for Dental Academy works; £1.1 million for Bateson works; £0.7 million for phantom heads building works; £1.1 million for St Pauls and University house works.

Fixtures, fittings and Equipment - £0.9 million Ravelin Centre Equipment; £0.2 million tandem mass spectrometer; £0.2 million diagnostic digital radiography system; £0.1 million Xenopus Aquatic System; £0.2 million high resolution spiroergometry system; £0.4 million Simocare haptic simulators.

Fixed asset investments as included in the non-current assets (notes 14 and 23) relates to the endowment fund which is managed by CCLA and which the University has held since 1997. There were no significant movements during the year.

Net current assets

Current assets have increased over the year by £9.1 million (from £353.6 million in 2021/22 to £362.7 million in 2022/23) with trade receivables (note 15) increasing by £4.0 million and investments, short-term deposits and cash and cash equivalents increasing by £2.8 million overall.

Under the FRS102 accounting standard, investments and short-term deposits are separated out from cash and cash equivalents. Investments refers to fixed term cash investments made from general funds and maturing at least three months after date of purchase, whilst short term deposits are those which are repayable on demand within 24 hours and without penalty. Cash and cash equivalents refer to all other cash balances.

Creditors due after one year

Creditors falling due within one year (note 18), has also increased by £8.6 million (from £86.3 million in 2021/22 to £94.9 million in 2022/23) with deferred income the largest variance included within this, increasing by £7.5 million. Deferred tuition fee income relates to courses which straddle both 2022/23 and 2023/24 years and has increased as a result of an increase in student numbers studying in January 2023.

Deferred grant income (note 19) remained broadly the same compared to last year (£52.8 million in 2021/22 and £51.8 million in 2022/23) and relates to capital grants received. Income is recognised in accordance with the Statement of Principal Accounting Policies found later in this Financial Review.

The change in fair value of financial instruments of £5.9 million (unsecured loans, note 19) relates to the £100 million private placement. The University engages a quantitative solutions expert to perform this annual revaluation which is calculated as the present value of all future, discounted cash flows. As interest rates rise, so does the discount rate, resulting in a decrease in the present value of the private placement from £92.7 million as at 31st July 2022 to £86.7 million as at 31st July 2023.

Pensions liability

The pension valuation, relating to University staff membership of the Hampshire Local Government Pension Scheme, resulted in a surplus in 2022/23 compared to a deficit of £78.1 million in 2021/22. However, this surplus has been restricted to nil as it is neither recoverable nor realisable. The pension scheme is revalued at each financial year end for the purposes of the financial statements. The reduction of the deficit to nil as at 31st July 2023 is due to the actuarial gain of £85.2 million during 2022/23 offsetting the £78.1m deficit position of 2021/22. The large increase in corporate bond yields over the year to 31st July 2023, and recent high inflation has pushed up the discount rate from 3.4% to 5.0%. This increase in discount rate, results in a lower present value being placed on future cash flows by the scheme actuaries, resulting in the surplus position (which the University has capped at nil).

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.

Financial Sustainability and Financial Health

EBITDA is earnings before interest, taxes, depreciation and amortisation and is used to assess the University's operating performance without the influence of accounting and statutory (non-operating) adjustments. EBITDA forms part of the University's Financial Key Performance Indicators (KPIs) for Sustainability and Health, which are reported regularly to the relevant Governor committees.

EBITDA reconciliation to operating deficit:

	Reference	£000 2022/23	£000 2021/22
Operating Deficit	SOCIE	(2,385)	(6,663)
Less:			
Interest payable	SOCIE, note 9	3,001	2,818
Pensions finance charge	SOCIE	2,728	3,536
Depreciation	SOCIE, note 13	21,240	19,745
Deferred grant income	Cashflow, balance sheet, note 19	(3,019)	(2,604)
Pensions staff adjustment	Balance sheet, note 30	4,425	16,256
EBITDA		25,990	33,088

The Financial KPIs for 2022/23 and 2021/22 are shown in the table below.

	2022/23	2021/22	Change
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£26.0m	£33.1m	£7.1m (A)
Earnings before interest, Taxes, Depreciation and Amortisation as a % of Income	8.3%	11.4%	(3.1%) (A)
Operating Deficit as a % of Total Income	(0.8%)	(2.3%)	(1.5%) (F)
Unrestricted Reserves (excluding pension liability) as a % of Income	164.8%	174.3%	(9.5%) (A)
Borrowings as a % of Total Income	32.5%	34.9%	(2.4%) (F)
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	408.6	428.7	(20.1) (A)
Staff Costs as a % of Income	56.3%	62.1%	(5.8%) (F)

A – adverse

F – favourable

The University's EBITDA of £26.0m shows a disappointing but not unexpected decline of £7.1m year on year. Pleasingly, the reduced operating deficit seen year on year (£6.7m deficit in 2021/22 to £2.4m deficit in 22/23) has had a positive impact on the operating deficit as a proportion of income.

With no additional borrowings in the year, but a modest rise in income in 2022/23, a favourable ratio of borrowings as a percentage of total income has been generated, with a small 2.4% upturn.

Net liquidity days has been impacted negatively by a rise in operating expenses. The University continues to employ a range of measures to look at cost management throughout all areas of the organisation. These performance indicators reflect the challenges currently faced by the University and the wider sector.

Investment Performance

The University continues to adopt a conservative risk-based approach to its treasury management. Cash balances and investments have increased slightly (£328.7 million as at 31st July 2023 compared to £325.9 million at 31st July 2022), and these funds have been actively managed within the risk framework of the Treasury and Investment Management Policy. Continual increases in the bank base rates since December 2021

continue to create a favourable investment environment for a significant proportion of the University's portfolio, and taken together with the continued high cash and investment balances, this explains the significant £7.4 million (281%) increase 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 Risks

Strong financial standing has meant that the University has 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 2022/23 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 continues to be a major concern 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 pressure to continue to increase salaries to match general cost of living increases. Estates-related and IT costs are also impacted by inflation including utilities costs, and there are increases in build costs from external suppliers, who are impacted by their own cost increases. 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 have represented the largest specific 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) are expected to increase in April 2024. The Local Government Pension Scheme (LGPS) was revalued as at 31st March 2022 and resulted in a reduction in employer costs from 23.2% to 20.6% from April 2023. The University's financial statements include a number of accounting adjustments in respect of the LGPS as required under the accounting standards. These adjustments are volatile and can be extreme depending upon the current economic climate.

An increasingly competitive environment for both home and international student recruitment. The fall in recruitment of home full-time undergraduate students experienced in 2021/22 remained in 2022/23 and this continues to have a significant negative financial impact, although this is partly mitigated by a continued strong international student recruitment.

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 recruitment markets.

Going Concern

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 2022/23.

In order to assess the going concern concept through to November 2024, a number of downward scenarios have been modelled and indicate that in 2023/24, if all downsides materialised corrective action would be required to avoid breach of the covenants related to the Private placement. In the unlikely event of the covenants being breached for 2023/24 the University has sufficient cash balances to pay back the loan and

remain a Going Concern. 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 and balanced 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 2022/2023 was approved by the Board on 22 October 2022.

The Corporate Risk Register identifies and records the high-level key risks associated with the achievement of the objectives of the University Strategy 2025. It records those risks that are likely to impede the delivery of strategic objectives, and are therefore of strategic significance to the University.

The University continues to mature its approach to risk management and there have been a number of changes to the University's approach to risk management during the period. Risks have been categorised and the approach to risk appetite has been updated. The new approach has included the development of:

1. Operational risk registers completed at department/school level on an annual basis to allow early identification of ground level, key risks
2. Clear categorisation of risks and corresponding risk appetite
3. Project/programme risk registers compiled for key strategic projects
4. Amendments to the corporate risk register to ensure it is more closely aligned with the agreed risk categorisation and appetite

These are underpinned by risk management training and a revised approach to escalation.

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.

Risk Category	Risk Statement	Examples of Controls and Mitigations
Statutory and Regulatory Compliance	If the University does not adequately assign accountability and responsibility for compliance and the monitoring of control mechanisms, there is a risk that it will not comply with its statutory and regulatory obligations. Non-compliance could lead to a breach of its registration with the Office for Students, financial penalties and increased scrutiny from regulatory and professional bodies. The impact could result in a negative perception by partners and students when viewed in light of our competitors.	<p>The University has effective governance and risk oversight through its committee structure and associated activities with each statutory and regulatory area of compliance to enable intervention in the risk of non-compliance. The University has benchmarks to test minimum expectations and strong strategies for communication.</p> <p>The University closely manages scrutiny and modelling of effective responses to OfS policy changes in student access, participation and outcomes through its governance structure.</p>

Risk Category	Risk Statement	Examples of Controls and Mitigations
Financial Sustainability	If the University is unable to respond with agility to the financial challenges of the internal and external environments, in particular, rising inflation, increasing cost of overheads and uncertainty in government HE policy, this could impact on the University's operating capacity, sustainability and academic excellence.	The University financial plan and budget is reviewed regularly to account for variation against income and the delivery of major projects and programmes, and is received by the Board of Governors and relevant committees of the Board. Ongoing financial modelling, forecasting and sensitivity analysis takes place to manage planning for scenarios. There are clear responsibilities and ownership for expenditure plans.
Research and Innovation (Quality and Impact)	If the University does not deliver a high-quality research output, through a range of funding grants and a portfolio of collaborations and partnerships, there could be a detrimental impact on financial stability and academic performance. This could impact on the ability to adapt to accessing external routes of funding and collaborations and a failure to secure research income and educational opportunities.	The University has a Research and Innovation Strategy that incorporates research themes and ensures that there is clear identification of strategic impact benefits. Strategic initiatives to improve performance in bidding for research funds have been implemented.
Student Recruitment	If the University does not have accessible and available routes for student recruitment, there could be an impact on income growth and the ability to improve high standards of education, student experience and student support. The impact could be a decline in national and international league table rankings and a reduced ability to attract the number and calibre of students and staff.	<p>The University has strategic oversight of student recruitment performance at key census points and maintains target markets and strategies to attain recruitment targets. The University Global Strategy has been implemented to provide a structured approach to international recruitment.</p> <p>There has been significant investment in the online student recruitment system to improve accessibility and response times.</p> <p>Student feedback mechanisms are encouraged and supported and a strong communication strategy to improve digital media and outreach to stimulate demand is in place.</p>
Student Experience	If the University does not maintain a range of courses providing high quality education, there could be an impact on student recruitment and rates of continuation and completion. The detrimental impact could affect long term financial stability, result in a decline in reputation of the University as an employer of choice and a decline in league table rankings.	<p>The University maintains a focus on improving student satisfaction through its Education Strategy, in particular, a review of the course portfolio, a focus on the curriculum, pedagogy and employability and in reducing the awarding gap.</p> <p>The University has developed Moodle as a digital platform to provide course resources and student information and complements external surveys as well as providing improved access to digital and blended learning.</p>

Risk Category	Risk Statement	Examples of Controls and Mitigations
Student Outcomes	If the University does not offer opportunities for students to develop their global mindset and does not create an inclusive and diverse environment for students and staff that enhances wellbeing there could be a detrimental impact on future student employability and an inability for students to reach their full potential.	<p>The University has developed opportunities for students and staff to grow a global mindset to ensure that diversity is valued and promoted.</p> <p>The Equality, Diversity and Inclusion Policy Statement sets out the University's commitment to creating a working, learning, cultural and social community, where colleagues and students feel they belong, are able to reach their full potential, and are treated with dignity and respect.</p> <p>The University has a key focus on skills for employment through internships, volunteering, placements and student enterprise.</p>
Staff (Attraction, Retention and Management)	If the University does not create an environment of engagement for staff, encourage improved performance and positively address poor performance, closing the gaps in equality and diversity monitoring, then there would be a negative impact on its ability to recruit and retain high calibre staff, on University operations and on levels of student satisfaction.	<p>The University has a comprehensive People Strategy that prioritises nine key themes to develop leadership practice, culture and behaviour and performance. Reward and benefits packages have been reviewed to support enhanced recruitment, retention and competitiveness.</p> <p>The Equality, Diversity and Inclusion Framework is an integral part of the People Strategy that provides a structure for action to ensure improvement.</p>
Physical Estate	If the University fails to keep pace with the need for a prime building infrastructure, including student halls of residence, there is a risk to the provision of high-quality modern teaching and learning and excellence in research and a risk to staff and student wellbeing in their working, learning and living environment. There could be a detrimental impact on student recruitment, excellence in teaching and research and on reputation.	<p>The University has developed an Estates Masterplan to provide a roadmap of the major project and programme activities, control over building management and construction, prevent overspend, manage scope creep and prevent delays. A space utilisation review following the University's response to the pandemic has informed maintenance programmes, improvement and refurbishment works.</p> <p>Risk registers for programmes and planned maintenance and refurbishment are regularly updated and reviewed.</p>
Digital Estate	If the University does not maintain sufficient cyber and information security governance, there is a risk of cyber security and information security breaches. The ability to operate, its reputation and financial stability could be adversely impacted.	<p>The University maintains multi security layers within core systems and regularly tests and audits systems, hardware and software for resilience and security. There is increased investment in security technology, staff and student training and the availability of comprehensive recovery plans.</p> <p>The governance structure for information and data security oversees risk exposure and the delivery of improvements.</p>

Risk Category	Risk Statement	Examples of Controls and Mitigations
Environmental Sustainability	If the University does not respond in a coherent and sustainable way to managing climate and environmental change, there could be a detrimental impact on the ability to build collaborations and partnerships and a risk of adversely impacting operations, financial sustainability and reputation.	Sustainability is championed at all levels of the University led by the University Executive Board and there is an active programme of investment in climate positive and sustainable activities. There is also a sustainable procurement strategy and disinvestment in climate damaging activities. Staff are engaged with sustainability through events, learning opportunities, process and practice and benefits.
Reputation and Image	There are a wide range of issues that have the potential to impact negatively on the University's reputation and image such as regulatory non-compliance, failure to deliver for students and within the civic community or to meet stakeholder expectations. Such reputational issues could have a detrimental impact on student satisfaction and on its ability to deliver campus and research projects.	Reputational risks tend to have shared mitigation strategies with other risk categories. Reputational risk is managed by maintaining effective dialogue with key stakeholders and actively engaging in the local civic agenda and ensuring appropriate consultation on key University developments.

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 University also undertakes other activities including knowledge exchange and consultancy. 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.

Our students, at undergraduate and postgraduate levels, are the primary beneficiaries of the provision of Higher Education. The University delivers programmes to around 25,000 UK and international students across all levels and modes of study.

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. 94% of our graduates are in work or further study 15 months after graduation (Graduate Outcomes Survey, 2023), and 77% of our research is rated as either world-leading or internationally excellent (REF 2021). Our students, research and innovation activity, and community engagement also deliver wider benefits.

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, including those from within the city. This is of particular importance given the low progression rate from level 3, 16-18 education, at Portsmouth schools/colleges, to a sustained education or training destination at level 4 or higher (e.g. degrees, higher apprenticeships, HNDs). The most recently published official statistics (2020/21) show this sustained progression to be below 50%, and amongst the lowest in the South East.

The University has a long-standing commitment to widening participation. Our Access and Participation plan 2020/21 to 2025/26 sets out our strategy for improving access to Higher Education for underrepresented groups, and supporting these students to succeed during and after their studies. 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 subjects. A high proportion of our programmes are accredited by professional bodies to ensure curricula are aligned with current professional standards. Through supporting our students to achieve our 'Graduate Hallmarks' through their time at university we seek to develop individuals who will make a positive impact to society upon graduation.

Our research themes are focused on contemporary global issues including future and emerging technologies, security and risk, sustainability and the environment, health and wellbeing and democratic citizenship. 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.

In addition to the public benefit outlined above the University also brings wider benefit to the community we serve. We are one of the largest employers in Portsmouth, alongside the Royal Navy and Portsmouth Hospitals University NHS Trust. A report published by BiGGAR economics in December 2021 calculated that, in 2019/20, the University generated £505 million Gross Value Added (GVA) and supported 7,130 jobs in Portsmouth. Additionally, our students contributed £109 million and supported 2,900 jobs in Portsmouth through spending and part-time work, and generated £1m in the Portsmouth and Solent region through student volunteering.

THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

Membership

The University's Board of Governors draws its authority from the University's Articles¹ and Instrument of Government², 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 2023 the Board reviewed its business against the model Statement of Primary Responsibilities, which was updated in February 2022 to ensure continued compliance with the suggested 19 responsibilities

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

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

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:

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 IS 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 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 ensures 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 2022 and is reviewed annually. The maintenance and update of the Risk Register is the responsibility of the Executive Director of Corporate Governance working in conjunction with the Head of Strategic Planning. 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 (2022/2023 in this instance) by the Vice-Chancellor's Remuneration Committee by reference to the previous financial year (2021/2022 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 2021/2022 had:

- An income of c.£290.5 million
- Gold rating in the Teaching Excellence Framework including Gold for Student Experience
- An outcome of the REF2021 submission which saw the University placed third of all modern post-92 universities in the UK with regard to research power
- A positive increase in the rankings in each of the three leading UK League Tables for the Complete University Guide, The Times and The Guardian and in the Young Universities Rankings
- Top 50 in the Complete University Guide for student satisfaction (47th) and a positive increase of over 200 places in the World University Rankings
- Ranked 23rd of all providers with at least 1,000 responses and an overall positivity rate of 81.9% in the annual National Student Survey 2023 and in the top 20 for student satisfaction for learning resources and academic support
- 94% of UK FT Graduates progressing to employment or further study 15 months after graduation
- 12 of its 15 Schools in receipt of Athena SWAN Bronze Awards and one School holds the Athena SWAN Silver Award

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 £280m to £400m.
 - All post-92 higher education institutions with a turnover of £280m to £400m
 - All higher education institutions in London and the South East of England with a turnover of over £200m
- (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, or another member 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 attained a high level of performance throughout the 2021/22 reporting year and had demonstrated a huge degree of commitment to delivering the University's strategic objectives.
- (b) The Vice-Chancellor's leadership had been key in the improvement of the University's performance over the past year. There had been an increase in the NSS score to 78.3%, an uplift of 7% on the prior year. The University had also experienced a positive increase in ranking in all three of the key UK league tables as well as performing strongly in the Graduate Outcomes Survey.
- (c) The Vice-Chancellor had effectively overseen the University's REF2021 submission, the outcome of which had had been a significant achievement for the University. It had placing the University third of all modern post-92 universities in the UK with regard to research power, which measures the quality and quantity of research submitted into the REF.

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 £305,601 with effect from 1 August 2022. This is an increase of 3%, made to reflect a modest increase in the prevailing circumstances.

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 £60,134 in lieu of pension contributions from the University during the 2021/22 financial year. This is anticipated to be up to £62,500 during the 2022/23 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 £863.40 per annum and this is paid for by the Vice-Chancellor through deduction from his pension allowance payment and reflected in the above figure.

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 31st March (i.e. not the financial year end date).

Data for the reporting period 1 April 2022 to 31 March 2023 is as follows:

Trade Union representatives and full-time equivalents

Number of employees who were relevant union officials during the relevant period	9.0
FTE number of trade union representative for this period	3.4

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	6
51% to 99% working hours	3
100% working hours	0

Percentage of pay bill spent on facility time

Total cost of facility time	£170,990
Total pay bill	£170,508,497
Percentage of the total pay bill spent on facility time	0.10%

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 2023 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 Statement of Principal Accounting Policies.

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 2023, 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 and the risk of bias in accounting estimates and judgements such as pension assumptions. 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 based on applying our professional judgement to incorporate an element of unpredictability and comparing the identified entries to supporting documentation.

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 information included in the Financial Review other than the financial statements and our auditor's report thereon. 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 28, 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.

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 with 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
24 November 2023

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 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.

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 2023.

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. 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 an accruals 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 and endowment income 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. 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.
2. Restricted donations - the donor has specified that the donation must be used for a particular objective.
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 Statement of Comprehensive Income and Expenditure.

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 an insignificant risk of a 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 calculations are based on information provided by the Scheme's actuaries (Hymans Robertson) and this information is 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. 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 2023

	Note	Year ended 31 July 2023		Year ended 31 July 2022	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	239,866	239,659	233,802	233,603
Funding body grants	2	30,542	30,542	27,229	27,229
Research grants and contracts	3	13,308	12,696	12,730	12,353
Other income	5	18,492	18,133	13,860	13,466
Investment income	6	10,095	10,086	2,650	2,652
Donations and endowments	7	135	135	250	250
Total Income		312,438	311,251	290,521	289,553
Expenditure					
Staff costs	8	176,056	175,751	180,474	180,207
Other operating expenses		111,797	111,040	90,612	90,201
Depreciation	13	21,240	21,148	19,745	19,620
Interest and other finance costs	9	3,001	2,990	2,818	2,828
Finance charge in respect of pension scheme		2,728	2,728	3,536	3,536
Total Expenditure	11	314,822	313,657	297,185	296,392
Operating Deficit		(2,384)	(2,406)	(6,664)	(6,839)
Gain on disposal of fixed assets	13	0	0	0	0
Loss on investment	16, 23	(2,281)	(2,281)	(3,030)	(3,030)
Deficit after other gains and losses		(4,665)	(4,687)	(9,694)	(9,869)
Technical adjustment in relation to fair value of loan notes*		5,945	5,945	15,371	15,371
Surplus before tax		1,280	1,258	5,677	5,502
Taxation	12	22	0	23	0
Surplus for the year		1,258	1,258	5,654	5,502
Actuarial gain in respect of pension schemes	30	85,235	85,235	154,796	154,796
Total comprehensive income for the year		86,493	86,493	160,450	160,298
Represented by:					
Endowment comprehensive expenditure for the year	23	(70)	(70)	(153)	(153)
Unrestricted comprehensive income for the year		86,563	86,563	160,603	160,451
		86,493	86,493	160,450	160,298

All items of income and expenditure relate to continuing activities.
The accompanying notes and policies on pages 51 to 65 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 Changes in Reserves
for the year ended 31 July 2023

	Note	Income and expenditure account		Total
		Endowment (note 23) £000	Unrestricted £000	£000
Consolidated				
Balance at 1 August 2021		3,101	267,584	270,685
Surplus for the year		(153)	5,807	5,654
Actuarial gain in respect of pension scheme	30	0	154,796	154,796
Total comprehensive income for the year		(153)	160,603	160,450
Balance at 1 August 2022		2,948	428,187	431,135
Surplus for the year		(70)	1,328	1,258
Actuarial gain in respect of pension scheme	30	0	85,235	85,235
Total comprehensive expenditure for the year		(70)	86,563	86,493
Balance at 31 July 2023		2,878	514,750	517,628

University

Balance at 1 August 2021		3,101	267,309	270,410
Surplus for the year		(153)	5,655	5,502
Actuarial gain in respect of pension scheme	30	0	154,796	154,796
Total comprehensive income for the year		(153)	160,451	160,298
Balance at 1 August 2022		2,948	427,760	430,708
Surplus for the year		(70)	1,328	1,258
Actuarial gain in respect of pension scheme	30	0	85,235	85,235
Total comprehensive expenditure for the year		(70)	86,563	86,493
Balance at 31 July 2023		2,878	514,323	517,201

The accompanying notes and policies on pages 51 to 65 form part of these financial statements.

University of Portsmouth
Consolidated Statement of Cash Flows
for the year ended 31 July 2023

	Note	Year ended 31 July 2023 Consolidated £000	Year ended 31 July 2022 Consolidated £000
Cash flow from operating activities			
Surplus for the year		1,258	5,654
Adjustments for non-cash items			
Depreciation	13	21,240	19,745
Change in fair value of loan notes		(5,945)	(15,371)
Loss/(Gain) on endowments and investments		2,281	3,030
(Increase)/(Decrease) in stock		12	(55)
(Increase)/(Decrease) in debtors		(6,342)	(11,149)
Increase/(Decrease) in creditors		11,611	20,550
Net pensions cost for the year	30	7,153	19,792
		30,011	36,542
Adjustment for investing or financing activities			
Investment income		(10,095)	(2,650)
Interest payable		3,001	2,818
Endowment net income		(2,211)	(2,877)
Loss on the sale of fixed assets	13	0	0
Capital grant income		(3,019)	(2,604)
		(12,324)	(5,313)
Taxation paid		(22)	(23)
Net cash inflow from operating activities		18,923	36,860
Cash flows from investing activities			
Net movement of current asset investments	16	(28)	(3,306)
Net movement of short term deposits	17	(25,187)	(29,000)
Investment income		10,095	2,650
Deferred capital grants received		(958)	2,077
Payments made to acquire fixed assets	13	(22,347)	(17,417)
Net movement of non-current asset investments		(2,123)	(2,836)
		(40,548)	(47,832)
Cash flows from financing activities			
Interest paid	9	(3,001)	(2,818)
Endowment cash received		2,211	2,877
New endowment deposits		0	0
Repayment of amounts borrowed		0	0
		(790)	59
Decrease in cash and cash equivalents in the year		(22,416)	(10,913)
Cash and cash equivalents at the beginning of the year		46,747	57,660
Cash and cash equivalents at the end of the year		24,331	46,747

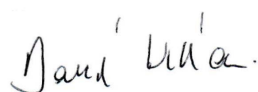
The accompanying notes and policies on pages 51 to 65 form part of these financial statements.

University of Portsmouth
Consolidated and Institution Statement of Financial Position
as at the year ended 31 July 2023

	Note	Year ended 31 July 2023		Year ended 31 July 2022	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Tangible fixed assets	13	384,602	382,211	383,495	381,013
Investments	14	2,665	5,488	2,823	5,721
		387,267	387,699	386,318	386,734
Current Assets					
Stock		253	253	265	265
Trade and other receivables	15	33,792	33,829	27,450	27,392
Investments	16	62,846	62,846	62,818	62,818
Short term deposits	17	241,500	241,500	216,313	216,313
Cash and cash equivalents		24,331	22,943	46,747	45,483
		362,722	361,371	353,593	352,271
Less: Creditors: amounts falling due within one year	18	(94,873)	(94,381)	(86,303)	(85,824)
Net current assets		267,849	266,990	267,290	266,447
Total assets less current liabilities		655,116	654,689	653,608	653,181
Creditors: amounts falling due after more than one year					
Deferred grant income	19	(51,885)	(51,885)	(52,843)	(52,843)
Unsecured loans	19	(85,603)	(85,603)	(91,548)	(91,548)
Provisions					
Pension provision	22	0	0	(78,082)	(78,082)
Total net assets		517,628	517,201	431,135	430,708
Restricted reserves	24	2,878	2,878	2,948	2,948
Unrestricted reserves					
Income and expenditure reserve - unrestricted		514,750	514,323	428,187	427,760
Total Reserves		517,628	517,201	431,135	430,708

The accompanying notes and policies on pages 57 to 70 form part of these financial statements.

These financial statements were approved by the Board of Governors on 22 November 2023.



D Willan
Chair of The Board of Governors



G Galbraith
Governor & Vice-Chancellor

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 2023		Year ended 31 July 2022	
Consolidated £000	University £000	Consolidated £000	University £000
119,769	119,769	128,427	128,427
6,784	6,784	8,958	8,958
92,240	92,240	72,750	72,750
11,933	11,933	12,596	12,596
5,325	5,325	7,229	7,229
2,420	2,420	2,520	2,520
1,395	1,188	1,321	1,122
239,866	239,659	233,802	233,603

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

13,353	13,353	13,458	13,458
11,310	11,310	6,947	6,947
2,915	2,915	2,500	2,500
2,539	2,539	2,320	2,320
360	360	1,864	1,864
0	0	84	84
65	65	56	56
30,542	30,542	27,229	27,229

3 Research grants and contracts

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

4,495	4,495	4,385	4,385
1,399	1,399	974	974
2,414	2,325	2,829	2,744
1,649	1,167	837	570
1,876	1,876	1,979	1,979
240	240	172	172
1,193	1,172	1,411	1,386
42	22	143	143
13,308	12,696	12,730	12,353

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

16,268	16,268	15,959	15,959
27,582	26,970	24,001	23,624
3,267	3,267	2,031	2,031
2,959	2,752	3,622	3,423
233,640	233,640	228,149	228,149
283,716	282,897	273,761	273,185

5 Other income

Residences, catering and conferences
Contract income
Other income

6,822	6,822	4,715	4,715
4,042	3,396	3,772	3,183
7,628	7,915	5,373	5,568
18,492	18,133	13,860	13,466

6 Investment income

Interest from short term investments
Investment income on endowments

10,015	10,006	2,571	2,573
80	80	79	79
10,095	10,086	2,650	2,652

7 Donations and endowments

Donations with restrictions
Unrestricted donations

0	0	0	0
135	135	250	250
135	135	250	250

University of Portsmouth
Financial Statements for the Year Ended 31 July 2023
Notes to the Financial Statements (continued)

8 Staff costs

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff Costs:				
Salaries	130,741	130,471	123,831	123,595
Social security costs	13,225	13,211	13,102	13,089
Apprenticeship levy	608	608	592	592
Other pension costs (note 31)	31,482	31,461	42,949	42,931
Total	176,056	175,751	180,474	180,207

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	Number 1,347	Number 1,384
Technical, Administrative and Professional	1,431	1,453
	2,778	2,837

Emoluments of the Vice-Chancellor:

Basic salary	£000 312	£000 297
Taxable benefits in kind	1	1
	313	298
Pension allowance in lieu of pension contributions	63	61
Employer's contribution to the Teachers Pension Scheme	0	0
Total emoluments including employer's contribution to the Teachers Pension Scheme	376	359

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.

	Number	Number
£100,000 - £104,999	13	1
£105,000 - £109,999	2	0
£110,000 - £114,999	1	4
£115,000 - £119,999	2	1
£120,000 - £124,999	3	3
£125,000 - £129,999	2	1
£130,000 - £134,999	1	0
£135,000 - £139,999	2	0
£140,000 - £144,999	1	3
£145,000 - £149,999	0	0
£150,000 - £154,999	1	0
£155,000 - £159,999	1	0
£160,000 - £164,999	0	1
£165,000 - £169,999	0	1
£170,000 - £174,999	2	1
£175,000 - £179,999	0	0
£180,000 - £184,999	1	0
£295,000 - £299,999	1	1
	33	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 2023 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 Deputy Vice-Chancellor (Research, Innovation and External Relations), the Chief People Officer, and the Executive Directors of Finance and Corporate Governance.

	£000	£000
Basic salary	1,466	1,274
Taxable benefits in kind	11	8
Employer's contribution to the Local Government and Teachers Pension Scheme	144	128
Key management personnel compensation	1,621	1,410

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 2023 Consolidated £000	Year ended 31 July 2022 Consolidated £000
Vice-Chancellor Salary	312	297
Vice-Chancellor Remuneration	376	359
Median Salary all other staff	41	40
Median Remuneration all other staff	49	48
Pay Multiple (Median Salary)	7.7	7.5
Pay Multiple (Median Remuneration)	7.7	7.5

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 2023 Consolidated £000	Year ended 31 July 2022 Consolidated £000
Vice-Chancellor Emoluments	376	359
Salary and Employer Pension Costs for lowest paid staff member	25	23
Ratio	15	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. More information can be found in the Remuneration Committee section in this document.

Redundancy and Severance Costs, all Staff

	Year ended 31 July 2023 Consolidated		Year ended 31 July 2022 Consolidated	
	£000	number	£000	number
Contractual redundancy and severance payments	936	81	337	43
Payments in relation to a voluntary severance scheme	3,248	129	0	0
Other	336	6	256	40
Total	4,520	216	593	83

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 (2021/22: £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 £8,572 (2021/22: £5,519). This includes 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 2023
Notes to the Financial Statements (continued)

9 Interest and other finance costs

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

Year ended 31 July 2023		Year ended 31 July 2022	
Consolidated £000	University £000	Consolidated £000	University £000
2,976	2,976	2,872	2,872
25	14	(54)	(44)
3,001	2,990	2,818	2,828

10 Access and participation

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

3,702	3,702	3,814	3,814
3,874	3,874	4,303	4,303
918	918	982	982
258	258	209	209
8,752	8,752	9,308	9,308
3,555	3,555	3,679	3,679

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/provider/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

176,102	175,557	166,396	165,786
4,623	3,982	4,078	3,432
66,144	66,456	55,779	56,335
41,444	41,444	33,120	33,120
6,148	6,148	5,322	5,322
10,207	9,927	9,879	9,776
4,425	4,425	16,256	16,256
3,001	2,990	2,818	2,828
2,728	2,728	3,536	3,536
314,822	313,657	297,184	296,391

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

157	100	140	88
46	31	59	54
112	112	80	80
264	167	297	196
112	112	62	62

12 Taxation

Recognised in the statement of comprehensive income
Current tax
Current year
Current tax expense

22	0	23	0
22	0	23	0
22	0	23	0

Total tax expense

13 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
Consolidated								
Cost or deemed cost:								
At 1 August 2022	371,414	8,388	62,706	442,508	40,191	323	36,223	519,245
Additions at cost	4,345	0	5,502	9,847	1,437	0	11,063	22,347
Transfer of assets under construction	56,194	0	(56,194)	0	0	0	0	0
Disposals/Demolitions	(149)	0	0	(149)	(357)	0	(1,275)	(1,781)
At 31 July 2023	431,804	8,388	12,014	452,206	41,271	323	46,011	539,811
Depreciation:								
At 1 August 2022	89,410	1,026	0	90,436	28,057	323	16,934	135,750
Depreciation	14,496	211	0	14,707	2,480	0	4,053	21,240
Disposals/Demolitions	(149)	0	0	(149)	(357)	0	(1,275)	(1,781)
At 31 July 2023	103,757	1,237	0	104,994	30,180	323	19,712	155,209
Net Book Value								
At 31 July 2023	328,047	7,151	12,014	347,212	11,091	0	26,299	384,602
At 31 July 2022	282,004	7,362	62,706	352,072	12,134	0	19,289	383,495
University								
Cost or deemed cost:								
At 1 August 2022	366,914	8,388	62,706	438,008	40,191	323	36,211	514,733
Additions at cost	4,345	0	5,502	9,847	1,437	0	11,062	22,346
Transfer of assets under construction	56,194	0	(56,194)	0	0	0	0	0
Disposals/Demolitions	(149)	0	0	(149)	(357)	0	(1,275)	(1,781)
At 31 July 2023	427,304	8,388	12,014	447,706	41,271	323	45,998	535,298
Depreciation:								
At 1 August 2022	87,389	1,026	0	88,415	28,057	323	16,925	133,720
Depreciation	14,405	211	0	14,616	2,480	0	4,052	21,148
Disposals/Demolitions	(149)	0	0	(149)	(357)	0	(1,275)	(1,781)
At 31 July 2023	101,645	1,237	0	102,882	30,180	323	19,702	153,087
Net Book Value								
At 31 July 2023	325,659	7,151	12,014	344,824	11,091	0	26,296	382,211
At 31 July 2022	279,525	7,362	62,706	349,593	12,134	0	19,286	381,013

University of Portsmouth
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Notes to the Financial Statements (continued)

14 Non-current investments

	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
Consolidated			
At 1 August 2022	0	2,823	2,823
In year movement	0	(158)	(158)
At 31 July 2023	0	2,665	2,665
University			
At 1 August 2022	2,898	2,823	5,721
In year movement	(75)	(158)	(233)
At 31 July 2023	2,823	2,665	5,488

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 2023 £000	Year ended 31 July 2022 £000
Other non-current investments consist of:		
CVCP Properties plc	37	37
Hampshire Community Bank	0	97
Revona Bio LTD (£0.58 total investment)	0	0
Endowment asset (see note 23)	2,628	2,688
	2,665	2,823

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.

15 Trade and other receivables

Amounts falling due within one year:

	Year ended 31 July 2023 Consolidated £000	Year ended 31 July 2023 University £000	Year ended 31 July 2022 Consolidated £000	Year ended 31 July 2022 University £000
Research grants receivable	2,878	2,878	2,638	2,638
Other trade receivables	15,375	15,184	11,363	11,211
Prepayments and accrued income	15,539	15,340	13,449	13,214
Amounts due from subsidiary undertakings	0	320	0	226
	33,792	33,722	27,450	27,289

Amounts falling due after one year:

	Year ended 31 July 2023 Consolidated £000	Year ended 31 July 2023 University £000	Year ended 31 July 2022 Consolidated £000	Year ended 31 July 2022 University £000
Amounts due from subsidiary undertakings	0	107	0	103
	0	107	0	103
	33,792	33,829	27,450	27,392

Included in amounts due from subsidiary undertakings is a loan to Portsmouth Technopole Limited of £107k (2021/22: £103k) 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.

	Other current asset investments	Total
	£000	£000
16 Current asset investments		
Consolidated		
At 1 August 2022	62,818	62,818
Additions	2,249	2,249
Change in market value	(2,221)	(2,221)
At 31 July 2023	62,846	62,846
University		
At 1 August 2022	62,818	62,818
Additions	2,249	2,249
Change in market value	(2,221)	(2,221)
At 31 July 2023	62,846	62,846

An investment of £56,893k (2021/22: £57,814k) is held as two segregated funds managed on behalf of the University by Goldman Sachs International. A £5,953k (2021/22: £0k) certificate of deposit is held with SEB AB.

17 Short term deposits

Short term bonds

Year ended 31 July 2023		Year ended 31 July 2022	
Consolidated £000	University £000	Consolidated £000	University £000
241,500	241,500	216,313	216,313
241,500	241,500	216,313	216,313

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 2023 the weighted average interest rate of these fixed rate deposits was 4.85% (31 July 2022: 1.19%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 129 days (31 July 2022: 135 days). The fair value of these deposits was not materially different from the book value.

18 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 2023		Year ended 31 July 2022	
Consolidated £000	University £000	Consolidated £000	University £000
1,439	1,439	1,439	1,439
4,280	4,280	2,424	2,424
42,276	42,012	44,123	43,856
7,608	7,606	7,430	7,428
27,008	26,696	19,517	19,277
3,019	3,019	2,604	2,604
9,243	9,243	8,766	8,766
0	86	0	30
94,873	94,381	86,303	85,824

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

4,143	4,143	4,121	4,121
4,143	4,143	4,121	4,121

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19 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 2023

Other creditors:

Unsecured loans repayable by 2034

* includes fair value movement of -£5,945k (2021/22: -£15,371k).

Year ended 31 July 2023		Year ended 31 July 2022	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
3,019	3,019	2,604	2,604
9,057	9,057	7,812	7,812
39,809	39,809	42,427	42,427
51,885	51,885	52,843	52,843
0	0	0	0
0	0	0	0
85,303	85,303	91,248	91,248
85,303	85,303	91,248	91,248
300	300	300	300
137,488	137,488	144,391	144,391

20 Unsecured bank loans and placement loan

	Market Value as at 31/7/2023	Market Value as at 31/7/2022			
	£000	£000			
Allianz Life Insurance Company of North America	22,797	25,036	15 years	2.73% fixed until February 2033	University
Sun Life Assurance Company of Canada (Bermuda)	7,364	8,265	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)	15,142	17,947	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	85,303	91,248			
Accrued interest	1,439	1,439			
Total of placement loan	86,742	92,687			

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

21 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 15)

Amounts due from subsidiary undertakings (Note 15)

Equity instruments measured at cost less impairment:

Investments in subsidiaries and associates (Note 14)

Measured at fair value through profit and loss:

Equity investments

Financial Liabilities:

Measured at undiscounted amount payable

Bank loans (Note 18 and 19)

Trade and other creditors (Note 18 and 19)

Amounts owed to subsidiaries (Note 18)

Measured at amortised cost

Loan notes (Note 20)

Measured at fair value through profit and loss:

Loan notes (Note 20)

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 2023		Year ended 31 July 2022	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
33,792	33,402	27,450	27,063
0	320	0	226
37	2,860	134	3,032
65,474	65,474	65,506	65,506
0	0	0	0
146,758	146,180	139,146	138,637
0	86	0	30
40,595	40,595	40,595	40,595
46,147	46,147	52,092	52,092
0	0	0	0
2,976	2,976	2,872	2,872

University of Portsmouth
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Notes to the Financial Statements (continued)

	Pension provision	Deferred tax	Total
	(note 30)		
	£000	£000	£000

22 Provisions for liabilities

Consolidated

At 1 August 2022	(78,082)	0	(78,082)
Decrease in liability	78,082	0	78,082
At 31 July 2023	0	0	0

University

At 1 August 2022	(78,082)	0	(78,082)
Decrease in liability	78,082	0	78,082
At 31 July 2023	0	0	0

23 Endowment funds

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Expendable endowments £000	2023 Total £000	2022 Total £000
At 1 August 2022				
Capital	1,112	0	1,112	1,112
Accumulated income	1,768	68	1,836	1,989
	2,880	68	2,948	3,101
Earnings from restricted investments	80	0	80	79
Expenditure	(90)	0	(90)	(91)
(Decrease)/Increase in market value of investments	(60)	0	(60)	(141)
	(70)	0	(70)	(153)
At 31 July 2023	2,810	68	2,878	2,948

Represented by:

Capital	1,112	1,112
Accumulated income	1,766	1,836
	2,878	2,948

Analysis by type of purpose:

Lectureships	2,810	2,880
Prize funds	68	68
	2,878	2,948

Analysis by asset:

Investments	2,628	2,688
Cash	250	260
	2,878	2,948

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.

24 Consolidation of net debt

Net debt 1 August 2022	46,240	
Movement in cash and cash equivalents	22,416	
Other non-cash changes	(5,945)	
Net debt 31 July 2023	62,711	
Change in net debt	16,471	
Analysis of net debt:		
Cash and cash equivalents	24,331	46,747
Borrowings: amounts falling due within one year		
Unsecured loans	1,439	1,439
Borrowings: amounts falling due after more than one year		
Unsecured loans	85,603	91,548
Net debt	62,711	46,240

25 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2023:

Commitments contracted at 31 July

Year ended 31 July 2023		Year ended 31 July 2022	
Consolidated £000	University £000	Consolidated £000	University £000
7,200	7,200	8,843	8,843
7,200	7,200	8,843	8,843

26 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

27 Minimum lease payments

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

Land and Buildings	Year ended 31 July 2023		Year ended 31 July 2022
	Consolidated £000	Plant and Machinery £000	Total £000
	279	112	391
	107	0	107
	78	0	78
	464	112	576
			625

28 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.

29 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.

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.

	2023 Income £000	2023 Expenditure £000	Balane due to the University at 31 July 2023 £000	Balane due from the University at 31 July 2023 £000
Governors				
British Library	0	9	0	0
Chartered Institute of Library and Information Professionals (CILIP)	0	1	0	0
London School of Economics (LSE)	85	0	0	0
Portsmouth Hospitals University NHS Trust	42	382	0	5
Society of College, National and University Libraries (SCONUL)	0	4	0	0
Senior Members of the University				
Solent LEP	1	0	1	0
UTC Portsmouth	1	0	0	0
Associated Undertakings				
Revona Bio Ltd	32	0	8	0

No Board member has received any remuneration/waived payments from the group during the year (2021/22: £Nil).

During 2022/23 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,518k (2021/22: £1,194k) from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

	2022 Income £000	2022 Expenditure £000	Balane due to the University at 31 July 2022 £000	Balane due from the University at 31 July 2022 £000
Governors				
British Library	0	5	0	0
Chartered Institute of Library and Information Professionals (CILIP)	0	1	0	0
Portsmouth Hospitals University NHS Trust	22	346	0	0
Society of College, National and University Libraries (SCONUL)	0	3	0	0
UoP Academy Trust	0	54	0	0
Senior Members of the University				
Salterns Academy Trust	9	0	0	0
Solent LEP	0	0	1	0
UTC Portsmouth	9	0	4	0
Associated Undertakings				
Revona Bio Ltd	0	0	8	0

30 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 2024.

Department for Education
Bishopsgate House, DARLINGTON DL1 5QE

TPS financial note – August 2019

Contribution amounts outstanding as at 31 July 2023 and included in social security and other taxation payable creditors is £1,744,706 (31 July 2022: £1,702,144).

30 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 2022, 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 2023. The actuarial assumptions for the long term liabilities of the LGPS are detailed in the table below and include an assumed 4% 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. This has resulted in the net discount rate (discount rate net of CPI inflation) significantly increasing compared to the previous year, leading to a large gain being recognised in the current year. In particular, the key reason for the higher discount rate is the significantly higher observed UK corporate bond yields at 31 July 2023 compared to 31 July 2022.

	Year ended 31 July 2023	Year ended 31 July 2022
The financial assumptions used to calculate scheme liabilities under FRS102 are:		
Discount rate	5.05%	3.40%
Rate of increase of salaries	4.00%	3.60%
Rate of increase in pensions (CPI)	3.00%	2.60%
Assets are valued at fair value, and comprise:	£000	£000
Equities	196,714	219,026
Bonds	106,692	78,457
Property	20,005	26,152
Cash	10,002	3,269
Total	333,414	326,905

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.

	2023		2022	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	22.1	22.6	22.7	24.1
Female	24.7	25.7	25.1	26.6

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Analysis of amounts shown in the balance sheet:		
Fair value of scheme assets	333,414	326,905
Present value of funded scheme liabilities	(328,448)	(398,964)
Present value of unfunded scheme liabilities	(4,966)	(6,023)
Deficit in the scheme - net pension liability recorded within pension provision (note 22)	0	(78,082)
Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:		
Current service cost	(16,030)	(26,341)
Curtailement/Past service cost	(521)	(90)
Total operating charge	(16,551)	(26,431)
Financing:		
interest income on scheme assets	11,219	5,726
interest on expected scheme liabilities	(13,947)	(9,262)
Net return	(2,728)	(3,536)
Total expense recognised in income and expenditure account	(19,279)	(29,967)
Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:		
Total actuarial gain/(loss) on funded and unfunded liabilities	85,235	154,796

30 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 2023 £000	Year ended 31 July 2022 £000
Opening fair value of assets	326,905	333,728
Movement in year:		
expected return on assets	11,219	5,726
contributions by the University	12,126	10,175
contributions by the participants	3,732	3,405
net benefits paid out	(9,188)	(7,525)
actuarial (loss)/gain on assets	(11,380)	(18,604)
Closing fair value of assets	333,414	326,905
Opening present value of liabilities	(404,987)	(546,814)
Movement in year:		
current service	(16,030)	(26,341)
interest cost	(13,947)	(9,262)
contributions by the participants	(3,732)	(3,405)
net benefits paid out	9,188	7,525
curtailment/past service cost	(521)	(90)
actuarial gain/(loss)	96,615	173,400
Closing present value of liabilities	(333,414)	(404,987)

The closing liability includes £4,966k (2021/22: £6,023k) in respect of unfunded benefits.

The valuation of the defined benefit pension scheme has been carried out by a qualified actuary based upon assumptions. While key assumptions used in the valuation are based on published information, there is a degree of judgement involved in selecting the most appropriate financial variables for the scheme. This valuation has resulted in a pension surplus, but this has been restricted to nil as University of Portsmouth does not consider it to be recoverable.

Actual return on scheme assets:

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Interest income on scheme assets	11,219	5,726
Actuarial (loss)/gain on scheme assets	(11,380)	(18,604)
Actual return on scheme assets	(161)	(12,878)

History of experience gains and losses for the year ended 31 July 2023 were as follows:

	Year ended 31 July 2023	31 July 2022	31 July 2021	31 July 2020	31 July 2019
Difference between the expected and actual return on scheme assets:					
Amount £000	(11,380)	(18,604)	44,947	5,895	9,210
Percentage of scheme assets at end of year	-3.4%	-5.7%	13.5%	2.2%	3.6%

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

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
TPS	14,667	14,122
LGPS	11,863	12,039
Other, including NHS	527	532
FRS102 adjustment re LGPS	4,425	16,256
Total pension cost (Note 8)	31,482	42,949

