



FINANCIAL REVIEW

2015/16

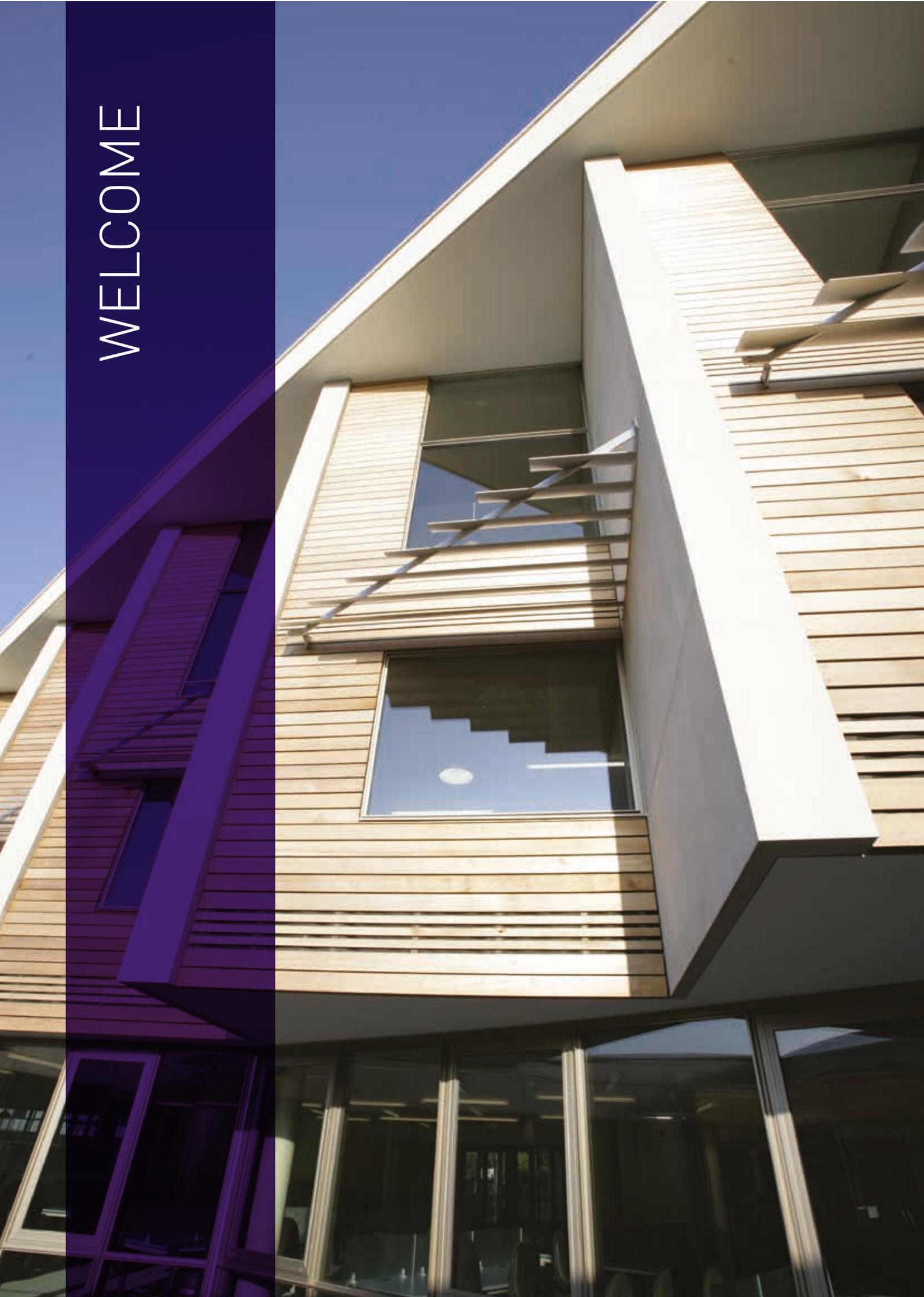




FINANCIAL REVIEW FOR
THE YEAR ENDED
31 JULY 2016

HIGHER EDUCATION CORPORATION

WELCOME



WELCOME FROM THE CHAIR OF GOVERNORS AND THE VICE-CHANCELLOR

This has been another year of significant achievement for the University. We have built upon the firm foundations created by our new University Strategy by developing a new Education Strategy and a new Research and Innovation Strategy. Both are designed to ensure that we strengthen our success in the years to come – to support excellence in all our academic endeavours, to enhance the student experience, to widen access and participation, and to make a difference to society.

We continue to enhance our position in the league tables – the *Times Higher* has placed us in the top 2% of world universities and in the world's top 100 for universities under 50 years old. The *Times* and *Sunday Times* Good University Guide placed us in the top 10 modern universities in the UK. We have also climbed six places in *The Guardian* University Guide 2017 – to 43.

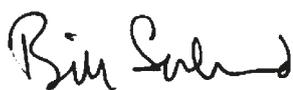
In the National Student Survey our student satisfaction rates continue to exceed the sector average, with 89% of our students expressing overall satisfaction with their experience at the University (NSS 2016). Our commitment to ensuring that career enhancing activities are included within all our academic programmes has also enabled us to ensure that 72% of our students that are employed are working in graduate level jobs within six months of graduation. This compares with the sector average of 70%.

The commitment and contribution of our staff is key to our success and our achievements are a testament to their dedication and hard work. During the year, we undertook a staff survey to better understand staff experiences and opinions. This is something that the University has committed to undertake every two years. We received a response rate of 81% and this has given us a wealth of information that will help us to establish university-wide and local plans to improve the experience of working at the University. The survey told us that 87% of staff support the University values; 81% are aware of the strategic aims; 81% are committed to helping the University achieve its strategic aims; 80% feel safe and secure in their work environment; and 80% feel proud to work for the University.

During the year, we purchased ASTA Technology UK Limited, a specialist company that provides training for the space industry. We also completed the purchase of the Portsmouth Technopole. This provides office space, meeting rooms and support for business start-ups and growing companies. This is a practical demonstration of our strong links with the local business community and a tangible expression of our vocational ethos. Likewise, our close involvement in the creation of the University Technical College is another positive step to meeting local skills needs whilst also fostering ambition within our young people. We are a global university but one that is also firmly rooted in our City and serving our community.

An outstanding university requires outstanding facilities, and so we continue to build for the future. We are developing an exciting estates masterplan. This gives us an opportunity not just to make sure that our students and staff will in the future have the best possible environment in which to study and work, but also to make a tangible difference to the landscape of the City and its regeneration. All of our activities have been underpinned by the strong financial performance demonstrated in these financial statements. They highlight many and varied achievements by both our staff and students.

We have invested significantly in the delivery of our University Strategy during 2015/16 and will continue to do so in 2016/17 and the years ahead. There are many new opportunities and new challenges ahead but we are confident that with our capacity for innovation coupled with the professionalism and ability of all within the University, we are well placed to thrive.



Bill Salmond
Chair of the Board of Governors



Professor Graham Galbraith
Vice-Chancellor

November 2016

STRATEGIC REPORT FOR THE
YEAR ENDED 31 JULY 2016



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GOVERNORS AND SENIOR STAFF

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

1 AUGUST 2015 –
21 NOVEMBER 2016



Board of Governors (who are also Trustees)

External Members

Dr Peter Bunyan	
Janice Caplan	
Bishop Christopher Foster	
Mark Greenwood	
Jane Hoskins	Deputy Chair from 1 January 2016
Martin James	Deputy Chair up to 31 December 2015
Baldev Laly	From 1 August 2016
Anne Lambert	
Mark Lemon	
The Honourable Virginia Lovell	
Frances Morris-Jones	
Paul Myers	
Mark Readman	
Bill Salmond	Chair
Margaret Scott	
Brian Sellwood	Up to 11 May 2016
David Willan	From 1 February 2016
Professor Nairn Wilson	

Student Governor

Waqar Younas	Up to 31 July 2016
Rebecca Hings	From 1 August 2016

Nominated by Academic Council

Dr Sherria Hoskins	Up to 31 July 2016
David Smith	Up to 31 July 2016
Dr Karen Heard-Laureote	From 1 August 2016
Dr Jenny Walden	From 1 August 2016

Nominated by Academic Staff

Professor Mike Tipton

Nominated by Support Staff

Anne Burrill	Up to 31 July 2016
Kathryn Land	From 1 August 2016

Nominated by Student Body

Nick Johnson	Up to 30 June 2016
James Belmonte	From 1 July 2016

Vice-Chancellor

Professor Graham Galbraith

Senior Financial Officers of the University

Director of Finance

Emma Woollard

Deputy Director of Finance

Dr Elizabeth Bartle

Secretariat

Director of Corporate Governance and Clerk to the Board of Governors

Adrian Parry

STRATEGIC REPORT



DIRECTOR OF FINANCE REPORT

OVERALL PERFORMANCE

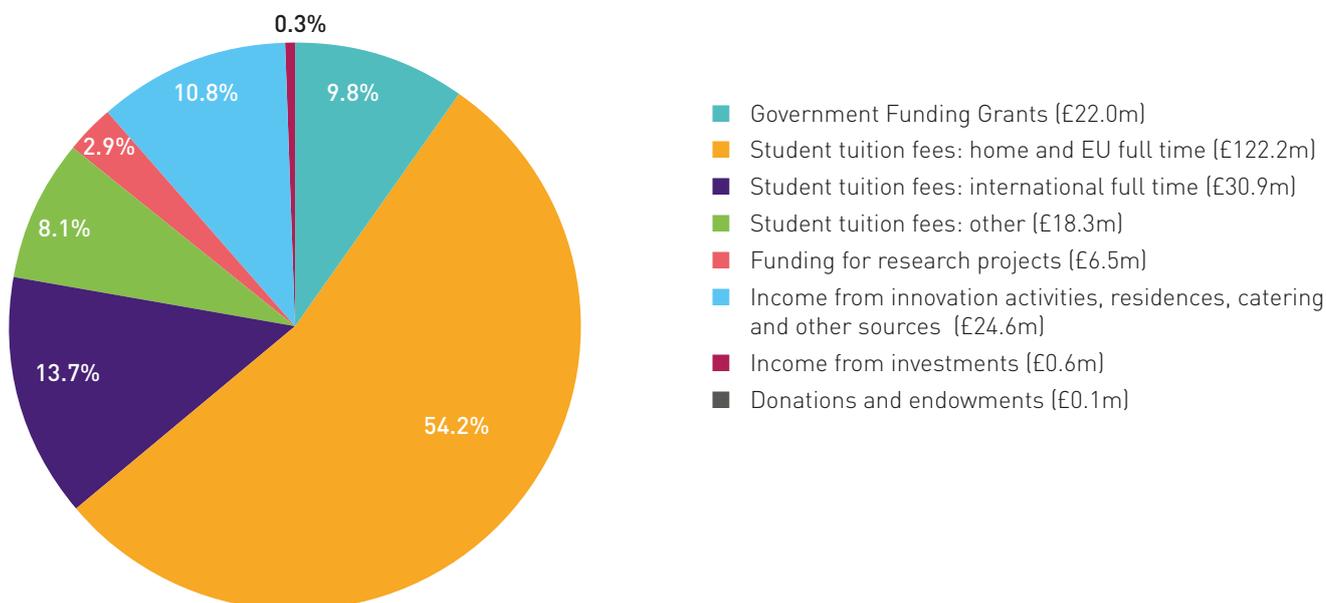
The University's financial results for 2015/16 are, once again, very positive reflecting continued strong student recruitment.

From 2015/16 the University, along with the rest of the Higher Education sector, moved to FRS 102 Financial Reporting Standards. The accounts have also been prepared in accordance with the updated HE SORP (Statement of Recommended Accounting Practice) which follows the principles of FRS 102. All prior year (2014/15) figures have also been restated according to FRS 102 principles.

INCOME

The University's income for 2015/16 totals £225.2 million, compared to £221.3 million in 2014/15.

Sources of Income	2015/16 £000	2014/15 £000	Change £000	Change %
Student tuition fees: home and EU full-time	122,149	113,756	8,393	7.4
Student tuition fees: international full-time	30,923	31,652	729	2.3
Student tuition fees: other	18,301	17,302	999	5.8
Funding Council Grants	21,992	21,986	6	0.0
Funding for research projects	6,519	8,219	1,700	20.7
Income from innovation activities, residences and catering and other sources	24,618	27,720	3,102	11.2
Income from investments	613	586	27	4.6
Donations and endowments	117	75	42	56.0
Total	225,233	221,295	3,938	1.8



STUDENT TUITION FEES

Income from full-time UK and EU students has increased by £8.4 million (7.4%) reflecting successful recruitment and the fact that very few "old regime" full-time fee-paying students remain in 2015/16. The University also recruited successfully to the one-year HEFCE funded postgraduate taught (PGT) programme, supporting the generation of PGT fee income.

International full-time income has declined £729,000 (2.3%) compared to 2014/15. Recruitment was approximately 80 students under the budget target. This was the result of a decision to reduce numbers in response to challenges in the provision of student residential accommodation. This was a one-off situation and has been addressed in 2016/17 with the opening of a large new hall of residence. A further 1,000 bedrooms are due to open in 2017.

GOVERNMENT FUNDING

Total funding is static compared to 2014/15. Within this there are a number of differences however. Mainstream teaching and research funding has decreased by £1 million; this reflects expected adjustments as part of the finalisation of the transition to higher tuition fees. The National Scholarship Programme grant ended in 2014/15 so there is a further reduction in grant funding in 2015/16 of £650,000. This is largely offset by increased HEIF (Higher Education Infrastructure Fund) funding (£387,000) and one-off funding the 2015/16 HEFCE Postgraduate Support Scheme (£925,000).

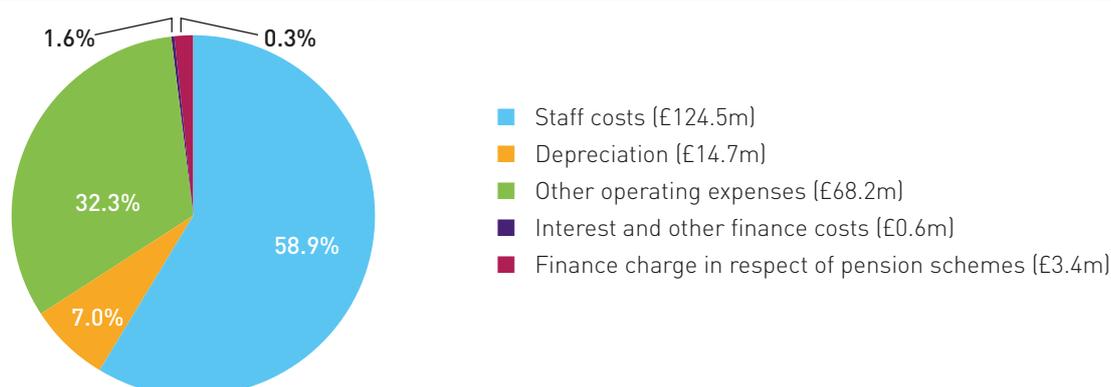
UNIVERSITY STRATEGY 2015-2020

Income from research grants and contracts fell by £1.7 million to £6.5 million; 2014/15's research income included a large (£741,000) one-off claim in respect of the Research Development Expenditure Credit claim to HMRC. Excluding this, the fall is £959,000. Following the publication in the summer of 2015 of the University Strategy 2015-2020 a new Research and Innovation Strategy has been produced. This, together with continued investment, is expected to support the development of substantial activity in this area.

Income from Innovation Activities, Residences, Catering and Other Sources fell by £3.1 million to £24.6 million. This category includes non-research contract income which in 2014/15 included £3.4 million of one-off Regional Growth Fund grants which were not replicated in 2015/16. The University purchased a business innovation centre during 2015/16 ('The Technopole'); income relating to this activity in the consolidated accounts is £0.6m.

EXPENDITURE

Expenditure by type	2015/16 £000	2014/5 £000	Change £000	Change %
Staff costs	124,487	116,173	8,314	7.2
Depreciation	14,705	14,409	297	2.1
Other operating expenses	68,152	67,853	299	0.4
Interest and other finance costs	555	956	(401)	(41.9)
Finance charge in respect of pension schemes	3,380	4,001	(621)	(15.5)
Total	211,279	203,392	7,887	3.9



UNIVERSITY STRATEGY 2015–2020

Expenditure has increased from £203.5 million to £211.3 million. This figure includes a 7.2% increase in staff costs which includes the effect of annual increments, the 1% August cost of living pay award, along with several new appointments to support delivery the University Strategy 2015–16 to 2020/21 and the delivery of our ambitious programme of work on the University's estate. The remainder is due to differences in the valuation placed on the local government pension scheme staff costs adjustment and on the movement in the untaken annual leave provision, between the two year end dates.

In 2015/16 the University spent £7.4 million on direct bursary and hardship support for students with a family income of £25,000 or less per annum. This included specific support for care leavers. This total is included within Other Operating Expenses.

SURPLUS

The surplus for the year on the University's consolidated accounts is £14.0 million (6.2% of total income) compared to £17.8 million in 2014/15. As noted at the start of this report, the 2014/15 comparative figures have been restated to follow FRS 102 accounting principles. The main difference to the 2014/15 surplus as a result of FRS 102 is the exclusion of a release from the revaluation reserve to offset that proportion of the depreciation charge relating to the revalued amount of fixed assets. In 2014/15 this was £5.8 million and this resulted in the University having a historical cost surplus of approximately £23 million.

BALANCE SHEET (31 JULY 2016)

Net Assets:	31 July 2016 £000	Represented By:	31 July 2016 £000
Non-Current Assets	351,422	Income and Expenditure Reserve: restricted	2,275
Net Current Assets	91,879	Income and Expenditure Reserve: unrestricted	251,727
Creditors due after one year	52,379	Total Reserves	254,002
Pension Liability	136,920		
Net Assets	254,002		

The Total Net Assets for the University and its subsidiaries decreased in value by £21.4 million to £254.0 million.

Tangible fixed assets increased by £2.7 million to £348.9 million in total; this comprised expenditure of £17.4 million on new assets and £14.7 million depreciation. Additions include the start of significant investment in the University's new Future Technology Centre (opens 2017), as well as the commencing of the reconfiguration of St Andrews Court building, in preparation for the new Nursing Degree Programme (starts 2017) and refurbishment works to Mercantile House building.

Cash, cash equivalents and investments increased by £20.9 million (to £116.3 million) in the year. Under FRS102 Investments refers to fixed term cash investments, made from general funds and maturing at least three months after date of purchase, including government treasury bills. Cash and cash equivalents refers to all other cash balances. The overall increase in cash held at 31 July 2016 compared to 31 July 2015 occurred despite ongoing capital expenditure on major projects and on premises and related infrastructure improvements. This includes significant Estate works as detailed above; this activity continues pending development of the Estate Masterplan.

The pensions liability increased by £39.3 million from £97.6 million to £136.9 million. Approximately 50% of University staff are members of the Hampshire County Council Local Government Pension Scheme (LGPS). The pension liability is recalculated as at each financial year end for the purposes of the financial statements. The increased liability at 31 July 2016 compared to 12 months previously arises because the updated figure for present and future pension payments is greater than the value of pension fund assets. This has been particularly impacted by the discount rate (set with reference to corporate bond yields) as at 31 July 2016, a few weeks after the EU referendum.

The LGPS scheme underwent a periodic (triannual, as at 31 March) revaluation to determine contribution rates to recover the liability at 31 March 2016 (previous revaluation March 2013). As a result employer contribution rates are scheduled to rise 3.7%, implemented progressively over a four year period, commencing in April 2017. This increase was predicted and a forecast of 4%, also increasing over time, was included in the University's budget for 2016/17, which considers a three year planning horizon for financial purposes.

We are not required to recognise a liability on our other pension schemes as they are multi-employer final salary schemes where it is not possible to allocate accurately an appropriate share of assets and liabilities of the schemes to the member bodies.

INVESTMENT PERFORMANCE

The University continues to adopt a risk-based approach to its treasury management, with a clear commitment to ensuring its cash balances remain as secure as possible. Investment income has increased slightly in 2015/16 as a consequence of greater cash balances.

FINANCIAL STRATEGY

2015/16 was the second year of our new approach to Strategic and Financial Planning. This had at its heart strengthening and making explicit the link between academic and financial planning. It is clear this is enabling us to:

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

During 2015/16 work to embed the process continued. In particular we were able to provide for significant investment to further enhance our teaching capacity and student experience and also increase and diversify our research and innovation activity. This approach is integral to delivering our financial strategy and ensuring our financial sustainability. It is providing a clear basis for developing the financing strategy for our Estates Master Plan.



FINANCIAL SUSTAINABILITY AND FINANCIAL HEALTH

The University's Financial Key Performance Indicators (KPIs) for Sustainability and Health are reported to the relevant Governor committees. Discussion focuses on the University's position over time and also relative to sector benchmarks. The Financial KPIs for 2014/15 and 2015/16 are shown in the table below.

	2015/16 £000	2014/15 £000
Earnings before interest, taxes, depreciation and amortization	31,570	35,082
Earnings before interest, taxes, depreciation and amortization as a % of Income	14.0%	15.9%
Surplus for the year as a % of total income	6.2%	8.1%
Total reserves (excluding pension liability) as a % of income	111.8%	124.5%
Borrowings as a % of total income	2.7%	3.4%
Net cash flow as a % of income	0.06%	(0.38%)
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	216	184
Staff costs as a % of income	55.3%	52.5%

The year-on-year reduction in earnings before interest, taxes, depreciation and amortization (EBITDA) (also surplus as a % of income) mainly reflects increased staff expenditure of 7.2%, as detailed earlier in the Expenditure section of this report. Likewise the adjustment in staff costs as a percentage of income reflects this increased investment in staff as we start to implement the strategy. Our liquidity continues to increase as cash balances increase. Our cash reserves will support us in the delivery of our estates master plan, our ambitious framework for the development of our campus over the next eight to ten years.

GOING CONCERN

The University also undertakes an annual exercise to consider Going Concern. This is a review of our ability to continue to operate for at least 12 months from the date of signing the financial statements; that is until at least December 2017. This review is based on the University's financial position, the markets in which it operates and also the key risks 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. This concluded that the University continues to remain a going concern. The Governors consider that the University has adequate resources to continue in operational existence for the foreseeable future. Our University Strategy to 2020/21 strongly supports us in mitigating against these challenges. Notably among them is the impact of the outcome of the EU referendum. While this is expected to make our operating environment more challenging and increase uncertainty, it is not expected to significantly alter plans for the successful delivery of the new strategy.

CONCLUSION

Once again the University delivered a significant surplus as reported in its financial statements. This builds on several years of excellent financial performance. With the University Strategy 2015–2020 being approved in July 2015, significant investment will be essential to ensure we fulfil our ambitions. It is expected that these surpluses will be used to support our 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: www.port.ac.uk/departments/services/finance/publishedfinancialstatements

UNIVERSITY STRATEGIC AMBITIONS 2015-2020



UNIVERSITY STRATEGIC AMBITIONS 2015–2020

CONTEXT

Following an extensive 'Shaping our future' consultation with staff and students, the University's new mission, vision and values were launched in November 2014. These set out our long-term direction, with a focus on our position in 10 to 15 years' time.

The full University Strategy 2015–20 was approved by Governors in July 2015. The focus of this University Strategy is on the medium term; setting out our objectives and targets for the next five years.

OUR MISSION

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

THE WAY WE WORK

Ambitious

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

Responsible

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

Open

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

OUR VISION

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

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

Enabling the delivery of our vision

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

Building on our underpinning strengths

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

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

KEY PERFORMANCE INDICATORS



UNIVERSITY OF PORTSMOUTH TARGETS AND KEY PERFORMANCE INDICATORS SUMMARY FOR 2015/16

These ambitions relate to University Strategic Ambitions 2015–2020. Key Performance Indicators related to each ambition were agreed by the Board of Governors. Governors receive a detailed quarterly report that reviews performance. This summary presents an overview, with more information about our performance contained in the Strategic Commentary section of this document.

Key performance indicators	Assessment of performance 2015/16
Student recruitment	Good
Student satisfaction	Good
Student retention	Good
Graduate employment	Good
Research and innovation income	Satisfactory
Widening participation	Good
Staff development and satisfaction	Good
Estate	Satisfactory
Financial strength	Good
Quality, reputation and visibility	Good

On track

Broadly on track but some concerns need to be addressed

Some significant concerns which could be damaging if not addressed

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

Good

Satisfactory

Mixed

Problematic

STRATEGIC
COMMENTARY



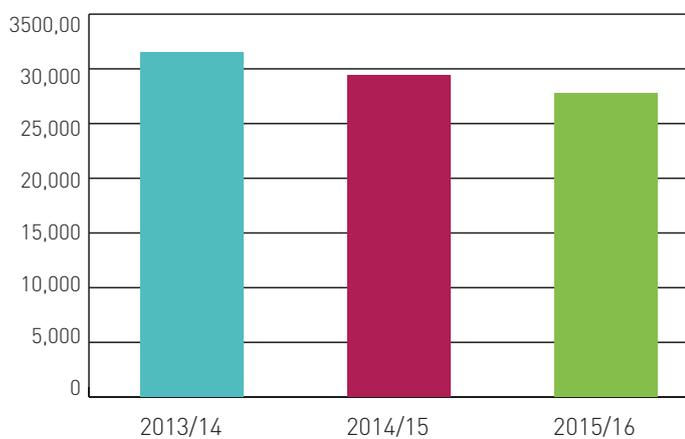
APPLICANT DEMAND

The vast majority of applications received by the University in 2015/16 were for entry in autumn 2016.

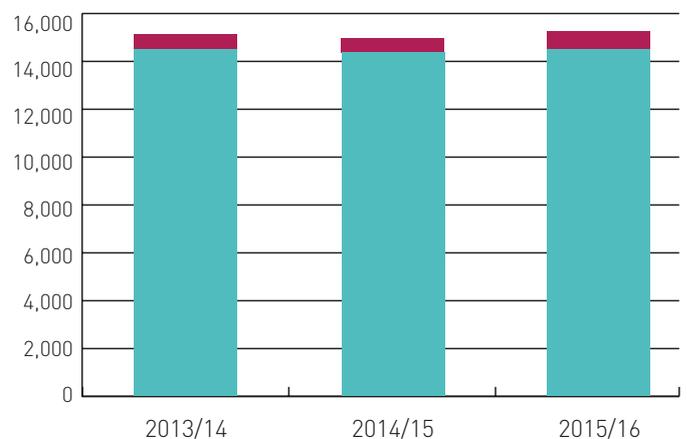
This is the second applications cycle since the removal of the student number control (SNC), by HEFCE. Despite the increased competition for applicants and students, since all institutions are free to expand as they wish, application levels have remained relatively strong with almost 28,000 Home/EU UCAS applications for 2016/17 entry.

Full-time undergraduate recruitment accounts for over three-quarters of total recruitment and these numbers increased slightly in 2015/16, with full-time Home/EU recruitment exceeding internal targets. Demand from international students also remained strong this year.

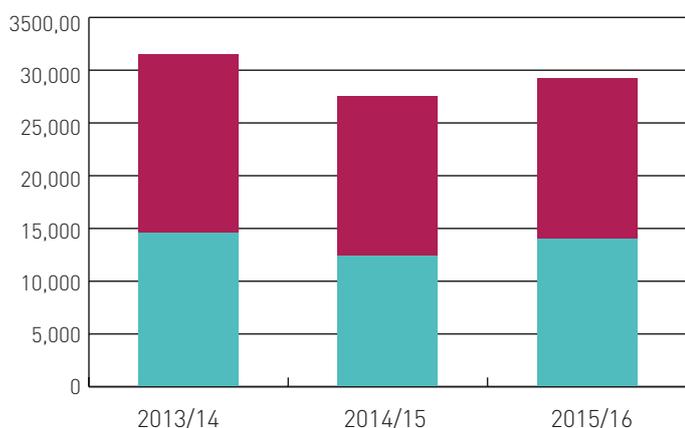
HOME/EU UCAS APPLICATIONS



FULL-TIME STUDENT NUMBERS (HOME/EU)



PART-TIME STUDENT NUMBERS (HOME/EU)



FULL-TIME STUDENT NUMBERS (INTERNATIONAL)



STUDENT NUMBERS

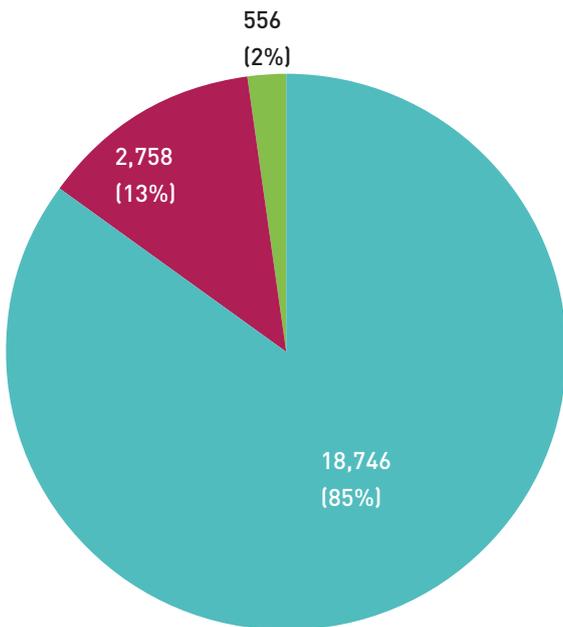
Overall student numbers increased from a total enrolment of 21,623 (FTE) in 2014/15 to 22,060 (FTE) in 2015/16.

This overall improvement is due to a significant increase in full-time undergraduate and postgraduate taught numbers, as part-time postgraduate recruitment decreased from last year.

The distribution of students in 2015/16 is shown in the charts below::

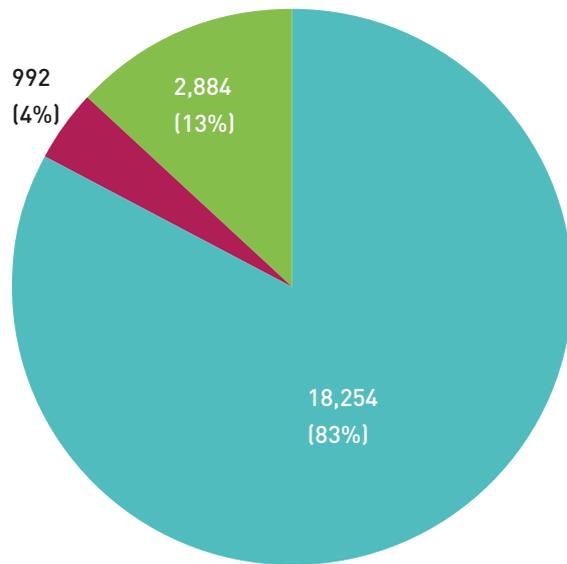
STUDENTS BY LEVEL OF STUDY

- Undergraduate
- Postgraduate taught
- Postgraduate research



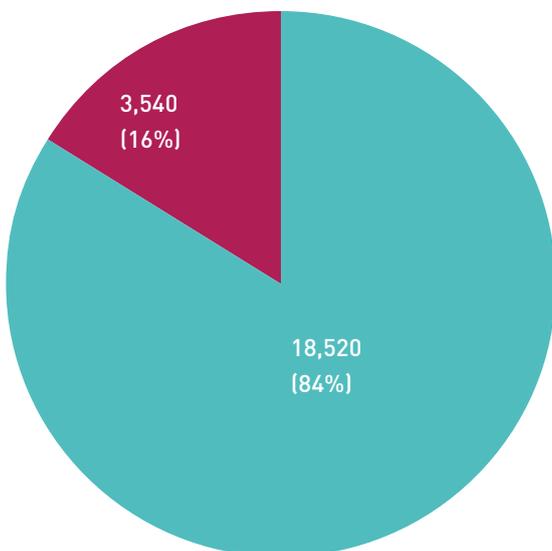
STUDENTS BY REGION

- UK/EU students
- Other European Union
- Non-European Union



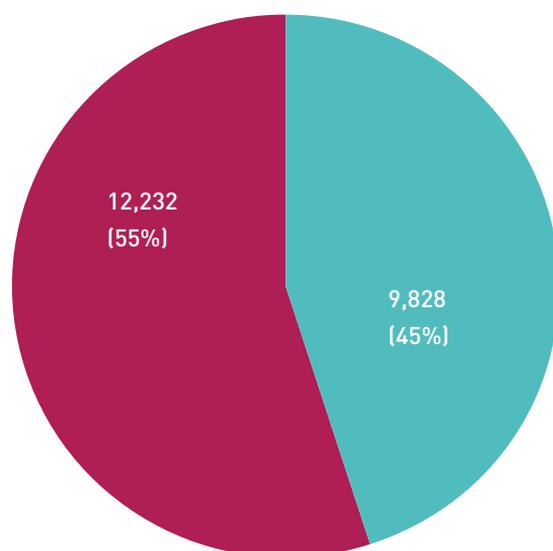
STUDENTS BY MODE OF STUDY

- Full-time and sandwich
- Part-time



STUDENTS BY GENDER

- Female
- Male



AN INTEGRATED AND BROAD BASE

The University is committed to maintaining a broad base of subjects across five distinct faculties, with many of our undergraduates registered on courses that lead to professional accreditation. The chart below provides a breakdown of our student numbers by subject area.

We are proactive in ensuring that our portfolio of taught courses is attractive to applicants, fulfilling for our students and remains relevant, producing highly-skilled, employable graduates who can contribute to society and the economy.

The chart below highlights the distribution of our students by high-level subject level over the past two years.

STUDENT FTE BY SUBJECT AREA

Source: HESA 2015/16



RAISING EXPECTATIONS AND CREATING LADDERS OF OPPORTUNITY FOR PEOPLE IN OUR REGION TO TAKE PART IN HIGHER EDUCATION

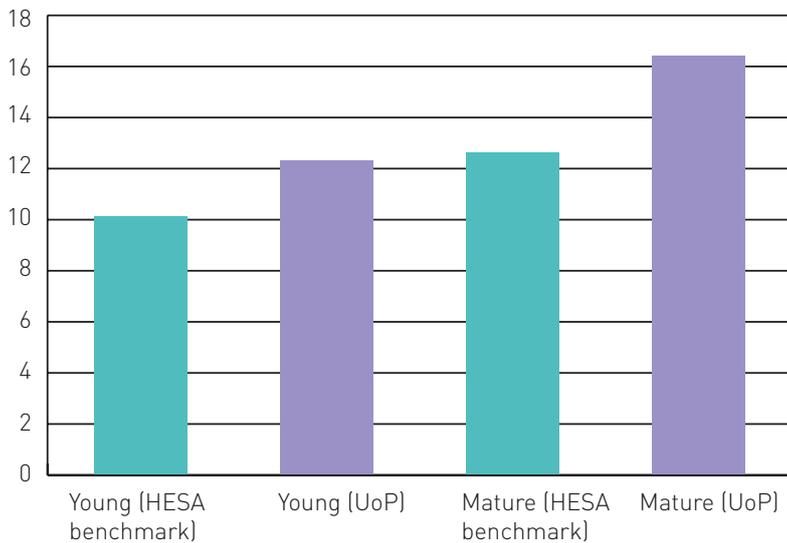
The University has a long-held commitment to widening participation, reaffirmed in our mission and vision, which highlights our commitment to inclusivity and improving social mobility through raising expectations and providing opportunities for people in our region to participate in higher education. We seek to meet our objectives through proactive aspiration-raising work, fair admissions policies and excellent support for students on programme and in to employment. We aim to promote opportunity and achievement in higher education, bringing life-changing benefits to individuals, their families and the wider community we serve.

We are committed to offering financial support to those students in the most need of it through the award of non-repayable bursaries to English students from low-income households. In 2015/16 we made bursary payments totalling over £6.3m, as part of a total expenditure of £7.4m on bursaries, support for Care Leavers and hardship funds.

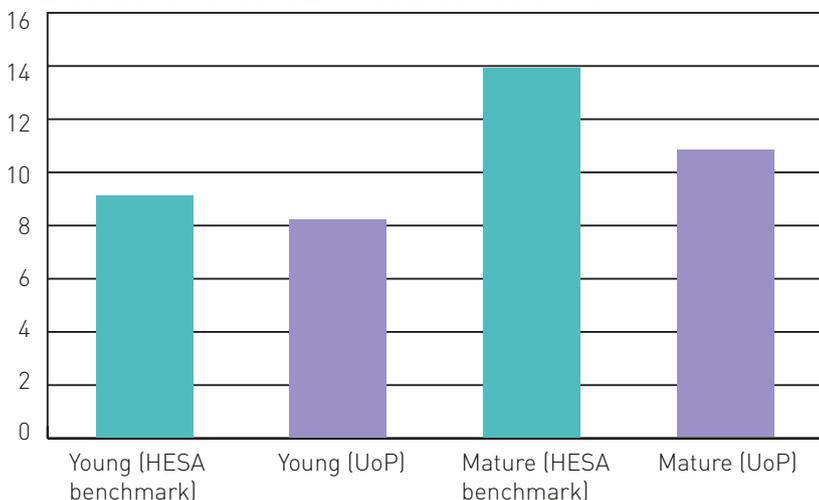
We continue to perform strongly in the recruitment and retention of students from under-represented groups. This is evidenced through our performance against location-adjusted benchmarks defined through annual HESA performance indicators which show strong performance in these areas. Our 2017/18 Access Agreement has been approved by the Office of Fair Access and includes stretching targets for future years against the same measures.

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

2014/15 RECRUITMENT OF NEW ENTRANTS FROM LOW PARTICIPATION NEIGHBOURHOODS (POLAR3)



2014/15 NON-CONTINUATION RATES OF NEW ENTRANTS FROM LOW PARTICIPATION



DELIVERING TRANSFORMATIONAL EDUCATION, RESEARCH AND INNOVATION

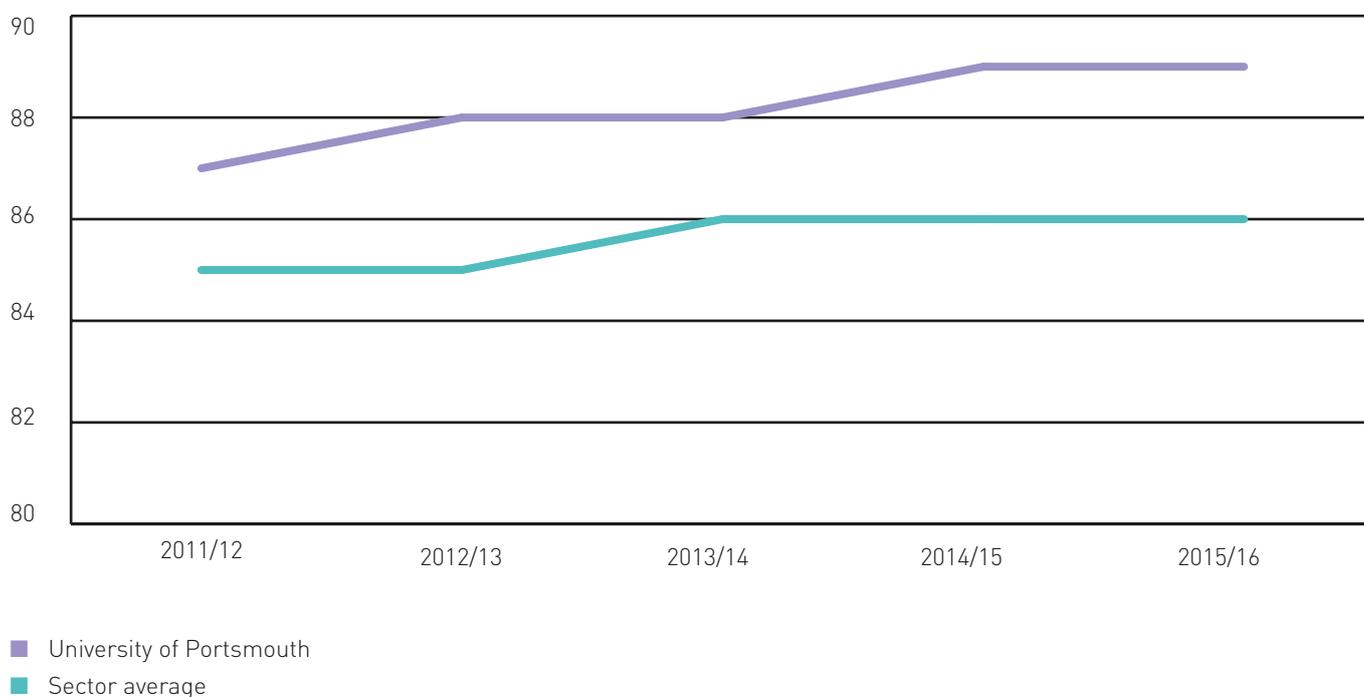
EDUCATION

NATIONAL STUDENT SURVEY (NSS)

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

We performed strongly once again in the NSS in 2016 maintaining overall student satisfaction at 89%, outperforming the sector average for the tenth consecutive year; with 80% of our final year students responding to the survey. Across the University 19 of our courses achieved a 100% satisfaction rate.

NATIONAL STUDENT SURVEY – OVERALL SATISFACTION

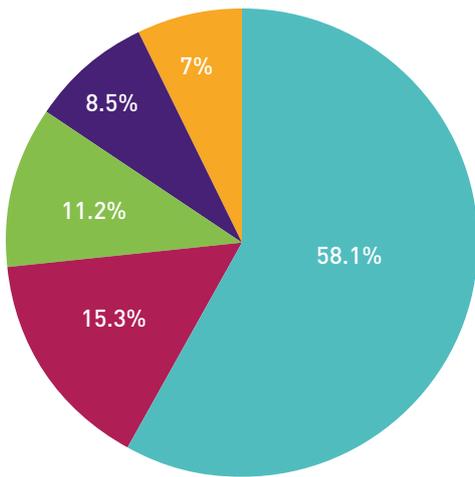


DESTINATIONS OF LEAVERS FROM HIGHER EDUCATION (DLHE)

Our strategy places a strong emphasis on student employability; through it we are seeking to ensure that every student gets the opportunity to take part in career-enhancing activities, such as placements, exchanges, enterprise, volunteering or work-based learning, through increased engagement with employers, alumni and other agencies.

The Destination of Leavers from Higher Education (DLHE) is an annual survey which reviews graduates' primary activities six months after leaving the University. The latest survey, published in July 2016, reviews the destination of students who left between August 2014 and July 2015.

The chart below shows the destinations of full-time UK domiciled undergraduates. The employment indicator for full-time UK domiciled first degree students remained at 88% and the graduate unemployment rate was also stable, at 7%. However, there was a significant increase in the proportion of graduates employed in professional/managerial occupations (72%), outperforming the national average (70%).



DESTINATION OF LEAVERS SUMMARY – CLASS OF 2014/15

- Full-time work
- Full-time study
- Part-time work or part-time study
- Other (including mixture of work and study)
- Unemployed

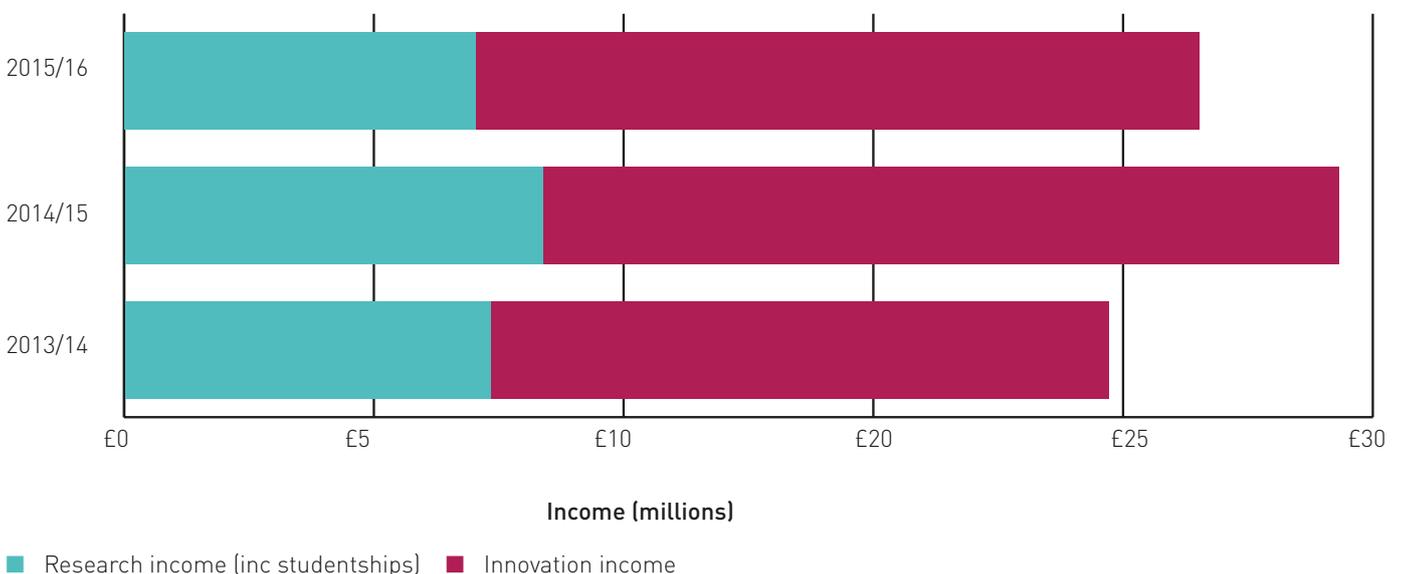
EXCELLENCE IN RESEARCH AND INNOVATION

Total research income for 2015/16 was £6.5m, with an additional £0.5m from research studentships. Maintaining current income levels for research from Research Councils and other Government funding streams continues to be extremely competitive.

Innovation income for 2015/16 was £14.5m, down from £15.9m in the previous year. However, this decrease is largely attributable to an anticipated reduction in regeneration income, following a series of one-off receipts in 2014/15. Innovation income through Knowledge Exchange and Teaching has increased overall since last year.

Developments are underway in the establishment of thematic areas contributing to education, research and innovation activity and impact.

RESEARCH AND INNOVATION INCOME



RESEARCH EXCELLENCE FRAMEWORK

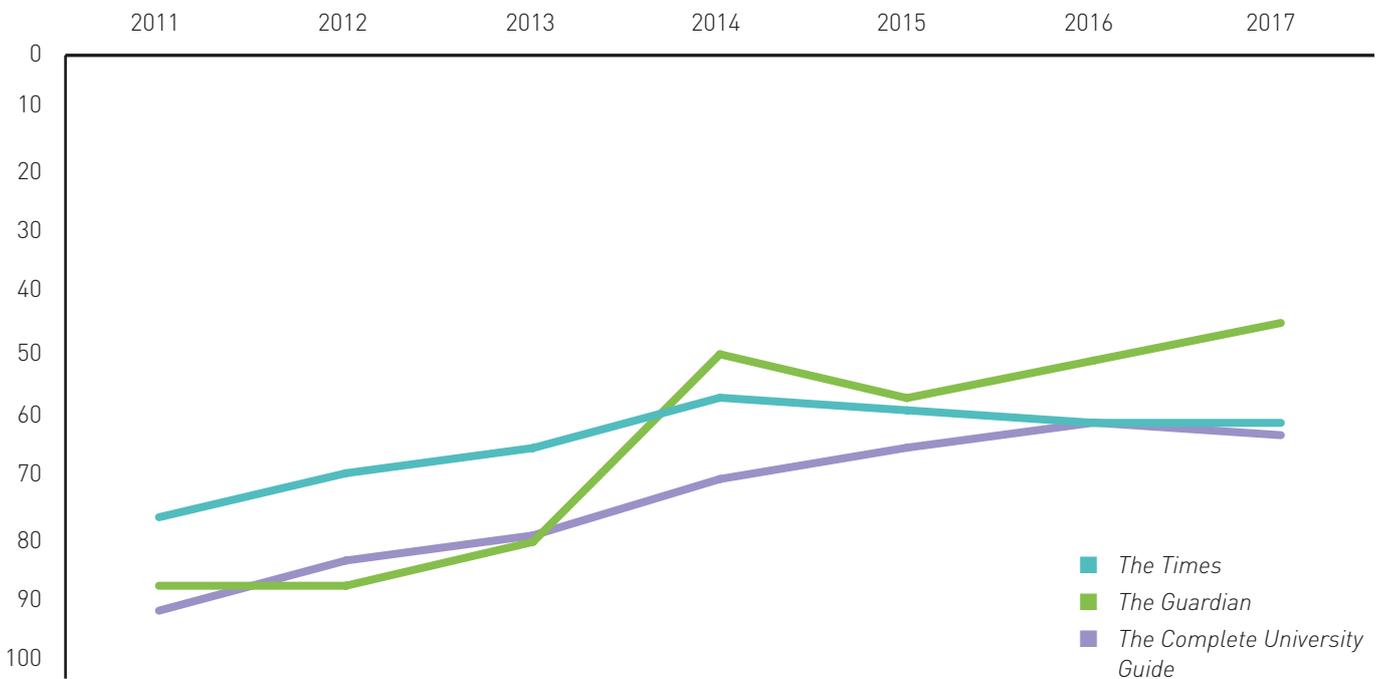
The Research Excellence Framework (REF) is the peer review process for assessing the quality of research in UK Higher Education Institutions (HEIs) that is being used to allocate HEFCE quality-related research (QR) funding from 2015–16 onwards. The University submitted 282 FTE staff to 15 Units of Assessment;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

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

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

PERFORMANCE IN EXTERNAL LEAGUE TABLES

The University is included in the Top 500 of the *Times Higher Education* World University Rankings for the fifth consecutive year, and is also included in the Top 100 of its 150 Under 50 Rankings 2016. We continue to perform well in major league tables having managed our position in the *Times* Good University Guide 2017 and improved our position to 43rd in the *Guardian's* University Guide 2017.



STAFF

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

Our biennial Staff Survey was carried out in late 2015 and the results demonstrated high levels of employee engagement, support for the University's values and commitment to helping the University achieving its strategic aims; when compared to sector benchmarks.

In 2015 work also commenced on a 'Modernising Pay and Reward' project. This is a key aspect in ensuring that we remain able to recruit and retain talented staff in an increasingly competitive market to ultimately improve the student experience. This project is due for completion in 2020.

ESTATE AND FACILITIES

Work is continuing on the development of the new £11m Future Technology Centre, which is being part-funded through a £5m cash injection from the HEFCE. This state of the art facility will help equip our students with the skills and experience to prepare them as innovative engineers. The project is due for completion in summer 2017. Other current projects include the repurposing of existing space at St. Andrew's Court following our successful bid for a prestigious adult nursing course, which will complement our existing suite of health-related courses.

The results of the 2014/15 survey on the condition of our estate has supported the development of a long-term maintenance plan for our existing estate and is one of the supporting pieces of work for our ongoing Estate Masterplan. Early feasibility work is being carried out on a new indoor sports centre and a new flagship building on a key site within the city. The completed Masterplan will be presented to Governors in 2016/17.



ENVIRONMENTAL SUSTAINABILITY

Our commitment

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

In addition to the work of our Environment Team, the University has a wider role in creating positive environmental impacts that have regional, national and international benefits through our research, teaching and collaborations with business and industry. The University of Portsmouth Environment Network (UPEN) seeks to coordinate and promote our activities in this area. The University monitors environmental performance, including our continued certification to the international standard for environmental management, ISO 14001.

Recycling and waste management

University waste is managed centrally under two external waste contracts. We also benefit from working with major providers in the waste management sector and with other local universities to procure waste services. This approach has delivered continued improvements in waste management and recycling across the campus in recent years, with recycling rates in buildings regularly achieving over 70%.

Energy consumption

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

Carbon management

The University continued its compliance with Carbon Reduction Commitment (CRC) regulations (2015-16, Phase 2) with the purchase of carbon allowances worth £250,000.

Behaviour change

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

Alongside the recent introduction of a Cycle to Work initiative, our continued membership of the easitPORTSMOUTH scheme aims to influence commuting travel behaviour by delivering discounted sustainable transport options to staff for their everyday and business journeys.

FUTURE RISKS AND TRENDS



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

Issue	Risk	Mitigation
Student recruitment	<p>Recruitment fails to achieve Home/EU student number targets.</p> <p>Recruitment fails to achieve international student number targets.</p> <p>Uncertainty in EU student recruitment markets created by Brexit.</p>	<p>We have set clear recruitment targets, have reviewed our entry tariffs and have used unconditional offers selectively. This has been supported by new investment in marketing activity.</p> <p>We will continue to ensure that we provide high-quality teaching and a responsive, attractive and up-to-date curriculum that meets student expectations and the needs of society and the economy.</p> <p>We have established a clear strategic focus upon internationalisation, with associated investment to further diversify our international recruitment markets.</p>
Student experience	<p>League table position is not optimised.</p> <p>External standards, information and quality requirements are not met.</p>	<p>We have continued to improve and offer an excellent student experience, taking targeted action where improvements were identified.</p> <p>We have established action plans to address issues arising from the NSS or DLHE surveys.</p> <p>We have implemented an Employability Strategy for our students.</p>
Research and innovation income	<p>Research and innovation targets are not met.</p>	<p>We have established a new Research and Innovation Strategy to drive approaches to increase income.</p> <p>We have made strategic investments in existing and emerging research and innovation activities.</p> <p>We have made new staff appointments to strengthen the research base and enhance income potential.</p> <p>We have developed key strategic partnerships regionally, nationally and internationally to diversify our income.</p>
Financial stability	<p>Significant reductions in government funding More efficient and effective ways of working are not achieved, resulting in an inability to realign resources to support new priorities.</p> <p>Loan financing cannot be secured on sufficiently favourable terms, causing ambitions to be curtailed.</p>	<p>We have a robust financial plan that delivers financial sustainability and assists the diversification of income streams.</p> <p>Our Executive Planning Group and the work of our Efficiency and Effectiveness Board helps to identify and drive financial efficiencies, value for money and cost savings across the University and to focus resources upon strategic priorities.</p> <p>We have appointed specialist advisors to help us to secure finances for our ambitious estates masterplan.</p>

Issue	Risk	Mitigation
Estate and IT infrastructure	<p>Buildings and infrastructure are not fit-for-purpose and are insufficiently attractive to students and staff.</p> <p>Loss of significant and business-critical estate or IT facilities.</p>	<p>Our estates masterplan is ambitious, forward thinking and designed to meet future organisational and student needs. We have also developed and funded a long-term maintenance plan.</p> <p>We have robust contingency and recovery plans in place to ensure network and cyber security, supported by security testing and information systems auditing.</p>
Attracting and retaining staff	<p>The University is unable to attract and retain high calibre staff.</p> <p>The University is unable to develop the workforce and its culture to meet its needs.</p>	<p>We have developed a Human Resources Strategy and have undertaken work to ensure that we offer attractive salary and relocation packages, good induction processes and follow sector-leading HR practices.</p> <p>We have reviewed and widened our Future Leadership programme and have made a significant investment in the training and development of our staff.</p>
Regulatory compliance	<p>External compliance requirements in the form of laws, regulations and inspection regimes are not met.</p>	<p>We have strong, well-publicised and enforced procedures for meeting our legal obligations. We enforce robust governance and corporate controls within the University and our supply chains.</p> <p>We have strong administrative procedures in place to fully satisfy UKVI requirements.</p>
Reputation and image	<p>Loss of reputation undermines effective recruitment and the facilitation of strategic partnerships.</p>	<p>We have identified and monitored the factors that are likely to influence our reputation and have enhanced our approach to communications and marketing.</p>
Capacity and capability	<p>Failure to secure the capacity and/or capability to optimise the achievement of strategic objectives.</p>	<p>We have a clear and coherent strategic plan, underpinned with robust sub-strategies, delivery plans and operational targets.</p> <p>We have established an integrated operational planning process at faculty and professional service level to facilitate the prioritisation and allocation of resources.</p>



PUBLIC
BENEFIT



OVERVIEW

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

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

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

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

EDUCATION

The University delivers undergraduate and postgraduate programmes to over 22,000 students. Through our Education Strategy we seek to promote and encourage creativity and innovation, developing partnerships and supporting staff and students to fulfil their potential.

We provide the regional, national and international economies with highly capable graduates able to make significant contributions to society. Our provision includes strategically important areas such as science, engineering, mathematics and modern foreign languages, and many of our courses are professionally accredited. Over 70% of our graduates are employed in professional or managerial occupations within six months following graduation (DLHE 2015), with many remaining in the city and surrounding area – providing the local area with the knowledge and skills needed by existing employers.

The city of Portsmouth includes a number of wards with some of the lowest participation rates in Higher Education in the UK. We are committed to raising expectations and creating ladders of opportunity for all those in our region who might benefit from taking part in Higher Education.

Our Recruitment and Outreach team create links from local Schools and Colleges to the University, particularly those schools and colleges where there has been a traditionally low level of progression to Higher Education. We offer a range of activities designed to interest and inform students about higher education. These activities are delivered from Years 5 to 13 and seek to encourage growth mindsets in individuals and include our very successful Student Ambassador and Student Mentoring schemes.

We are committed to fair and non-discriminatory admissions processes and continue to provide generous financial assistance to students from low-income households to mitigate against economic barriers to Higher Education. The most recent HESA performance indicators (2014/15) show that around 96% of our new entrants were from state schools or colleges, which was well in excess the UK average and comfortably above our location-adjusted benchmark against this indicator.

The University is the lead sponsor in the establishment of a Universal Technical College (UTC) for up to 600 pupils, aged 14–19, which is due to open in September 2017 and will exist alongside around sixty existing UTCs operating across England. The UTC will work with the University and employers, including the Royal Navy, BAE Systems and Airbus, to develop the curriculum and pupil opportunities preparing pupils to be 'work ready' upon leaving. The UTC will specialise in advanced manufacturing and electrical and mechanical engineering which will be taught alongside core GCSEs, in order to support workforce shortages in these areas across the Solent Region.

The University has also been successful in its bid to provide adult nursing education from February 2017. This will assist in addressing a serious shortage of nurses in the region and will run alongside our existing portfolio of professional healthcare courses, which provide highly qualified practitioners to the local region and beyond.

RESEARCH AND INNOVATION

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

Our research continues to provide significant benefits beyond the University, with our experts regularly sharing the outcomes of their research. For example, researchers from our Department of Sports and Exercise Science recently delivered lectures and demonstrations to staff from the Royal National Lifeboat Institution, to ensure that they remain up to date with the latest research to best assist their search and surveillance techniques. Content and statistics were also provided in relation to the recent RNLI drowning prevention campaign 'Respect the Water'.

We work with business partners of all sizes through collaborative research and consultancy. We provide our partners with access to world-class facilities and laboratories, as well as providing advice and support to SMEs in the region. In 2016 the University purchased Portsmouth Technopole, a five-storey landmark at the entrance to the city. This is expected further increase our contribution to the future economic prosperity and regeneration of the city and surrounding areas through encouraging companies to start, grow and remain in the city enabling the growth of new enterprises and job creation.



COMMUNITY ENGAGEMENT

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

Work Experience and Placements

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

Volunteering and Community Clinics

In 2015/16 over 600 of our students were involved in volunteering activity arranged through our Purple Door student support service. This activity was spread across 138 charities, local authorities and not-for-profit organisations in and around the City; beneficiaries included the British Heart Foundation, British Red Cross, and local charities such as the Shaw Trust which seek to improve the life chances of young people in the area.

Other activity includes the Legal Advice and Employment Law Clinics, run by our final year Law students, which provide free legal advice to members of the local community, the Healthy Living Pharmacy Live through which our students advise and support patients from the local community; and additional volunteering coordinated through the Students' Union.

The University of Portsmouth Dental Academy

Students at the University of Portsmouth Dental Academy (UPDA) combine their education with the treatment of local people and meeting their diverse needs, working in partnership with many community based organisations in the city including homeless people, children's centres, young people, older people, offenders on probation, and many other support groups.

These projects allow students to improve their clinical and patient management skills and ensure dental graduates have an informed and meaningful insight in to the factors contributing to health inequalities at a community level. The expected benefits to the wider community are a better understanding of the causes of disease, improved oral health and a reduction in oral health inequalities. Subsequently, many disadvantaged people are able to benefit from dental care and treatment.



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

GOVERNORS' REMUNERATION

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

GOVERNORS' INSURANCE

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

RESPONSIBILITIES

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

STATEMENT OF PRIMARY RESPONSIBILITIES

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

Strategy

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

Vice-Chancellor

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

Clerk to the Board of Governors

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

Senior postholders

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

1 The Articles of Government can be found at:
www.port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,77031,en.pdf

2 The Instrument of Government can be found at:
www.port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,77030,en.pdf

Staff

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

Stewardship

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

Monitoring

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

Corporate governance

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

Audit

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

Estates and information technology

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

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

Students' Union

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

Health and safety

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

Equality and diversity

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

Board's reserved powers

The Board of Governors shall not delegate the following:

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

BOARD AND COMMITTEE MEETINGS

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

Audit and Quality Committee

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

Finance Committee

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

Human Resources Committee

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

Estate and Information Technology Committee

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

Nominations Committee

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

Remuneration Committee

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

Risk management

The current Risk Management Policy was approved by the Board of Governors in October 2016 and will be reviewed annually. The maintenance and update of the Risk Register is the responsibility of the Director of Corporate Governance. As one means of complying with the key principles of risk management, all committees of the Board of Governors conduct their work in the context of the University Strategy and the Risk Management Policy. In essence, committees will examine the inherent risks in the strategic objectives of the committees as they contribute to the University Strategy.

FINANCIAL RESPONSIBILITIES



2015/16 FINANCIAL RESPONSIBILITIES OF THE UNIVERSITY'S BOARD OF GOVERNORS

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

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

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

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

The Board has taken reasonable steps to:

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

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



2015/16 STATEMENT OF INTERNAL CONTROL

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2016 and up to the date of approval of financial statements. It continues to be reviewed and refined in accordance with the HEFCE guidance.

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

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

The Board's review of the effectiveness of the system of internal control is informed by the HEFCE Assurance Team, which operates to standards defined in the HEFCE Audit Code of Practice. The University was last reviewed by the HEFCE Assurance Team in February 2015 and the review confirmed the HEFCE's confidence in the effectiveness of the University's management and governance. The HEFCE's overall conclusion was that it was 'able to place reliance upon the University's accountability information', which is the highest achievement outcome that can be obtained from such reviews. In addition, the HEFCE makes an annual risk assessment of the University which was confirmed in April 2016 and this stated that the University was deemed to be "not at risk". The internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

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

PUBLIC INFORMATION

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



INDEPENDENT AUDITOR'S REPORT



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

We have audited the financial statements of The University of Portsmouth for the year ended 31 July 2016 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group and University Statements of Changes in Reserves, the Group Cash Flow Statement, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

RESPECTIVE RESPONSIBILITIES OF THE GOVERNING BODY AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 July 2016 and of its deficit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education

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

In our opinion, in all material respects:

- income from the funding council and the Teaching Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2016 have been applied for the purposes for which they were received
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council and the funding agreement with the Teaching Agency
- the requirements of HEFCE's accounts direction have been met

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading

22 November 2016

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES



BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 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 (modified by the revaluation of fixed assets and derivative financial instruments).

BASIS OF CONSOLIDATION

The consolidated financial statements include the University and all its subsidiary companies for the financial year to 31 July 2016.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

INCOME RECOGNITION

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

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

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

GRANT FUNDING

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

DONATIONS AND ENDOWMENTS

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

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

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

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

CAPITAL GRANTS

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

ACCOUNTING FOR RETIREMENT BENEFITS

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Hampshire County Council administered Local Government Pension Scheme (LGPS). The TPS is accounted for under the same terms as a defined contribution scheme, the LGPS is accounted for under the terms of a defined benefit scheme. The TPS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to each University as members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement 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 company 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, including goodwill and fair value adjustments arising on consolidation, 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.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to the Statement of Comprehensive Income and Expenditure.

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 2015 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 has been any 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

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
Specialist Scientific Equipment	10 years
Vehicles	5 years

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.

INTANGIBLE ASSETS AND GOODWILL

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Goodwill is amortised over 10 years representing the remaining estimated economic lives of the long life assets to which the goodwill relates.

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. Negative goodwill is amortised over 5 years or the service lives of long life assets to which the goodwill is attributed.

INVESTMENT PROPERTIES

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Surplus or Deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

INVESTMENT

Investments in subsidiaries are carried at cost less impairment in the University's accounts. Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

STOCKS

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

CASH AND CASH EQUIVALENTS

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

FINANCIAL INSTRUMENTS

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

All receivables, payables and investments in subsidiaries are initially measured at transaction price (including transaction costs) and held at amortised cost. Other investments are held at fair value through profit or loss.

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.

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.

(i) Pension provision assumptions retirement benefits for University employees are provided by two defined benefit schemes; the Teachers' Superannuation Scheme (an unfunded Government scheme) and the Hampshire Local Government Pension Scheme (LGPS). In the case of the latter, the University is able to identify its share of the underlying assets and liabilities on a consistent basis and provides for these in the financial statements in accordance with FRS 102. All relevant calculation are based on information provided by the Scheme's actuaries (Aon Hewitt) and this information 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. All assumptions are tested during the external audit process.

(ii) Valuation of land and buildings for deemed cost.

The University's land and buildings were valued as at 31 July 2014 by Gerald Eve, an external valuer, in accordance with RICS Valuation-Professional Standards. Gerald Eve were provided with the following information and reports which they relied on in preparing their valuation:

- lease information for appropriate properties within the portfolio
- floor areas and plans

All significant parts of the properties were inspected by surveyors employed by Gerald Eve.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of economic benefits will be required to settle the obligation
- 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.

TRANSITION TO 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 24.

Application of first-time adoption grants certain exemption from the full requirements of the FEHE SORP in the transition period. The following exemption has been taken into these financial statements:

- fair value or revaluation as deemed cost at 31 July 2014: fair value has been used for deemed cost for those properties measured at fair value.



FINANCIAL STATEMENTS FOR
THE YEAR ENDING 31 JULY 2016



University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2016

	Note	Year ended 31 July 2016		Restated Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	171,374	171,374	162,709	162,709
Funding body grants	2	21,992	21,992	21,986	21,986
Research grants and contracts	3	6,519	6,442	8,219	8,173
Other income	4	24,618	23,536	27,720	27,177
Investment income	5	613	615	586	588
Total Income before other grants and donations		225,116	223,959	221,220	220,633
Donations and endowments	6	117	117	75	75
Total Income		225,233	224,076	221,295	220,708
Expenditure					
Staff costs	7	124,487	124,106	116,173	115,787
Other operating expenses		68,152	67,517	67,853	67,768
Depreciation	11	14,705	14,629	14,409	14,388
Interest and other finance costs	8	555	555	956	956
Finance charge in respect of pension schemes	8	3,380	3,380	4,001	4,001
Total Expenditure	9	211,279	210,187	203,392	202,900
Surplus before other gains and losses		13,954	13,889	17,903	17,808
Loss on disposal of fixed assets		(23)	(23)	(40)	(40)
Gain on investment	18	105	105	110	110
Surplus before tax		14,036	13,971	17,973	17,878
Taxation		0	0	213	215
Surplus for the year		14,036	13,971	17,760	17,663
Actuarial loss in respect of pension schemes		(35,460)	(35,460)	(7,499)	(7,499)
Total comprehensive (loss)/ income for the year		(21,424)	(21,489)	10,261	10,164
Represented by:					
Endowment comprehensive income for the year		177	177	142	142
Unrestricted comprehensive (loss)/ income for the year		(21,601)	(21,666)	10,119	10,022
		(21,424)	(21,489)	10,261	10,164

All items of income and expenditure relate to continuing activities

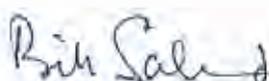
University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Consolidated and Institution Balance Sheet
for the year ended 31 July 2016

	Note	Restated			
		Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Intangible asset	10	381	0	0	0
Tangible fixed assets	11	348,925	345,441	346,257	348,204
Investments	12	2,116	6,567	1,931	2,131
		351,422	352,008	348,188	348,335
Current Assets					
Stock		377	361	332	323
Trade and other receivables	13	8,932	8,708	7,998	8,163
Short term deposits	14	53,941	53,941	68,984	68,984
Cash and cash equivalents		62,355	61,262	26,395	25,863
		125,605	124,272	103,707	103,333
Less: Creditors: amounts falling due within one year	15	(33,726)	(33,165)	(28,838)	(28,756)
Net current assets		91,879	91,107	74,869	74,577
Total assets less current liabilities		443,301	443,115	423,057	422,912
Creditors: amounts falling due after more than one year					
Deferred grant income	16	(46,347)	(46,347)	(42,559)	(42,559)
Secured and unsecured loans	16	(6,032)	(6,032)	(7,458)	(7,458)
Provisions					
Pension provisions	17	(136,920)	(136,920)	(97,590)	(97,590)
Deferred taxation	17	0	0	(24)	0
Total net assets		254,002	253,816	275,426	275,305
Restricted reserves					
Income and expenditure reserve - endowment reserve	18	2,275	2,275	2,098	2,098
Unrestricted reserves					
Income and expenditure reserve - unrestricted		251,727	251,541	273,328	273,207
Total Reserves		254,002	253,816	275,426	275,305

These financial statements were approved by the Board of Governors on 21 November 2016



B. Salmond
Chairman of Governors



G. Galbraith
Governor & Vice-Chancellor

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2016

	Income and expenditure account		Total
	Endowment £000	Unrestricted £000	£000
Consolidated			
Balance at 1 August 2014	1,956	263,209	265,165
Surplus/(deficit) from the income and expenditure statement	142	17,618	17,760
Actuarial loss in respect of pension scheme	0	(7,499)	(7,499)
Total comprehensive income for the year	142	10,119	10,261
Balance at 1 August 2015	2,098	273,328	275,426
Surplus/(deficit) from the income and expenditure statement	177	13,859	14,036
Actuarial loss in respect of pension scheme	0	(35,460)	(35,460)
Total comprehensive income for the year	177	(21,601)	(21,424)
Balance at 31 July 2016	2,275	251,727	254,002
University			
Balance at 1 August 2014	1,956	263,185	265,141
Surplus/(deficit) from the income and expenditure statement	142	17,521	17,663
Actuarial loss in respect of pension scheme	0	(7,499)	(7,499)
Total comprehensive income for the year	142	10,022	10,164
Balance at 1 August 2015	2,098	273,207	275,305
Surplus/(deficit) from the income and expenditure statement	177	13,794	13,971
Actuarial loss in respect of pension scheme	0	(35,460)	(35,460)
Total comprehensive income for the year	177	(21,666)	(21,489)
Balance at 31 July 2016	2,275	251,541	253,816

The opening balances have been restated following the transition to FRS102 which is detailed in note 24.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Consolidated Statement of Cash Flows for the year ended 31 July 2016

	Note	Year ended 31 July 2016 £000	Restated Year ended 31 July 2015 £000
Cash flow from operating activities			
Surplus for the year		14,036	17,760
Adjustments for non-cash items			
Depreciation	11	14,705	14,409
Gain on endowments	18	(105)	(110)
Increase in stock		(45)	0
Increase in debtors	13	(936)	(852)
Increase in creditors		8,616	248
Increase in provisions	23	3,380	3,318
		<u>25,615</u>	<u>17,013</u>
Adjustment for investing or financing activities			
Investment income		(613)	(586)
Interest payable		555	956
Endowment income		(72)	(73)
Loss on the sale of fixed assets	11	23	40
Capital grant income		(1,515)	(1,517)
		<u>(1,622)</u>	<u>(1,180)</u>
Net cash inflow from operating activities		<u>38,029</u>	<u>33,593</u>
Cash flows from investing activities			
Withdrawal of deposits		14,979	24
Investment income		613	586
Deferred capital grants received		5,447	3,418
Payments made to acquire fixed assets		(13,889)	(19,433)
New non-current asset investments		(3,974)	(133)
New deposits		(72)	(13,520)
		<u>3,104</u>	<u>(29,058)</u>
Cash flows from financing activities			
Interest paid	8	(3,935)	(956)
Endowment cash received		72	73
Repayment of amounts borrowed		(1,310)	(1,195)
		<u>(5,173)</u>	<u>(2,078)</u>
Increase in cash and cash equivalents in the year		<u>35,960</u>	<u>2,457</u>
Cash and cash equivalents at the beginning of the year		26,395	23,938
Cash and cash equivalents at the end of the year		62,355	26,395

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
1 Tuition fees and education contracts				
Full-time home students	105,861	105,861	98,661	98,661
Full time EU students	16,288	16,288	15,095	15,095
Full-time international students	30,923	30,923	31,652	31,652
Part-time students	5,656	5,656	5,643	5,643
Education contracts	9,367	9,367	8,097	8,097
Franchise fee income	2,215	2,215	1,990	1,990
Short courses and RTSG	1,064	1,064	1,571	1,571
	171,374	171,374	162,709	162,709
2 Funding council grants				
Recurrent grant				
Higher Education Funding Council	18,154	18,154	19,166	19,166
Release of capital grant	1,411	1,411	1,413	1,413
Specific grant				
Higher Education Innovation Fund	1,160	1,160	773	773
National Scholarship Programme	0	0	646	646
Postgraduate Support Scheme	925	925	0	0
Miscellaneous	225	225	(14)	(14)
National College for Teaching and Leadership	117	117	2	2
	21,992	21,992	21,986	21,986
3 Research grants and contracts				
Research councils	2,318	2,318	3,062	3,062
UK charities	1,092	1,092	934	934
UK Government/health authorities	1,168	1,130	1,728	1,728
Industry and commerce	352	349	282	277
EU Government	982	982	1,442	1,442
EU other	100	97	190	190
Other overseas	432	417	373	373
Other	75	57	209	168
	6,519	6,442	8,219	8,173
4 Other income				
Residences, catering and conferences	16,162	16,162	15,772	15,772
Contract income	3,923	2,911	6,362	6,034
Other income	4,534	4,464	5,586	5,371
	24,618	23,536	27,720	27,177
5 Investment income				
Interest from short term investments	538	540	513	515
Appreciation of restricted investments	75	75	73	73
	613	615	586	588
6 Donations and endowments				
Donations with restrictions	10	10	27	27
Unrestricted donations	107	107	48	48
	117	117	75	75

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

	Year ended 31 July 2016		Restated	
	Consolidated £000	University £000	Year ended 31 July 2015 Consolidated £000	University £000
7 Staff costs				
Staff Costs:				
Salaries	99,310	98,935	94,719	94,341
Social security costs	8,682	8,677	7,736	7,729
Other pension costs (note 24)	16,495	16,494	13,718	13,717
Total	124,487	124,106	116,173	115,787

Average full time equivalent staff numbers by major category:

	Number	Number
Academic and Research	1,233	1,181
Technical, Administrative and Professional	1,346	1,332

2,579	2,513
--------------	--------------

£000	£000
Emoluments of the Vice-Chancellor:	
Salary	258
Recognition award	0
Relocation expenses	0
Taxable benefits in kind	3
Total emoluments excluding employer's contribution to the Teachers Pension Scheme	261
Employer's contribution to the Teachers Pension Scheme	42
Total emoluments including employer's contribution to the Teachers Pension Scheme	303

Emoluments of the Vice-Chancellor:

Salary	258	250
Recognition award	0	25
Relocation expenses	0	5
Taxable benefits in kind	3	3
Total emoluments excluding employer's contribution to the Teachers Pension Scheme	261	283
Employer's contribution to the Teachers Pension Scheme	42	35
Total emoluments including employer's contribution to the Teachers Pension Scheme	303	318

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

Employer's contribution to the Teachers Pension Scheme

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

Remuneration of other higher paid staff :

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

	Number	Number
£100,000 - £109,999	2	1
£110,000 - £119,999	1	2
£120,000 - £129,999	1	0
£130,000 - £139,999	1	2
£140,000 - £149,999	1	0
Total	6	5

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 31 July 2016 this group of staff consists of the Vice-Chancellor, Pro-Vice Chancellors, the Chief Operating Officer and the Directors of Finance and Corporate Governance. Part-year costs for the Deputy Vice Chancellor are included in the 2014/15 figures; this accounts for the year on year fall in costs.

	£000	£000
Key management personnel compensation	886	918

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 compositions of the Board of Governors, 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 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 group during the year (2014/15 - £0).

Total expenses paid to or on behalf of 15 members of the Board of Governors was £8,784 (2014/15 - £6,895 to 12 members). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and Charity events in their official capacity.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
8 Interest and other finance costs				
Loans repayable	675	675	783	783
(Gain)/loss on currency exchange transactions	(120)	(120)	173	173
Net charge on pension scheme	3,380	3,380	4,001	4,001
	3,935	3,935	4,957	4,957
9 Analysis of total expenditure by activity				
Academic and related expenditure	133,886	133,854	126,754	126,700
Other income generating activities	2,053	1,431	4,525	4,525
Administration and central services	26,750	26,319	23,901	23,442
Premises	29,636	29,658	27,721	27,742
Residences, catering and conference	13,348	13,367	14,053	14,053
Research grants and contracts	5,606	5,558	6,438	6,438
	211,279	210,187	203,392	202,900
Other operating expenses include:				
External auditor remuneration in respect of audit services	78		50	
External auditor remuneration in respect of non audit services	32		16	
Internal auditor remuneration	74		87	
Operating lease rentals - land and buildings	3,827		3,753	
Operating lease rentals - other	92		65	
10 Intangible asset				
Opening balance	0	0	0	0
Additions in the year	381	0	0	0
Closing balance	381	0	0	0

The addition during the year relates to the purchase by the University of ASTA Technology UK Limited. This purchase has been accounted for using Acquisition Accounting principles.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

11 Tangible fixed assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Assets under Construction	Land and Buildings Total	Plant and Machinery	Fixtures, Fittings and Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Cost or deemed cost:							
At 1 August 2015	326,836	7,389	10,327	344,552	249	33,296	378,097
Additions at cost	9,419	0	0	9,419	98	7,880	17,397
Transfer of assets under construction	6,432	0	(6,432)	0	0	0	0
Disposals/Demolitions	0	0	0	0	0	(338)	(338)
At 31 July 2016	342,687	7,389	3,895	353,971	347	40,838	395,156
Depreciation:							
At 1 August 2015	10,767	182	0	10,949	232	20,659	31,840
Depreciation	10,942	0	0	10,942	4	3,759	14,705
Disposals/Demolitions	0	0	0	0	0	(314)	(314)
At 31 July 2016	21,709	182	0	21,891	236	24,104	46,231
Net Book Value							
At 31 July 2016	320,978	7,207	3,895	332,080	111	16,734	348,925
At 31 July 2015	316,069	7,207	10,327	333,603	17	12,637	346,257
University							
Cost or deemed cost:							
At 1 August 2015	326,836	7,389	10,327	344,552	249	33,143	377,944
Additions at cost	5,919	0	0	5,919	98	7,871	13,888
Transfer of assets under construction	6,432	0	(6,432)	0	0	0	0
Disposals/Demolitions	0	0	0	0	0	(335)	(335)
At 31 July 2016	339,187	7,389	3,895	350,471	347	40,679	391,497
Depreciation:							
At 1 August 2015	10,767	182	0	10,949	232	20,559	31,740
Depreciation	10,889	0	0	10,889	4	3,736	14,629
Disposals/Demolitions	0	0	0	0	0	(313)	(313)
At 31 July 2016	21,656	182	0	21,838	236	23,982	46,056
Net Book Value							
At 31 July 2016	317,531	7,207	3,895	328,633	111	16,697	345,441
At 31 July 2015	316,069	7,207	10,327	333,603	17	12,584	346,204

The University's land and buildings were revalued at 31 July 2014 using the Fair Value basis and, where it was available, market based evidence was used to calculate the asset value. For assets where market based evidence was not available such as where the assets are of a specialised nature (eg. the University Library and the academic buildings) the basis of the valuation was Depreciated Replacement Cost (DRC). The University appointed Gerald Eve, a firm of chartered surveyors, to undertake the valuation of the land and buildings in accordance with RICS Valuation - Professional Standards.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

12 Non-Current investments

	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
Consolidated			
At 1 August 2015	0	1,931	1,931
Additions	0	185	185
At 31 July 2016	0	2,116	2,116
University			
At 1 August 2015	200	1,931	2,131
Additions	4,251	185	4,436
At 31 July 2016	4,451	2,116	6,567

The investments in subsidiary companies shares comprises the following:

Name of subsidiary	Nature of activity	Holding
University of Portsmouth Enterprise Limited:	Consultancy and bars	100,002 Ordinary Class A £1 Shares fully paid (at cost)
University of Portsmouth Investments Limited:	Recruitment services in China	2 Ordinary Class A £1 Shares fully paid (at cost) 1,000,000 Ordinary Class B £0.10 Shares fully paid (at cost)
University of Portsmouth Services Limited:	Dental Services contract with NHS	2 Ordinary Class A £1 Shares fully paid (at cost)
Technology Enterprises Portsmouth Limited:	Owns Portsmouth Technopole Limited and Portsmouth Technopole (Holdings) Limited	1 Ordinary Share £1
Portsmouth Technopole Limited:	Operation of the Technopole Innovation Centre	2,000,000 Ordinary Shares £1
Portsmouth Technopole (Holdings) Limited:	Dormant	130,000,000 Ordinary Shares £0.0001
ASTA Technology UK Limited:	European Space Agency accredited courses	10 Ordinary shares £1

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

Other non-current investments consist of:	Year ended 31 July 2016	Year ended 31 July 2015
	£000	£000
CVCP Properties plc	37	37
Hampshire Community Bank	50	0
Endowment asset (see note 18)	2,029	1,894
	2,116	1,931

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.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

12 Non-Current investments (continued)

Acquisition of subsidiary undertakings:

On 30 October the University acquired 100 per cent of the issued share capital of Portsmouth Technopole (Holdings) Limited, a company whose primary activity is holding the investment in Portsmouth Technopole Limited, for consideration of £3,468k cash.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £000	Other adjustments £000	Fair value to group £000
Fixed Assets			
Tangible fixed asset	3,500	0	3,500
Current Assets			
Debtors	15	0	15
Cash	98	0	98
Total assets	3,613	0	3,613
Creditors			
Trade creditors	24	0	24
Accruals	49	0	49
Provisions			
Taxation	72	0	72
Total liabilities	145	0	145
Net Assets	3,468	0	3,468
Satisfied by:			
Cash			3,468
			3,468

In the year ended 31 July 2016, turnover of £638k and a profit of £119k was included in the consolidated profit and loss account in respect of Portsmouth Technopole Limited since the acquisition date.

On 6 July 2016 the University acquired 100 per cent of the issued share capital of ASTA Technology UK Limited, a company whose primary activity is running European Space Agency (ESA) accredited training courses, for consideration of £680k cash.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £000	Other adjustments £000	Fair value to group £000
Fixed Assets			
Intangible	0	381	381
Tangible	1	(1)	0
Current Assets			
Stocks	5	0	5
Debtors	7	0	7
Cash	342	0	342
Total assets	355	380	735
Creditors			
trade creditors	54	0	54
Accruals	1	0	1
Provisions			
taxation	0	0	0
Total liabilities	55	0	55
Net Assets	300	380	680
Satisfied by:			
cash			680
			680

In the year ended 31 July 2016, turnover of £7k and a loss of £6k was included in the consolidated profit and loss account in respect of ASTA Technology UK Limited since the acquisition date.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
13 Trade and other receivables				
Amounts falling due within one year:				
Research grants receivable	1,221	1,221	1,823	1,823
Other trade receivables	2,368	2,274	1,510	1,421
Prepayments and accrued income	5,282	4,899	4,580	4,540
Amounts due from subsidiary undertakings	0	150	0	165
	8,871	8,544	7,913	7,949
Amounts falling due after one year:				
Prepayments and accrued income	61	61	83	83
Amounts due from subsidiary undertakings	0	103	0	131
	61	164	83	214
	8,932	8,708	7,996	8,163
14 Short term deposits				
Short term bonds	38,941	38,941	41,984	41,984
Short term deposits	15,000	15,000	27,000	27,000
	53,941	53,941	68,984	68,984

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with less than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 0.5% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 70 days. The fair value of these deposits was not materially different from the book value.

15 Creditors: Amounts falling due within one year

Secured loans	1,427	1,427	1,310	1,310
Trade payables	1,797	1,415	1,583	1,543
Other creditors	9,539	9,476	7,304	7,275
Social security and other taxation payable	4,950	4,942	3,651	3,625
Accruals and deferred income	9,987	9,866	9,351	9,286
Deferred capital grants	1,515	1,515	1,371	1,371
Holiday pay accrual	4,511	4,511	4,268	4,268
Amounts owed to subsidiaries	0	13	0	78
	33,726	33,165	28,838	28,756

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	190	190	1,493	1,493
Grant income	1,351	1,351	1,577	1,577
	1,541	1,541	3,070	3,070

16 Creditors: Amounts falling due after more than one year

Deferred income:				
Due between one and two years	3,028	3,028	1,123	1,123
Due between two and five years	4,544	4,544	3,080	3,080
Due in five years or more	38,775	38,775	38,356	38,356
	46,347	46,347	42,559	42,559
Secured loans:				
Due between one and two years	1,556	1,556	1,427	1,427
Due between two and five years	4,175	4,175	5,105	5,105
Due in five years or more	1	1	626	626
	5,732	5,732	7,158	7,158
Other creditors				
Unsecured loans repayable by 2034	300	300	300	300
	52,379	52,379	50,017	50,017

Secured Loans:	£000	Term	Interest rate	Borrower
Lender				
Barclays	1,128	25 years	7.4% fixed until May 2021	University
Barclays	2,106	25 years	8.7% fixed until November 2020	University
Barclays	3,925	25 years	8.6% fixed until November 2020	University
	7,159			

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

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

17 Provisions for liabilities

	Defined benefit obligations (note 23) £000	Deferred tax £000	2016 Total £000
Consolidated			
At 1 August 2015	(97,590)	(24)	(97,614)
Additions	(39,330)	0	(39,330)
Utilised in the year	0	24	24
At 31 July 2016	(136,920)	0	(136,920)
University			
At 1 August 2015	(97,590)	0	(97,590)
Additions	(39,330)	0	(39,330)
Utilised in the year	0	0	0
At 31 July 2016	(136,920)	0	(136,920)

18 Endowment Funds

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Expendable endowments £000	2016 Total £000	2015 Total £000
At 1 August 2015				
Capital	1,112	9	1,121	1,121
Accumulated income	817	160	977	835
	1,929	169	2,098	1,956
New donations and endowments	0	6	6	27
Investment income	75	1	76	73
Expenditure	0	(10)	(10)	(68)
Increase in market value of investments	105	0	105	110
	180	(3)	177	142
At 31 July 2016	2,109	166	2,275	2,098
Represented by:				
Capital			1,121	1,121
Accumulated income			1,154	977
			2,275	2,098
Analysis by type of purpose:				
Lectureships			2,109	1,929
Prize funds			166	169
			2,275	2,098
Analysis by asset:				
Investments			2,029	1,894
Cash			246	204
			2,275	2,098

The Endowment is managed by CCLA Investment Management Limited. The funds are primarily held as units in Ethical Investment (39%) and Fixed Interest (57%). The remaining 4% is held within a Deposit Fund

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

19 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2016:

	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted at 31 July	641	641	1,521	1,521
	641	641	1,521	1,521

20 Contingent Liability

The University has given written undertakings to support the subsidiary companies at twelve months from the date of approval of these financial statements.

21 Financial Commitments

	Year ended 31 July 2016			Year ended 31 July 2015 £000
	Land and Buildings £000	Plant and Machinery £000	Total £000	
Total rentals payable under operating leases:				
Up to one year	291	92	383	54
Between two and five years	809	0	809	19
In more than five years	1,894	0	1,894	4,067
	2,994	92	3,086	4,140

22 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 and ASTA Technology UK Limited. These transactions are eliminated on consolidation and accordingly the Corporation has availed itself of the dispensation in FRS 8 not to disclose such items in these financial statements.

During 2015/16 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £962k (2014/15: £1,129k) from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

23 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") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a pay-as-you-go basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation Of The Teachers' Pension Scheme

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

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

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

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

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

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

Department for Education

Mowden Hall, DARLINGTON DL3 9BG

TPS financial note – June 2012

Contribution amounts outstanding as at 31 July 2016 and included in social security and other taxation payable creditors is £1,133,711 (2015: £938,499).

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

23 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 2013, 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 2016.

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
The financial assumptions used to calculate scheme liabilities under FRS102 are:		
Discount rate	2.4%	3.6%
Rate of increase of salaries	3.3%	3.6%
Rate of revaluation of pension accounts	1.8%	2.1%
Rate of increase in pensions	1.8%	2.1%
Rate of inflation RPI	2.9%	3.2%
Rate of inflation CPI	1.8%	2.1%
Assets are valued at fair value, and comprise:		
	£000	£000
Equities	103,596	90,644
Bonds	51,342	43,351
Property	13,521	12,926
Cash	9,501	5,202
Other	4,750	5,517
Total	<u>182,710</u>	<u>157,640</u>

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.

	2016		2015	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	24.6	26.7	24.5	26.6
Female	26.4	28.7	26.3	28.6

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Analysis of amounts shown in the balance sheet:		
Fair value of scheme assets	182,710	157,640
Present value of funded scheme liabilities	(309,920)	(245,860)
Present value of unfunded scheme liabilities	(9,710)	(9,370)
Deficit in the scheme - net pension liability recorded within pension provision (note 17)	<u>(136,920)</u>	<u>(97,590)</u>
Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:		
Current service cost	(8,460)	(6,890)
Past service cost	(10)	(100)
Total operating charge	<u>(8,470)</u>	<u>(6,990)</u>
Financing:		
expected return on assets	5,760	8,460
interest on expected scheme liabilities	(9,140)	(9,270)
Net return	<u>(3,380)</u>	<u>(810)</u>
Total expense recognised in income and expenditure account	<u>(11,850)</u>	<u>(7,800)</u>
Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:		
Total actuarial loss on funded liabilities	(34,830)	(10,420)
Total actuarial loss on unfunded liabilities	(630)	(270)
Total actuarial loss recognised	<u>(35,460)</u>	<u>(10,690)</u>

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Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

23 Pension and similar obligations (continued)

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
The changes to the fair value of assets during the year is made up as follows:		
Opening fair value of assets	157,640	137,860
Movement in year:		
expected return on assets	5,760	8,460
contributions by the University	7,980	7,660
contributions by the participants	2,730	2,570
net benefits paid out	(5,850)	(5,990)
actuarial gain on assets	14,450	7,080
Closing fair value of assets	<u>182,710</u>	<u>157,640</u>
Opening present value of funded liabilities	(245,860)	(215,250)
Movement in year:		
current service	(8,460)	(6,890)
interest cost	(8,810)	(8,910)
contributions by the participants	(2,730)	(2,570)
net benefits paid out	5,230	5,360
past service cost	(10)	(100)
actuarial loss	(49,280)	(17,500)
Closing present value of funded liabilities	<u>(309,920)</u>	<u>(245,860)</u>
Opening present value of unfunded liabilities	(9,370)	(9,370)
Movement in year:		
interest cost	(330)	(360)
net benefits paid out	620	630
actuarial loss	(630)	(270)
Closing present value of unfunded liabilities	<u>(9,710)</u>	<u>(9,370)</u>
Actual return on scheme assets:		
Expected return on scheme assets	5,760	8,460
Actuarial gain on assets	14,450	7,080
Actual return on assets	<u>20,210</u>	<u>15,540</u>

History of experience gains and losses for the year ended 31 July 2016 were as follows:

	Year ended 31 July 2016	31 July 2015	31 July 2014	31 July 2013	31 July 2012
Difference between the expected and actual return on scheme assets:					
Amount £000	14,450	7,080	(7,890)	11,910	(2,760)
Percentage of scheme assets at end of year	7.9%	4.5%	-5.7%	8.9%	-2.5%
Experience gains or losses on scheme liabilities					
Amount £000	2,560	1,050	2,560	(170)	(700)
Percentage of scheme liabilities at end of year	0.8%	0.4%	1.1%	-0.1%	-0.3%

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
The total pension charge for the University and its subsidiaries can be analysed as follows:		
TPS	7,847	6,504
LGPS	7,360	7,072
Other, including NHS	798	812
FRS102 adjustment re LGPS	490	(670)
Total pension cost (Note 7)	<u>16,495</u>	<u>13,718</u>

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

24 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS102 and the SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS102 Statement of Financial Position at 1 August 2014. In preparing its FRS102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position	31 July 2015		1 August 2014	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Total reserves under 2007 SORP	288,545	288,424	186,943	186,919
Revaluation moved back to 13/14	(10,949)	(10,949)	81,036	81,036
Employee leave accrual	(4,268)	(4,268)	(4,770)	(4,770)
Endowments	2,098	2,098	1,956	1,956
Total effect of transition to FRS102	(13,119)	(13,119)	78,222	78,222
Total reserves under 2015 SORP	275,426	275,305	265,165	265,141

Financial performance	Year ended 31 July 2015	
	Consolidated £'000	University £'000
Surplus for the year under 2007 SORP	23,142	23,045
Employee leave accrual	502	502
Endowments	142	142
Actuarial loss in respect of pension schemes	(10,690)	(10,690)
Accelerated depreciation adjustment removed	3,850	3,850
Historical cost depreciation adjustment removed	(5,793)	(5,793)
Additional depreciation	(892)	(892)
Total effect of transition to FRS102	(12,881)	(12,881)
Total comprehensive income for the year under 2015 SORP	10,261	10,164

Adjustments made under FRS102

Below is a summary of the principal adjustments made to convert the financial results to FRS102:

(i) Employee leave accrual

FRS102 requires that financial value of leave not yet taken as at 31st July is included in the accounts.

(ii) Revaluation and depreciation adjustments

The University's estate was revalued in July 2015 and the revalued amount included in the 2014/15 old UK GAAP accounts. FRS102 requires that this revaluation be "rolled back" to 31st July 2014 and 2014/15 depreciation and asset values restated accordingly. This includes transfer (to prior year reserves) of £3,850k accelerated depreciation, originally included in the 2014/15 old UK GAAP income and expenditure account. The historical cost adjustment has been removed as not applicable under FRS102.

(iii) Endowments

Under FRS102 endowments are shown in the Reserves Statement rather than the former Statement of Recognised Gains and Losses.

(iv) Actuarial loss (Local Government Pension Scheme)

Under FRS102 this items is shown within the Statement of Consolidated Income and Expenditure, rather than the former Statement of Recognised Gains and Losses.

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Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

24 Transition to FRS102 and the 2015 SORP (continued)

	31 July 2015 Effect of transition to 2015			1 August 2014 Effect of transition to		
	2007 SORP £'000	SORP £'000	2015 SORP £'000	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000
Non-current assets:						
Fixed Assets	357,204	(10,947)	346,257	265,190	81,012	346,202
Investments	37	1,894	1,931	37	1,785	1,822
	357,241	(9,053)	348,188	265,227	82,797	348,024
Endowment assets	2,098	(2,098)	0	1,956	(1,956)	0
Current assets:						
Stock	332	0	332	332	0	332
Trade and other receivables	7,996	0	7,996	7,145	0	7,145
Investments	94,090	(25,106)	68,984	77,712	(60,887)	16,825
Cash and cash equivalents	1,085	25,310	26,395	1,409	61,058	62,467
	103,503	204	103,707	86,598	171	86,769
Less: Creditors: amounts falling due within one year	(23,221)	(5,615)	(28,838)	(27,325)	(5,877)	(33,202)
Net current (liabilities)/assets	80,282	(5,411)	74,869	59,273	(5,706)	53,567
Total assets less current liabilities recorded within other Comprehensive Income.	439,621	(16,562)	423,057	326,456	75,135	401,591
Creditors: amounts falling due after more than one year	(7,458)	(42,559)	(50,017)	(8,768)	(40,861)	(49,629)
Provisions:						
Pension provisions	(97,590)	0	(97,590)	(86,760)	0	(86,760)
Deferred taxation	0	(24)	(24)	0	(37)	(37)
Total net assets	334,573	(59,145)	275,426	230,928	34,237	265,165
Deferred capital grants	43,930	(43,930)	0	42,029	(42,029)	0
Restricted Reserves :						
Income and expenditure reserve - endowment	2,098	0	2,098	1,956	0	1,956
Pension reserve	(97,590)	97,590	0	(86,760)	86,760	0
Income and expenditure reserve - unrestricted	170,052	103,278	273,328	146,770	116,439	263,209
Revaluation reserve	216,083	(216,083)	0	126,933	(126,933)	0
	290,643	(15,215)	275,426	188,899	76,266	265,165
Total Reserves	334,573	(59,145)	275,426	230,928	34,237	265,165

University of Portsmouth

Financial Statements for the Year Ended 31 July 2016

Notes to the Financial Statements (continued)

24 Transition to FRS102 and the 2015 SORP (continued)

	2007 SORP £'000	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income				
Tuition fees and education contracts	162,709	0	0	162,709
Funding body grants	21,986	0	0	21,986
Research grants and contracts	8,219	0	0	8,219
Other income (adjusted to exclude income from joint ventures)	27,595	0	125	27,720
Investment income	581	73	(68)	586
Total income before donations and endowments	221,090	73	57	221,220
Donations and endowments	0	(45)	120	75
Total income	221,090	28	177	221,295
Expenditure				
Staff costs	116,675	0	(502)	116,173
Other operating expenses	71,743	(4)	(3,886)	67,853
Depreciation	13,517	0	892	14,409
Interest and other finance costs	1,593	3,191	173	4,957
Total expenditure	203,528	3,187	(3,323)	203,392
Surplus before other gains and losses	17,562	(3,159)	3,500	17,903
Loss on disposal of fixed assets	0	0	(40)	(40)
Gain on investments	0	110	0	110
Surplus before tax	17,562	(3,049)	3,460	17,973
Taxation	213	0	0	213
Surplus for the year	17,349	(3,049)	3,460	17,760
Unrealised surplus on revaluation of land and buildings	5,793	0	(5,793)	0
Actuarial (loss)/gain in respect of pension schemes	0	(7,499)	0	(7,499)
Total comprehensive income for the year	23,142	(10,548)	(2,333)	10,261

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Consolidated Statement of Comprehensive Income and Expenditure (SoCIE). This column should not include recognition of valuation changes arising from the adoption of the 2015 SORP. These are included within the effect of transition to 2015 SORP column.



University of Portsmouth
University House
Winston Churchill Avenue
Portsmouth
PO1 2UP
United Kingdom

T: +44 (0)23 9284 4444
W: www.port.ac.uk

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