



UNIVERSITY OF  
PORTSMOUTH



FINANCIAL  
REVIEW FOR  
THE YEAR  
ENDED  
31 JULY 2017



Teaching  
Excellence  
Framework

## GROWING SUCCESS

**NO.1**  
IN THE UK FOR BOOSTING  
GRADUATE SALARIES

*The Economist 2017*

**GOLD**  
RATED FOR TEACHING  
EXCELLENCE



**TOP 40**  
UNIVERSITY IN THE UK

*The Guardian's University Guide 2018*

**5★**  
RATING FOR TEACHING  
EMPLOYABILITY AND FACILITIES

*QS World University Ranking 2017*

**TOP 100**  
NEW UNIVERSITIES  
IN THE WORLD

*Times Higher Education  
Young University Rankings 2017*

**96.5%**  
OF OUR GRADUATES  
ARE WORKING OR IN FURTHER  
STUDY SIX MONTHS AFTER  
GRADUATION

*Destination of Leavers from  
Higher Education Survey 2016*

**£**  
PORTSMOUTH  
IS ONE OF THE MOST  
AFFORDABLE CITIES IN THE  
SOUTH FOR STUDENTS

*Student Living Survey 2017*

**88%**  
STUDENT  
SATISFACTION

*NatWest Student Living Index 2017*

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

This year we have celebrated our 25th anniversary as a university. It has also been a year to celebrate in many other respects.

In June, we received a prestigious “Gold” rating in the Teaching Excellence Framework (TEF) – placing us in the top 25% of higher education providers nationally and making us one of only four Gold-rated universities in the South East of England. The assessment panel judged that the University of Portsmouth “delivers consistently outstanding teaching, learning and outcomes for its students. It is of the highest quality found in the UK”.

We also continued to climb the league tables. The Guardian League Table places us amongst the top 40 universities in the UK. The Times Higher placed us within the top 100 young universities in the world. This year, for the first time, we have appeared in the top 600 of the Academic Ranking of World Universities primarily thanks to our research strengths.

The views of our students are important to us – this year our students gave us an overall satisfaction rating of 88% in the National Student Survey. This is higher than the national average and many of our courses achieved 100% satisfaction.

The support we offer our students and our state-of-the-art facilities help to prepare our students for successful and rewarding careers. This ensured that 96.5% of our graduates from 2016 were in work or further study six months after graduation. A study by The Economist found that Portsmouth does more than any other UK university to boost its graduates’ earnings, with the average Portsmouth graduate earning 13% more than expected.

We are a proud part of the City of Portsmouth. Our new Estate Master Plan will ensure that our students and staff have the best possible environment in which to study and work, but will also make a tangible difference to the landscape of the City and its regeneration. Working with the Royal Navy, the City Council and other partners, we have established the University Technical College to meet local and regional employers’ skills needs in engineering and advanced manufacturing and to offer excellent employment and university prospects for its pupils.

However, our contribution to economic and cultural wealth is not confined only to our City – our reach is far greater. During the year, we commissioned an assessment of the economic impact of our University. This showed that we contribute £1.1 billion to the economy and that for every pound that we generate, a further £7.06 is generated in benefits for the UK.

This year also marked the retirement of Sandi Toksvig OBE as our Chancellor. She has been an inspirational role model for our staff and students and we thank her warmly for her untiring commitment and dedication over the last five years. We are also pleased that our new Chancellor, Karen Blackett MBE not only has a successful track-record in business and for championing diversity and equality issues but she is an alumni of the University, graduating in Geography in 1992. As such, she personifies what our graduates can achieve.

Our 25th year as a university also provided us with an opportunity to revise and refresh our brand identity to launch us into our next 25 years. We now have an exciting and modern logo and an updated University crest that delivers a powerful new brand identity.

These are just some of the highlights from an enormously successful year but it is also important to recognise that these achievements reflect the hard work, effort and commitment of all within our University community – the University thrives because of the energy, drive and enthusiasm of its people and, above all, we thank them for their role in our many achievements over the last year.



**Jane Hoskins**  
Chair of the Board of Governors



**Professor Graham Galbraith**  
Vice-Chancellor

November 2017

# STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2017

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# GOVERNORS

## Board of Governors and Senior Financial Officers of the University of Portsmouth Higher Education Corporation 1 August 2016–23 November 2017

### Board of Governors (who are also Trustees)

<b>External Members</b>	Dr Peter Bunyan	
	Janice Caplan	Up to 31 July 2017
	Bishop Christopher Foster	
	Jenny Crighton	From 1 August 2017
	Mark Greenwood	
	Jane Hoskins	Deputy Chair up to 31 July 2017; Chair from 1 August 2017
	Baldev Laly	
	Anne Lambert	
	Mark Lemon	
	The Honourable Virginia Lovell	Up to 14 July 2017
	Frances Morris-Jones	
	Paul Myers	
	Mark Readman	
	Bill Salmond	Chair up to 31 July 2017
	Margaret Scott	
	David Willan	
Professor Nairn Wilson	Deputy Chair from 1 August 2017	
<b>Student Governor</b>	Rebecca Hings	Up to 31 July 2017
	Lucy Cook	From 1 August 2017
<b>Nominated by Academic Council</b>	Dr Karen Heard-Laureote	
	Dr Jenny Walden	
<b>Nominated by Academic Staff</b>	Professor Mike Tipton	
<b>Nominated by Support Staff</b>	Kathryn Land	
<b>Nominated by Student Body</b>	James Belmonte	Up to 30 June 2017
	James Thompson	From 1 July 2017
<b>Vice-Chancellor</b>	Professor Graham Galbraith	

### Senior Financial Officers of the University

<b>Director of Finance</b>	Emma Woollard
<b>Deputy Director of Finance</b>	Dr Elizabeth Bartle

### Secretariat

<b>Director of Corporate Governance and Clerk to the Board of Governors</b>	Adrian Parry
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# STRATEGIC REPORT

## DIRECTOR OF FINANCE REPORT

### Overall Performance

The University's positive financial results for 2016/17 reflect strong student recruitment, particularly for Home and EU students where total numbers increased by approximately 1,000 compared to 2015/16. This included in particular a significant increase in postgraduate taught numbers. International student numbers increased slightly from year to year. The key financial indicators, EBITDA and ANOC are shown in the table below.

	2016/17	2015/16
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£33.9m	£31.6m
Earnings before Interest, Taxes, Depreciation and Amortisation as a % of Income	14.5%	14.0%
Adjusted Net Operating Cash Flow (ANOC)	£36.9m	£34.7m

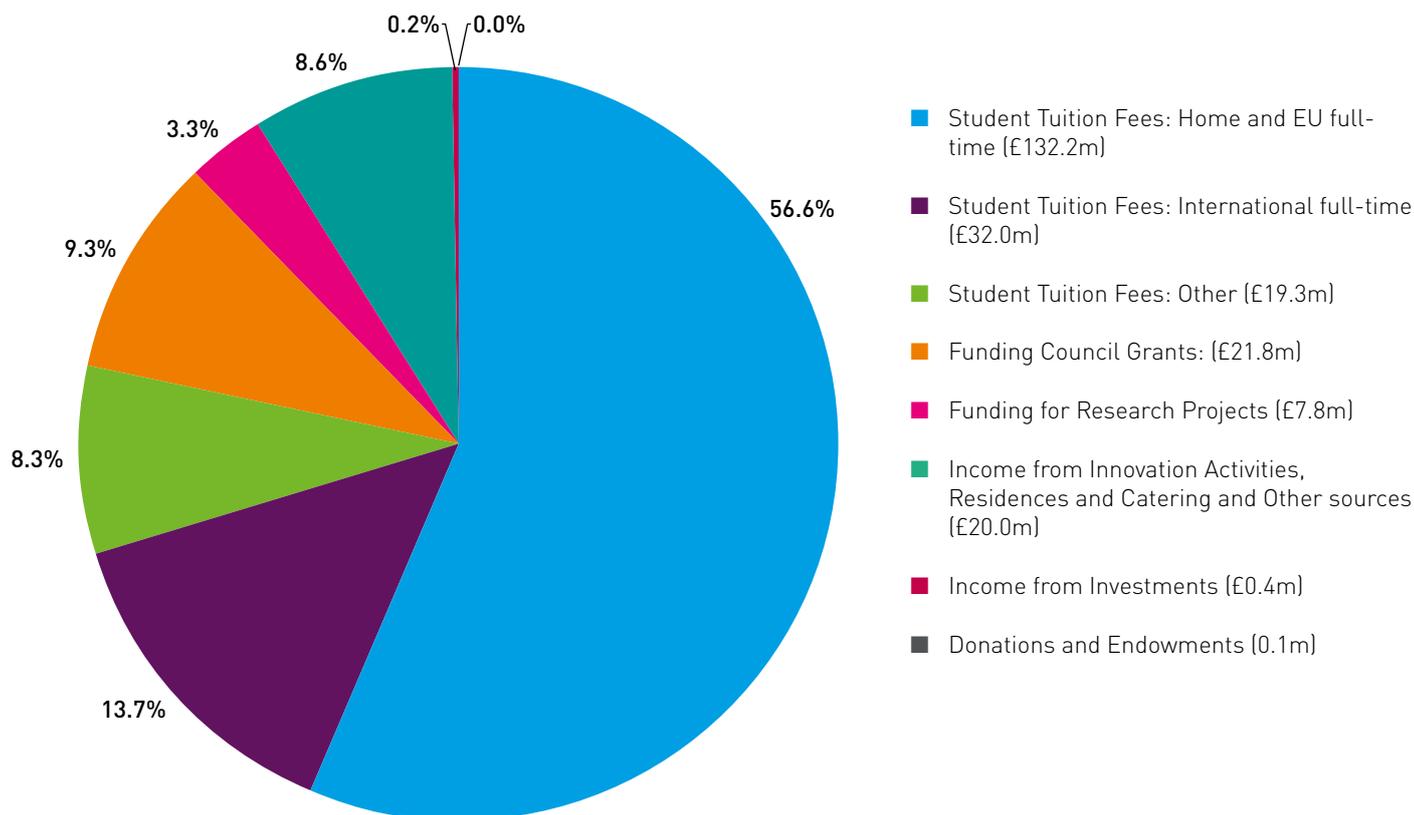
Both EBITDA and ANOC have increased in 2016/17. EBITDA is calculated from the surplus before other gains or losses, with certain costs or income added back. The increase reflects the fact that once LGPS actuarial year-end adjustments\* and depreciation are excluded, costs have risen by £6.0 million, whereas income has increased by £8.4 million. ANOC is calculated by adjusted the net operating cash flow (adding back cash inflows and outflows from investing activities).

\*The LGPS adjustments affect both staff costs (adjustment is net of benefits accrued in the year by scheme members less employer contributions in the year) and finance costs (net of interest on scheme liabilities less interest on scheme assets).

### Income

The University's income for 2016/17 totals £233.7 million, compared to £225.2 million in 2015/16.

Sources of Income	2016/17 £000	2015/16 £000	Change £000	Change %
Student Tuition Fees: Home and EU full-time	132,174	122,149	10,025	8.2
Student Tuition Fees: International full-time	31,987	30,923	1,064	3.4
Student Tuition Fees: Other	19,335	18,302	1,033	5.6
Funding Council Grants	21,848	21,992	(144)	(0.7)
Funding for Research Projects	7,792	6,519	1,273	19.5
Income from Innovation Activities, Residences & Catering and Other Sources	19,996	24,618	(4,622)	(18.8)
Income from Investments	443	613	(170)	(27.7)
Donations and Endowments	107	117	(10)	(8.5)
Total	233,682	225,233	8,449	3.8



## Student Tuition Fees

Income from full-time UK & EU students has increased by £10.0 million (8.2%) reflecting increased numbers of approximately 1,000 (all years) students, including a significant increase in postgraduate taught student numbers, reflecting the success of the University's own scholarship scheme (following on from the 2015/16 HEFCE funded programme).

International full-time income increased by £1.1 million (3.4%); this predominantly reflects general fee inflation, with some limited increase in total student numbers. The previous year's recruitment had been impacted by the shortage of student residential accommodation, this has now been fully addressed through the opening of one new hall of residence in 2016/17 and a further 1,000 bedrooms have recently opened for the start of the 2017/18 academic year.

## Government Funding

Total funding is slightly decreased compared to 2015/16. Mainstream teaching and research funding increased by £0.5 million, this is due to a lower provision in 2016/17 for HEFCE grant adjustments (following annual audits etc.). The HEIF (Higher Education Innovation Funding) also increased, by £0.4 million. These two increases are offset by the expected cessation of the HEFCE Postgraduate Support Scheme (£0.9 million in 2015/16, £0 in 2016/17).

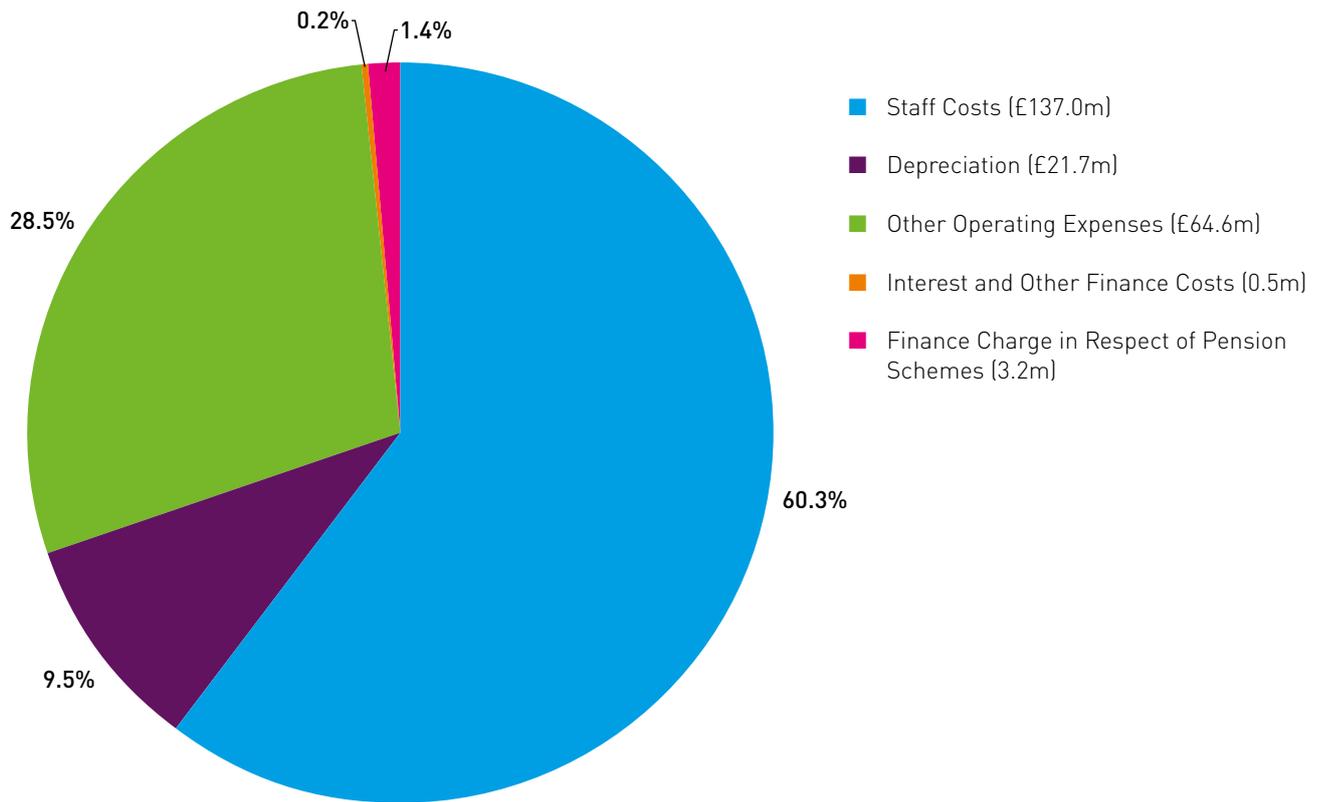
## Other Sources of Income

Income from research grants and contracts increased by £1.3 million to £7.8 million; this is predominantly due to a number of new awards funded by Research Councils UK and UK Charities. The University continues to support its 2015-2020 Research and Innovation Strategy through increased investment in academic research, including the recruitment of a number of professorial posts to lead cross-Faculty thematic areas of research.

Income from Innovation, Residences, Catering and Other fell by £4.6 million to £20.0 million. This includes transfer of three Halls of Residence to direct let with Unite Students (who own the buildings; this has also resulted in reduced expenditure).

## Expenditure

Expenditure by Type	2016/17 £000	2015/16 £000	Change £000	Change %
Staff Costs	136,951	124,487	12,464	10.0
Depreciation	21,670	14,705	6,965	47.4
Other Operating Expenses	64,642	68,152	(3,510)	(5.2)
Interest and Other Finance Costs	506	555	(49)	(8.8)
Finance Charge in Respect of Pension Schemes	3,190	3,380	(190)	(5.6)
Total	226,959	211,279	15,680	7.4



Expenditure has increased from £211.3 million to £227.0 million. This figure includes a £12.5 million (10.0%) rise in staff costs. This increase includes annual increments, the 1.1% August 2016 pay award (circa £3m in total) and the 2.9% average full time equivalent increase in staff numbers. This increase in staff numbers is predominantly (64 out of 76) due to new academic posts agreed as part of the University's annual strategic and financial planning process. A further £3m is due to the increased year end actuarial adjustment for the Local Government Pension Scheme. The annual leave provision has also increased by £0.8m.

Depreciation has increased significantly, by £7.0 million (47.4%) compared to 2015/16. £5.1 million of this increase relates to accelerated depreciation for the Langstone Halls of Residence which will no longer be in use after May 2018. There will be a final £4.7 million depreciation charge for these Halls in the 2017/18 accounts. Other Operating Expenses fell by £3.5 million (5.2%) in the year (this includes the impact of the transfer of the Unite Halls of Residence to direct let with the company).

In 2016/17 the University spent £7.2 million on direct bursary and hardship support for students from low income families. 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 £6.8 million (2.9% of total income). This includes £5.1 million accelerated depreciation for the Langstone Halls of Residence which are due to be permanently vacated at the end of May 2018. Excluding this adjustment, the 2016/17 surplus is £11.9 million compared to £14.0 million in 2015/16.

## Balance Sheet

<b>Net Assets:</b>	<b>31 July 2017 £000</b>
Non- Current Assets	348,008
Net Current Assets	108,468
Creditors due after one year	52,336
Pension Liability	119,930
<b>Net Assets</b>	<b>284,210</b>

<b>Represented By:</b>	<b>31 July 2017 £000</b>
Income and Expenditure Reserve: restricted	2,415
Income and Expenditure Reserve: unrestricted	281,795
<b>Total Reserves</b>	<b>284,210</b>

The Total Net Assets for the University and its subsidiaries increased in value by £30.4 million to £284.2 million; £17.0 million of this increase is due to the reduction in pension liability.

Non-current assets reduced by £3.2 million to £348.0 million in total; this included expenditure of £18.3 million on new fixed assets (£13.9 million in 2015/16) and £21.6 million depreciation; this latter figures includes the accelerated depreciation (Langstone site) referred to above. Additions include continuing investment in the University's new Future Technology Centre (opens January 2018), replacement of the University Library roof and significant refurbishment works to the Mercantile House building.

Cash, cash equivalents and investments increased by £20.1 million (to £136.4 million) in the year. Under FRS102 Investments refers to fixed term cash investments, made from general funds and maturing at least 3 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 31st July 2017 compared to 31st July 2016 occurred despite ongoing spend on equipment and infrastructure projects. There has been some limited new building works (Future Technology Centre) but in general spend on significant Estates projects will be significantly higher in subsequent years as the University's Estate Masterplan begins (2017/18 onwards).

The pension liability fell by £17.0 million from £136.9 million to £119.9 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 reduced liability at 31st July 2017 compared to twelve months previously is due to the improvement in discounts rate (set with reference to corporate bond yields) between the two year end dates. This results in lower present value (cost) being placed on future cash flows by the scheme actuaries and an improved calculation of scheme asset performance compared to 2015/16.

The LGPS scheme underwent a periodic (triannual, as at 31st 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 by 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 decreased by £170,000 in 2016/17 despite increased cash balances (£136.4 million compared to £116.3 million as at 31st July 2016). Approximately 50% of the University's cash is invested in Treasury Bills and following the EU Referendum in June 2016, general demand for these increased. This had the effect of reducing investor yields. In addition, the Bank of England reduced base rates to 0.25% in April 2016 (previously 0.5%).

## Financial Strategy

2016/17 was the third 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 the University 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 2016/17 work to embed the process continued, in tandem with the successful 'go live' of our new financial reporting and budget software. This approach is integral to delivering our financial strategy and ensuring our financial sustainability and has provided a clear basis for developing the financing strategy for our Estates Master Plan, which was approved by the Board of Governors in July 2017.

## 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 2016/17 and 2015/16 are shown in the table below.

	2016/17	2015/16
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£33.9m	£31.6m
Earnings before interest, Taxes, Depreciation and Amortisation as a % of Income	14.5%	14.0%
Adjusted Net Operating Cash Flow (ANOC)	£36.9m	£34.7m
Surplus for the year as a % of Total Income	2.9%	6.2%
Unrestricted Reserves (excluding pension liability) as a % of Income	120.6%	111.7%
Borrowings as a % of Total Income	2.5%	3.2%
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	242.4	215.9
Staff Costs as a % of Income	58.6%	55.3%

The reduced surplus as a proportion of income reflects the approximately 50% fall in surplus from year to year; predominantly due to £5.1 million accelerated depreciation in 2016/17 in relation to the Langstone Halls of Residence. As detailed at the start of this report, both EBITDA and ANOC have increased year on year. 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 (see below).

## Estate Masterplan

The Framework for the University's Estate Masterplan was approved by the Board of Governors in November 2016. Subsequent to this, the accompanying Financial Strategy was developed and this was approved in July 2017. The approved funding model is a combination of cash balances, cash generated in-year and long term debt financing.

The University is in the final stages of agreeing the new funding arrangement for the planned significant investment in the University's estate.

## Going Concern

The University undertakes an annual exercise to consider going concern. This is a review of our ability to continue to operate for at least twelve months from the date of signing the financial statements; that is until at least December 2018. 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 ongoing 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:  
<http://www.port.ac.uk/departments/services/finance/publishedfinancialstatements/>

# STRATEGIC AMBITIONS

## Our Mission

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

## The way we work

### Ambitious

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

### Responsible

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

### Open

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

## Our Vision

### We will Deliver Transformational Education, Research and Innovation by:

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

### Enabling the Delivery of our Vision

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

### Building on our Underpinning Strengths

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

The full University Strategy, as well as our Research and Innovation, Education, Global, People and IT Strategies, are available here: <http://www.port.ac.uk/vision/>

# TARGETS AND KEY PERFORMANCE INDICATORS - SUMMARY - 2016/17

These ambitions relate to the University Strategy 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	2016/17
Student Recruitment		
Student Satisfaction		
Student Retention		
Graduate Employment		
Research and Innovation Income		
Widening Participation		
Staff Development and Satisfaction		
Estate		
Financial Strength		
Quality, Reputation and Visibility		

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

<b>Good</b>
<b>Satisfactory</b>
<b>Mixed</b>
<b>Problematic</b>

# STRATEGIC COMMENTARY

## Student Recruitment

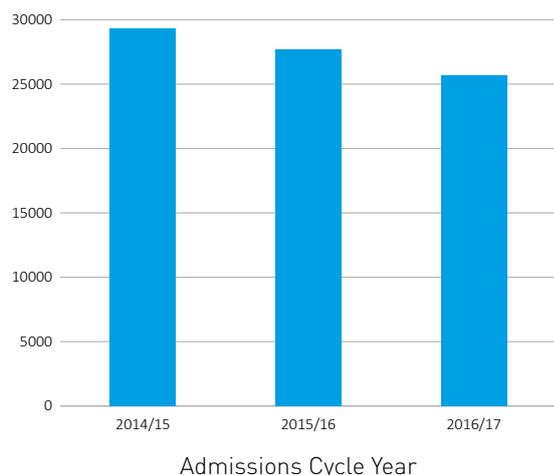
The 2016/17 admissions cycle, which predominantly involves new entrants to Higher Education for the 2017/18 academic year, is the third since the removal of the student number control (SNC), by HEFCE. This change has enabled many institutions to seek to expand, including ours, which has resulted in increased competition for applicants making recruitment more challenging for the majority of HE providers.

Other factors influencing applicant demand during the 2016/17 admissions cycle have included a decline in the number of 18-year-olds in the UK population – a trend which will continue for several years – as well as a reduction in a number of applications to UK HEIs from the European Union, following the referendum on UK membership in June 2016; and a reduction in the number of mature applicants to HE nationally.

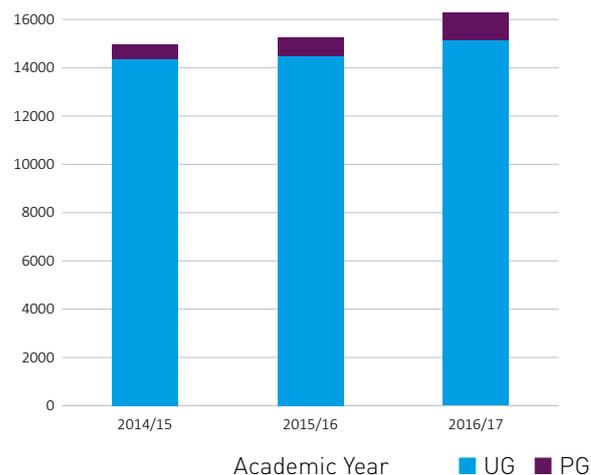
Home/EU UCAS applications to Portsmouth were down around 8% through the main cycle, compared with a reduction of around 4% to the sector overall. However overall numbers remained healthy with over 25,000 applications received in total via the main UCAS route. Demand from international students remained strong with applications 8% higher overall compared to last year.

Registered student numbers increased from 22,060 in 2015/16 to 23,503 in 2016/17. This increase was attributable to successful recruitment of full-time undergraduate students, above internal new entrant targets, and high continuing numbers. There was also a notable increase in the number of new Home/EU full-time postgraduate taught students in 2016/17. This was most likely due to the introduction of government backed loans for postgraduate students which also released some pent up demand for postgraduate provision, as well as the introduction of a new University of Portsmouth Postgraduate Scholarship Scheme.

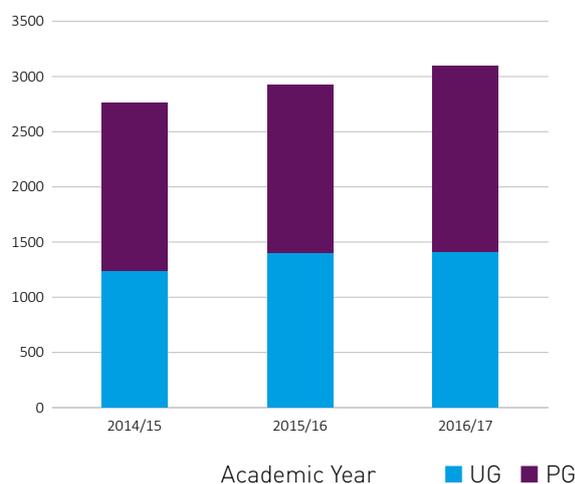
### Home/EU Applications (UCAS)



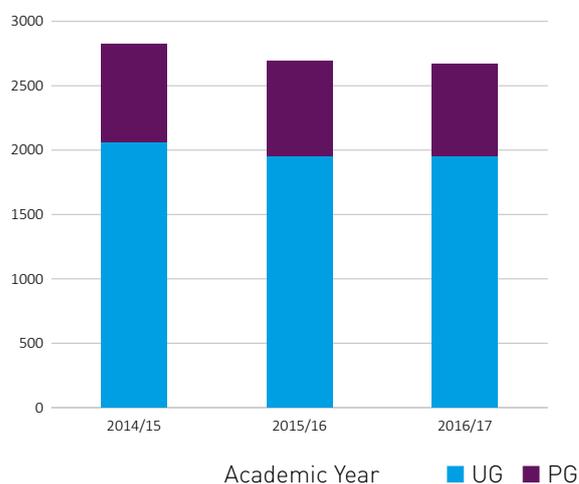
### Home/EU Full-Time Student Numbers



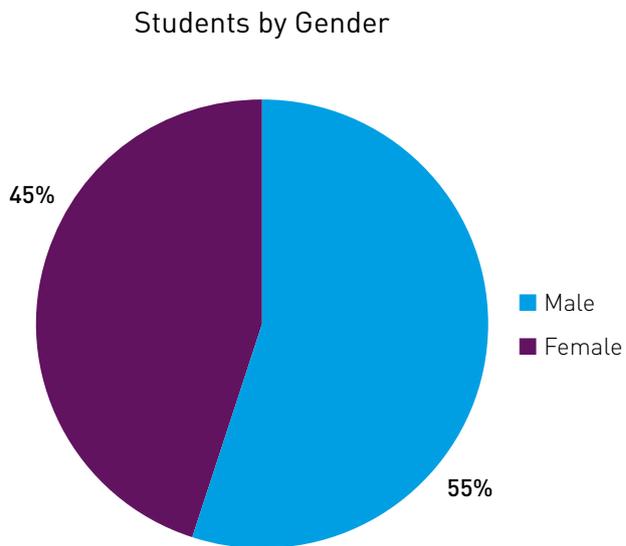
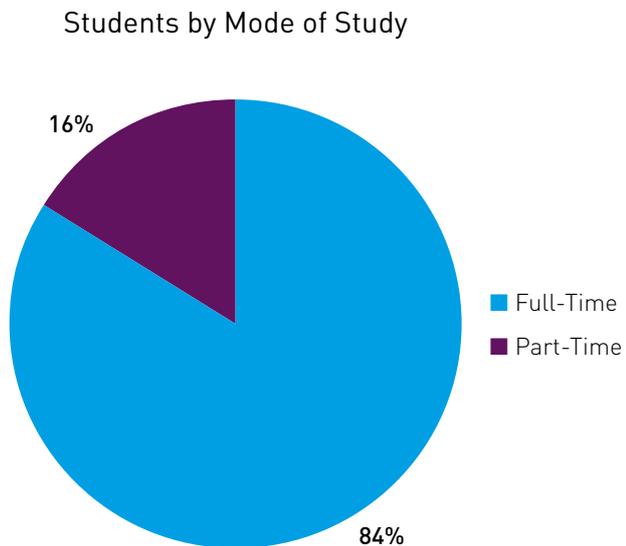
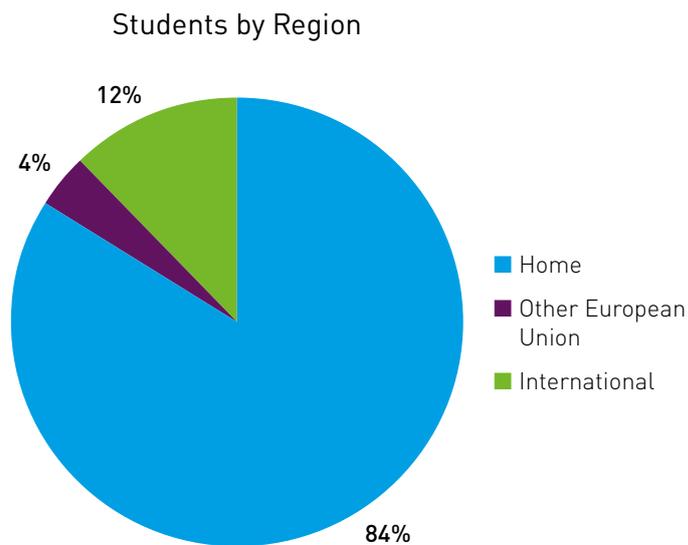
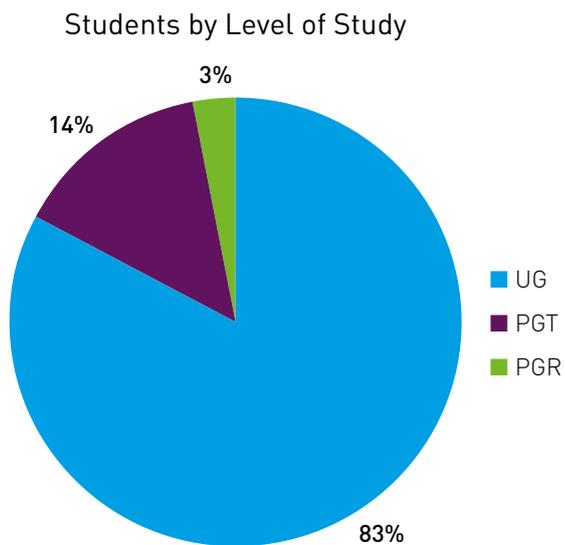
### Home/EU Part-Time Student Numbers



### International Full-Time Student Numbers



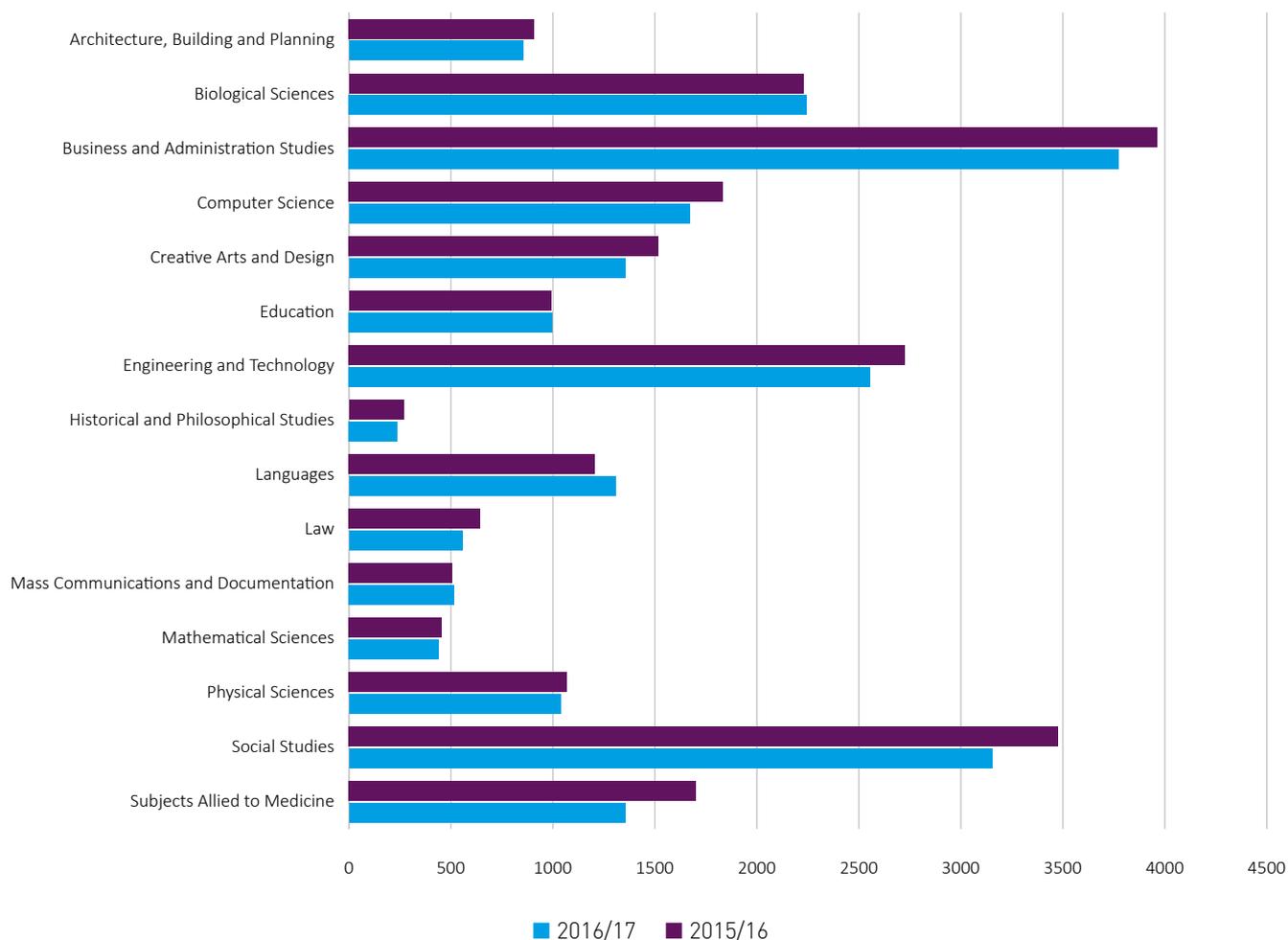
The distribution of our students in 2016/17 by level of study, mode of study, region, and gender, is shown in the charts below:



We deliver programmes covering a wide range of subjects across five faculties; Creative and Cultural Industries, Humanities and Social Sciences, Portsmouth Business School, Science and Technology.

The chart below shows the distribution of our students across the variety of subject areas in which we are active.

Students by Subject Area

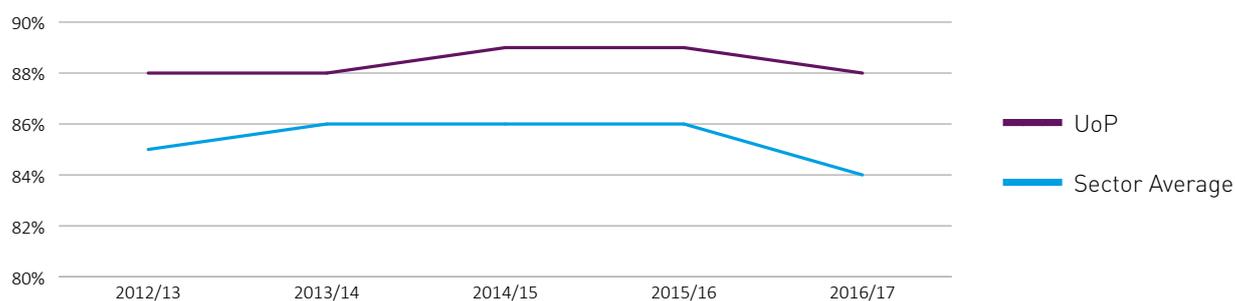


## Student Satisfaction

We achieved excellent results in the 2017 National Student Survey with 88% of respondents satisfied overall with their course. The survey saw substantial changes for the first time in over ten years with new sections included on students’ learning community, learning opportunities and student voice. The survey introduced a set of nine new questions on student engagement. For the eleventh successive year we outperformed the sector average on overall satisfaction; with the latest results seeing us extend the gap between our students’ satisfaction and the rest of the sector.

Across the University 19 of our courses achieved 100% overall satisfaction.

National Student Survey – Overall Satisfaction

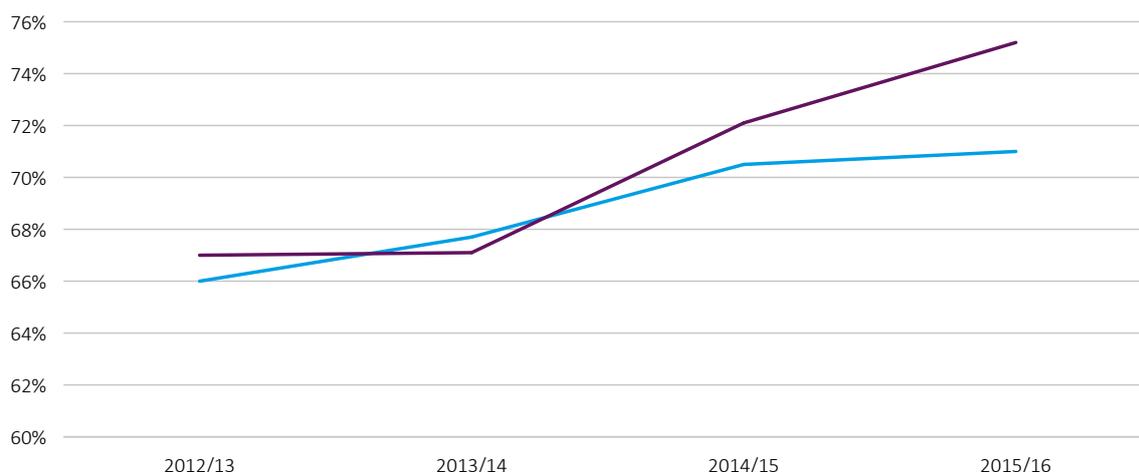


## Graduate Employment

We seek 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 2017, reviews the destination of students who left between August 2015 and July 2016. This showed that 96.5% of Portsmouth graduates were in employment or further study 6 months after graduating, the highest rate amongst universities in the South East of England. 75% of those in work 6 months after graduation were in professional jobs, compared with a 71% average for the rest of the sector.

% of full-time first degree graduates in professional level occupations



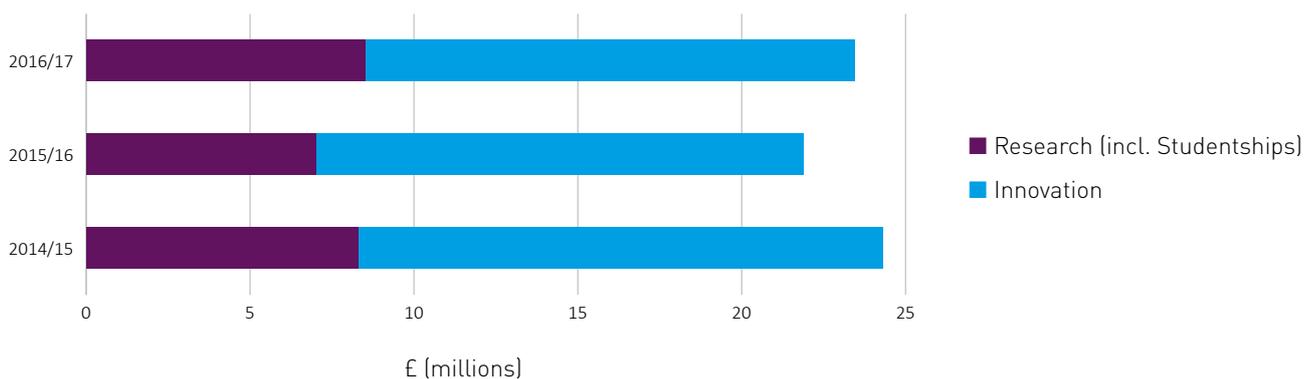
Additionally, an independent analysis carried out by *The Economist* showed that Portsmouth did more than any other university in the UK to boost graduates' earnings with University of Portsmouth graduates earning, on average, £3,100 per year above expectations five years after graduation.

## Research and Innovation Income

Total research income for 2016/17 was £7.9m – an increase of £1.4m on 2015/16, with an additional £0.6m from Research Studentships.

Innovation income for 2016/17 was £15.0m – an increase from £14.5m in 2015/16, largely attributable to increased income from EU/ International Collaborative Programmes and Knowledge Exchange Activity.

Research and Innovation Income



# Widening Participation and Student Retention

The University's long-held commitment to widening participation is reaffirmed through our mission: "We delight in creating, sharing and applying knowledge to make a difference to individuals and society".

The city of Portsmouth, and the surrounding region, includes areas where progression to Higher Education is amongst the lowest in the country. We believe that through working in partnership with individuals and organisations we can support and influence the economic, educational, social and cultural life of the city.

Our vision is explicit about our intentions to "raise expectations and create ladders of opportunity for people in our region to take part in higher education". We aim to deliver these objectives through proactive aspiration-raising work, fair admissions policies and our flexible and personalised range of support for students on their programmes and in to employment, to ensure all our students are able to develop as successful, independent learners regardless of their background.

Our approach is supported by innovative, research-led pilot interventions including implementation of a £1m collaborative project, with a £0.25m HEFCE contribution to develop a methodology for delivering learning gain and readiness for employment, which builds on our existing high-profile work on growth mindsets with under 18s as part of our outreach strategy.

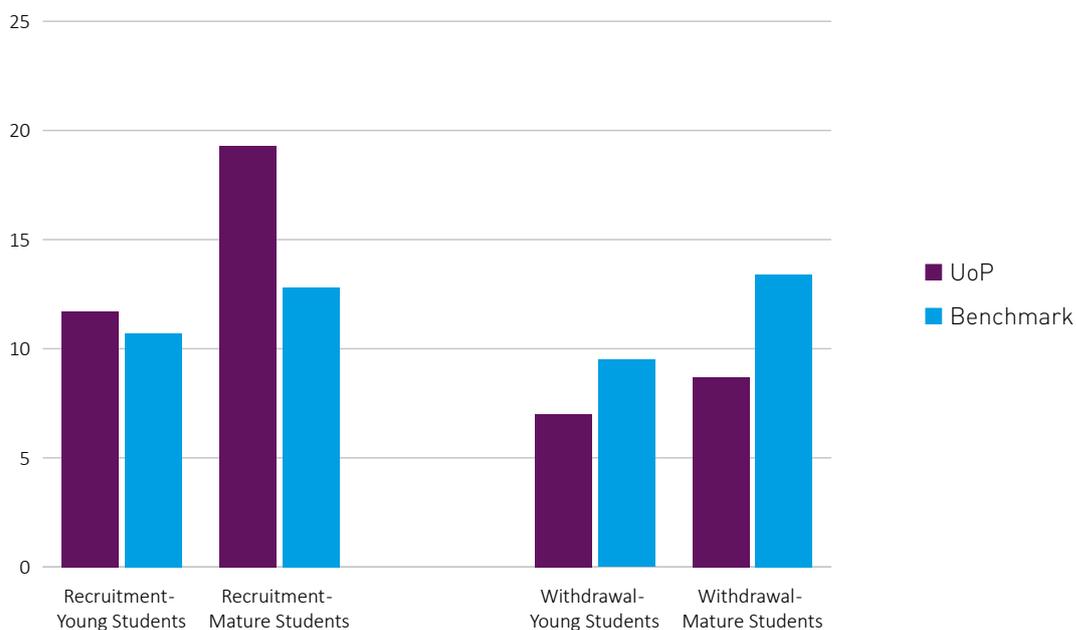
We continue to provide financial support to those students in most need, through the award of non-repayable bursaries to English students from the lowest-income households. In 2016/17 we made bursary payments to undergraduates totalling over £5.9m as part of a total expenditure of £7.2m on bursaries, support for Care Leavers, and hardship funds. In addition we funded around 300 awards worth £3,000 each to high-achieving Portsmouth graduates from less affluent households progressing to postgraduate study.

We continue to perform strongly in recruiting and retaining students from under-represented groups. In the most recent HESA performance indicators, published in spring 2017, and against which the University sets targets within the Access Agreement submitted to the Office of Fair Access, the University has outperformed the benchmark for targets relating to both the recruitment of young and mature students from low participation neighbourhoods and retention within the same groups.

Our 2018/19 Access Agreement, which has been approved by the Office of Fair Access, includes stretching targets for future years against the same measures.

## Widening Participation – Recruitment and Retention (Source: HESA Performance Indicators)

2015/16 Recruitment and Retention of New Entrants from Low Participation Neighbourhoods (POLAR3)



## Staff Development and Satisfaction

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.

Our most recent 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. Staff satisfaction was high with the proportion of our staff responding that 'the university is a good place to work' at 6% above the sector benchmark.

The University is a committed equal opportunities employer. We have held an Athena SWAN institutional bronze award, in recognition of our commitment to advancing women's careers in STEM disciplines, since 2014; and in December 2016 signed up to the Athena SWAN Charter Extended Principles. In 2016/17 three further university departments achieved 'bronze' awards. We are also a Stonewall Diversity Champion. Working Families named us as one of the Top 30 employers for families for 2016.

## Estate and Facilities

The Estate Masterplan, which will provide a long term framework for investment in the University estate, was approved by the Board of Governors in November 2016. The financing strategy to fund the new developments in the masterplan was approved by the Board of Governors in July 2017. The University is in the final stages of agreeing the new funding arrangements for the planned significant investment in the University's estate.

Four early projects were identified within the masterplan with the earliest being the new Indoor Sports Centre on Ravelin Park. The multi-disciplinary design team has been appointed and a planning application will be submitted in spring 2018. The brief for the new flagship building on the Victoria Site is being developed in readiness for the appointment of the design team via an international design competition.

Construction of the Future Technology Centre is nearing completion and phases 2 and 3 of the refurbishment of the Mercantile Building are underway.

# Quality, Reputation and Visibility

## Teaching Excellence

We integrate research, professional practice, simulated and real-world learning in to our courses, providing transformational opportunities for all our students. At the heart of our success is an effective and innovative, multi-layered and personalised approach to supporting student learning and engagement, delivered in partnership with our students. Our teaching quality is externally validated with the University achieving the highest possible outcome in the most recent Quality Assurance Agency (QAA) Higher Education Review, carried out in March 2015.

In June 2017 the University was awarded a 'Gold' rating in the Teaching Excellence Framework (TEF), which is the UK government's first assessment of teaching excellence in Higher Education. We were one of only four Gold-rated institutions in the South East of England.

Our award recognised that the University achieves consistently outstanding outcomes for its students from all backgrounds, in particular with regard to student satisfaction and progression to highly skilled employment or further study. The TEF panel judgement reflected the following evidence:

- Optimum levels of student engagement and commitment to learning being secured through excellent and integrated teaching assessment practices.
- A strategic and inclusive approach that supports student learning, achievement and welfare effectively through the student lifecycle.
- A clearly defined approach to induction and support arrangements for new students and for student transitions, with targeted support for students from disadvantaged backgrounds and care leavers.
- Industry-leading physical and digital resources which provide real and simulated learning opportunities, which are actively and consistently used by students to develop their independence and confidence, and enhance learning and progression.
- An established and embedded institutional culture that facilitates, recognises and rewards excellent teaching.



## Research Excellence

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. In REF2014 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.

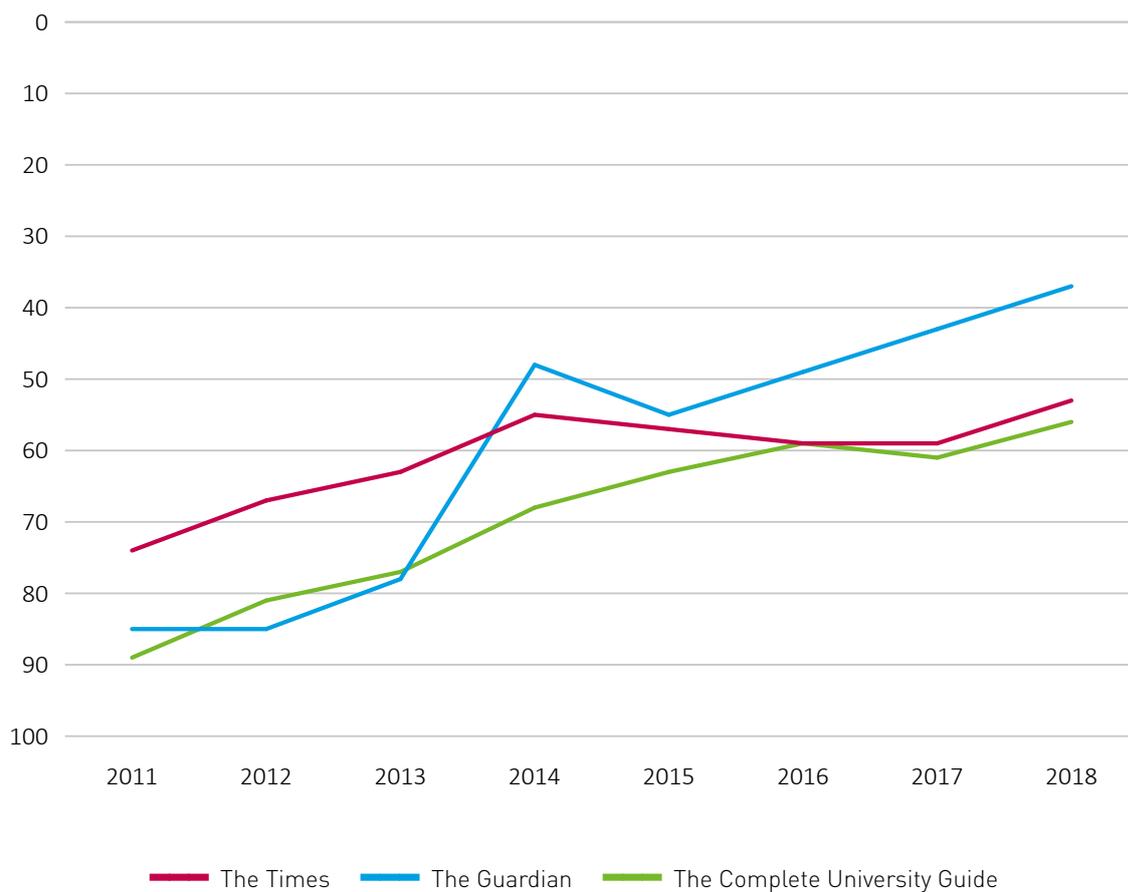
The University remains committed to actively progressing our research ambitions. Our Research and Innovation Strategy 2015–2020 sets out a framework to enable the University to build upon our core strengths as well as mapping out how we will deliver interdisciplinary research across five key thematic areas: Democratic Citizenship; Future and Emerging Technologies; Health and Wellbeing; Security and Risk; and Sustainability and the Environment.

## 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 their 150 Under 50 Rankings 2017.

We continue to perform well in major domestic league tables. We have broken into the Top 40 of the Guardian's University Guide for the first time in the most recent ranking, published in May 2017. We have also seen an improvement in our position in both the Complete University Guide and The Times rankings, meaning we have already achieved our 2020 strategic target of being ranked, on average, in the Top 50 across these three domestic rankings.

### Performance in Domestic University Rankings



# 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. For example, the Estate Masterplan is aiming to achieve highly sustainable building designs by specifying the BREEAM 'Outstanding' rating where appropriate.

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: 2004 and is aiming to update to the new ISO 14001:2015 version.

## 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 manage waste services. This approach delivers high levels of office waste and food waste recycling across the campus with recycling rates in buildings regularly achieving over 70%.

## Energy Consumption

Energy consumption is the main factor affecting our carbon emissions. The University now regularly specifies energy efficient LED and this year converted areas in the Park Building, University House, Spinnaker Building and the Student Centre to this energy efficient lighting technology.

## Carbon Management

The University continued its compliance with Carbon Reduction Commitment (CRC) regulations (Phase 2) during 2016-17 with the purchase of 12,610 t/CO<sub>2</sub> of carbon allowances worth £216,892.

## 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 are also recruited and trained to fulfil the role of Green Living Assistants – raising awareness about recycling and energy efficiency in halls of residence.

Continued membership of the easitPORTSMOUTH scheme aims to influence commuting travel behaviour by delivering discounted sustainable transport options to staff for their everyday and business journeys.

# FUTURE RISKS AND TRENDS

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

ISSUE	RISK	MITIGATION
<b>Student recruitment</b>	<p>Recruitment fails to achieve Home student number targets.</p> <p>Recruitment fails to achieve EU student number targets.</p> <p>Recruitment fails to achieve international student number targets.</p> <p>Retention of students is not optimised.</p> <p>New risks added during the course of the year:</p> <p>The UK is not perceived to be a welcoming destination for overseas students following the decision to Brexit.</p> <p>Partnership arrangements are insufficiently developed and supported to ensure that recruitment is optimised.</p>	<p>We have set clear recruitment targets, have reviewed our entry tariffs and have used unconditional offers selectively. Our admissions processes are geared to optimise conversion rates. This has been supported by major 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 and have developed a global engagement strategy, with associated investment to further diversify our international recruitment markets.</p>
<b>Student experience</b>	<p>League table position is not optimised.</p> <p>External standards, information and quality requirements are not met.</p> <p>New risk added during the course of the year:</p> <p>Teaching Excellence Framework rating is not optimised.</p>	<p>We have developed and implemented our Education Strategy and 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 and DLHE surveys.</p> <p>We are implementing an Employability Strategy for our students.</p>
<b>Research and innovation income</b>	<p>Ratings in the Research Excellence Framework are not optimised.</p> <p>Research and innovation activity and associated income is not optimised.</p> <p>New risk added during the course of the year:</p> <p>Prospective EU research partners seek other collaborators due to the uncertainties of Brexit.</p>	<p>We have established a new Research and Innovation Strategy to drive approaches to increase income.</p> <p>We have developed a strategy to guide our approach to the next Research Excellence Framework.</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>

ISSUE	RISK	MITIGATION
<b>Financial stability</b>	<p>Reductions or withdrawal of tuition fees or other sources of public funding threaten the long-term sustainability of the University.</p> <p>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>New risk added during the course of the year:</p> <p>Short-term impact of Brexit may make it harder and more expensive to raise loan finance.</p>	<p>We have a robust financial plan that delivers financial sustainability and assists the diversification of income streams.</p> <p>We have adapted and improved our student recruitment and admission activities and processes to optimise student numbers, thereby protecting our income from tuition fees.</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>
<b>Estate and IT infrastructure</b>	<p>Buildings and infrastructure are not fit-for-purpose and are insufficiently attractive to students and staff.</p> <p>Record systems are inaccurate and ineffective.</p> <p>Unexpected loss of significant and business-critical estate or IT facilities.</p> <p>New risk added during the course of the year:</p> <p>Cyber-attacks that lead to loss, theft or alteration of data; denial of service; or impersonation that adversely impacts on our ability to conduct business.</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 undertaken robust feasibility studies with oversight from dedicated project boards and an over-arching Strategic Technology Projects Board.</p> <p>We have robust contingency and recovery plans in place to ensure network and cyber security, supported by multi-layer security systems, security testing and information systems auditing. This is supported by awareness raising and training to ensure that staff are aware and understand cyber-security risks and basic mitigating actions.</p>
<b>Attracting and retaining staff</b>	<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>New risk added during the course of the year:</p> <p>Brexit may create uncertainty about future employment prospects or staff from the EU who are already employed by the University or who the University may wish to recruit.</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 workload allocation model and have made a significant investment in the wellbeing, training and development of our staff.</p> <p>We have provided reassurance and support to EU staff to clarify the potential employment implications of Brexit.</p>

ISSUE	RISK	MITIGATION
<b>Regulatory compliance</b>	<p>External compliance requirements in the form of laws, regulations and inspection regimes are not met.</p> <p>Loss of UKVI Highly Trusted Status (HTS).</p> <p>Failure to deliver the Prevent duty.</p> <p>New risk added during the course of the year:</p> <p>Brexit may create changes in the University's compliance and legislative duties.</p>	<p>We have strong, well-publicised and enforced procedures for meeting our legal obligations.</p> <p>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> <p>We have established an action plan and risk assessment to guide our delivery of the Prevent duty.</p>
<b>Reputation and image</b>	<p>Loss of reputation undermines effective recruitment and the facilitation of strategic partnerships.</p> <p>New risks added during the course of the year:</p> <p>Loss of reputation through association with strategic partners who are inappropriate or fall into disrepute.</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> <p>We have developed strong due diligence processes and, where necessary, will enforce robust governance and corporate controls within the University, our partnerships and within our supply chains.</p>
<b>Capacity and capability</b>	<p>Inability to influence or to react with speed and agility to changes in policy.</p> <p>Failure to develop and provide effective leadership and organisational resilience.</p> <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 STATEMENT

## 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 over 2,500 (fte) staff, 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 23,000 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. 75% of those in work are employed in professional or managerial occupations within six months following graduation, 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 (2015/16) 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 partner in the establishment of a University Technical College (UTC) for up to 600 pupils, aged 14-19, which opened in 2017 and exists alongside around 50 such institutions operating across England.

The UTC is designed to work with the University and employers, including the Royal Navy, BAE Systems, QinetiQ, and Portsmouth City Council to provide a curriculum and pupil opportunities which prepares pupils who will be ready to work upon leaving. The UTC specialises in advanced manufacturing and electrical and mechanical engineering skills which are taught alongside core GCSEs, in order to address workforce shortages in these areas across the Solent Region.

In February 2017 the University admitted our first cohort of adult nursing students, with further intakes planned for the 2017/18 academic year. This provision will assist in addressing the serious shortage of nurses in our region and runs alongside our existing portfolio of healthcare courses, providing highly qualified practitioners to the local region and beyond.

## Research and Innovation

### Research at the University of Portsmouth

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.

### Research in to Practice

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. One example of current applied research includes 'Growing Learners'; which is an evidence-based educational consultancy delivering intervention materials, data services and training to schools. This supports schools and parents to improve their children's expectations and attainment using evidence-based practice to support them to become resilient, confident and effective learners. Everything offered is underpinned by psychology and education theory, and applied research showing what works. The Growing Learners team has worked with over 250 schools over the last four years.

### Innovation

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 landmark building at the entrance to the city. This is expected to 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 the fourth largest employer in the city, the University offers work experience placements to school students; college students; wounded, sick and injured service personnel; service personnel leaving the armed forces and unemployed disabled people in Portsmouth, through the Government-supported Work Choice employment programme.

### The University of Portsmouth Dental Academy

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

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

### Community Partnerships, Volunteering and Working with Local Schools

Activity in this area 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 on a range of civil and welfare matters and additional volunteering co-ordinated through the Students' Union.

In 2016/17 over 1,300 University of Portsmouth students were involved in recorded volunteering activity arranged through our central volunteering team or other university colleagues, in work based placements in the third sector; actively partnering with over 100 organisations and resulting in over 50,000 hours of voluntary work being undertaken.

In addition to the many instances whereby individual or small numbers of students volunteer with partners, our Department of Employability has also sourced and developed larger scale volunteering projects. Current projects of this type include 'STEM Ambassadors' through which volunteers seek to enhance and enrich the teaching of science, technology, engineering or maths by sharing their own interest, skills and experience; encouraging young people to achieve more and progress further in these key subjects; 'Code Club', a nationwide network of volunteers and educators who run free coding clubs for young people aged 9 to 13; and 'The Reading Scheme' through which our students work with local primary schools to improve pupil literacy.

# THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

## Membership

The University's Board of Governors draws its authority from the University's Articles<sup>1</sup> and Instrument of Government<sup>2</sup>. The majority of Governors are external to the University, and the Board also includes student and staff members, together with the Vice-Chancellor and the President of the Students' Union (both ex officio). The roles of Chair and Deputy Chair of the Board are separate from the role of the University's Chief Executive, which is the Vice-Chancellor.

## Governors' Remuneration

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

## Governors' Insurance

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

## CUC Governance Code of Practice and Principles

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

## Responsibilities

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

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

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

## Statement of Primary Responsibilities

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

### Strategy

Approving the mission and strategic vision of the institution, including the determination of the educational character and mission of the University and for oversight of its activities, long-term business plans, key performance indicators and annual budgets, and ensuring that these meet the interests of stakeholders; 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.

### 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; and
- the varying or revoking of the Articles of Government.

## Board and Committee Meetings

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

### Audit and Quality Committee

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

### Finance Committee

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

### Human Resources Committee

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

### Estate and Information Technology Committee

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

### 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 2017 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

## 2016/17 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.

## 2016/17 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 2017 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 2017 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 TO THE GOVERNING BODY OF THE UNIVERSITY OF PORTSMOUTH

## Report on the Audit of the Financial Statements

### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017 and of the Group's and the University's Income and Expenditure, Gains and Losses and changes in Reserves and of the Group's Cash Flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements of the University of Portsmouth (the 'University') and its subsidiaries (the 'Group') which comprise:

- the Group and University Statements of Comprehensive Income and Expenditure;
- the Group and University Balance Sheets;
- the Group and University Statements of Changes in Reserves;
- the Group Cash Flow statement;
- the statement of principal accounting policies; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Governing Body's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

The Governing Body is responsible for the other information. The other information comprises the information included in the financial review, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### Responsibilities of the Governing Body

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, and for such internal control as the Governing Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the group's and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intends to liquidate the group or the University or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Governing Body in accordance with the HEFCE memorandum of assurance and accountability effective August 2016. 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.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)

In our opinion, in all material respects:

- funds from HEFCE and the Education and Skills Funding Agency administered by the University for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

Susan Barratt FCA  
Deloitte LLP  
Statutory Auditor  
Reading, UK

November 2017

# 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 2017.

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
IT Systems*	5 or 10 years
Specialist Scientific Equipment	10 years
Vehicles	5 years

\*useful life is assessed on a case by case basis.

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

## Borrowing Costs

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

## 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 on a straight line basis 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.

## Investments

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

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

## Stocks

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

## Cash and Cash Equivalents

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

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

## Financial Instruments

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

All receivables, payables and investments in subsidiaries are initially measured at transaction price (including transaction costs) and held at amortised cost. 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.

## Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

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

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

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

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

## Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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

## Reserves

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

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

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2017

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	183,496	183,293	171,374	171,374
Funding body grants	2	21,848	21,848	21,992	21,992
Research grants and contracts	3	7,792	7,644	6,519	6,442
Other income	4	19,996	19,273	24,618	23,536
Investment income	5	443	444	613	615
<b>Total Income before other grants and donations</b>		<b>233,575</b>	<b>232,502</b>	225,116	223,959
Donations and endowments	6	107	107	117	117
<b>Total Income</b>		<b>233,682</b>	<b>232,609</b>	225,233	224,076
<b>Expenditure</b>					
Staff costs	7	136,951	136,455	124,487	124,106
Other operating expenses		64,642	63,917	68,152	67,517
Depreciation	12	21,670	21,584	14,705	14,629
Interest and other finance costs	8	506	506	555	555
Finance charge in respect of pension schemes	8	3,190	3,190	3,380	3,380
<b>Total Expenditure</b>	9	<b>226,959</b>	<b>225,652</b>	211,279	210,187
<b>Surplus before other gains and losses</b>		<b>6,723</b>	<b>6,957</b>	13,954	13,889
Loss on disposal of fixed assets	12	(18)	(18)	(23)	(23)
Gain on investment	19	80	80	105	105
<b>Surplus before tax</b>		<b>6,785</b>	<b>7,019</b>	14,036	13,971
Taxation	11	27	0	0	0
<b>Surplus for the year</b>		<b>6,758</b>	<b>7,019</b>	14,036	13,971
Actuarial gain/(loss) in respect of pension schemes	24	23,620	23,620	(35,460)	(35,460)
<b>Total comprehensive (loss)/ income for the year</b>		<b>30,378</b>	<b>30,639</b>	(21,424)	(21,489)
<b>Represented by:</b>					
Endowment comprehensive income for the year	19	140	140	177	177
Unrestricted comprehensive (loss)/ income for the year		30,238	30,499	(21,601)	(21,666)
		<b>30,378</b>	<b>30,639</b>	(21,424)	(21,489)

All items of income and expenditure relate to continuing activities

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Consolidated and Institution Balance Sheet as at the year ended 31 July 2017

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Intangible asset	10	497	0	381	0
Tangible fixed assets	12	345,201	342,164	348,755	345,441
Investments	13	2,310	6,871	2,116	6,567
		<b>348,008</b>	<b>349,035</b>	351,252	352,008
<b>Current Assets</b>					
Stock		365	354	377	361
Trade and other receivables	14	10,387	10,242	8,932	8,708
Short term deposits	15	56,918	56,918	53,941	53,941
Cash and cash equivalents		79,434	78,561	62,355	61,262
		<b>147,104</b>	<b>146,075</b>	125,605	124,272
Less: Creditors: amounts falling due within one year	16	<b>(38,636)</b>	<b>(38,389)</b>	(33,726)	(33,165)
<b>Net current assets</b>		<b>108,468</b>	<b>107,686</b>	91,879	91,107
<b>Total assets less current liabilities</b>		<b>456,476</b>	<b>456,721</b>	443,131	443,115
Creditors: amounts falling due after more than one year					
Deferred grant income	17	(47,861)	(47,861)	(46,347)	(46,347)
Unsecured loans	17	(4,475)	(4,475)	(6,032)	(6,032)
<b>Provisions</b>					
Pension provisions	18	(119,930)	(119,930)	(136,920)	(136,920)
Deferred taxation	18	0	0	0	0
<b>Total net assets</b>		<b>284,210</b>	<b>284,455</b>	253,832	253,816
<b>Restricted reserves</b>					
		2,415	2,415	2,275	2,275
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		281,795	282,040	251,557	251,541
<b>Total Reserves</b>		<b>284,210</b>	<b>284,455</b>	253,832	253,816

These financial statements were approved by the Board of Governors on 23 November 2017



J Hoskins  
Chair of The Board of Governors



G Galbraith  
Governor & Vice-Chancellor

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2017

	Income and expenditure account		Total
	Endowment	Unrestricted	
	£000	£000	£000
<b>Consolidated</b>			
<b>Balance at 1 August 2015</b>	<b>2,098</b>	<b>273,158</b>	<b>275,256</b>
Surplus for the year	177	13,859	14,036
Actuarial loss in respect of pension scheme	0	(35,460)	(35,460)
Total comprehensive income for the year	<u>177</u>	<u>(21,601)</u>	<u>(21,424)</u>
<b>Balance at 1 August 2016</b>	<b>2,275</b>	<b>251,557</b>	<b>253,832</b>
Surplus for the year	140	6,618	6,758
Actuarial gain in respect of pension scheme	0	23,620	23,620
Total comprehensive income for the year	<u>140</u>	<u>30,238</u>	<u>30,378</u>
<b>Balance at 31 July 2017</b>	<b><u>2,415</u></b>	<b><u>281,795</u></b>	<b><u>284,210</u></b>
<b>University</b>			
<b>Balance at 1 August 2015</b>	<b>2,098</b>	<b>273,207</b>	<b>275,305</b>
Surplus for the year	177	13,794	13,971
Actuarial loss in respect of pension scheme	0	(35,460)	(35,460)
Total comprehensive income for the year	<u>177</u>	<u>(21,666)</u>	<u>(21,489)</u>
<b>Balance at 1 August 2016</b>	<b>2,275</b>	<b>251,541</b>	<b>253,816</b>
Surplus for the year	140	6,879	7,019
Actuarial gain in respect of pension scheme	0	23,620	23,620
Total comprehensive income for the year	<u>140</u>	<u>30,499</u>	<u>30,639</u>
<b>Balance at 31 July 2017</b>	<b><u>2,415</u></b>	<b><u>282,040</u></b>	<b><u>284,455</u></b>

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Consolidated Statement of Cash Flows for the year ended 31 July 2017

	Note	Year ended 31 July 2017 Consolidated £000	Year ended 31 July 2016 Consolidated £000
<b>Cash flow from operating activities</b>			
Surplus for the year		6,758	14,036
<b>Adjustments for non-cash items</b>			
Depreciation	11	21,670	14,705
Decrease/(increase) in stock		12	(45)
Increase in debtors	13	(1,470)	(936)
Increase in creditors		4,856	4,569
Net pensions cost for the year	23	6,630	3,870
		<u>31,698</u>	<u>22,163</u>
<b>Adjustment for investing or financing activities</b>			
Investment income		(476)	(613)
Interest payable		506	555
Endowment income		(60)	(72)
Loss on the sale of fixed assets	11	18	23
Capital grant income		(1,586)	(1,515)
		<u>(1,598)</u>	<u>(1,622)</u>
<b>Net cash inflow from operating activities</b>		<u>36,858</u>	<u>34,577</u>
<b>Cash flows from investing activities</b>			
Net movement of short term deposits		(2,977)	14,979
Investment income		476	613
Deferred capital grants received		3,171	5,447
Payments made to acquire fixed assets		(18,332)	(13,889)
New non-current asset investments		(244)	(3,974)
		<u>(17,906)</u>	<u>3,176</u>
<b>Cash flows from financing activities</b>			
Interest paid	8	(506)	(555)
Endowment cash received		60	72
Repayment of amounts borrowed		(1,427)	(1,310)
		<u>(1,873)</u>	<u>(1,793)</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>17,079</u>	<u>35,960</u>
Cash and cash equivalents at the beginning of the year		62,355	26,395
Cash and cash equivalents at the end of the year		79,434	62,355

Under the disclosure exemption provided by FRS 102, a separate University only cash flow has not been prepared.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>1 Tuition fees and education contracts</b>				
Full-time home students	114,020	114,020	105,861	105,861
Full time EU students	18,154	18,154	16,288	16,288
Full-time international students	31,987	31,987	30,923	30,923
Part-time students	6,033	6,033	5,656	5,656
Education contracts	9,070	9,070	9,367	9,367
Franchise fee income	2,590	2,590	2,215	2,215
Short courses and Research Training Support Grants	1,642	1,439	1,064	1,064
	<b>183,496</b>	<b>183,293</b>	<b>171,374</b>	<b>171,374</b>
<b>2 Funding council grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council	18,662	18,662	18,154	18,154
Release of capital grant	1,482	1,482	1,411	1,411
<b>Specific grant</b>				
Higher Education Innovation Fund	1,550	1,550	1,160	1,160
Postgraduate Support Scheme	0	0	925	925
Miscellaneous	133	133	225	225
National College for Teaching and Leadership	21	21	117	117
	<b>21,848</b>	<b>21,848</b>	<b>21,992</b>	<b>21,992</b>
<b>3 Research grants and contracts</b>				
Research councils	2,728	2,728	2,318	2,318
UK charities	1,465	1,464	1,092	1,092
UK Government/health authorities	1,222	1,200	1,168	1,130
Industry and commerce	548	436	352	349
EU Government	1,023	1,023	982	982
EU other	68	60	100	97
Other overseas	685	685	432	417
Other	53	48	75	57
	<b>7,792</b>	<b>7,644</b>	<b>6,519</b>	<b>6,442</b>
<b>4 Other income</b>				
Residences, catering and conferences	10,799	10,799	16,161	16,161
Contract income	4,092	2,864	3,923	2,911
Other income	5,106	5,611	4,534	4,464
	<b>19,996</b>	<b>19,273</b>	<b>24,618</b>	<b>23,536</b>
<b>5 Investment income</b>				
Interest from short term investments	369	370	538	540
Appreciation of restricted investments	74	74	75	75
	<b>443</b>	<b>444</b>	<b>613</b>	<b>615</b>
<b>6 Donations and endowments</b>				
Donations with restrictions	27	27	10	10
Unrestricted donations	80	80	107	107
	<b>107</b>	<b>107</b>	<b>117</b>	<b>117</b>

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>7 Staff costs</b>				
Staff Costs:				
Salaries	105,416	104,943	99,310	98,935
Social security costs	10,780	10,759	8,682	8,677
Other pension costs (note 24)	20,755	20,753	16,495	16,494
<b>Total</b>	<b>136,951</b>	<b>136,455</b>	<b>124,487</b>	<b>124,106</b>

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

Average full time equivalent staff numbers by major category:

	Number	Number
Academic and Research	1,297	1,233
Technical, Administrative and Professional	1,359	1,347
	<b>2,656</b>	<b>2,580</b>
	£000	£000
Emoluments of the Vice-Chancellor:		
Basic salary	266	259
Taxable benefits in kind	1	2
	<b>267</b>	<b>261</b>
Pension allowance in lieu of pension contributions	31	0
Employer's contribution to the Teachers Pension Scheme	7	42
<b>Total emoluments including employer's contribution to the Teachers Pension Scheme</b>	<b>305</b>	<b>303</b>

Employer's pension contributions have reduced year on year due to lifetime tax allowance issues. An additional allowance equivalent to the pensions contributions foregone is included within emoluments. This payment is cost neutral to the University, allowing for associated employers' national insurance contribution. This option is open to all employees.

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 companies.

	Number	Number
£100,000 - £109,999	4	3
£110,000 - £119,999	1	0
£120,000 - £129,999	1	2
£130,000 - £139,999	2	1
£140,000 - £149,999	2	1
	<b>10</b>	<b>7</b>

Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University defines key management personnel as those staff appointed by the University's Governing Body. As at 31st July 2017 this consisted of seven (compared to six in 2015/16) staff as follows: the Vice-Chancellor, Pro Vice-Chancellors, the Chief Operating Officer and the Directors of Finance and Corporate Governance. The new Pro Vice-Chancellor (Global Engagement) post is included in the 2016/17 figures and this partially accounts for the year on year increase in costs.

	£000	£000
Basic salary	1,054	874
Taxable benefits in kind	26	16
Employer's contribution to the Local Government and Teachers Pension Scheme	121	131
<b>Key management personnel compensation</b>	<b>1,201</b>	<b>1,021</b>

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 (2015/16 - £0).

Total expenses paid to or on behalf of 14 members of the Board of Governors was £7,042 (2015/16 - £8,784 to 15 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 2017

### Notes to the Financial Statements (continued)

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>8 Interest and other finance costs</b>				
Loans repayable	559	559	675	675
Gain on currency exchange transactions	(53)	(53)	(120)	(120)
Net charge on pension scheme	3,190	3,190	3,380	3,380
	<b>3,696</b>	<b>3,696</b>	3,935	3,935
<b>9 Analysis of total expenditure by activity</b>				
Academic and related expenditure	149,451	148,845	133,886	133,854
Other income generating activities	2,142	1,475	2,053	1,431
Administration and central services	26,993	27,009	26,750	26,319
Premises	34,349	34,349	29,636	29,658
Residences, catering and conference	7,528	7,543	13,348	13,367
Research grants and contracts	6,496	6,431	5,606	5,558
	<b>226,959</b>	<b>225,652</b>	211,279	210,187
Other operating expenses include:				
External auditor remuneration in respect of audit services	73	38	78	48
External auditor remuneration in respect of non audit services	100	60	32	27
Internal auditor remuneration	89	89	74	74
Operating lease rentals - land and buildings	392	297	3,922	3,827
Operating lease rentals - other	61	61	92	92
<b>10 Intangible asset</b>				
Opening balance	381	0	381	0
Increase in value during the year	116	0	0	0
Closing balance	<b>497</b>	<b>0</b>	381	0
<b>11 Taxation</b>				
<b>Recognised in the statement of comprehensive income</b>				
<b>Current tax</b>				
Current year	27	0	0	0
<b>Current tax expense</b>	<b>27</b>	<b>0</b>	0	0
<b>Total tax expense</b>	<b>27</b>	<b>0</b>	0	0

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

#### 12 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
<b>Consolidated</b>							
<b>Cost or deemed cost:</b>							
At 1 August 2016	331,852	8,387	3,895	344,134	347	40,838	385,319
<b>Additions at cost</b>	<b>7,412</b>	<b>0</b>	<b>7,243</b>	<b>14,655</b>	<b>0</b>	<b>3,677</b>	<b>18,332</b>
<b>Transfer of assets under construction</b>	<b>2,365</b>	<b>0</b>	<b>(2,365)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Prior year revaluation adjustment</b>	<b>(198)</b>	<b>0</b>	<b>0</b>	<b>(198)</b>	<b>0</b>	<b>0</b>	<b>(198)</b>
<b>Disposals/Demolitions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(417)</b>	<b>(417)</b>
<b>At 31 July 2017</b>	<b>341,431</b>	<b>8,387</b>	<b>8,773</b>	<b>358,591</b>	<b>347</b>	<b>44,098</b>	<b>403,036</b>
<b>Depreciation:</b>							
At 1 August 2016	12,012	212	0	12,224	236	24,104	36,564
<b>Depreciation</b>	<b>16,816</b>	<b>211</b>	<b>0</b>	<b>17,027</b>	<b>23</b>	<b>4,620</b>	<b>21,670</b>
<b>Disposals/Demolitions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(399)</b>	<b>(399)</b>
<b>At 31 July 2017</b>	<b>28,828</b>	<b>423</b>	<b>0</b>	<b>29,251</b>	<b>259</b>	<b>28,325</b>	<b>57,835</b>
<b>Net Book Value</b>							
<b>At 31 July 2017</b>	<b>312,603</b>	<b>7,964</b>	<b>8,773</b>	<b>329,340</b>	<b>88</b>	<b>15,773</b>	<b>345,201</b>
At 31 July 2016	319,840	8,175	3,895	331,910	111	16,734	348,755
<b>University</b>							
<b>Cost or deemed cost:</b>							
At 1 August 2016	327,240	8,387	3,895	339,522	347	40,679	380,548
<b>Additions at cost</b>	<b>7,412</b>	<b>0</b>	<b>7,243</b>	<b>14,655</b>	<b>0</b>	<b>3,670</b>	<b>18,325</b>
<b>Transfer of assets under construction</b>	<b>2,365</b>	<b>0</b>	<b>(2,365)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Disposals/Demolitions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(417)</b>	<b>(417)</b>
<b>At 31 July 2017</b>	<b>337,017</b>	<b>8,387</b>	<b>8,773</b>	<b>354,177</b>	<b>347</b>	<b>43,932</b>	<b>398,456</b>
<b>Depreciation:</b>							
At 1 August 2016	10,677	212	0	10,889	236	23,982	35,107
<b>Depreciation</b>	<b>16,751</b>	<b>211</b>	<b>0</b>	<b>16,962</b>	<b>23</b>	<b>4,599</b>	<b>21,584</b>
<b>Disposals/Demolitions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(399)</b>	<b>(399)</b>
<b>At 31 July 2017</b>	<b>27,428</b>	<b>423</b>	<b>0</b>	<b>27,851</b>	<b>259</b>	<b>28,182</b>	<b>56,292</b>
<b>Net Book Value</b>							
<b>At 31 July 2017</b>	<b>309,589</b>	<b>7,964</b>	<b>8,773</b>	<b>326,326</b>	<b>88</b>	<b>15,750</b>	<b>342,164</b>
At 31 July 2016	316,563	8,175	3,895	328,633	111	16,697	345,441

The depreciation figure of £21,670,000 includes £5,056,000 accelerated depreciation in respect of buildings within the University's Langstone campus.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

#### 13 Non-Current investments

	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
<b>Consolidated</b>			
At 1 August 2016	0	2,116	2,116
Additions	0	194	194
<b>At 31 July 2017</b>	<b>0</b>	<b>2,310</b>	<b>2,310</b>
<b>University</b>			
At 1 August 2016	4,451	2,116	6,567
Additions	110	194	304
<b>At 31 July 2017</b>	<b>4,561</b>	<b>2,310</b>	<b>6,871</b>

The investments in subsidiary companies shares comprises the following:

Name of subsidiary	Nature of activity	Holding
University of Portsmouth Enterprise Limited	Consultancy and bar	100,002 Ordinary Class A £1
University of Portsmouth Investments Limited	Recruitment services in China	2 Ordinary Class A £1 Shares 1,000,000 Ordinary Class B £0.10 Shares fully paid (at cost)
University of Portsmouth Services Limited	Dental Services contract with NHS	1 Ordinary Class A £1 Shares fully paid (at cost)
Technology Enterprises Portsmouth Limited	Owns Portsmouth Technopole (Holdings) Limited	2 Ordinary £1 Shares fully paid
Portsmouth Technopole Limited	Operation of the Technopole Innovation Centre	2,000,000 Ordinary £1 Shares fully paid
Portsmouth Technopole (Holdings) Limited	Owns Portsmouth Technopole Limited	1,390,972 Ordinary £0.01 Shares fully paid
ASTA Technology UK Limited	European Space Agency accredited courses	10 Ordinary £1 Shares fully paid

All subsidiary companies are registered in England and Wales. The University ultimately 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 2017	Year ended 31 July 2016
	£000	£000
CVCP Properties plc	37	37
Hampshire Community Bank	50	50
Endowment asset (see note 18)	2,223	2,029
	<b>2,310</b>	<b>2,116</b>

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

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>14 Trade and other receivables</b>				
Amounts falling due within one year:				
Research grants receivable	1,048	1,048	1,221	1,221
Other trade receivables	3,145	3,145	2,368	2,274
Prepayments and accrued income	6,155	5,768	5,282	4,899
Amounts due from subsidiary undertakings	0	169	0	150
	<b>10,348</b>	<b>10,130</b>	<b>8,871</b>	<b>8,544</b>
Amounts falling due after one year:				
Prepayments and accrued income	39	39	61	61
Amounts due from subsidiary undertakings	0	73	0	103
	<b>40</b>	<b>113</b>	<b>61</b>	<b>164</b>
	<b>10,387</b>	<b>10,242</b>	<b>8,932</b>	<b>8,708</b>
<b>15 Short term deposits</b>				
Short term bonds	56,918	56,918	38,941	38,941
Short term deposits	0	0	15,000	15,000
	<b>56,918</b>	<b>56,918</b>	<b>53,941</b>	<b>53,941</b>

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 2017 the weighted average interest rate of these fixed rate deposits was 0.08% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 67 days. The fair value of these deposits was not materially different from the book value.

### 16 Creditors: Amounts falling due within one year

Secured loans	1,556	1,556	1,427	1,427
Trade payables	1,827	1,827	1,797	1,415
Other creditors	12,860	12,652	9,539	9,476
Social security and other taxation payable	5,377	5,338	4,950	4,942
Accruals and deferred income	9,852	9,852	9,987	9,866
Deferred capital grants	1,586	1,586	1,515	1,515
Holiday pay accrual	5,578	5,578	4,511	4,511
Amounts owed to subsidiaries	0	0	0	13
	<b>38,636</b>	<b>38,389</b>	<b>33,726</b>	<b>33,165</b>

#### Deferred Income

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

Research grants received on account	1,905	1,905	1,682	1,682
Grant income	650	650	1,351	1,351
	<b>2,555</b>	<b>2,555</b>	<b>3,033</b>	<b>3,033</b>

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

Deferred income:				
Due between one and two years	1,586	1,586	3,028	3,028
Due between two and five years	4,758	4,758	4,544	4,544
Due in five years or more	41,517	41,517	38,775	38,775
	<b>47,861</b>	<b>47,861</b>	<b>46,347</b>	<b>46,347</b>
Secured bank loans:				
Due between one and two years	1,698	1,698	1,556	1,556
Due between two and five years	2,477	2,477	4,175	4,175
Due in five years or more	0	0	1	1
Secured at 31 July 2017	4,175	4,175	5,732	5,732
Other creditors				
Unsecured loans repayable by 2034	300	300	300	300
	<b>52,336</b>	<b>52,336</b>	<b>52,379</b>	<b>52,379</b>

#### Secured Bank Loans:

Lender	£000	Term	Interest rate	Borrower
Barclays	922	25 years	7.4% fixed until May 2021	University
Barclays	1,680	25 years	8.7% fixed until November 2020	University
Barclays	3,129	25 years	8.6% fixed until November 2020	University
	<b>5,731</b>			

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

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

#### 18 Provisions for liabilities

	Defined benefit obligations (note 23) £000	Deferred tax £000	2017 Total £000
<b>Consolidated</b>			
At 1 August 2016	(136,920)	0	(136,920)
Reduction in pension liability	16,990	0	16,990
<b>At 31 July 2017</b>	<b>(119,930)</b>	<b>0</b>	<b>(119,930)</b>
<b>University</b>			
At 1 August 2016	(136,920)	0	(136,920)
Reduction in pension liability	16,990	0	16,990
<b>At 31 July 2017</b>	<b>(119,930)</b>	<b>0</b>	<b>(119,930)</b>

#### 19 Endowment Funds

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Expendable endowments £000	2017 Total £000	2016 Total £000
At 1 August 2016				
Capital	1,112	9	1,121	1,121
Accumulated income	997	157	1,154	977
	<b>2,109</b>	<b>166</b>	<b>2,275</b>	<b>2,098</b>
New donations and endowments	0	0	0	6
Investment income	74	12	86	76
Expenditure	0	(26)	(26)	(10)
Increase in market value of investments	80	0	80	105
	<b>154</b>	<b>(14)</b>	<b>140</b>	<b>177</b>
<b>At 31 July 2017</b>	<b>2,263</b>	<b>152</b>	<b>2,415</b>	<b>2,275</b>
Represented by:				
Capital			1,121	1,121
Accumulated income			1,294	1,154
			<b>2,415</b>	<b>2,275</b>
Analysis by type of purpose:				
Lectureships			2,253	2,109
Prize funds			162	166
			<b>2,415</b>	<b>2,275</b>
Analysis by asset:				
Investments			2,223	2,029
Cash			192	246
			<b>2,415</b>	<b>2,275</b>

The Endowment is managed by CCLA Investment Management Limited. The funds are primarily held as units in Ethical Investment (60%) and Fixed Interest (39%). The remaining 1% is held within a Deposit Fund

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

#### 20 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2017:

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted at 31 July	7,998	7,998	11,637	11,637
	<b>7,998</b>	<b>7,998</b>	<b>11,637</b>	<b>11,637</b>

#### 21 Contingent Liabilities

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

#### 22 Financial Commitments

	Year ended 31 July 2017			Year ended 31 July 2016 £000
	Land and Buildings £000	Plant and Machinery £000	Total £000	
Total rentals payable under operating leases:				
Up to one year	403	61	464	383
Between two and five years	929	0	929	809
In more than five years	1,888	0	1,888	1,894
	<b>3,220</b>	<b>61</b>	<b>3,281</b>	<b>3,086</b>

#### 23 Events after the reporting period

The University is in the final stages of agreeing the new funding arrangement for the planned significant investment in the University's estate.

#### 24 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, Portsmouth Technopole (Holdings) 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 2016/17 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,093k (2015/16: £962k) from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

During 2016/17 the University leased space from a company connected to one of the University's external Governors. This space provides University students with real life learning by enabling hands-on work experience. The lease arrangement with the University started in January 2016 and has been renewed for a further four years, commencing January 2018; the annual rental is £15,600.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay;
- actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:  
<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

###### Scheme Changes

Lord Hutton, who chaired the Independent Public Service Pensions Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012.

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a normal pension age aligned to the state pension age.

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TPS financial note – August 2017

Contribution amounts outstanding as at 31 July 2017 and included in social security and other taxation payable creditors is £1,193,776 (2016: £1,133,711).

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

#### 25 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 2017.

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
The financial assumptions used to calculate scheme liabilities under FRS102 are:		
Discount rate	2.6%	2.4%
Rate of increase of salaries	3.5%	3.3%
Rate of revaluation of pension accounts	2.0%	1.8%
Rate of increase in pensions	2.0%	1.8%
Rate of inflation RPI	3.1%	2.9%
Rate of inflation CPI	2.0%	1.8%
Assets are valued at fair value, and comprise:		
	£000	£000
Equities	126,102	103,596
Bonds	53,367	51,342
Property	13,393	13,521
Cash	6,182	9,501
Other	7,006	4,750
Total	<u>206,050</u>	<u>182,710</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.

	2017		2016	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	24.0	26.0	24.6	26.7
Female	27.0	29.3	26.4	28.7

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Analysis of amounts shown in the balance sheet:		
Fair value of scheme assets	206,050	182,710
Present value of funded scheme liabilities	(317,320)	(309,920)
Present value of unfunded scheme liabilities	(8,660)	(9,710)
Deficit in the scheme - net pension liability recorded within pension provision (note 18)	<u>(119,930)</u>	<u>(136,920)</u>
Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:		
Current service cost	(12,090)	(8,460)
Past service cost	0	(10)
Total operating charge	<u>(12,090)</u>	<u>(8,470)</u>
Financing:		
expected return on assets	4,430	5,760
interest on expected scheme liabilities	(7,620)	(9,140)
Net return	<u>(3,190)</u>	<u>(3,380)</u>
Total expense recognised in income and expenditure account	<u>(15,280)</u>	<u>(11,850)</u>
Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:		
Total actuarial gain/(loss) on funded liabilities	22,950	(34,830)
Total actuarial gain/(loss) on unfunded liabilities	670	(630)
Total actuarial gain/(loss) recognised	<u>23,620</u>	<u>(35,460)</u>

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2017

### Notes to the Financial Statements (continued)

#### 25 Pension and similar obligations (continued)

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
The changes to the fair value of assets during the year is made up as follows:		
Opening fair value of assets	182,710	157,640
Movement in year:		
expected return on assets	4,430	5,760
contributions by the University	8,650	7,980
contributions by the participants	2,820	2,730
net benefits paid out	(7,810)	(5,850)
actuarial gain on assets	15,250	14,450
Closing fair value of assets	<u>206,050</u>	<u>182,710</u>
Opening present value of funded liabilities	(309,920)	(245,860)
Movement in year:		
current service	(12,090)	(8,460)
interest cost	(7,390)	(8,810)
contributions by the participants	(2,820)	(2,730)
net benefits paid out	7,200	5,230
past service cost	0	(10)
actuarial gain/(loss)	7,700	(49,280)
Closing present value of funded liabilities	<u>(317,320)</u>	<u>(309,920)</u>
Opening present value of unfunded liabilities	(9,710)	(9,370)
Movement in year:		
interest cost	(230)	(330)
net benefits paid out	610	620
actuarial loss	670	(630)
Closing present value of unfunded liabilities	<u>(8,660)</u>	<u>(9,710)</u>
Actual return on scheme assets:		
Expected return on scheme assets	4,430	5,760
Actuarial gain on assets	15,250	14,450
Actual return on assets	<u>19,680</u>	<u>20,210</u>

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

	Year ended 31 July 2017	31 July 2016	31 July 2015	31 July 2014	31 July 2013
Difference between the expected and actual return on scheme assets:					
Amount £000	15,250	14,450	7,080	-7,890	11,910
Percentage of scheme assets at end of year	7.4%	7.9%	4.5%	-5.7%	8.9%

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
The total pension charge for the University and its subsidiaries can be analysed as follows:		
TPS	8,409	7,847
LGPS	8,040	7,360
Other, including NHS	866	798
FRS102 adjustment re LGPS	3,440	490
Total pension cost (Note 7)	<u>20,755</u>	<u>16,495</u>









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