



UNIVERSITY OF  
PORTSMOUTH

# FINANCIAL REVIEW

FOR THE YEAR  
ENDED 31 JULY 2019



**TEF** Gold

Teaching  
Excellence  
Framework

Higher  
Education  
Corporation

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

This has been another year of success for the University. It has also been a landmark year that has seen our student population exceed 25,000 for the first time. This achievement reflects the increasing recognition amongst prospective students and other stakeholders of our growing national and international profile and the impact of the excellent teaching and research that we offer.

We hold a prestigious “Gold” rating in the Teaching Excellence Framework and, this year, our position in The Guardian league table increased from 25th to 21st – a significant achievement when we remember that we were ranked 85th in 2012. Similarly, we have reinforced our profile as a university with a global presence by achieving a place in the Academic Ranking of World Universities for the third year running.

Students must be at the heart of everything we do as a university. It was therefore pleasing to note that, for the thirteenth year in a row, the University again exceeded the sector average for overall student satisfaction reported via the National Student Survey. The most recent Destinations of Leavers from Higher Education ranked us as the top university for graduate employment outcomes in the South East and within the top 10% nationally. We are pleased that 97.5% of our graduates were in employment or were undertaking further study within 6 months of graduation.

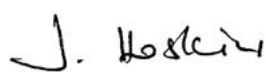
The world of higher education is, however, changing rapidly. This year, to meet the new challenges of these changes, we have developed a new University Strategy to equip us for continued success. Hundreds of our staff, our students and our governors have been involved in presentations, workshops and in-depth focus group discussions. This has enabled the University to self-critically explore and develop its future strategic ambitions and goals. Despite the many uncertainties that currently surround higher education, a strong view has emerged that we must be ambitious and bold in our aspiration to create a distinctive and even better University that can take further pride in its achievements. Our new University Strategy, whilst enabling us to maintain and enhance our existing strengths, will allow us to build new strengths and will give us a solid platform for success and a clear direction for the next 10 years.

Our continued financial strength has enabled us to make key investments in the facilities and services that our students, our staff and our community need and deserve. Amongst these investments is our new sports centre, to be completed in early 2021. This £53 million facility is the first major phase of the University’s £400 million Estate Masterplan. Facilities will include an eight court sports hall, an eight lane 25 metre swimming pool, a fitness suite, multipurpose studios, squash courts, a climbing wall, a ski simulator and teaching space. The building design also aims to set new standards for sustainability and to be one of the UK’s most environmentally-friendly sports facilities. Similarly, in the next stage of our Estates Strategy, our ambitious redevelopment of the Victoria site will bring an innovatively designed and internationally acclaimed new building to Portsmouth’s skyline.

Although we are a University with an increasing national and international impact and presence, we are also a University that is proud of its heritage and its civic roots in its city and region. As such, it is important that we play a proactive and pivotal role in enhancing the educational, cultural and economic wealth of our locality. One way that we have demonstrated this commitment is by forging strong links with organisations and events that are important to the community. We became an official sponsor of Portsmouth Pride this year, after supporting the event over many years. We also took part in the launch of the Portsmouth City of Sanctuary, which aims to support vulnerable people in our community. The University is also the main partner of Portsmouth Football Club, sponsoring both the men’s and women’s teams. This offers us the ability to reach out and to inspire young people through visits to local schools and colleges involving players and University staff; to secure work and volunteering opportunities for our students; and gives us opportunities to undertake and apply our research. These activities demonstrate that we are an inclusive and welcoming university that is open to all and that we value the contribution that all people can make towards creating a successful society.

We are also working to play a part in solving some of the world’s most pressing environmental problems. For example, our Centre for Enzyme Innovation is working to deliver transformative enzyme-enabled solutions that will enable the circular recycling of plastics. This research was awarded £5.8 million from the Research England Expanding Excellence Fund. Coupled with significant investment from the University, this major funding grant will advance progress towards finding a solution to one of the planet’s greatest environmental challenges- plastic waste.

It is impossible for us to give due recognition and prominence to all the hard work and the activities that have made this another enormously successful year for the University of Portsmouth. However, we must acknowledge that nothing would have been possible without the dedication and commitment of all members of the University community whom we thank for their sustained efforts and support.



Jane Hoskins  
Chair of the Board of Governors



Professor Graham Galbraith  
Vice-Chancellor

# STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2019

Governors	2
Operating and Financial Review	
Strategic Ambitions 2015-2020	3
Strategic Targets and Key Performance Indicators 2018/19	4
Strategic Commentary	9
Environmental Sustainability	13
Financial Review	14
Addressing Risk	20
Public Benefit and Community Engagement	24
The University's Structure of Corporate Governance	26
Financial Responsibilities	29
Remuneration Committee	31
Trade Union Facility Time	33
Independent auditor's report to the governing body of the University of Portsmouth	34
Statement of Principal Accounting Policies	36
Consolidated Statement of Comprehensive Income and Expenditure	41
Consolidated and University Balance Sheet	42
Consolidated and University Statement of Changes in Reserves	43
Consolidated Statement of Cash Flows	44
Notes to the Financial Statements	45

# GOVERNORS

## Board of Governors and Senior Financial Officers of the University of Portsmouth Higher Education Corporation 1 August 2018 – 25 November 2019

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

External Members	Roger Burke-Hamilton	
	Bishop Christopher Foster	
	Jenny Crighton	
	Mark Greenwood	Up to 31 July 2019
	Jane Hoskins	Chair
	Claudia Iton	
	Baldev Laly	Up to 27 August 2019
	Anne Lambert	
	Mark Lemon	Up to 31 July 2019
	Frances Morris-Jones	
	Paul Myers	
	Mark Readman	Up to 31 July 2019
	Ingmar Rinck	Up to 3 October 2019
	Margaret Scott	Up to 31 July 2019
	David Wilding	
	David Willan	Deputy Chair from 1 August 2019
	Christopher Williams	
	Professor Nairn Wilson	Deputy Chair; Up to 31 July 2019
Student Governor	Lucy Cook	Up to 31 July 2019
	Timothy Lee-Lewis	From 1 August 2019
Nominated by Academic Council	Professor Karen Heard-Lauréote	Up to 14 June 2019
	Dr Jenny Walden	
	Dr Catherine Carroll-Meehan	From 1 August 2019
Nominated by Academic Staff	Professor David Sanders	
Nominated by Support Staff	Lyuda Wade	
Nominated by Student Body	Violet Karapaseva	Up to 30 June 2019
	Helena Schofield	From 1 July 2019
Vice-Chancellor	Professor Graham Galbraith	

### Senior Financial Officers of the University

Executive Director of Finance	Emma Woollard
Deputy Directors of Finance	Dr Elizabeth Bartle
	Mark Carter

### Secretariat

Executive Director of Corporate Governance and Clerk to the Board of Governors	Adrian Parry
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# STRATEGIC AMBITIONS 2015-2020

## Our Mission

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

## Our Values

### 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


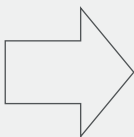
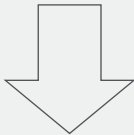
- Using our financial strength in support of our strategic ambitions for maximum impact and sustainability.
- Maintaining and enhancing our quality, reputation and visibility.


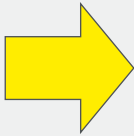
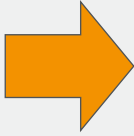

The full University Strategy 2015-2020, as well as our Research and Innovation, Education, Global Engagement, People and IT strategies, is available here: [port.ac.uk/strategy](http://port.ac.uk/strategy)

A new University Strategy is currently being finalised and will be launched in January 2020.











# STRATEGIC TARGETS AND KEY PERFORMANCE INDICATORS 2018/19

Symbol	Description
	Performance rose compared to the previous year
	No or very small change in performance since the previous year
	Performance fell compared to previous year




Colour	Description
	On track to meet 2020/21 target
	Broadly on track to meet 2020/21 target, 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

**Note:** The targets included in the table are performance targets for either 2020/21, which is the final academic year covered by the existing University strategy or, where appropriate and where interim annual targets were set, the target for 2018/19 has been included as this is the year covered in this Financial Review.



## 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.

Area	Indicator	Target	Brief Summary of Current Performance	
Student Numbers	Home/EU students	2018/19 – c. 20,600 students		Increased numbers in line with targets.
	International students	2018/19 – c. 3,350 students		Significant increase in student numbers.
	Full-Cost and Collaborative students	2018/19 – c. 4,100 students		Increased numbers exceeding targets.
	<b>Total Students</b>	2018/19 – c. 28,600 students		Overall student numbers in line with targets.
Student Satisfaction	National Student Survey (NSS) – Undergraduate	Overall satisfaction at 91% by 2020/21 2018/19 – 90% overall satisfaction		Student satisfaction 86%, down from 88% last year. Sector average 84%.
	Postgraduate Taught Experience Survey (PTES)	2020/21 – overall satisfaction in upper quartile for the sector		Upper quartile (PTES 2018)
	Postgraduate Research Experience Survey (PRES)	2020/21 – overall satisfaction in upper quartile for the sector		Move to second quartile (PRES 2019)
Withdrawals	Non-continuation rate for full-time first degree students	2020/21 – 5%		Provisional data shows non-continuation rate slightly above target.


## Every student takes part in career-enhancing activities, such as placements, exchanges, enterprise, volunteering or work-based learning

Area	Indicator	Target	Brief Summary of Current Performance	
Participation in Career Enhancing Activities	Proportion of students taking part in career enhancing activities	2020/21 – all students		On track – activity includes student placements and volunteering.
Graduate Outcomes – Destinations of Leavers from Higher Education Survey (DLHE)	Percentage of graduates in employment or further study after six months	2018/19 – Target 91%		Exceeding 2020/21 targets
	Percentage of graduates in professional jobs after six months	2018/19 – Target 72%		Exceeding 2020/21 targets



## Building on our financial strength and increasing the contribution to income that comes from research

Area	Indicator	Target	Brief Summary of Current Performance	
Income	Research and Innovation income	2018/19 Target- £ 23.4m		Slight reduction in total income but ahead of target.
Research Active Staff	Number of research-active staff	Increase number and proportion of research active staff		Continued increase in proportion of research active staff.
Postgraduate Research (PGR) Students	FTE PGR student numbers	2018/19 Target – 538 FTE		Exceeding targets

## Establishing nationally and internationally recognised cross-discipline thematic areas that address key issues facing society








Area	Indicator	Target	Brief Summary of Current Performance	
Themes	Establish five thematic areas, contributing to education, research and innovation activity and impact	Thematic areas established and contributing to education, R&I activity and impact		Remains on track with positive developments underway.

## Creating a network of strategic global partnerships to support internationalisation






Area	Indicator	Target	Brief Summary of Current Performance	
International Collaborations	At least three successful international collaborations established, located in at least three continents	2020/21 – three successful collaborations established across at least three continents.		Remains on track.
Student Numbers	Number of on-campus international students	2018/19 – c.3,350 students		Significant increase in student numbers.



## Raising expectations and creating ladders of opportunity for people in our region to take part in Higher Education

Area	Indicator	Target	Brief Summary of Current Performance	
<b>Widening Participation (Recruitment)</b>	Young students from low-participation neighbourhoods	HESA benchmark – 10.5% Access Agreement – 11.5%		Outperforming both targets.
	Mature students from low-participation neighbourhoods with no previous Higher Education	HESA benchmark – 13.7% Access Agreement – 15.5%		Outperforming both targets
<b>Widening Participation (Retention)</b>	Young students from low-participation neighbourhoods	HESA Performance Indicator benchmark – 9.3% Access Agreement – 6.2%		Slightly below more stringent Access Agreement target, but outperforming HESA benchmark.
	Mature students from low-participation neighbourhoods with no previous Higher Education	HESA Performance Indicator benchmark – 12.5% Access Agreement – 11.6%		Outperforming both targets.
<b>University Technical College (UTC)</b>	University Technical College successfully established and operational	UTC established and operational		In third year of recruitment with successful first completing cohort in Summer 2019.
<b>New Routes</b>	New routes including apprenticeships introduced and recruiting successfully	New routes introduced and recruiting successfully		On track, with degree apprenticeships recruiting successfully.
<b>Franchised Courses</b>	Number of students on franchised courses with Further Education colleges.	Increased number of students on franchised courses with Further Education colleges		Slight decrease in headcount in 2018/19.


## Supporting and developing our people to deliver excellence with commitment and passion

Area	Indicator	Target	Brief Summary of Current Performance	
<b>Staff Development</b>	All staff offered appropriate development opportunities.	Maintain staff satisfaction with development opportunities		Several new staff development opportunities in place. New Performance and Development Review (PDR) scheme implemented in 2018/19.
	Athena SWAN award gained	Awards at institution and department level		Institutional award retained and multiple department level awards.
<b>Academic Staff Qualifications</b>	Percentage of staff holding an Higher Education Academy (HEA) fellowship	Increase % staff holding HEA fellowship		Increase in numbers but % has dropped slightly.
	Percentage of staff with Doctorates	Increase no. and % of staff holding doctorates		Increase in numbers holding doctorates, but % remains as last year.
<b>Staff Satisfaction</b>	Percentage of staff who recommend University of Portsmouth as a good place to work	Maintain levels of staff satisfaction		Declining performance in last staff survey (2017). New PDR scheme seeks to enable all staff to establish clear links to the strategic aims of the University and recognise staff contribution and enable and encourage further success.



## Developing a flexible physical and digital environment that promotes enjoyment and engagement within a community of learning

Area	Indicator	Target	Brief Summary of Current Performance	
Estate	Estate masterplan to be developed by April 2016, with implementation well underway by 2020	Estate masterplan implementation well underway by 2020		Implementation underway.
	NSS results on learning resources	2018/19 – 89% satisfaction		On track, Remains at 89%
	Staff satisfaction with their working environment	Improve staff satisfaction with working environment		No change.





## 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

Area	Indicator	Target	Brief Summary of Current Performance	
Economic Impact	Increased economic impact of the University for the city and region by 2020	Economic Impact Assessment (EIA) to be conducted		EIA (2017) showed £1.1bn GVA generated in 2015/16.

## Using our Financial strength in support of strategic ambitions for maximum impact and sustainability

Area	Indicator	Target	Brief Summary of Current Performance	
Financials	Financial surplus (net contribution)	Achieve agreed financial surplus. 2018/19		Financial surplus achieved
	Cash balances	Achieve agreed cash balances		Cash balances achieved

## Maintaining and enhancing our quality, reputation and visibility

Area	Indicator	Target	Brief Summary of Current Performance	
External Audits and Reviews	Outcomes of external audits and reviews by Quality Assurance Agency, Professional, Statutory and Regulatory Bodies, OFSTED and other bodies	Achieve positive reviews		Teaching Excellence Framework Gold award remains in place.
League Tables	Improve ranking across the key UK league tables	Top 50 average across Guardian, Times and Complete University Guide classifications by 2020/21		Strategic target achieved. Highest ever ranking of 21st in 2020 Guardian University Guide.
	Improve ranking in the 'Times Higher Education (THE) Top 100 Universities under 50'	2020/21 – Top 100		Ranked 101-150
	Maintain our position in the top 400 of the 'THE World University Rankings'	2020/21 – 351-400		Ranked 401-500

# STRATEGIC COMMENTARY

## Student Recruitment

Student demand remains strong, in light of a continuing decline in the number of 18 year olds in the UK population and increased competition between HE providers. Overall, student targets have been met with an increase of over 1,000 students in 2018/19, largely due to increased international student numbers and the introduction of new Degree Apprenticeship programmes.

The University received around 24,000 main route UCAS applications from prospective Home/EU students ahead of the 2018/19 academic session. In total around 5,750 Home/EU undergraduates on Office for Students supported programmes commenced their studies at the University in 2018/19, with over 16,000 registered in total. Demand for postgraduate taught courses remained at a similar level to 2017/18, with around 900 full-time students and 1,400 part-time students registered.

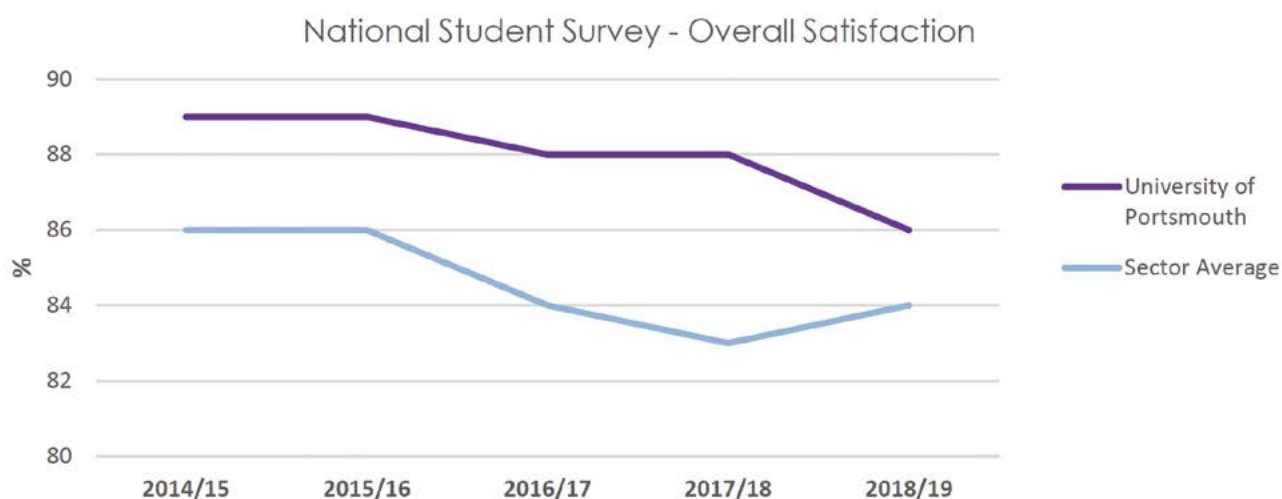
The University introduced its first Degree Apprenticeship programmes in 2016/17. Demand for these programmes has increased and in 2018/19 recruitment comfortably exceeded University targets, with additional growth anticipated in 2019/20, partly due to new contracts being secured.

Full-time international student numbers increased by around 12% in 2018/19, with increases in international students at all levels of study. In total over 2,000 international new entrants were recruited. This increase resulted in international student numbers in line with the stretching strategic targets agreed at the outset of our existing strategic plan. Numbers have been increased following a restructuring of our Global Office and a number of new and expanded initiatives.

The number of EU and international students taking online and international courses increased in 2018/19.

## Undergraduate Student Satisfaction

In 2019, for the thirteenth successive year, we outperformed the sector for overall student satisfaction with their course in the National Student Survey. 86% of our students expressed overall satisfaction with their course, compared to 84% nationally. Whilst this highlights the high levels of satisfaction among our undergraduate students it does represent a decrease of two percentage points compared to the previous year. Given our longstanding commitment to delivering transformational education for all of our students, improving our performance against this measure will be a key strategic priority.



## Postgraduate Student Satisfaction

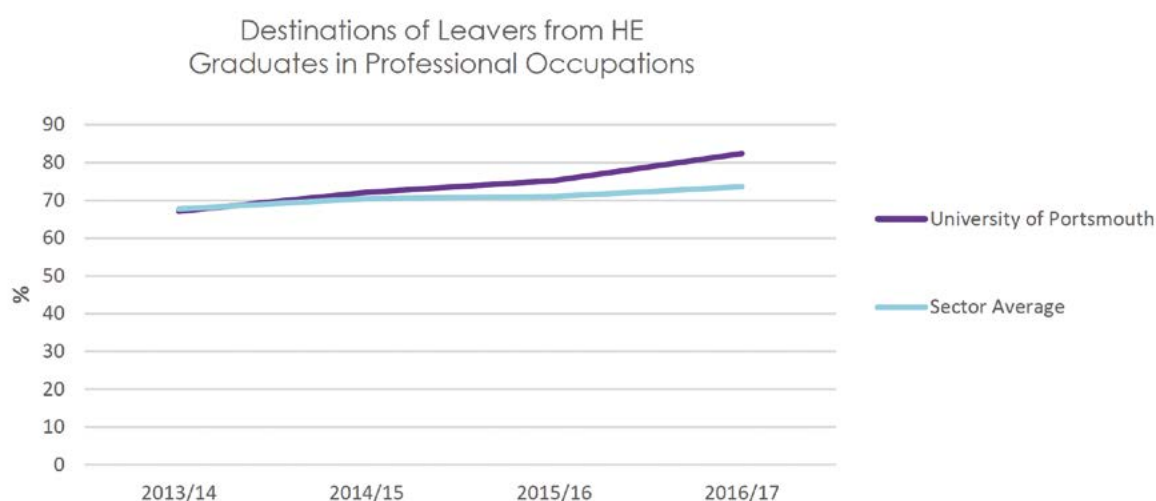
Our commitment to ensuring an excellent postgraduate student experience is also demonstrated through the opinions of our students. In each of the most recent Postgraduate Taught Experience Survey (2018) and Postgraduate Research Experience Survey (2019) we outperformed the sector for overall student satisfaction rates, and in relation to postgraduate taught students we were in the top quartile of participating HEIs.

## Student Outcomes

The Hallmarks of a Portsmouth graduate are a key component of our current education strategy and we support our students in gaining these throughout their time with us. This is part of our commitment to ensuring that our graduates are knowledgeable, informed, intellectually curious, responsible, self-aware and self-motivated, independent learners set for success in their future careers. We also seek to offer every student the opportunity to take part in career-enhancing activities including placements, volunteering, exchanges and work-based learning to enhance their experience and equip them for professional life beyond their studies.

The most recent, and final, Destination of Leavers from Higher Education (DLHE) survey reviewed 2016/17 graduates' primary activities six months after leaving the University. This revealed that 97.5% of surveyed Portsmouth graduates were in employment or further study 6 months after graduating, the highest rate amongst universities in the South East of England and built on previous year-on-year improvements. 82% of those in work or study after graduation were in professional-level jobs, compared to a 74% average for the rest of the sector.

A new national Graduate Outcomes survey, which seeks to review destinations 15 months after graduating has replaced the DLHE; with the first data to be published in early 2020.



## Widening Access and Participation

Our University strategy is explicit about our commitment to widening access to Higher Education and ensuring that those who have the potential to benefit from Higher Education are enabled to do so. In 2018/19 we spent £5.3m on bursaries and support for students from low income households and others requiring additional financial support. Our successful postgraduate support scheme continued in 2018/19 through which 246 masters scholarships of £3,000 each were awarded to high-achieving Portsmouth undergraduates from low-income households to assist their progression to study at a higher level.

Through our OfS-approved Access and Participation plan we state our plans to seek to build upon our achievements in recruitment, support and ensuring positive outcomes for all of our students, but particularly in relation to individuals from underrepresented groups. We continue to consistently outperform benchmarks in relation to the HESA performance indicators for student recruitment and retention, which have formed the basis of our Access and Participation plan targets.



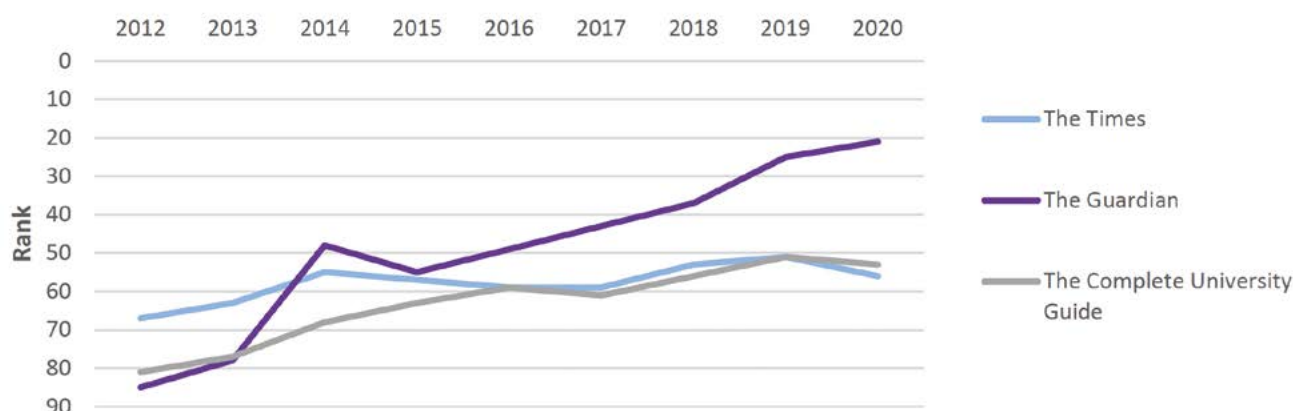
The University is a partner in the University Technical College (UTC Portsmouth), which opened in September 2017 and recruited successfully in its second year of operation. The UTC is a non-selective school located in an area that provides opportunities for first-generation learners to enter higher education upon completion of their studies. It is a collaboration with key partners in the City and which seeks to respond to the need at secondary and post-16 levels to develop students ready to enter employment and/or further study in engineering or STEM-related subjects. It is a lead school for the Institute of Physics and lead school for the careers hub of the Solent LEP. 2018/19 saw the first cohort of students attain strong A-Level and Diploma results, with the majority opting to progress to universities including Portsmouth.

2018/19 saw the first sets of exam results with a pass rate of over 99% for level 3 courses, with 70% of students getting a good pass grade from A\* to C or Distinction to Merit. The pass rate for STEM subjects was 100% with subjects including Maths, Further Maths, Physics and Chemistry.

## Quality, Reputation and Visibility

In the 2020 Guardian University Guide (published in May 2019), Portsmouth was ranked 21st of 121 classified HE providers. This is our highest ever ranking in a major UK university league table, building on our previous best of 25th, achieved in the 2019 ranking. We have maintained an average ranking within the Top 50 across the three major UK university league tables, as per our existing strategic aims, ranked in 56th in the Times/Sunday Times University Guide and 53rd in the Complete University Guide.

Performance in Major UK League Tables since 2012



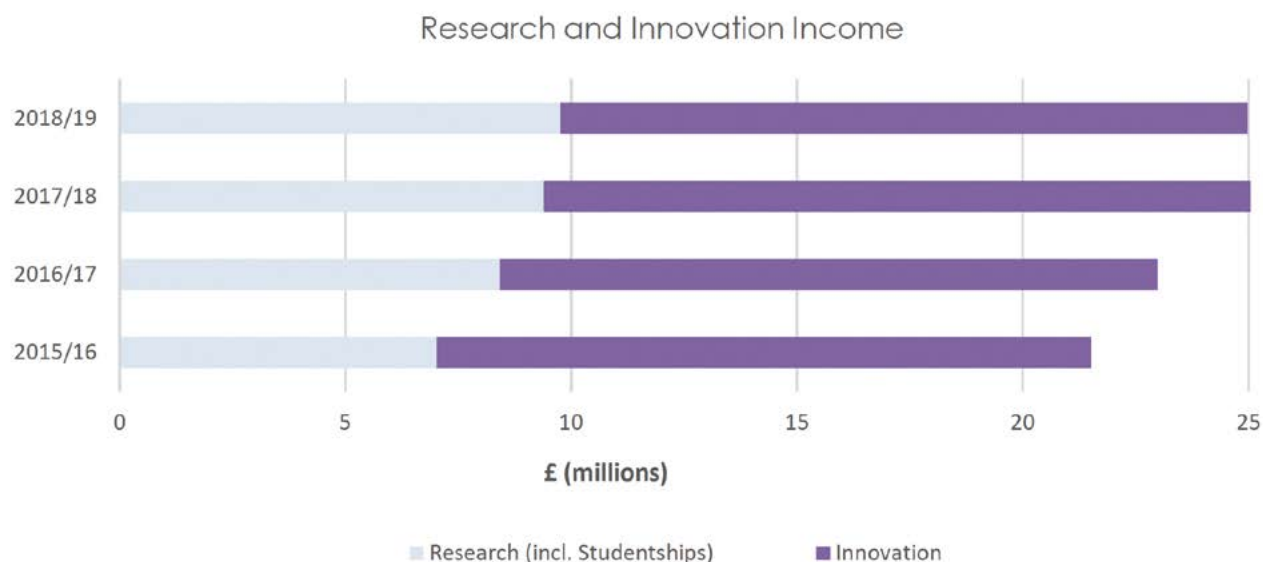
The University holds a gold rating in the Teaching Excellence Framework (TEF), which is the UK government assessment of teaching excellence in Higher Education. The TEF assessment is founded upon benchmarked metrics in relation to student satisfaction, continuation rates and outcomes. This award is an external recognition that the University consistently achieves outstanding outcomes for students from all backgrounds.

## Research and Innovation

Through our University Strategy we have undertaken to establish nationally and internationally recognised cross-discipline thematic areas that address the key issues facing society. These include Democratic Citizenship, Future and Emerging Technologies, Health and Wellbeing, Security and Risk and Sustainability and the Environment.

Over 60% of the research 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. Impact has been embedded as a key deliverable in its research initiatives in preparation for REF2021.

Our strategic approach to delivering excellence in research and innovation is based on building our financial strength and increasing the contribution to income that comes from our research and commercial activity. In 2018/19 our combined research and innovation income was £25m; a decrease of around £0.2m on 2017/18, but around £1.6m above target.



## Facilities and Estate

The University continues to invest heavily in our facilities and estate. In 2018 the University purchased the City Learning Centre for £5.7 million to provide additional high quality teaching facilities for our students.

Through our £400 million Estate Masterplan we are seeking to transform our campus to meet our strategic teaching, learning and research ambitions, and to make a positive impact on the city. The plan sets out how we plan to develop our campus over the next 10 to 12 years. It is based on a comprehensive review of our existing estate and includes the delivery of a series of high-quality, sustainable buildings.

Construction is already underway on a new sports facility on the Ravelin Park site, which is expected to be completed in spring 2021. In addition a shortlist of five international architects has been shortlisted to take part in a RIBA international design competition for a new academic building which will bring together the Faculty of Business and Law and the Faculty of Humanities and Social Sciences on the Victoria site in the city centre. The successful design team is due to be selected in October 2019.

## Development of new University Strategy and Vision

The current University Strategy was developed to cover a five year period to 2020. 2018/19 has seen the development of a new University Vision for 2030 and University Strategy through to 2025. Both the Vision and Strategy will seek to build on the successes achieved by the University in recent years; while recognising the rapidly changing environment in which we operate, and enabling us to respond to emergent challenges in a way that helps us deliver further success in the future.



# ENVIRONMENTAL SUSTAINABILITY

## Our commitment

The University is committed to achieving sustainability across all activities. We are updating our policies, plans and research themes to secure a low carbon future and a future that avoids single use plastics. This is a journey we have already started. Service delivery changes have been made, which we hope will encourage our community of staff and students to think sustainably too.

To help us keep track of how we are doing, a well established process of annual and independent certification audits of our environmental management system (ISO 14001: 2015) helps us monitor our environmental performance and compliance.



## Sustainable travel

The University Travel Plan is halfway through implementation, Measures delivered include designing entirely new 'travel to work' web pages to help staff take advantage of our train, bus and bicycle discounts. The website also promotes a new Park & Ride route into the University, a local free bus route and access to a new 'cycle to work' scheme. Another new significant measure is a 2 mile car parking permit exclusion zone around the University introduced through our new car parking policy. Our aim is to reduce our commuter traffic and as a result support work to improve air quality and quality of life in the city.

## Recycling and waste management

The University benefits from working with other local universities and major providers in the waste management sector to deliver high levels of compliance with waste duty of care requirements and high levels of office/food waste recycling regularly achieving 70% across campus. A next step has been taken to review our use of single use plastics in order to plan how we can eliminate and manage this waste stream. Already, many departments and particularly catering services have responded and have moved away from using single use plastics.

## Energy and carbon management

In a joint strategy with other local universities, our electricity and gas requirements are purchased by ESPO (a public sector buying organisation) through dedicated energy purchasing frameworks. This relationship allows multiple purchases to be made in advance of requirements to take advantage of price changes in energy markets. This approach also supports the energy budget setting process as there is a better understanding of energy prices from advance purchasing.

The University continues to work with Salix Finance to support implementation of energy efficient projects, this year we installed a new boiler and LED lighting throughout the newly refurbished Burrell House.

The regulation surrounding the Carbon Reduction Commitment (CRC) tax process has been simplified with payments now made via the existing climate change levy. The University made its final annual CRC payment under the regulation.

## Research, innovation and teaching

In addition to the work of our Energy and Environment Team, the University plays a key role creating positive environmental impacts that have regional, national and international benefits through our research, innovation and teaching activities and our collaborations with industry. Our Sustainability and Environment Research Theme underpins our activities in this area and seeks to promote actions that address key societal challenges.

# FINANCIAL REVIEW

## Overall performance

The University's positive financial results for 2018/19 reflect strong student recruitment and robust control of expenditure budgets.

## Financial Strategy

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

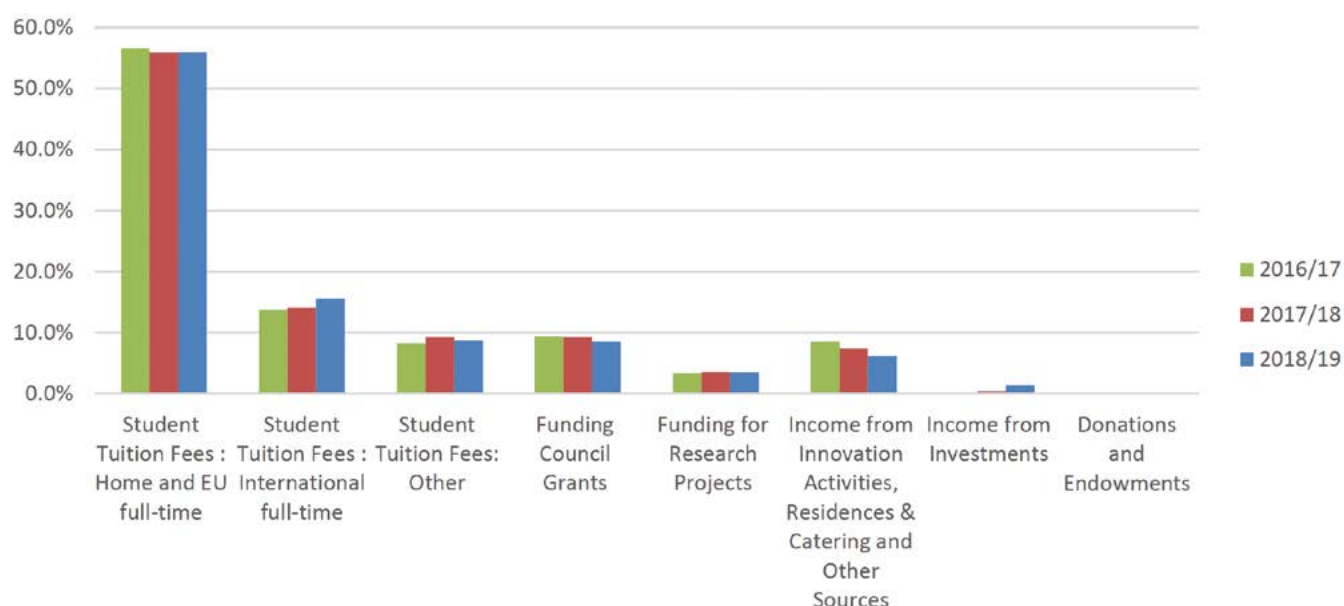
The Financial Strategy in support of the University's ambitious Estate Masterplan was approved in July 2017 with the agreed approved funding model being a combination of cash balances, cash generated in-year and long-term debt financing. In respect of this last item, the University secured and received £100 million bond financing during 2017/18 through a successful private placement exercise. The issue of the placement took place ahead of Masterplan expenditure requirements as the University wished to benefit from historically low interest rates. The changing risk profile of the sector is starting to demonstrate that this was the right thing to do.

## Income

The University group's income for 2018/19 totals £261.1 million, compared to £245.7 million in 2017/18, an increase of 6.3%.

Sources of Income	2018/19 £000	2017/18 £000	Change £000	Change %
Student Tuition Fees: Home and EU full-time	146,210	137,410	8,800	6.4
Student Tuition Fees: International full-time	40,773	34,770	6,003	17.3
Student Tuition Fees: Other	22,730	22,711	19	0.1
Funding Council Grants	22,326	22,776	(450)	(2.0)
Funding for Research Projects	9,192	8,773	419	4.8
Income from Innovation Activities, Residences and Catering and Other Sources	16,114	18,214	(2,100)	(11.5)
Income from Investments	3,676	931	2,745	294.8
Donations and Endowments	75	67	8	11.9
Total	261,096	245,652	15,444	6.3

## Income



### Student Tuition fees

Income from full-time UK & EU students increased by £8.8 million (6.4%) reflecting increased (all years) students, mainly undergraduate. This includes the continuing transfer of students from courses formerly fully funded by the NHS. International full-time income increased by £6.0 million (17.3%). As well as general fee inflation, this also reflects increased student recruitment to post graduate courses with January start dates.

### Government Funding

Total funding is £450,000 lower than in 2017/18. Mainstream teaching and research funding & HEIF (Higher Education Infrastructure Fund) fell slightly by £226,000, Miscellaneous grants fell by £342,000 due to one-off Industrial Strategy funding in 2017/18.

### Other sources of income

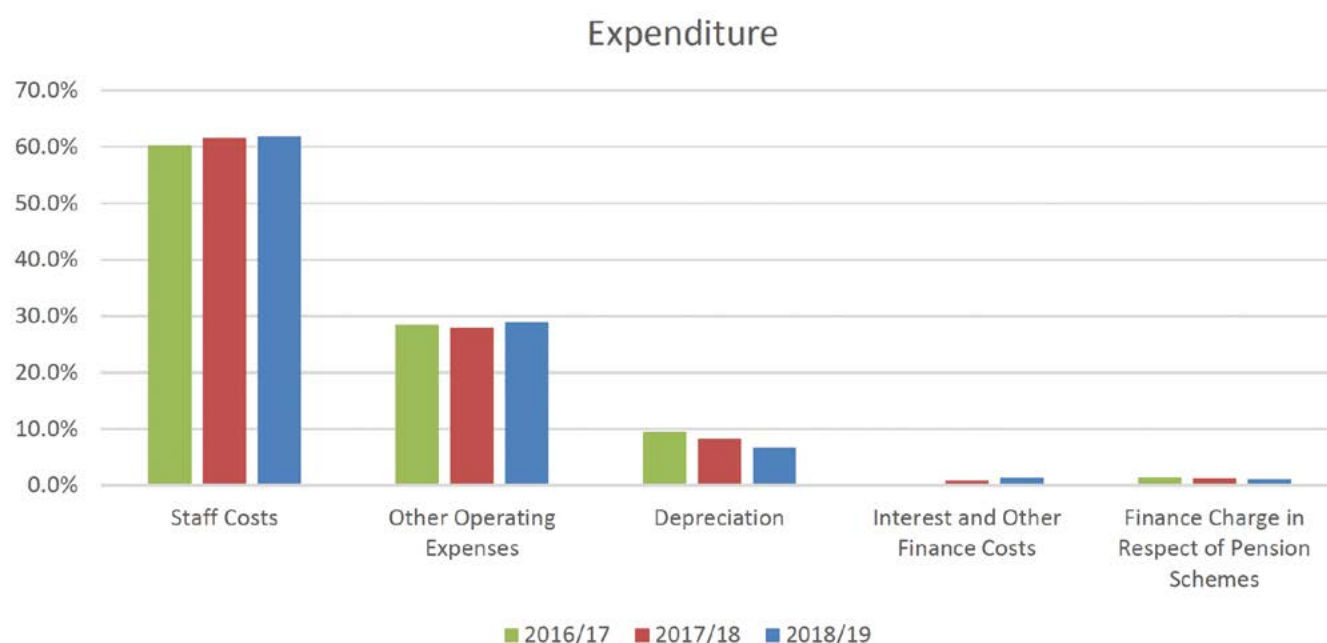
Income from research grants and contracts increased by £419,000 to £9.2 million; this is predominantly due to a number of new awards funded by UK Government and Health Authorities. During 2018/19 the Centre for Enzyme Innovation was established, following the award of £5.8 million from the Research England Expanding Excellence Fund. This funding will support staff in the Centre to develop their pioneering research to help solve one of the most urgent environmental issues we face today; through the delivery of transformative enzyme-enabled solutions for circular recycling of plastics.

Income from Innovation, Residences, Catering and Other fell by £2.1 million to £16.1 million. This is predominantly due to the closure of the Langstone Halls of Residence at the end of 2017/18 as well as significant refurbishment (and temporary closure) of Burrell House Hall of Residence.

Investment Income increased by £2.8 million (294.82%) compared to 2017/18. The University uses internal expertise and a proactive approach to investment to maximise cash balances. The average cash balance in 2018/19 was £264.1 million compared to £203.6 million in 2017/18, due primarily to the timing of the receipt of funds from the private placement in 2017/18. The increase in the Bank of England base rate in August 2018, together with the ability to invest directly with a wider range of approved counterparties, allowed higher investment returns to be achieved.

## Expenditure

Expenditure by Type	2018/19 £000	2017/18 £000	Change £000	Change %
Staff Costs	152,741	147,243	5,498	3.7
Other Operating Expenses	71,080	66,819	4,261	6.4
Depreciation	16,524	19,789	(3,265)	(16.5)
Interest and Other Finance Costs	3,216	2,056	1,160	59.2
Finance Charge in Respect of Pension Schemes	2,780	2,990	(210)	(7.0)
Total	246,341	238,897	7,444	3.1



Expenditure has increased from £238.9 million to £246.4 million, an increase of 3.1%. Within this staff costs rose by £5.5 million (3.7%), including a £6.6 million increase in the staff cost adjustment for the LGPS, as calculated by the scheme actuary. Excluding this technical adjustment, staff costs fell by £1.8 million. The cost of annual pay increases was more than offset by an overall reduction in average staff (70 fte, 2.6%) and reduced severance payments compared to 2017/18. A University wide voluntary severance scheme (VSS) took place during 2017/18 with associated costs arising predominantly in that year. The VSS provided the capacity to recruit several new members of staff to support areas of growing student demand and recruitment to these posts was staggered throughout the year.

The LGPS staff costs adjustment is £6.6 million higher than in 2017/18. This is mainly due to a one-off provision in respect of a recent age discrimination legal decision. The judgement itself relates directly to the judges and firefighters pension schemes, however the government has confirmed that it is applicable across all public sector pensions.

Other Operating Expenditure increased by £4.3 million (6.4%) in the year. £1.4 million of this increase relates to increased payments for international commission and directly relates to the growth in student numbers.

Depreciation fell by £3.3 million (16.5%) compared to 2017/18. Prior year's figures included £4.7m accelerated depreciation adjustment for Langstone Halls of Residence, which was closed in July 2018.

Interest and other finance costs increased by £1.2 million (56.4%) to £3.2 million in 2018/19. This mainly reflects the first full year of interest costs for the private placement bond, with 2017/18 being a part year.

## Surplus

The Operating Surplus for the year on the University's consolidated accounts is £14.8 million, 5.7% of total income (2017/18: 2.7%).

Following adjustments for other gains and losses, the change in fair value of loan notes (this is a non-cash item) and taxation, the surplus for the year is £10.3 million (2017/18: £6.8 million).

## Balance Sheet

Net Assets:	31 July 2019 £000	Represented By:	31 July 2019 £000
Non- Current Assets	348,686	Income and Expenditure Reserve: restricted	2,741
Net Current Assets	244,571	Income and Expenditure Reserve: unrestricted	295,612
Creditors due after one year	153,924		
Pension Liability	140,980		
Net Assets	298,353	Total Reserves	298,353

Non-current assets increased by £6.0 million to £348.7 million in total; this included expenditure of £22.2 million on new fixed assets and £16.5 million depreciation. Additions to fixed assets and work in progress include the acquisition of the University Learning Centre and the Victoria House Buildings as well as significant works to Mercantile House and King Henry buildings. Assets under construction figures (£7.9 million) predominantly relates to spend on the new Sports Centre and the refurbishment of Burrell House Hall of Residence. Non-current assets includes a disposals figure of £3.3 million which relates to demolition of buildings at the Langstone site.

Within net current assets is a figure of £276.7 million, which represents the University's cash, short term deposits and cash investments. These increased by £24.6 million (to £276.7 million) in the year; reflecting the positive surplus for the year. Under the FRS102 accounting standard, investments and short term deposits are separated out from cash and cash equivalents. The former refers to fixed term cash investments, made from general funds and maturing at least 3 months after date of purchase, including government treasury bills. Short term deposits are those which are repayable on demand within 24 hours without penalty. Cash and cash equivalents refers to all other cash balances.

The pension liability, relating to University staff membership (approximately 50% of total staffing) of the Hampshire Local Government Pension Scheme, increased by £36.4 to £141.0 million. The pension liability is recalculated as at each financial year end for the purposes of the financial statements. The increased liability at 31st July 2019 compared to twelve months previously is due to a 0.6% fall in discount rate (set with reference to corporate bond yields) between the two year end dates. This results in higher present value (cost) being placed on future cash flows by the scheme actuaries and a reduced calculation of scheme asset performance compared to 2017/18.

The University is not required to recognise a liability on our other pension schemes, principally the Teacher's Pension Scheme in respect of academic staff. Employer costs for this scheme are due to increase substantially from 16.48% to 23.68% from 1st September 2019, the additional cost for 2019/20 is approximately £3.5 million.

## 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 increased by £2.7 million in 2018/19, partly reflecting increased cash balances and current investments (£276.7 million compared to £252.1 million as at 31st July 2018). A refreshed Treasury Management Policy was in force throughout 2018/19 and the benefits of the Policy contributed to the raised level of investment income. Furthermore, a 0.25% increase in the Bank of England base rate in August 2018 increased the investment income achievable on bank and building society deposits.

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

## Financial Sustainability and Financial Health

The University's Financial Key Performance Indicators (KPIs) for Sustainability and Health are reported to the relevant Governor committees. Discussion focuses on the University's position over time. The Financial KPIs for 2018/19 and 2017/18 are shown in the table below.

	2018/19	2017/18
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£45.0m	£32.6m
Earnings before interest, Taxes, Depreciation and Amortisation as a % of Income	17.2%	13.3%
Operating Surplus as a % of Total Income	5.7%	2.7%
Unrestricted Reserves (excluding pension liability) as a % of Income	113.2%	126.1%
Borrowings as a % of Total Income	39.8%	43.1%
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	439.6	420.0
Staff Costs as a % of Income	58.5%	59.9%

The indicators above demonstrate the University's financial health and changes compared to the previous year's figures.

## Financial Risks

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

**Risks which arise from changes to the legislative, regulatory and funding arrangements for the sector.** The Augar Review of Post-18 Education and funding was published at the end of May 2019 and high level modelling has been completed by the University to determine the possible impact of the suggested reduction in fees. If the Government does not replace all or the majority of the lost income with grant, which the report recommends, the impact on the University and the sector will be significant. Originally the changes were intended to be introduced from 2021/22. The Review itself would be considered by the Government and legislation enacted before it can be implemented. There is no information on when and indeed if the Government intends to do this. One possibility is that the fees are not reduced but no increase is permitted either, allowing them to slowly reduce in real terms with time. The University will continue to keep the position under review and will take action as required.

**The rising cost of public sector pension schemes.** These represent the largest cost pressure faced by the University and the Sector. There are two main defined benefit pension schemes in operation within the University. Employer costs for the Teachers' Pension Scheme (TPS) increase substantially from 16.48% to 23.68% from 1st September 2019, the additional cost for 2019/20 is approximately £3.5 million. The Local Government Pension Scheme was revalued as at March 2019 and employer contributions are expected to increase by approximately £1.8 million per annum from April 2020.

**The UK's exit from the European Union** will impact the University and the wider sector in several ways, including EU research funding and recruitment of EU staff and students, currency fluctuations and, potentially, inflationary pressures in the medium to longer term. In the short term, the Government has guaranteed to underwrite pre-existing EU research projects and has also recently confirmed that EU students starting study in 2019/20 and 2020/21 will be considered home students for fee and loan purposes. For the medium term, the University is mitigating against these risks by investment in its research capabilities and diversification of its student recruitment.

Brexit is also likely to impact on supplier costs; the University is mindful that the uncertainty around this issue (and the potential impact on the economy) is likely to impact on supplier availability and capacity, in particular when the supply is labour intensive & that workforce is at least partly from mainland Europe. The University has mitigated against this where possible, particularly within significant building contracts.

**An increasingly competitive environment for both home and international student recruitment.** The University continues to work hard to retain and enhance its market share including significant investment in marketing activities and in market research to understand better the current and projected (for the next few years) recruitment markets.



## Going Concern

The University undertakes an annual exercise to consider Going Concern. This is a review of our ability to continue to operate for the foreseeable future that is at least until twelve months from the date of signing these financial statements. This review is based on the University's financial position, the markets in which it operates and also the key risks, including those described above, that it faces. The responses to these risks and challenges are considered and their potential impact on our ability to continue to operate without the need to materially curtail the nature of our operations or ambitions. 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 impact on the successful delivery of the strategy.

## Conclusion

Once again the University delivered an appropriate surplus, enabling the University to continue to support the delivery of the strategic aspirations articulated within our University Strategy 2015 – 2020. It continues to be expected that these surpluses will be used to support our agreed ambitions for major redevelopment and enhancement of the institution's estate to ensure we continue to be a successful and financially sustainable University.

The University's Annual Report and Accounts can be viewed online at: [\*\*port.ac.uk/departments/services/finance/publishedfinancialstatements/\*\*](http://port.ac.uk/departments/services/finance/publishedfinancialstatements/)

# ADDRESSING RISK

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 and retention</b>	<p>Increased competition and Brexit-related issues results in poor student recruitment with the consequence that student numbers and income decline</p> <p>Courses do not reflect demand resulting in poor student recruitment with the consequence that student numbers and income falls and the quality of the student intake declines</p> <p>Increased competition, changes in applicant behaviour and demographic changes in the number of traditional HE entrants result in increased competition with the consequence that student numbers and income decline</p> <p>Admissions processes do not optimise student recruitment with the consequence that student numbers and income decline</p> <p>Students withdraw or fail to progress resulting in a decline in retention rates with the consequence that student numbers and income decline</p> <p>Partnerships are insufficiently developed and supported resulting in a reduced ability to recruit with the consequence that student numbers and income are not optimised</p>	<p>We have developed a comprehensive and robust marketing strategy and have invested significantly in the development of a new brand proposition and targeted and enhanced marketing campaigns.</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> <p>We provide effective student support and wellbeing services to help our students to optimise their academic performance.</p> <p>We ensure that all partnerships are well resourced and supported, with sufficient investment to facilitate and strengthen partnership working.</p>
<b>Student experience</b>	<p>Poor TEF outcomes result in diminished reputation with the consequence that the University's is less attractive to potential students</p> <p>Poor student satisfaction results in poor NSS outcomes with the consequence that league table positions decline</p> <p>Ineffective employability skills amongst students results in poor employability rates with the consequence that performance in the Graduate Outcomes Survey declines</p> <p><b>New risks added during the course of the year:</b></p> <p>Changes in the course portfolio result in students being unable to complete their chosen courses with the consequence that the University is in breach of its Student Protection Plan</p> <p>Poor academic performance impacts adversely upon student attainment and progression rates with the consequence that academic performance is not optimised and TEF outcomes are jeopardised</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 an Employability Strategy for our students and have action plans to address issues arising from the NSS and DLHE surveys.</p> <p>We have implemented changes to the structure of the academic year to better support the quality of the student experience.</p> <p>The University's Student Protection Plan is in place and agreed by the Office for Students. The University will continue to regularly review its course portfolio to ensure compliance with professional body expectations and the delivery of high-quality provisions</p> <p>We will continue to use benchmarks and benchmark thresholds to set expectations in relation to academic performance.</p>

ISSUE	RISK	MITIGATION
<b>Research and innovation income</b>	<p>Poor REF outcomes result in diminished research reputation with the consequence that research profile, activities and associated income decline</p> <p>Declining levels of research and innovation activity result in a diminished volume of activity with the consequence that research profile, activities and associated income decline</p> <p><b>New risks added during the course of the year:</b></p> <p>Failure to optimise the use of innovation space constrains the creation of intellectual property and exploitation of commercial capital</p>	<p>We have established a 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> <p>In anticipation of increased competition for non-EU research and innovation funding, we have identified new funding streams, interdisciplinary projects and will target non grant based income sources (such as commercial research funding and philanthropic giving)</p> <p>We are developing strategies for Research and Innovation and Innovation Connect which ensures the optimisation of innovation space.</p>
<b>Financial sustainability</b>	<p>Changes to government policy result in reductions in public funding with the consequence that the University's funding declines or is placed at risk</p> <p>Inability to identify and implement effective and efficient ways of working results in increased costs as a proportion of overall income with the consequence that the University does not make optimal use of its resources</p>	<p>We have a robust financial strategy 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 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 continued to restructure many of our back-office functions to reduce costs and to streamline processes and administration.</p> <p>We have evaluated our arrangements for banking and procurement and have analysed our contracts to identify levels of risk and resilience and potential vulnerabilities in the light of Brexit.</p>

ISSUE	RISK	MITIGATION
<b>Estate and IT infrastructure</b>	<p>Inability to deliver the estate masterplan to schedule results in an inability to offer a high quality environment, places pressure on space or has an adverse impact on costs with the consequence that strategic objectives cannot be attained</p> <p>Unexpected loss of a significant estate or IT facility results in constraints upon the ability to conduct business effectively with the consequence that the University is unable to deliver required services</p> <p>Problematic or incomplete implementation and deployment of record systems result in the use of incorrect or incomplete data to inform decisions and/or funding returns with the consequence that decisions are flawed or that funding returns are inaccurate</p> <p>Breaches of cybersecurity results in loss, theft or alteration of data; denial of service; or impersonation with the consequence that the ability to conduct business effectively is compromised</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. We have robust contract monitoring to ensure that projects proceed to expectations.</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 cybersecurity risks and basic mitigating actions.</p>
<b>Attracting and retaining staff</b>	<p>Inability to recruit high-calibre staff leads to a lack of required skills, knowledge and attributes with the consequence that the University is unable to attain strategic objectives</p> <p>Inability to retain high-calibre staff leads to inability to a lack of required skills, knowledge and attributes with the consequence that the University is unable to attain strategic objectives</p> <p>Inability to develop the workforce culture leads to a lack of resilience and ability to manage change effectively with the consequence that the University is unable to attain strategic objectives and the delivery of the People Strategy</p> <p>Inability to secure or develop sufficient capacity to drive intended change and innovation with the consequence that the University is unable to attain its strategic objectives</p> <p><b>New risks added during the course of the year:</b></p> <p>Inability to effectively manage organisational change due to the scale and pace of change activity underway with the consequence that there is an inability to deliver “business as usual” activities</p>	<p>We have developed a People 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 developed and piloted a new personal development review process to better acknowledge and manage the performance of staff and to support their training and development needs.</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>Non-compliance with legislation and regulatory requirements results in fines and prohibitions being imposed upon the University with the consequence that it suffers financial loss and reputational damage</p> <p>Quality assurance requirements are not met resulting in poor inspection reports and negative publicity with the consequence that the University suffers reputational damage</p> <p>Required standards of governance are not met resulting in poor decision-making and financial loss and reputational damage</p> <p><b>New risks added during the course of the year:</b></p> <p>Increased political and economic turbulence and instability due to the uncertainties of Brexit destabilise the higher education policy and funding environment</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>Poor league table positions result in a diminished reputation and image with the consequence that this constrains ability to recruit students and staff and attract external investment</p> <p>Disreputable strategic partnerships result in the University being brought into disrepute with the consequence that its reputation and ability to conduct business with other parties is damaged</p> <p>Inability to plan and liaise effectively over the delivery of the estates masterplan with local stakeholders creates disruption and inconvenience in the local environment with the consequence that relationships are damaged and the University's reputation is damaged</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>

# PUBLIC BENEFIT AND COMMUNITY ENGAGEMENT

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

Our strategy, mission and vision demonstrate our focus on the delivery of higher education and high quality research. It is through this activity that we are able to make a major contribution to social, cultural, educational and economic development. Our published mission states, "We delight in creating, sharing and applying knowledge to make a difference to individuals and society". The principal beneficiaries of the University's teaching and research activity are our students.

The education and research carried out at the University of Portsmouth also has indirect beneficiaries, including our local community. An Economic Impact assessment carried out by BIGGAR economics and published in July 2017 showed that in 2015/16 the University generated around £1.1 billion gross value added (GVA) to the UK, including £476 million in the city and £624 million in the Solent Region ("Economic Impact of the University of Portsmouth"- BIGGAR Economics, July 2017). In addition to the economic benefits provided by our operations within the City our influence extends beyond through our role in the intellectual and cultural life of the city, our support for educational aspiration and achievement and the additional benefits that our presence has on businesses and local organisations.

A small selection of examples of how the University benefits our community across education, research and innovation are outlined below. Further examples can be found via the University website at [port.ac.uk](http://port.ac.uk)

## Education

We are committed to raising aspiration and providing every individual with the potential to benefit from Higher Education the opportunity to do so.

The University delivers undergraduate and postgraduate programmes to around 25,000 students. Many of our students come from low-income households and/or low participation neighbourhoods, including many from our local and regional populations. Our strategy affirms our commitment to "raise expectations and create ladders of opportunity for all those in our region who might benefit from taking part in Higher Education". We proactively seek to realise this aim, supported through the activities of our Recruitment and Outreach team who work with Schools and Colleges on projects and schemes to develop growth mindsets in young people.

Delivery of our aims is underpinned by non-discriminatory admissions processes, generous financial assistance to students from low-income households to mitigate some of the economic barriers to Higher Education, comprehensive pastoral support, opportunities for students to engage in career enhancing activities, and individualised careers support both during and after their time at Portsmouth through our dedicated Careers and Employability Service.

Our provision is wide-ranging and includes strategically important disciplines including science, engineering, mathematics, foreign languages and the creative industries. A significant proportion of our programmes are professionally accredited, ensuring that graduates develop in line with current professional standards ahead of entering employment.

The most recent Destination of Leavers from Higher Education survey, which tracked students graduating in 2016/17, showed that 97.5% of our graduates were in employment or further study six months following graduation and, of those working, 82% were employed in professional or managerial occupations. As such we provide the regional, national and international economy with highly capable graduates, able to draw upon the knowledge and skills they have developed at Portsmouth to make significant contribution to their employers, their communities and society as a whole.

## Research and Innovation

Our research and innovation activity ensures that our curricula are informed by current research, scholarship and professional practice. This results in the development of high quality graduates, ready to enter the regional, national and global employment markets with confidence, as evidenced by the high proportion of our graduates entering professional-level employment following graduation.

Through our research and innovation activity we seek to understand and address issues the society faces on a world- wide scale, but also regionally and locally. In addition to benefiting our students we aim to support the development of Portsmouth and the wider Hampshire area by ensuring that what we do delivers real and positive impacts on a range of stakeholders including industry, business and local government.



Over 60% of the research the University submitted to REF2014 was rated as world-leading and internationally excellent; with over 80 per cent of our research impact being judged as having 'outstanding' or 'very considerable' impact in terms of reach and significance. In preparation for REF2021, the University has embedded impact as a key deliverable in its research initiatives.

One of the major activities for the university and the city will be the opening of the Centre for Enzyme Innovation. The creation of the Centre is possible thanks to £5.8 million award from Research England Expanding Excellence Fund and significant investment by the University. The research conducted at the Centre will involve finding enzymes that break down plastic, with the intention of exploring new ways of combatting plastic pollution.

The work of the Centre for Enzyme Innovation will be complemented by further research and innovation activity in the area of Plastics; this will involve working closely with the city council to drive the plastic-free agenda locally and set an example nationally of Portsmouth as a city taking on the challenge of plastic pollution.

The University works 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 through our Business Enterprise Centre. We have developed and maintain relationships with local stakeholders including local enterprise partnerships including the Solent Local Enterprise Partnership, Solent Growth Hub, Future Solent and Creative Network South.

The ongoing collaboration between the University and the Portsmouth Hospitals Trust aims to develop new technologies, working with SMEs, clinical researchers, academics, industry and the National Institute for Health Research, to improve healthcare using the expertise of both institutions.

## Civic and Community Engagement

The University has committed to produce a 'Civic University' agreement, in partnership with local government and other major local institutions through which we will seek to further support social mobility, drive innovation and economic growth and support the cultural strength of the community within which we operate. Through this agreement we aim to build on our existing work in this area.

The existing University Strategy 2015-2020 signposts our commitment to "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". In addition to the contribution we make through education, research and innovation and enterprise, we also engage with the community around us through partnerships, volunteering and working with local schools.

2018/19 saw over 2,600 student and graduates engaging in volunteering activity through our Careers and Employability service, academic faculties, the Students Union and Sports and Recreation department. In total almost 54,000 hours of recorded volunteering was provided to the local community through curricular and extracurricular activities, ranging from individuals or small groups working with partners to larger scale volunteering projects. The Faculty of Science places students with Portsmouth City Council and the NHS.

Students are able to draw on the skills and knowledge they are developing during their studies to benefit individuals and organisations, for example students in the University of Portsmouth Dental Academy works in partnership with many community-based organisations in the city supporting vulnerable groups and providing access to care, treatment and information that would not otherwise be available to them. Elsewhere students from the School of Law run legal clinics which give residents access to legal guidance and advice.

The University has been the main club partner to Portsmouth Football club since May 2018. This partnership builds on an existing relationship as the club's Official Education Sponsor and further cements our commitment to the economic, educational and cultural life of the city and region. Through working with the Club the University seeks to interact more closely with groups that have previously been difficult to reach, to encourage educational aspiration and make Higher Education more accessible to those in our local community who have the potential to benefit from it. Activities have included student ambassadors from the University teaming up with representatives from the Football Club to give talks in local schools which encourage growth mindsets. Students from the University also have volunteering opportunities with Pompey in the Community, an independent charitable trust, affiliated to the Club.

# 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 terms and conditions of funding that are set by the Office for Students (OfS). The Board receives regular reports from executive officers on the day-to-day operations of the University's business and also on the activities of its subsidiary companies.

## Statement of Primary Responsibilities

In accordance with the CUC Code of Governance, the Board of Governors maintains a Statement of Primary Responsibilities which summarises the key accountabilities of the Governors. 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.

1 The Articles of Government can be found at:  
[policies.docstore.port.ac.uk/policy-097.pdf](https://policies.docstore.port.ac.uk/policy-097.pdf)

2 The Instrument of Government can be found at:  
[policies.docstore.port.ac.uk/policy-096.pdf](https://policies.docstore.port.ac.uk/policy-096.pdf)

## 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, Infrastructure and Finance Committee, Human Resources Committee, Nominations Committee and the Remuneration Committees.

### 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 OfS as they affect the University's business and monitors adherence to regulatory requirements. It reviews the University's annual financial statements together with the accounting policies. The Committee has responsibility for confirming and promoting Value for Money. Whilst senior executives attend meetings of the Audit and Quality Committee, they are not members of the Committee and the Committee's terms of reference provide that members have a regular opportunity to meet on their own with the External and Internal Auditors for independent discussions.

### Infrastructure and Finance Committee

This committee examines and monitors, on behalf of the Board, all areas of the University's financial policy and strategy and makes recommendations and proposals and provides advice 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. This committee is also responsible for the strategic planning of the University's estate and its information technology infrastructure, including the formulation and oversight of the delivery of the Estate Masterplan and IT Strategy.

### Human Resources Committee

This committee considers 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. It monitors the University's development and deployment of strategies and approaches for talent management and succession planning.

### Nominations Committee

This committee considers and recommends nominations for appointments to the Board membership in accordance 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.

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

These committees determine the annual remuneration of the Vice-Chancellor, other holders of senior posts and the Clerk to the Board, as required by the Articles (a separate report on the Remuneration Committee is provided later in this document).

### Risk Management

The current Risk Management Policy was approved by the Board of Governors in October 2019 and is reviewed annually. The maintenance and update of the Risk Register is the responsibility of the Executive Director of Corporate Governance. As one means of complying with the key principles of risk management, all committees of the Board of Governors conduct their work in the context of the University Strategy and the Risk Management Policy. In essence, committees will examine the inherent risks in the strategic objectives of the committees as they contribute to the University Strategy.

# FINANCIAL RESPONSIBILITIES

## 2018/19 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 funding set by the OfS, 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 OfS are used only for the purposes for which they have been given and in accordance with the terms and conditions of funding set by the OfS and any other conditions which the OfS 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.

## 2018/19 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 terms and conditions of funding set by the OfS.

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 2019 and up to the date of approval of financial statements. It continues to be reviewed and refined in accordance with the OfS 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 was previously 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. 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



# REMUNERATION COMMITTEE

The Vice-Chancellor's salary is set each year by the Vice-Chancellor's Remuneration Committee by reference to the previous financial year (2017/18 in this instance). The Vice-Chancellor is not a member of this Committee and does not attend its meetings.

## The Operating Context

The Vice-Chancellor leads a University that in 2017/18 had:

- A turnover of c.£245 million
- Over 25,000 students, including 4,000 international students from over 150 countries
- Over 2,600 academic and professional services staff
- Over 160 education partnerships in 36 countries
- The highest rating of "Gold" in the Teaching Excellence Framework
- 88% student satisfaction rates in the National Student Survey
- 97.5% of its graduates in work or further study within six months of graduation with The Economist rating the University as the best in the UK for boosting graduate salaries
- A top 25 ranking in The Guardian League Table of UK universities
- An annual economic benefit to the local economy of £300 million.

## Process for Assessing Value and Performance

### Framework for Setting the Pay of Senior Postholders

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

The Framework states that changes to the salaries of senior postholders will take account of:

- (i) Their sustained performance and contribution during the preceding year(s).
- (ii) The percentage increase in salary awarded to staff on national payscales as a consequence of national negotiations.
- (iii) The average percentage increase in salary received by staff on national payscales to reflect incremental pay progression.
- (iv) Maintaining the relative value of salaries when compared with benchmarking data in the annual UCEA survey of senior staff remuneration within the higher education sector, with a particular focus upon:
  - Institutions with a turnover of £202m to £400m.
  - Institutions within the membership of the University Alliance mission group.
- (v) The overall affordability of any proposed increases to senior salaries, taking account both of the University's financial performance and the need to offer salaries that compare favourably with competitor institutions.
- (vi) Any material changes in roles and responsibilities since the previous review period.

The Framework also states that:

- (i) One-off, non-consolidated payments may also be made to acknowledge exceptional individual contribution and to ensure the delivery of strategic imperatives.
- (ii) The University will ensure that its highest paid staff member will not earn more than 20 times the full-time equivalent salary of its lowest paid staff member.

The Framework is published on the University's website at: [port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,200660,en.pdf](http://port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,200660,en.pdf)

## Assessment of Value and Performance

### Contextual Information

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

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

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

## Judgement of Performance

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

- (i) Comments, feedback and observations on the Vice-Chancellor's performance from governors confirmed that it was the view of governors that the Vice-Chancellor had provided effective leadership for the University; had presided over a sustained improvement in the University's performance; and had maintained a firm focus upon achieving key strategic outcomes for the University.
- (ii) The assessment of the Vice-Chancellor's achievement against his objectives for 2017/18 showed that the majority of objectives had been successfully completed. In instances where objectives had been partially completed, significant progress could be demonstrated. There were no instances where little or no progress had been made towards the achievement of an objective.
- (iii) The Vice-Chancellor had:
  - (a) Effectively addressed a number of longstanding issues during his early years in post. This had enabled him to demonstrate impact and attain results quickly. The challenges that now faced the University were more complex and likely to become harder to address.
  - (b) Demonstrated both the commitment and the ability to nurture and develop an effective senior team. He had taken a keen interest in supporting them to fulfil their future career aspirations.
  - (c) Demonstrated an entrepreneurial outlook and that he was skilled at identifying and securing new opportunities for the University.
  - (d) Attained an excellent level of performance over the reporting year
- (iv) The performance of the University in the past year had been impressive. It had attained a 'Gold' ranking in the Teaching Excellence Framework; had performed strongly in the National Student Survey; had improved its league table position; had enhanced its student employability rates; and had maintained a robust financial position.

Having discussed and taken account of all relevant factors and especially the requirements of the Framework for Setting the Pay of Senior Postholders, the Vice-Chancellor's Remuneration Committee agreed that the Vice-Chancellor should receive:

- (i) A salary of £282,000 with effect from 1 August 2018.

## Other Benefits

### Health Insurance

The Vice-Chancellor receives family healthcare insurance cover under the Universities and Colleges Corporate Healthcare Scheme. This insurance cover is available to all senior postholders of the University. The cost to the University of providing this cover was £1,353 for 2018/19. It is a taxable benefit and the Vice-Chancellor pays tax upon this.

### Pension Allowance

The University allows any member of staff who can demonstrate that they have met their maximum lifetime pension allowance to opt-out of their pension scheme and, instead, receive a pension allowance from the University in lieu of pension contributions. The Vice-Chancellor has availed himself of this option and received a monthly allowance of £3,325 in lieu of pension contributions from the University during 2018/19. This is shown separately within note 7 to the Financial Statements.

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

# TRADE UNION FACILITY TIME

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

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

Data for the reporting period 1 April 2018 to 31 March 2019 is as follows:

## Trade Union representatives and full-time equivalents

Number of employees who were relevant union officials during the relevant period	13
FTE number of trade union representative for this period	11

## Percentage of working hours spent on facility time

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

0% working hours	0
1% to 50% working hours	11
51% to 99% working hours	2
100% working hours	0

## Percentage of pay bill spent on facility time

Total cost of facility time	£211,803
Total pay bill	£139,342,396
Percentage of the total pay bill spent on facility time	0.15%

## Paid trade union activities

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

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of the University of Portsmouth (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2019 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; and
- 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 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 Statement of Cash Flows;
- the statement of principal accounting policies; and
- the related notes 1 to 28.

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 Financial Reporting Council's (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 annual report, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

Opinions on other matters prescribed by the Office for Students (OfS) "Regulatory Advice 9: Accounts Direction"

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes during the year ended 31 July 2019 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2019; and
- the requirements of the OfS's accounts direction have been met.

### **Use of our report**

This report is made solely to the governing body in accordance with the Accounts Direction issued by the Office for Students dated 19 June 2018. 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.



Andrew Hornby FCA (Senior statutory auditor)  
Deloitte LLP  
Statutory Auditor Reading, UK  
26 November 2019

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## General

The University of Portsmouth is a higher education corporation and an exempt charity under the Charities Act 2011. Its principal place of business is University House, Winston Churchill Avenue, Portsmouth, Hampshire, United Kingdom.

## 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 2019.

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 of Income and Expenditure on a receivable basis.

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

## Grant Funding

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

## Donations and Endowments

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

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

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

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

4. Restricted permanent endowments- the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## Capital Grants

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

## Accounting for Retirement Benefits

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Hampshire County Council administered Local Government Pension Scheme (LGPS). The TPS is an unfunded scheme where no assets are set aside and the benefits are paid for by the employer as and when they fall due. Therefore this scheme is accounted for as a defined contribution scheme, the LGPS is accounted for under the terms of a defined benefit scheme. The schemes are externally administered and contracted out of the State Earnings-Related Pension Scheme.

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

### Defined Contribution Plan

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

### Defined Benefit Plan

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

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

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

## Employment Benefits

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

## Finance Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

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

## Operating Leases

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

## Foreign Currencies

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

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

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

## Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 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

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

## Borrowing Costs

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

## Intangible Assets and Goodwill

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.



## Investments

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

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

## Stocks

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

## Cash and Cash Equivalents

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

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

## Financial Instruments

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

All receivables, payables and investments in subsidiaries are initially measured at transaction price (including transaction costs) and held at amortised cost, except for those financial instruments classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs). Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method. Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss. The fair value for the private placement bond was calculated using credit risk spreads and considering similar financial instruments held by other institutions.

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

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

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

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

## Accounting Estimates and Judgements

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

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

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

Whilst the valuation of the private placement bond involves a significant degree of estimation, the University has concluded that there is no material uncertainty inherent in the calculation.

## 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**  
**Consolidated Statement of Comprehensive Income and Expenditure**  
**for the year ended 31 July 2019**

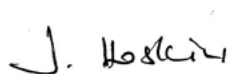
	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	209,713	209,542	194,891	194,681
Funding body grants	2	22,326	22,326	22,776	22,776
Research grants and contracts	3	9,192	9,022	8,773	8,642
Other income	4	16,114	15,299	18,214	17,362
Investment income	5	3,676	3,671	931	925
Donations and endowments	6	75	75	67	67
<b>Total Income</b>		<b>261,096</b>	<b>259,935</b>	<b>245,652</b>	<b>244,453</b>
<b>Expenditure</b>					
Staff costs	7	152,741	152,330	147,243	146,812
Other operating expenses		71,080	71,145	66,819	66,130
Depreciation	12	16,524	16,212	19,789	19,712
Interest and other finance costs	8	3,216	3,217	2,056	2,062
Finance charge in respect of pension scheme		2,780	2,780	2,990	2,990
<b>Total Expenditure</b>	9	<b>246,341</b>	<b>245,684</b>	<b>238,897</b>	<b>237,706</b>
<b>Operating Surplus</b>		<b>14,755</b>	<b>14,251</b>	<b>6,755</b>	<b>6,747</b>
Loss on disposal of fixed assets	12	(7)	(7)	(8)	(8)
Gain on investment	22	155	155	61	61
<b>Surplus after other gains and losses</b>		<b>14,903</b>	<b>14,399</b>	<b>6,808</b>	<b>6,800</b>
Technical adjustment in relation to fair value of loan notes*		(4,625)	(4,625)	0	0
<b>Surplus before tax</b>		<b>10,278</b>	<b>9,774</b>	<b>6,808</b>	<b>6,800</b>
Taxation	11	17	0	16	0
<b>Surplus for the year</b>		<b>10,261</b>	<b>9,774</b>	<b>6,792</b>	<b>6,800</b>
Actuarial (loss)/gain in respect of pension schemes	28	(24,150)	(24,150)	21,240	21,240
<b>Total comprehensive (expenditure)/income for the year</b>		<b>(13,889)</b>	<b>(14,376)</b>	<b>28,032</b>	<b>28,040</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year	22	190	190	136	136
Unrestricted comprehensive (expenditure)/income for the year		(14,079)	(14,566)	27,896	27,904
		<b>(13,889)</b>	<b>(14,376)</b>	<b>28,032</b>	<b>28,040</b>

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

**University of Portsmouth**  
**Consolidated and University Balance Sheet**  
**as at the year ended 31 July 2019**

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Intangible asset	10	548	0	523	0
Tangible fixed assets	12	345,390	342,729	339,751	336,777
Investments	13	2,748	6,605	2,422	7,008
		<b>348,686</b>	<b>349,334</b>	<b>342,696</b>	<b>343,785</b>
<b>Current Assets</b>					
Stock		200	200	223	217
Trade and other receivables	14	15,835	15,552	16,998	16,846
Investments	15	104,131	104,131	120,317	120,317
Short term deposits	16	152,627	152,627	34,467	34,467
Cash and cash equivalents		20,022	19,053	97,344	96,253
		<b>292,815</b>	<b>291,563</b>	<b>269,349</b>	<b>268,100</b>
Less: Creditors: amounts falling due within one year	17	(48,244)	(47,874)	(44,421)	(44,008)
<b>Net current assets</b>		<b>244,571</b>	<b>243,689</b>	<b>224,928</b>	<b>224,092</b>
<b>Total assets less current liabilities</b>		<b>593,257</b>	<b>593,023</b>	<b>567,624</b>	<b>567,877</b>
Creditors: amounts falling due after more than one year					
Deferred grant income	18	(48,372)	(48,372)	(48,034)	(48,034)
Unsecured loans	18	(105,552)	(105,552)	(102,778)	(102,778)
<b>Provisions</b>					
Pension provision	21	(140,980)	(140,980)	(104,570)	(104,570)
<b>Total net assets</b>		<b>298,353</b>	<b>298,119</b>	<b>312,242</b>	<b>312,495</b>
<b>Restricted reserves</b>	22	<b>2,741</b>	<b>2,741</b>	<b>2,551</b>	<b>2,551</b>
<b>Unrestricted reserves</b>					
Income and expenditure reserve- unrestricted		295,612	295,378	309,691	309,944
<b>Total Reserves</b>		<b>298,353</b>	<b>298,119</b>	<b>312,242</b>	<b>312,495</b>

These financial statements were approved by the Board of Governors on 25 November 2019.



J Hoskins  
Chair of The Board of Governors



G Galbraith  
Governor & Vice-Chancellor

**University of Portsmouth**  
**Consolidated and University Statement of Changes in Reserves**  
**for the year ended 31 July 2019**

	Note	Income and expenditure account		Total
		Endowment (note 22) £000	Unrestricted £000	£000
<b>Consolidated</b>				
Balance at 1 August 2017		2,415	281,795	284,210
Surplus for the year		136	6,656	6,792
Actuarial gain in respect of pension scheme	28	0	21,240	21,240
Total comprehensive income for the year		136	27,896	28,032
Balance at 1 August 2018		2,551	309,691	312,242
Surplus for the year		190	10,071	10,261
Actuarial loss in respect of pension scheme	28	0	(24,150)	(24,150)
Total comprehensive expenditure for the year		190	(14,079)	(13,889)
Balance at 31 July 2019		2,741	295,612	298,353
<b>University</b>				
Balance at 1 August 2017		2,415	282,040	284,455
Surplus for the year		136	6,664	6,800
Actuarial gain in respect of pension scheme	28	0	21,240	21,240
Change in fair value of hedging financial instruments	21	0	0	0
Total comprehensive income for the year		136	27,904	28,040
Balance at 1 August 2018		2,551	309,944	312,495
Surplus for the year		190	9,584	9,774
Actuarial gain in respect of pension scheme	28	0	(24,150)	(24,150)
Total comprehensive income for the year		190	(14,566)	(14,376)
Balance at 31 July 2019		2,741	295,612	298,119

**University of Portsmouth**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 July 2019**

	Note	Year ended 31 July 2019 Consolidated £000	Year ended 31 July 2018 Consolidated £000
<b>Cash flow from operating activities</b>			
Surplus for the year		10,261	6,792
<b>Adjustments for non-cash items</b>			
Depreciation	12	16,524	19,789
Change in fair value of loan notes		4,625	0
Decrease in stock		23	142
Decrease/(Increase) in debtors		990	(6,561)
Increase in creditors		3,968	5,348
Net pensions cost for the year	28	12,260	5,880
		<b>38,390</b>	<b>24,598</b>
<b>Adjustment for investing or financing activities</b>			
Investment income		(3,697)	(915)
Interest payable		3,216	2,056
Endowment income		(36)	(75)
Loss on the sale of fixed assets	12	7	8
Capital grant income		(1,788)	(1,845)
		<b>(2,298)</b>	<b>(771)</b>
<b>Net cash inflow from operating activities</b>		<b>46,353</b>	<b>30,619</b>
<b>Cash flows from investing activities</b>			
Net movement of current asset investments	15	16,186	(120,317)
Net movement of short term deposits	16	(118,160)	22,451
Taxation paid		(17)	(14)
Investment income		3,697	915
Deferred capital grants received		2,069	2,276
Payments made to acquire fixed assets		(22,170)	(14,347)
New non-current asset investments		(349)	(136)
		<b>(118,744)</b>	<b>(109,172)</b>
<b>Cash flows from financing activities</b>			
Interest paid	8	(3,216)	(2,056)
Endowment cash received		36	75
New unsecured loans		0	100,000
Repayment of amounts borrowed		(1,751)	(1,556)
		<b>(4,931)</b>	<b>96,463</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>(77,322)</b>	<b>17,910</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>97,344</b>	<b>79,434</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>20,022</b>	<b>97,344</b>

Under the disclosure exemption provided by FRS102, a separate University only cash flow has not been prepared.

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements**

**1 Tuition fees and education contracts**

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

Year ended 31 July 2019		Year ended 31 July 2018	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
138,085	138,085	128,864	128,864
8,125	8,125	8,547	8,547
40,773	40,773	34,770	34,770
8,637	8,637	7,787	7,787
10,284	10,284	10,896	10,896
2,392	2,392	2,474	2,474
1,417	1,246	1,553	1,343
209,713	209,542	194,891	194,681

**2 Funding council grants**

**Recurrent grants**

Higher Education Funding Council for England	
Office for Students	
Research England	
Release of capital grant	

**Specific grants**

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

0	0	13,785	13,785
12,167	12,167	4,758	4,758
5,768	5,768	0	0
1,684	1,684	1,566	1,566
1,831	1,831	1,449	1,449
797	797	1,096	1,096
59	59	116	116
20	20	6	6
22,326	22,326	22,776	22,776

**3 Research grants and contracts**

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

2,938	2,938	3,128	3,128
1,341	1,338	1,326	1,312
1,409	1,390	1,018	992
863	723	700	622
1,555	1,555	1,478	1,478
199	199	169	166
742	728	780	770
145	151	174	174
9,192	9,022	8,773	8,642

**4 Other income**

Residences, catering and conferences	
Contract income	
Other income	

7,503	7,503	9,993	9,993
4,182	2,996	3,732	2,583
4,429	4,800	4,489	4,786
16,114	15,299	18,214	17,362

**5 Investment income**

Interest from short term investments	
Appreciation of restricted investments	

3,629	3,624	856	850
47	47	75	75
3,676	3,671	931	925

**6 Donations and endowments**

Donations with restrictions	
Unrestricted donations	

13	13	2	2
62	62	65	65
75	75	67	67

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Financial Statements (continued)

#### 7 Staff costs

##### Staff Costs:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Salaries	111,848	111,456	113,727	113,312
Social security costs	11,253	11,240	11,171	11,158
Apprenticeship levy	523	522	523	523
Other pension costs (note 28)	29,117	29,112	21,822	21,819
<b>Total</b>	<b>152,741</b>	<b>152,330</b>	<b>147,243</b>	<b>146,812</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	1,305	1,344
Technical, Administrative and Professional	1,361	1,392
	<b>2,666</b>	<b>2,736</b>

##### Emoluments of the Vice-Chancellor:

	£000	£000
Basic salary	282	273
Taxable benefits in kind	1	1
	<b>283</b>	<b>274</b>
Pension allowance in lieu of pension contributions	40	39
Employer's contribution to the Teachers Pension Scheme	0	0
<b>Total emoluments including employer's contribution to the Teachers Pension Scheme</b>	<b>323</b>	<b>313</b>

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.

##### Other higher paid staff:

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

	Number	Number
£100,000- £104,999*	2	4
£105,000- £109,999	4	2
£110,000- £114,999	3	3
£115,000- £119,999	2	1
£120,000- £124,999	1	0
£125,000- £129,999	0	0
£130,000- £134,999	0	1
£135,000- £139,999	0	0
£140,000- £144,999*	1	4
£145,000- £149,999	1	0
£150,000- £154,999	2	0
	<b>16</b>	<b>15</b>

\* There is one member of staff in each of these bands who, from 2018/19, was in receipt of an additional allowance equivalent to pension contributions foregone.

##### Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University defines key management personnel as those staff appointed by the University's Governing Body. As at 31 July 2019 this group of staff consists of the Vice-Chancellor, the Deputy Vice-Chancellor, the Chief Operating Officer & Deputy Vice-Chancellor, the two Pro Vice-Chancellors and the Executive Directors of Finance and Corporate Governance.

	£000	£000
Basic salary	1,130	1,110
Taxable benefits in kind	8	9
Employer's contribution to the Local Government and Teachers Pension Scheme	114	123
<b>Key management personnel compensation</b>	<b>1,252</b>	<b>1,242</b>



**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements (continued)**

**7 Staff costs (continued)**

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

	Year ended 31 July 2019 Consolidated £000	Year ended 31 July 2018 Consolidated £000
Vice-Chancellor Salary	282	273
Vice-Chancellor Remuneration	323	313
Median Salary all other staff	38	35
Median Remuneration all other staff	43	40
Pay Multiple (Median Salary)	7.3	7.9
Pay Multiple (Median Remuneration)	7.4	7.8

The median salary and remuneration ratio calculations are calculated in accordance with the methodology proscribed by the Office for Students and are based on all staff employed at any point during the respective financial year; all part-time staff have been converted to full-time as required by this methodology. The calculations do not take account of out-sourced staff; which are limited to grounds maintenance, cleaning and security services. The median salary and remuneration for all other staff has increased by more than general salary inflation from 2017/18 to 2018/19. This is because the pay ratio calculation has been refined in 2018/19. In particular salaries for those staff on maternity pay have been included at the appropriate substantive scale point in 2018/19, rather than basing the calculation on actual pay received. This change improves the quality of information and is more reflective of salary levels in the institution. The Office for Students Accounts Direction does not include specific guidance in relation to staff on maternity pay.

	Year ended 31 July 2019 Consolidated £000	Year ended 31 July 2018 Consolidated £000
Vice-Chancellor Emoluments	323	313
Salary and Employer Pension Costs for lowest paid staff member	21	20
Ratio	16	16

The Vice-Chancellor's salary is set in accordance with the University's Framework for Setting the Pay of Senior Postholders. The Framework was established by the Board of Governors upon the recommendation of its Remuneration Committee. The Committee is charged by the Board of Governors with the setting the pay of senior pay holders (key management personnel, as elsewhere in this note). In turn the Framework adopts the proposal considered by the Hutton Review of Fair Pay in the Public Sector, namely that its highest paid staff member will not earn more than 20 times the full-time equivalent salary of its lowest paid staff member.

**Redundancy and Severance Costs, all Staff**

	Year ended 31 July 2019 Consolidated		Year ended 31 July 2018 Consolidated	
	£000	number	£000	number
Contractual redundancy and severance payments	225	171	255	54
Payments in relation to a voluntary severance scheme	1,111	53	3,732	123
Other	435	21	307	30
<b>Total</b>	<b>1,771</b>	<b>245</b>	<b>4,294</b>	<b>207</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 composition of the Board of Governors, with some members being drawn from local public and private sector organisations, it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

No member of the Board of Governors has received any remuneration/waived payments from the University or its subsidiary companies during the year (2017/18: £0) in respect of activities undertaken as a consequence of Board membership.

Total expenses paid to or on behalf of 10 members of the Board of Governors was £7,150 (2017/18: £6,724 to 12 members). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and charity events in their official capacity.

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements (continued)**

**8 Interest and other finance costs**

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

Year ended 31 July 2019		Year ended 31 July 2018	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
241	241	435	435
2,956	2,956	1,604	1,604
19	20	17	23
<b>3,216</b>	<b>3,217</b>	<b>2,056</b>	<b>2,062</b>

Loan payments in relation to other unsecured placement loans related to only part of the financial year in 2017/18 as these loans were taken out during the 2017/18 financial year.

**9 Analysis of total expenditure by activity**

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

147,744	147,141	149,023	148,423
3,001	3,125	2,240	1,588
34,471	34,626	31,478	31,605
31,340	31,049	33,726	33,662
6,509	6,512	7,201	7,203
7,799	7,754	7,294	7,284
9,480	9,480	2,890	2,890
3,217	3,217	2,056	2,062
2,780	2,780	2,990	2,990
<b>246,341</b>	<b>245,684</b>	<b>238,897</b>	<b>237,706</b>

Other operating expenses include:

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

100	56	77	46
39	23	38	12
128	128	59	59
145	145	428	315
122	122	78	78

**10 Intangible asset**

Opening balance  
Increase in value during the year  
Closing balance

523	0	497	0
25	0	26	0
<b>548</b>	<b>0</b>	<b>523</b>	<b>0</b>

**11 Taxation**

Recognised in the statement of comprehensive income

Current tax  
Current year  
Current tax expense

Total tax expense

17	0	16	0
17	0	16	0
<b>17</b>	<b>0</b>	<b>16</b>	<b>0</b>

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements (continued)**

**12 Tangible fixed assets**

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Assets under Construction £000	Land and Buildings Total £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Consolidated</b>							
Cost or deemed cost:							
At 1 August 2018	353,397	8,387	8,012	369,796	347	45,877	416,020
Additions at cost	7,444	0	7,883	15,327	0	6,843	22,170
Transfer of assets under construction	5,929	0	(5,929)	0	0	0	0
Disposals/Demolitions	(3,342)	0	0	(3,342)	(26)	(982)	(4,350)
<b>At 31 July 2019</b>	<b>363,428</b>	<b>8,387</b>	<b>9,966</b>	<b>381,781</b>	<b>321</b>	<b>51,738</b>	<b>433,840</b>
Depreciation:							
At 1 August 2018	43,947	634	0	44,581	282	31,406	76,269
Depreciation	11,833	211	0	12,044	24	4,456	16,524
Disposals/Demolitions	(3,342)	0	0	(3,342)	(26)	(975)	(4,343)
<b>At 31 July 2019</b>	<b>52,438</b>	<b>845</b>	<b>0</b>	<b>53,283</b>	<b>280</b>	<b>34,887</b>	<b>88,450</b>
<b>Net Book Value</b>							
<b>At 31 July 2019</b>	<b>310,990</b>	<b>7,542</b>	<b>9,966</b>	<b>328,498</b>	<b>41</b>	<b>16,851</b>	<b>345,390</b>
At 31 July 2018	309,450	7,753	8,012	325,215	65	14,471	339,751
<b>University</b>							
Cost or deemed cost:							
At 1 August 2018	348,983	8,387	8,012	365,382	347	45,701	411,430
Additions at cost	7,444	0	7,883	15,327	0	6,844	22,171
Transfer of assets under construction	5,929	0	(5,929)	0	0	0	0
Disposals/Demolitions	(3,342)	0	0	(3,342)	(26)	(914)	(4,282)
<b>At 31 July 2019</b>	<b>359,014</b>	<b>8,387</b>	<b>9,966</b>	<b>377,367</b>	<b>321</b>	<b>51,631</b>	<b>429,319</b>
Depreciation:							
At 1 August 2018	42,482	634	0	43,116	282	31,255	74,653
Depreciation	11,542	211	0	11,753	24	4,435	16,212
Disposals/Demolitions	(3,342)	0	0	(3,342)	(26)	(907)	(4,275)
<b>At 31 July 2019</b>	<b>50,682</b>	<b>845</b>	<b>0</b>	<b>51,527</b>	<b>280</b>	<b>34,783</b>	<b>86,590</b>
<b>Net Book Value</b>							
<b>At 31 July 2019</b>	<b>308,332</b>	<b>7,542</b>	<b>9,966</b>	<b>325,840</b>	<b>41</b>	<b>16,848</b>	<b>342,729</b>
At 31 July 2018	306,501	7,753	8,012	322,266	65	14,446	336,777

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Financial Statements (continued)

#### 13 Non-current investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
<b>Consolidated</b>			
At 1 August 2018	0	2,422	2,422
Additions	(1)	327	326
<b>At 31 July 2019</b>	<b>(1)</b>	<b>2,749</b>	<b>2,748</b>
<b>University</b>			
At 1 August 2017	4,586	2,422	7,008
Additions	(730)	327	(403)
<b>At 31 July 2019</b>	<b>3,856</b>	<b>2,749</b>	<b>6,605</b>

The investments in subsidiary companies shares comprises the following:

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

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Other non-current investments consist of:		
CVCP Properties plc	37	37
Hampshire Community Bank	150	100
Endowment asset (see note 22)	2,562	2,285
	<b>2,749</b>	<b>2,422</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.

#### 14 Trade and other receivables

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year:				
Research grants receivable	2,186	2,186	1,594	1,594
Other trade receivables	4,892	4,818	3,559	3,506
Prepayments and accrued income	8,703	8,221	5,969	5,633
Deposits paid for buildings purchases	0	0	5,843	5,843
Amounts due from subsidiary undertakings	0	259	0	193
	<b>15,781</b>	<b>15,484</b>	<b>16,965</b>	<b>16,769</b>
Amounts falling due after one year:				
Prepayments and accrued income	54	54	33	33
Amounts due from subsidiary undertakings	0	14	0	44
	<b>54</b>	<b>68</b>	<b>33</b>	<b>77</b>
	<b>15,835</b>	<b>15,552</b>	<b>16,998</b>	<b>16,846</b>

Included in amounts due from subsidiary undertakings is a loan to the University of Portsmouth Enterprise Limited of £39k (2017/18: £67k). All other amounts due from subsidiary undertakings are unsecured, repayable on demand and do not attract interest.

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements (continued)**

**15 Other current asset investments**

	Other current asset investments £000	Total £000
<b>Consolidated</b>		
At 1 August 2018	120,317	120,317
Purchases	51,681	51,681
Sales	(70,000)	(70,000)
Change in market value	2,133	2,133
<b>At 31 July 2019</b>	<b>104,131</b>	<b>104,131</b>
<b>University</b>		
At 1 August 2018	120,317	120,317
Purchases	51,681	51,681
Sales	(70,000)	(70,000)
Change in market value	2,133	2,133
<b>At 31 July 2019</b>	<b>104,131</b>	<b>104,131</b>

An investment of £61,639k (2017/18: £60,146k) is held as a segregated fund managed on behalf of the University by Goldman Sachs International. An investment of £30,875k (2017/18: £60,171k) is held in the Royal London Enhanced Cash Plus Fund, managed by Royal London Asset Management Ltd. An investment of £10,000k (2017/18: nil) is held in the Federated Short Term Sterling Prime Fund 3, managed by Federated Investors UK LLP. An investment of £1,617k (2017/18: nil) is a bond issued by Coventry Building Society, maturing 16th October 2019.

**16 Short term deposits**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Short term bonds	152,627	152,627	34,467	34,467
	152,627	152,627	34,467	34,467

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority. These short term deposits do not meet the definition of cash equivalent. The interest rates for these deposits are fixed for the duration of the deposit at time of placement. At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 1.10% (31 July 2018: 0.44%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 146 days (31 July 2018: 41 days). The fair value of these deposits was not materially different from the book value.

**17 Creditors: Amounts falling due within one year**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured bank loans	1,851	1,851	1,698	1,698
Accrued interest on placement loan	1,439	1,439	1,620	1,620
Trade payables	2,878	2,878	606	606
Other creditors	15,005	14,791	16,826	16,562
Social security and other taxation payable	5,799	5,790	5,661	5,661
Accruals and deferred income	12,778	12,603	10,146	9,988
Deferred capital grants	1,788	1,788	1,845	1,845
Holiday pay accrual	6,706	6,706	6,019	6,019
Amounts owed to subsidiaries	0	28	0	9
	<b>48,244</b>	<b>47,874</b>	<b>44,421</b>	<b>44,008</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	1,996	1,996	1,573	1,573
Grant income	0	0	262	262
	<b>1,996</b>	<b>1,996</b>	<b>1,835</b>	<b>1,835</b>

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements (continued)**

**18 Creditors: Amounts falling due after more than one year**

Deferred income:

Due between one and two years

Due between two and five years

Due in five years or more

Unsecured bank loans and placement loan:

Due between one and two years

Due between two and five years

Due in five years or more\*

Unsecured at 31 July 2019

Other creditors:

Unsecured loans repayable by 2034

Year ended 31 July 2019		Year ended 31 July 2018	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
1,788	1,788	1,845	1,845
5,364	5,364	5,534	5,534
41,220	41,220	40,655	40,655
48,372	48,372	48,034	48,034
627	627	1,851	1,851
0	0	627	627
104,625	104,625	100,000	100,000
105,252	105,252	102,478	102,478
300	300	300	300
153,924	153,924	150,812	150,812

\* includes fair value movement of £4,625k (2017/18: nil).

**19 Unsecured Bank Loans and placement loan**

The University has borrowed the following amounts; the terms are summarised below:

The University has borrowed the following amounts, the terms are summarised below.					
Lender	£000	Term	Interest rate	Borrower	
Barclays	462	25 years	7.4% fixed until May 2021	University	
Barclays	704	25 years	8.7% fixed until November 2020	University	
Barclays	1,312	25 years	8.6% fixed until November 2020	University	
Total of bank loan	2,478				
	Market Value as at 31/7/2019	Present Value as at 31/7/2018			
	£000	£000			
Allianz Life Insurance Company of North America	30,226	30,000	15 years	2.73% fixed until February 2033	University
Sun Life Assurance Company of Canada (Bermuda)	10,277	10,000	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada (UK) Limited	10,277	10,000	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada	21,243	20,000	25 years	3.13% fixed until February 2043	University
Sun Life Assurance Company of Canada (Bermuda)	21,723	20,000	30 years	3.22% fixed until February 2048	University
Sun Life Assurance Company of Canada	10,879	10,000	35 years	3.19% fixed until February 2053	University
Subtotal	104,625	100,000			
Accrued interest	1,439	1,620			
Total of placement loan	106,064	101,620			

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

**20 Financial instruments**

The carrying values of the Group and Company's financial assets and liabilities are summarised

by category below:

Financial Assets:

Measured at undiscounted amount receivable:

Trade and Other Debtors (Note 14)

Amounts due from subsidiary undertakings (Note 14)

Equity instruments measured at cost less impairment:

Investments in subsidiaries and associates (Note 13)

Measured at fair value through profit and loss:

Equity investments

Financial Liabilities:

Measured at undiscounted amount payable:

Bank loans (Note 17 and 18)

Trade and other creditors (Note 17 and 18)

Amounts owed to subsidiaries (Note 17)

Measured at fair value through profit and loss:

Loan notes (Note 19)

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

Interest Expense:

Total interest expense for financial liabilities at undiscounted amount payable

Total interest expense for financial liabilities at fair value

Year ended 31 July 2019		Year ended 31 July 2018	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
15,781	15,225	16,965	16,576
0	259	0	193
187	4,043	137	4,723
106,693	106,693	122,602	122,602
2,478	2,478	4,176	4,176
94,765	94,367	90,757	90,335
0	28	0	9
106,064	106,064	101,620	101,620
241	241	435	435
2,956	2,956	1,604	1,604

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements (continued)**

**21 Provisions for liabilities**

	Pension provision (note 28) £000	Deferred tax £000	Total £000
<b>Consolidated</b>			
At 1 August 2018	(104,570)	0	(104,570)
Increase in liability	(36,410)	0	(36,410)
<b>At 31 July 2019</b>	<b>(140,980)</b>	<b>0</b>	<b>(140,980)</b>
<b>University</b>			
At 1 August 2018	(104,570)	0	(104,570)
Increase in liability	(36,410)	0	(36,410)
<b>At 31 July 2019</b>	<b>(140,980)</b>	<b>0</b>	<b>(140,980)</b>

**22 Endowment funds**

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Expendable endowments £000	2019 Total £000	2018 Total £000
At 1 August 2018				
Capital	1,112	0	1,112	1,112
Accumulated income	1,287	152	1,439	1,303
	2,399	152	2,551	2,415
New donations and endowments	0	0	0	0
Appreciation of restricted investments	47	3	50	77
Expenditure	0	(15)	(15)	(2)
Increase in market value of investments	155	0	155	61
	202	(12)	190	136
<b>At 31 July 2019</b>	<b>2,601</b>	<b>140</b>	<b>2,741</b>	<b>2,551</b>

Represented by:

Capital	1,112	1,112
Accumulated income	1,629	1,439
	2,741	2,551
<b>Analysis by type of purpose:</b>		
Lectureships	2,601	2,400
Prize funds	140	151
	2,741	2,551
<b>Analysis by asset:</b>		
Investments	2,562	2,285
Cash	179	266
	2,741	2,551

The Endowment is managed by CCLA Investment Management Limited. The funds are primarily held as units in Ethical Investment (65%) and Fixed Interest (34%). The remaining 1% is held within a Deposit Fund.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Financial Statements (continued)

#### 23 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2019:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted at 31 July	49,671	49,671	10,980	10,980
	49,671	49,671	10,980	10,980

#### 24 Contingent liabilities

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

University of Portsmouth Investments Limited  
 University of Portsmouth Services Limited  
 Technology Enterprises Portsmouth Limited  
 Portsmouth Technopole Limited  
 UOPM Sdn Bhd

#### 25 Lease financial commitments

	Year ended 31 July 2019			Year ended 31 July 2018
	Land and Buildings £000	Consolidated Plant and Machinery £000	Total £000	Total £000
Total rentals payable under operating leases:				
Up to one year	326	122	448	393
Between two and five years	513	0	513	658
In more than five years	1,610	0	1,610	1,720
	2,449	122	2,571	2,771

#### 26 Events after the reporting period

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

#### 27 Related party transactions

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

During 2018/19 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,128k (2017/18: £1,357k) from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

The University leases a 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 2019

### Notes to the Financial Statements (continued)

#### 28 Pension and similar obligations

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

##### TPS

###### Introduction

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

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

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

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

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

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

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

###### Scheme Changes

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

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

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TPS financial note – August 2019

Contribution amounts outstanding as at 31 July 2019 and included in social security and other taxation payable creditors is £1,238,370 (31 July 2018: £1,257,898).

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Financial Statements (continued)

#### 28 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 2016, 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 2019. The actuarial assumptions for the long term liabilities of the LGPS are detailed in the table below and include an assumed 3.7% increase for salary costs. This is set at 1.5% above CPI and includes annual pay awards, increments and promotions.

	Year ended 31 July 2019	Year ended 31 July 2018
The financial assumptions used to calculate scheme liabilities under FRS102 are:		
Discount rate	2.2%	2.8%
Rate of increase of salaries	3.7%	3.6%
Rate of revaluation of pension accounts	2.2%	2.1%
Rate of increase in pensions	2.2%	2.1%
Rate of inflation RPI	3.2%	3.2%
Rate of inflation CPI	2.2%	2.1%
Assets are valued at fair value, and comprise:	£000	£000
Equities	153,330	142,669
Bonds	52,468	60,378
Property	18,338	15,153
Cash	4,839	6,994
Other	25,725	7,926
Total	254,700	233,120

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.

	2019		2018	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	23.1	24.7	24.1	26.2
Female	25.8	27.6	27.2	29.4

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Analysis of amounts shown in the balance sheet:		
Fair value of scheme assets	254,700	233,120
Present value of funded scheme liabilities	(387,750)	(329,420)
Present value of unfunded scheme liabilities	(7,930)	(8,270)
Deficit in the scheme- net pension liability recorded within pension provision (note 21)	(140,980)	(104,570)
Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:		
Current service cost	(12,510)	(12,720)
Past service cost	(7,550)	(60)
Total operating charge	(20,060)	(12,780)
Financing:		
expected return on assets	6,610	5,430
interest on expected scheme liabilities	(9,390)	(8,420)
Net return	(2,780)	(2,990)
Total expense recognised in income and expenditure account	(22,840)	(15,770)
Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:		
Total actuarial (loss)/gain on funded liabilities	(24,090)	21,250
Total actuarial loss on unfunded liabilities	(60)	(10)
Total actuarial (loss)/gain recognised	(24,150)	21,240

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2019**  
**Notes to the Financial Statements (continued)**

**28 Pension and similar obligations (continued)**

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


	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Opening fair value of assets	233,120	206,050
Movement in year:		
expected return on assets	6,610	5,430
contributions by the University	10,580	9,890
contributions by the participants	3,030	3,010
net benefits paid out	(7,850)	(7,280)
actuarial gain on assets	9,210	16,020
Closing fair value of assets	254,700	233,120
Opening present value of funded liabilities	(329,420)	(317,320)
Movement in year:		
current service	(12,510)	(12,720)
interest cost	(9,170)	(8,200)
contributions by the participants	(3,030)	(3,010)
net benefits paid out	7,230	6,660
past service cost	(7,550)	(60)
actuarial (loss)/gain	(33,300)	5,230
Closing present value of funded liabilities	(387,750)	(329,420)
Opening present value of unfunded liabilities	(8,270)	(8,660)
Movement in year:		
interest cost	(220)	(220)
net benefits paid out	620	620
actuarial (loss)/gain	(60)	(10)
Closing present value of unfunded liabilities	(7,930)	(8,270)
Actual return on scheme assets:		
Expected return on scheme assets	6,610	5,430
Actuarial gain on assets	9,210	16,020
Actual return on assets	15,820	21,450

History of experience gains and losses for the year ended 31 July 2019 were as follows:

	Year ended 31 July 2019	31 July 2018	31 July 2017	31 July 2016	31 July 2015
Difference between the expected and actual return on scheme assets:					
Amount £000	9,210	16,020	15,250	14,450	7,080
Percentage of scheme assets at end of year	3.6%	6.9%	7.4%	7.9%	4.5%

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
TPS	8,881	9,162
LGPS	9,945	8,884
Other, including NHS	811	886
FRS102 adjustment re LGPS	9,480	2,890
Total pension cost (Note 7)	29,117	21,822

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