



UNIVERSITY OF
PORTSMOUTH

FINANCIAL REVIEW

FOR THE YEAR
ENDED 31 JULY 2020



Teaching
Excellence
Framework

Higher
Education
Corporation

WELCOME FROM THE CHAIR OF GOVERNORS AND THE VICE-CHANCELLOR

This has been a significant and memorable year for the University, and the Covid-19 pandemic has also made it a turbulent one both for the country and for the higher education sector. As these Financial Statements show, our sustained careful and prudent management of the University's finances over many years will enable us to adapt and face the challenges ahead with greater certainty and confidence than might be the case elsewhere.

Earlier in the year, we launched our exciting new University Strategy and Vision. By 2030, we will be the top modern university in the UK and one of the top 100 young universities in the world. That is our bold aspiration. Our Strategy is ambitious – and with good reason. We are a university that is focussed on real-world solutions and making a real difference to society. In 2017, we were awarded Gold in the Teaching Excellence Framework – the highest rating for teaching quality and in 2019 we were awarded £5.8 million by Research England to develop our plastics recycling research – the largest single research award in the University's history.

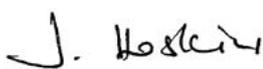
We are proud of our City and our heritage. Our outreach work with Portsmouth Football Club and Pompey in the Community, for example, brings the University into contact with many within our City and further afield who would otherwise not see education as an attainable pathway. Likewise, the recent pandemic has strengthened our links with our community as staff have volunteered to work in the "frontline" alongside other organisations to tackle the virus, our equipment and facilities have been utilised and loaned, and staff have designed and manufactured protective equipment to keep people safe.

A first-class education must be supported by first-class facilities. Our plans are now well advanced for our landmark £100 million 13-storey building on the City's northern gateway to open in 2023/24. Its prominent, innovative and creative design will provide a strong identity for the University and a landmark building for Portsmouth. However, as a key contributor to the social and economic regeneration of the City, we must also be mindful of the impact of our own activities upon our environment and the lives of those around us. Our new Ravelin Sports Centre will open in the next academic year. It will give our students, staff and local community access to unrivalled local sports and social facilities but has also been purposely constructed to be one of the UK's greenest sports facilities.

Universities are also powerful engines of social change. As such, they must offer and promote the academic, cultural and economic wealth that stems from a diverse and inclusive environment that is open for all with ambition and ability. The University has already achieved much in this area but we believe we can and must do more. We aim to be a catalyst for changing perceptions and increasing opportunity. For example, during the year, we have launched our Scholarship and Support Fund for Black Students to help ensure students feel supported and valued in every way.

Above all, we must acknowledge and thank our extraordinary University community for all that has been achieved. We are privileged to work with and to lead such dynamic, innovative and hard-working people.

The last academic year has certainly been memorable but we remain confident that the University remains well equipped to face the challenges of the future. Our ambitions remained unashamedly bold and ambitious.



Jane Hoskins
Chair of the Board of Governors



Professor Graham Galbraith
Vice-Chancellor

November 2020

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GOVERNORS AND SENIOR FINANCIAL OFFICERS

Board of Governors and Senior Financial Officers of the University of Portsmouth Higher Education Corporation 1 August 2019 - 23 November 2020

Board of Governors (who are also Trustees)

External Members	Bahram Bekhradnia	From 1 August 2020
	Roger Burke-Hamilton	
	Bishop Christopher Foster	
	Jenny Crighton	
	Mark Cubbon	From 1 August 2020
	Jane Hoskins	Chair
	Claudia Iton	
	Liz Jolly	From 1 August 2020
	Vineet Khurana	From 1 August 2020
	Baldev Laly	Up to 27 August 2019
	Anne Lambert	Up to 31 July 2020
	David Madoc-Jones	From 1 August 2020
	Frances Morris-Jones	
	Paul Myers	
	Ingmar Rinck	Up to 3 October 2019
	David Wilding	
	David Willan	Deputy Chair from 1 August 2019
	Christopher Williams	
Student Governor	Timothy Lee-Lewis	
Nominated by Academic Council	Dr Catherine Carroll-Meehan	
	Dr Jenny Walden	
Nominated by Academic Staff	Professor David Sanders	
Nominated by Support Staff	Lyuda Wade	
Nominated by Student Body	Helena Schofield	Up to 30 June 2020
	Hayley Turner-McIntyre	From 1 July 2020
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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UNIVERSITY VISION 2030 AND STRATEGY 2025

The University has recently launched a new University Vision 2030 and Strategy 2025, developed in consultation with our staff and students.

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

We know that this cannot be achieved in one leap and have set out a strategy for the next five years – what we need to do by 2025 to make our vision a reality.

Both our Vision and our Strategy are ambitious but we are building from a strong base. In 2017, we were awarded TEF Gold the highest rating for teaching quality. In 2019, we were awarded £5.8m by Research England to develop our plastics research, the largest single research award in the University's history. We're a top 30 university for student satisfaction and continue to be a desirable destination for students.

Our Mission

To create, share and apply knowledge to make a difference to individuals and society.

Our values underpin everything we do

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 2030 VISION

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

We will deliver our Vision by inspiring our staff community to be creative and bold.

OUR AMBITIONS BY 2025

Our Strategy starts with our staff community, as they make the University what it is.

- We will deliver our Vision by inspiring our staff community to be creative and bold

We will:

- Engage every student in a life-changing experience
- Meet changing demand and widen participation
- Deliver globally-recognised research and innovative solutions that improve society
- Become one of the UK's leading civic universities
- Significantly build our global reach and reputation
- Lead in environmental sustainability and become climate positive
- Transform our alumni relations and advancement activity

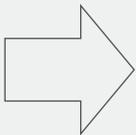
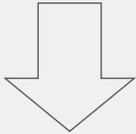
The full vision and strategy can be **accessed online**.

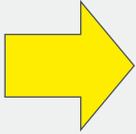
STRATEGIC TARGETS AND KEY PERFORMANCE INDICATORS 2019/20

NOTE: These KPIs relate to the University Strategy 2015-2020 and associated targets.

New performance indicators have been developed relating to the new University Vision to 2030 and Strategy to 2025; these will be reported against in future reviews.

Key to Indicators

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 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

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	2019/20 – c. 20,300 students		Student numbers remained in line with overall targets.
	International students	2019/20 – c. 3,750 students		Increased numbers overall. Met overall targets.
	Full-Cost and Collaborative students	2019/20 – c. 4,700 students		Remained at similar levels to 2018/19, but below overall target.
	Total Students	2019/20 – c. 29,500 students		Numbers increased; broadly in line with overall targets.
Student Satisfaction	NSS – Undergraduate	2019/20 – 91% overall satisfaction		Overall satisfaction remains at level of last year; improvement relative to sector. Variable performance in relation to some key questions.
	PTES – Postgraduate Taught	2020/21 – overall satisfaction in upper quartile for the sector		2020 PTES aborted due to pandemic. Most recent (PTES 2018) in top quartile.
	PRES Postgraduate Research	2020/21 – overall satisfaction in upper quartile for the sector		Moved to second quartile (PRES 2019).
Withdrawals	Non-continuation rate for FT first degree students	2020/21 – 5%		2019/20 data not available at time of publication.

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	Percentage of graduates in employment or further study after six months	Targets related to superseded 'DLHE' survey		Graduate Outcomes survey replaced DLHE in 2020, whilst this is experimental HESA data it reflects a decline in performance, which requires review and action. New metric, in line with ambition to be top modern university by 2030, will be developed for 2020-25 KPIs based on new measure.
	Percentage of graduates in professional jobs after six months	Targets related to previous superseded 'DLHE' survey		

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	2019/20 Target- £ 23.9m		Income had been on track to meet target during year but some funding deferred in Q4 due to COVID-19 pandemic.
Research Active Staff	Number of research-active staff	Increase number and proportion of research active staff		Proportion in line with 2018/19 maintaining significant increase over the period of the strategy.
PGR Students	FTE PGR student numbers	2019/20 Target – 558 FTE		Exceeded target.

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		Established and contributing to education, R&I and impact.

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	2019/20 – c.3,750 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	
Widening Participation (Recruitment)	Young students from low-participation neighbourhoods	HESA benchmark – 11.9% Access Agreement – 11.5%		Outperforming both targets.
	Mature students from low-participation neighbourhoods with no previous HE	HESA benchmark – 15.1% Access Agreement – 15.75%		Outperforming both targets.
Widening Participation (Retention)	Young students from low-participation neighbourhoods	HESA PI benchmark – 9.6% Access Agreement – 6.2%		Outperforming HESA benchmark but narrowly missing Access and Participation Agreement Target.
	Mature students from low-participation neighbourhoods with no previous HE	HESA PI – 13.4% Access Agreement – 11.6%		Missing benchmark and access agreement targets.
UTC	University Technical College successfully established and operational	UTC established and operational		UTC continues to operate.
New Routes	New routes including apprenticeships introduced and recruiting successfully	New routes introduced and recruiting successfully		On track, significant increase in degree apprenticeship numbers.
Franchised Courses	Number of students on franchised courses with FE colleges	Increased number of students on franchised courses with FE colleges		Headcount increased in 2019/20.

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

Area	Indicator	Target	Brief Summary of Current Performance	
Staff Development	All staff offered appropriate development opportunities	Maintain staff satisfaction with development opportunities		Several new staff development opportunities in place.
	Athena SWAN award gained	Awards at institution and department level		Institutional award retained and multiple department level awards.
Academic Staff Qualifications	Percentage of staff holding an HEA fellowship	Increase % staff holding HEA fellowship		Number has increased but slight reduction in percentage.
	Percentage of staff with Doctorates	Increase no. and % of staff holding doctorates		Number has increased but slight reduction in percentage.
Staff Satisfaction	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).

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 and remains broadly on track. However, some delays due to COVID-19 pandemic.
	NSS results on learning resources	2019/20 – 90% satisfaction		Remains above sector and close to 2020/21 target.
	Staff satisfaction with their working environment	Improve staff satisfaction with working environment		Measured through Staff Survey; not carried out in 2019/20.

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	Assessment to be conducted		Assessment 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. Operating surplus for 2019/20 is £7.7m		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 QAA, PSRBs, OFSTED and other bodies	Achieve positive reviews		TEF Gold award remains in place.
League Tables	Improve ranking across the key UK league tables	Top 50 average across Guardian, Times and CUG classifications by 2020/21		Decline in UK league table positions; outside top 50.
	Improve ranking in the '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 – 351-400th		Ranked 501–600 in 2021 league table.

STRATEGIC COMMENTARY

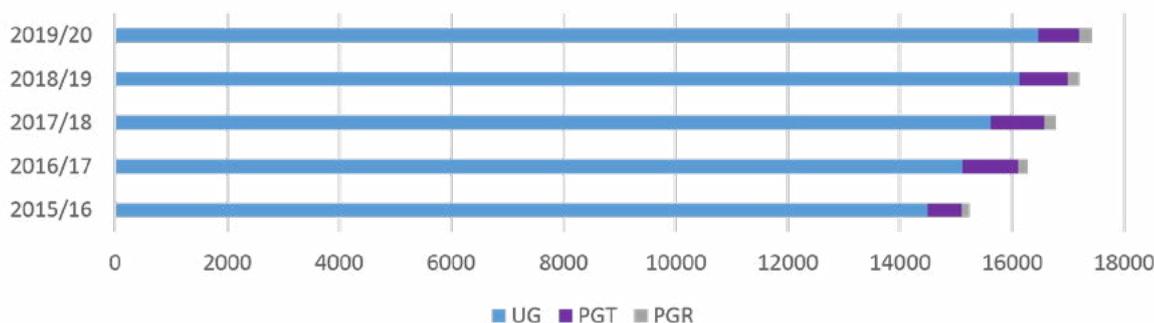
Student recruitment

Home/EU

Home/EU full-time undergraduate student numbers increased in 2019/20 with over 5,600 new entrants to Office for Students funded courses, among an all-years total of over 16,400 full-time undergraduates. This was despite an increasingly competitive external context and a continuing decline in the number of 18-year-olds in the UK population.

There was a decrease in the number of full-time postgraduate taught registrations compared to last year. However, postgraduate research numbers continued to increase.

Home/EU Full Time Students



Degree apprenticeships

Over 500 students were registered on degree apprenticeships at undergraduate and postgraduate taught levels, across four of our five faculties, in disciplines including architecture, leadership and management and engineering. We continue to develop new provision to meet employer demand.

2019/20 saw the launch of the Police Constable Degree Apprenticeship in partnership with Surrey and Sussex police forces. This is delivered as a joint initiative with three other universities, seeking to help the police forces develop a professional and skilled workforce that meets the changing nature of crime, communities and expectations. The consortium will work with the forces to develop the programme including collaboration in the delivery.

International students

Full-time international student numbers increased by 3%. This followed the introduction of additional intakes to more of our popular postgraduate taught programmes in January 2020. In total, over 3,300 full-time international students were registered across all levels of study in 2019/20.

International Full Time Students

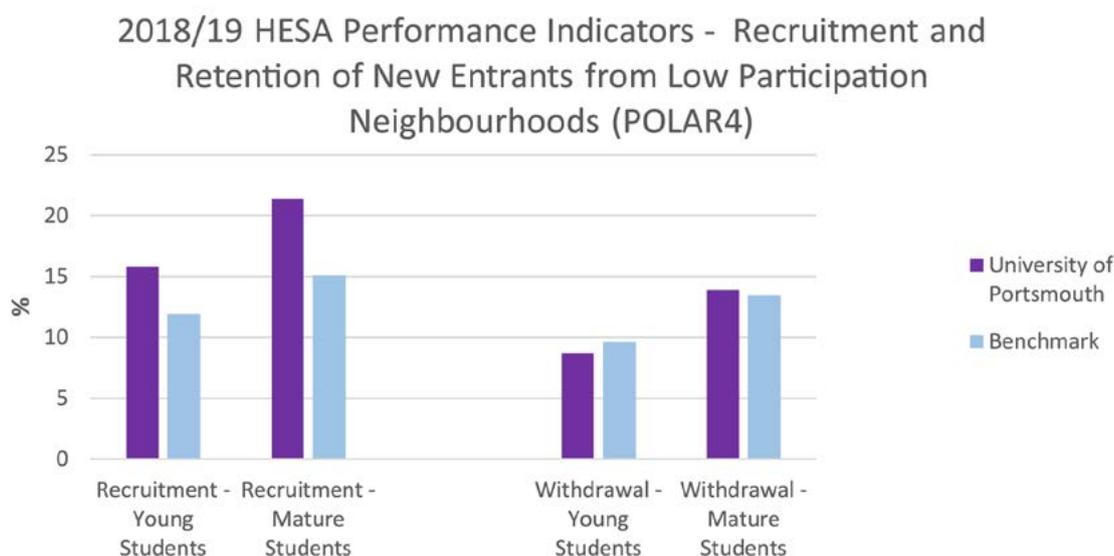


Widening participation

Our 2030 Vision states our intention to become recognised nationally and internationally for our success in offering world-class education to people with the potential and motivation to succeed. Through innovative and inclusive education we will seek to ensure that every student – irrespective of their background – will reach their potential, with outstanding outcomes and employability. Just under 60% of our UK undergraduate students are either BAME, mature, disabled or come from areas of high deprivation or historically low Higher Education participation¹.

In 2019/20 we spent £4.7m on bursaries and support for students from low-income households and others requiring additional financial support. Our successful postgraduate support scheme continued in 2019/20 through which 273 Master’s scholarships of £3,000 each were awarded to high-achieving Portsmouth graduates from low-income households to assist their progression to study at a higher level.

The most recently available HESA performance indicators, relating to 2018/19, show us outperforming the majority of our benchmarks relating to the recruitment and retention of young and mature students from low participation neighbourhoods. Programmes being developed to ensure delivery of the new University Strategy and Vision will seek to address performance in areas where this is not the case and to address any areas in which issues arise in the future.



Student outcomes and external measures

Through the ‘Hallmarks of a Portsmouth Graduate’ we seek to develop knowledgeable, independent graduates with a global outlook, who are set for success in their future careers and make a positive contribution to society. In addition to widening participation, we will seek to significantly improve outcomes for all students by providing an inclusive and accessible learning environment, where every student is engaged to fulfil their potential.

Both the University Strategy and our Access and Participation Agreement covering the period from 2020/21 to 2024/25, commit us to addressing and significantly reducing attainment gaps between students from underrepresented groups and their peers, where these exist. We will work with our student body to develop and deliver targeted, evidence-based interventions for specific underrepresented groups as required.

Since 2017, the University has held a ‘Gold’ rating through the Teaching Excellence Framework (TEF). This classification is assessed through a combination of benchmarked metrics and an externally assessed provider submission. In their conclusions, the TEF panel found evidence of “optimum levels of student engagement and commitment to learning being secured through excellent and integrated teaching and assessment practices” as well as “industry-leading physical and digital resources which provide real and simulated learning”.

Whilst we were awarded a 5* rating in the 2021 QS global University rankings. Portsmouth was ranked 66th in the 2021 Guardian League Table and 72nd in the Times and Sunday Times Good University Guide 2021; in both cases this represented a disappointing fall in our ranking. Our performance in both league tables was partly due to a changes relating to the new Graduate Outcomes Survey.

¹ OfS Access and Participation Dataset 2018/19

The new survey draws on experimental data published by HESA, which impacted on several ‘modern’ universities such as ours, that had performed well in the predecessor Destination of Leavers Survey. We will carefully analyse the outcomes of the new Graduate Outcomes Survey and develop focused actions in response, that alongside our activity in other areas will contribute to the wider realisation of our ambitious Vision to be the top modern University in the UK, and one of the top 100 young universities in the world by 2030.

Student experience

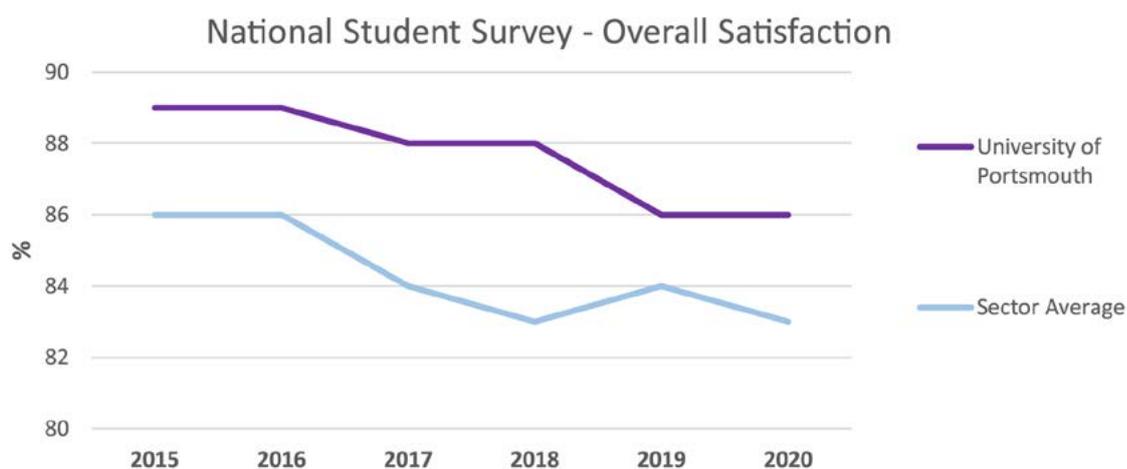
Our Strategy commits us to ensuring that student experience is consistently outstanding and that our students are engaged through the delivery of a high quality and academically challenging curriculum, with learning and teaching designed and delivered in partnership.

Although the 2019 National Student Survey (NSS) saw overall student satisfaction at Portsmouth remain above the sector mean, the result was a decline of two percentage points compared with the previous year. As noted in the 2018/19 Financial Review this result was a cause for concern, given our longstanding commitment to delivering transformational education for all of our students.

The 2020 National Student Survey took place between 6 January and 30 April 2020 and, as such, included the beginning of the ‘lockdown’ period announced by the UK Government on 23 March 2020. During this period the University, like all UK education providers, was forced to close our campus and adapt at short-notice to online teaching and assessment.

The 2020 NSS saw overall satisfaction remain at 86%, set against a slight decrease in the sector mean. This saw us ranked 28th of UK universities on this measure, and above the sector mean for the fourteenth year in a row. Over half of Portsmouth courses achieved overall satisfaction scores over 90%; with fifteen courses, across each of our five faculties achieving 100% overall satisfaction.

Despite overall performance being largely satisfactory, there remains room for improvement in a number of areas; both in terms of overall satisfaction on some courses and performance against other key questions asked within the survey. We will continue to focus on improvements to performance in this area as part of our commitment to ensuring the highest possible levels of student engagement and satisfaction across our portfolio of courses. Postgraduate experience surveys due in 2020 were not completed due to the coronavirus pandemic and subsequent UK lockdown.



Research and innovation

By 2025 we aim to significantly extend our research impact nationally and globally; extend our knowledge through our thematic areas; exchange knowledge through strategic partnerships and actively promote enterprise.

The majority of our research falls under one or more of our research themes through which we aim to address major challenges being faced in world around us. The themes are Democratic Citizenship; Future and Emerging Technologies; Health and Wellbeing; Security and Risk; and Sustainability and the Environment.

Over 60% of the research that we submitted to the 2014 Research Excellence Framework (REF) was rated as world-leading or 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 for the REF2021.

Our combined Research and Innovation income in 2019/20 was £22.7m, which was around £1.2m below target. Prior to lockdown income was on course to achieve target. However the unplanned lockdown resulted in the deferral of planned activity beyond the end of the financial year; in addition to some activity being furloughed.

Facilities and estate

Through our ongoing 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.

Working with the Student Union, we aim to provide an enhanced vibrant, interactive social environment for our students. A new Student Hub will be built on the same site as the existing Student Union at the heart of our campus in Ravelin Park and is expected to be delivered in the 2022/23 academic year.

This will bring together the Library, student services and the Student Union, alongside the new sports facility on the same site, which is due to be completed in 2021 and will be one of the greenest sports centres in the UK upon completion.

ENVIRONMENTAL SUSTAINABILITY

Our commitment

The University is committed to work with its students, staff and partners to improve sustainability, and aims to become a climate-positive university by 2030. This is a journey, in which the whole community of staff, students and partners have a role to play and we look forward to everyone's contribution.

Our policy to achieve BREEAM 'Outstanding' for sustainable building design and refurbishment is at the forefront in our effort to modernise the estate with low-carbon buildings. Our research themes are also involved in globally significant environmental research with the launch of Revolution Plastics. A campaign to tackle the global plastic crisis by collaborating with scientists, businesses and communities to create a global model for a sustainable plastics future.

Overall, the University is proud to have a well established process of annual and independent certification audits of its environmental management system (ISO 14001:2015), helping monitor environmental performance and compliance.



Sustainable travel

The University is supporting local authority efforts to improve air quality in the city and the quality of life of its residents by reducing staff commuter traffic.

After implementing a two mile car parking permit exclusion zone and higher parking charges the policy change saw an 11% reduction in solo car commuters and a 5% increase in cycling - around two thirds of staff now regularly use sustainable travel modes. The policy change was supported by public transport discount schemes with easitPortsmouth, steady demand for the new cycle to work scheme, a free University bus service and Park & Ride buses direct to the campus.

Recycling and waste management

Levels of waste recycling regularly achieve 70% across campus. This is achieved through working with other local universities in a joint contract with a major contractor in the waste management sector to deliver high levels of recycling and compliance with waste duty of care.

Many services around the University, including catering, print and information services, have moved towards reusing of products/equipment, take back contracts and using specialist recycling companies. This effort is helping reduce the overall volume of general waste and of course reduce the volume of single use plastics.

Energy and carbon management

100% of our electricity, totally supplied from UK renewable sources (wind 60%, solar 30%, hydro 10%) and our gas is purchased via dedicated energy purchasing frameworks with ESPO. These flexi purchasing contracts allow energy to be purchased incrementally when prices are good and well in advance. From a budget perspective, this is very beneficial, as prices are generally known for the budget year ahead.

Measured carbon emissions from electricity, gas, water and waste continue to fall and have dropped 50% since detailed recording began in 2009-10. The new aim to be climate-positive by 2030 will need to take account of more sources of emissions such as travel and procurement decisions, which will create more challenges.

Research, innovation and teaching

Climate change and green infrastructure; clean water and sanitation; the impact of plastics and pharmaceuticals; low carbon design; ecological systems and biodiversity - these are just a handful of our research areas within the Sustainability and Environment theme. Our research promotes environmental awareness and we develop techniques for evaluating and improving damage to land and marine ecosystems.

FINANCIAL REVIEW

Overall performance

The University delivered a positive financial result in 2019/20 due mainly to successful student recruitment and robust control of expenditure. The Covid-19 pandemic presented a significant challenge in 2019/20, however its financial impact was limited. Teaching was largely completed before the University started remote working, at the end of March 2020 and all remaining teaching and assessment was successfully completed online. A number of income streams fell as a result of the shutdown (halls of residence, catering, rentals, sports memberships), however these reductions were largely offset by savings in costs, including utilities, travel and consumables.

Financial Strategy

The University has a well embedded and rigorous approach to its annual strategic and financial planning process with the overarching ambition of maximising the resource used to deliver our key strategic priorities and support student experience. This approach is integral to delivering our strategy and ensure financial sustainability in an increasingly uncertain operating environment. In March 2020, the usual process was paused so that the impact of Covid-19 in 2020/21 could be properly considered. This allowed the senior management team to concentrate on more urgent issues, including the transition to digital learning and to working from home.

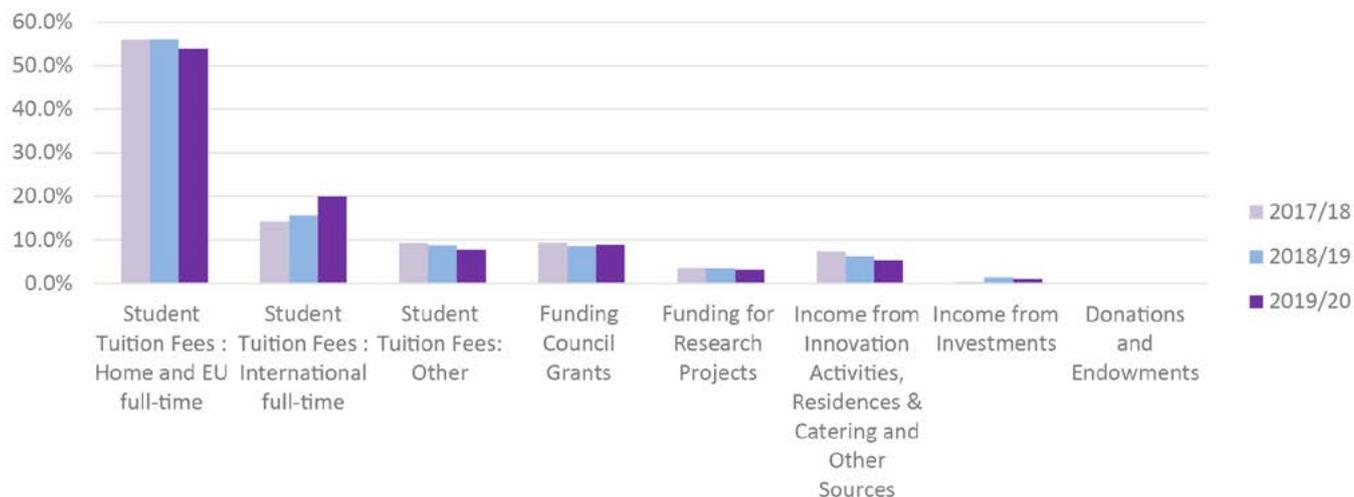
The Financial Strategy in support of the University's ambitious Estate Masterplan was approved in July 2017 with the agreed approved funding model being a combination of cash balances, cash generated in-year and long-term debt financing. In respect of this last item, the University secured and received £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 2019/20 totals £273.6 million, compared to £261.1 million in 2018/19, an increase of 4.8%.

Sources of Income	2019/20 £000	2018/19 £000	Change £000	Change %
Student Tuition Fees: Home and EU full-time	147,387	146,210	1,177	0.8
Student Tuition Fees: International full-time	54,566	40,773	13,793	33.8
Student Tuition Fees: Other	21,162	22,730	(1,568)	(6.9)
Funding Council Grants	24,348	22,326	2,022	9.1
Funding for Research Projects	8,837	9,540	(703)	(7.4)
Income from Innovation Activities, Residences and Catering and Other Sources	14,342	15,766	(1,424)	(9.0)
Income from Investments	2,812	3,676	(864)	(23.5)
Donations and Endowments	99	75	24	32.0
Total	273,553	261,096	12,457	4.8

Income



Student tuition fees

Income from full-time UK and EU students increased by £1.2 million (0.8%) reflecting the continuing transfer of students from courses formerly fully funded by the NHS. International full-time income increased by £13.8 million (33.8%). This is mainly (£9.3 million) the result of the transfer of International College Foundation students to the University as well as increased postgraduate course recruitment.

Government funding

Total funding is £2.0 million (9.1%) higher than in 2018/19. This partly reflects an increased release of deferred capital grant (matched against teaching capital projects and partly impacted by the accelerated depreciation of teaching equipment no longer in use). There were also about £1 million additional miscellaneous grants (mainly E3 Centre for Enzyme Innovation income from Research England). This funding will support staff in the Centre to continue their pioneering on the delivery of transformative enzyme-enabled solutions for circular recycling of plastics.

Other sources of income

Income from research grants and contracts fell by £703,000 to £8.8 million. Significant new long-term grants (including £3.1 million from the European Research Council) were awarded during the year. However, because of the Covid-19 pandemic, work on these and other projects was delayed, leading to the overall fall in income.

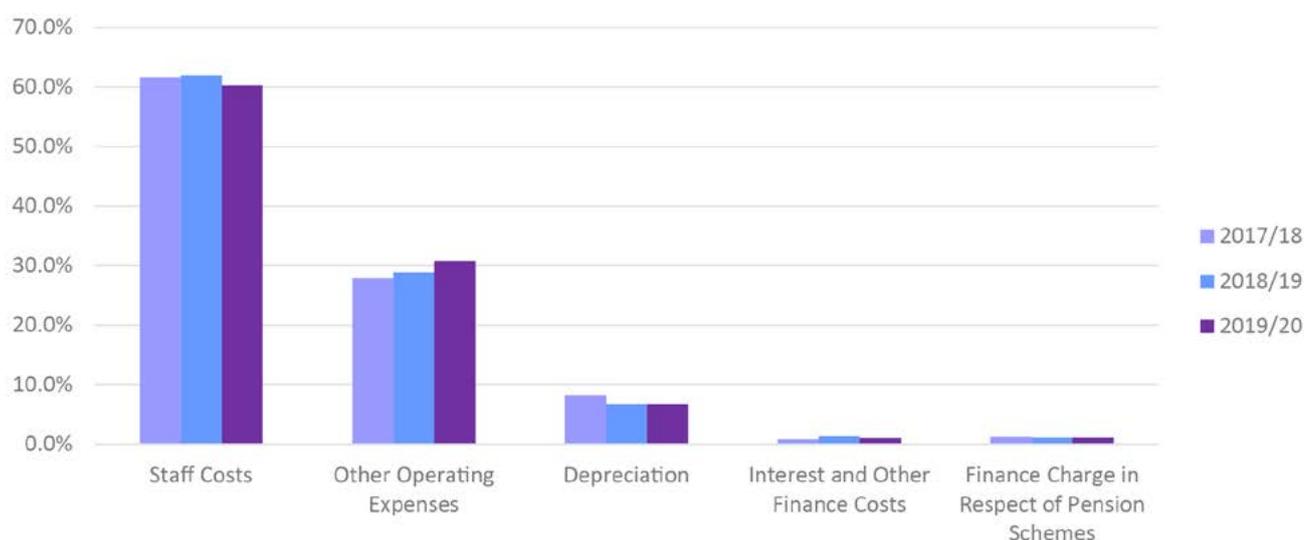
Income from Innovation, Residences, Catering and Other fell by £1.4 million to £14.3 million. This includes £1.7 million reduction in residences, catering and conference income due to the activity in the summer term being effectively suspended, a result of the Covid-19 pandemic. Other income streams (for example gym memberships, lettings) were similarly impacted. These falls were partly offset by £1.1 million income from the Government's Coronavirus Job Retention Scheme.

Investment Income fell by £864,000 (23.5%) compared to 2018/19. Average cash balances in 2019/20 were £282.8 million compared to £264.1 million in 2018/19. However, investment income has been adversely affected by a significant drop in deposit rates from March 2020 onwards and a need to hold funds on shorter dated deposits in view of the uncertainties arising from the Covid-19 pandemic. The Bank of England base rate was cut from 0.75% to 0.10% in March 2020, and all investments made from that point onwards have contributed to the observed annual income decline.

Expenditure

Expenditure by Type	2019/20 £000	2017/18 £000	Change £000	Change %
Staff Costs	160,121	152,741	7,380	4.8
Other Operating Expenses	82,049	71,080	10,969	15.4
Depreciation	17,774	16,524	1,250	7.6
Interest and Other Finance Costs	2,899	3,216	(317)	(9.9)
Finance Charge in Respect of Pension Schemes	2,976	2,780	196	7.1
Total	265,819	246,341	19,478	7.9

Expenditure



Expenditure has increased from £246.4 million in 2018/19 to £265.8 million, an increase of 7.9%. Within this staff costs rose by £7.4 million (4.8%). This includes a £4.8 million increase in employer pension contributions (£4.1million of which relates to the Teachers' Pension Scheme), as well as annual increments and the 1.8% August 2019 pay award (approximately £3.0 million in total). Average staff numbers have increased by 2.4% compared to 2018/19; this accounts for another £2.0 million approximately of the overall increase. The annual leave provision has also increased year on year, by £0.7 million. There were reductions within staff cost for (i) the FRS102 adjustment for the Local Government Pension Scheme (£8.1 million compared to £9.5 million in 2018/19) and (ii) redundancy and severance costs which reduced by £1.4 million year on year.

Other Operating Expenditure increased by £11.0 million (15.4%) in the year. £8.7 million of this increase relates to increased international commission and franchise college payments to International College Portsmouth (ICP). There are reductions in various areas of spend due to the pandemic, for example utilities and staff travel. However, these are broadly cancelled out by new areas of spend in 2019/20, for example provision of laptops for students and staff and the start of ongoing essential health and safety and estates spend incurred to reopen the campus in a safe way, recognising the needs for physical distancing and enhanced cleaning regimes.

Depreciation increased by £1.3 million (7.6%) compared to 2018/19, including £700,000 accelerated depreciation for teaching equipment no longer in use.

Interest and other finance costs fell by £317,000 (9.9%) to £2.9 million in 2019/20. £89,000 reflects reduced costs on the Barclays mortgages (due to finish 2020/21). The remainder reflects increased capitalisation of Masterplan loan costs, as projects proceed, in particular the University's new sports centre.

Surplus

The Operating Surplus for the year on the University's consolidated accounts is £7.7 million, 2.8% of total income (2018/19: 5.7%).

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 £5.4 million (2018/19: £10.3 million).

Statement of Financial Position

Net Assets:	31 July 2020 £000	Represented By:	31 July 2020 £000
Non- Current Assets	361,949	Income and Expenditure Reserve: restricted	2,795
Net Current Assets	249,507	Income and Expenditure Reserve: unrestricted	234,925
Creditors due after one year	(155,486)		
Pension Liability	(218,250)		
Net Assets	237,720	Total Reserves	237,720

Non-current assets increased by £13.3 million to £362.0 million in total. This includes expenditure of £20.6 million on assets under construction (mainly the new Ravelin Sports Centre) and equipment (£8.1 million, this largely relates to new CRM and Student Records systems). Additions in the year (net of disposals) are £31.0 million, depreciation is £17.8m; hence the £13.3 million increase overall in non-current assets.

Within net current assets is a figure of £282.9 million, which represents the University's cash, short term deposits and cash investments. These increased by £6.1 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 three months after date of purchase, including government treasury bills. Short term deposits are those which are repayable on demand within 24 hours without penalty. Cash and cash equivalents refer to all other cash balances.

The pension liability, relating to University staff membership (approximately 50% of total staffing) of the Hampshire Local Government Pension Scheme, increased by £77.3 million to £218.3 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 2020 compared to twelve months previously is predominantly due to the actuarial loss of £61.3 million. This in turn is impacted by a 0.8% 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 2018/19.

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 increased substantially in 2019/20 due to the rise in employer contribution rate from 16.48% to 23.68% from 1st September 2019.

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. Cash balances and investments have increased (£282.9 million as at 31st July 2020 compared to £277.0 million at 31st July 2019), and these funds have been actively managed within the risk framework of the Treasury Management Policy. However, the market volatility triggered by the Covid-19 pandemic, with the Bank of England base rate falling from 0.75% to 0.10% in March 2020, caused investment income to decrease by £0.9 million in 2019/20.

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 2019/20 and 2018/19 are shown in the table below.

	2019/20	2018/19
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£36.8m	£45.0m
Earnings before interest, Taxes, Depreciation and Amortisation as a % of Income	13.5%	17.2%
Operating Surplus as a % of Total Income	2.8%	5.7%
Unrestricted Reserves (excluding pension liability) as a % of Income	85.9%	113.2%
Borrowings as a % of Total Income	37.3%	39.8%
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	416.2	439.6
Staff Costs as a % of Income	58.5%	58.5%

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:

The global and local impact of Covid-19 has necessitated, since March 2020, the rapid transfer of the University's courses and other activity to on-line delivery and to staff working from home. This together with reopening a very different style of campus, for at least the first several months of the 2020/21 academic year, has resulted in a reduction in new students in 2020/21. This challenge is one faced by all UK Universities as many international students in particular will be opting to defer study abroad until the risks from the pandemic are further reduced, although it is likely many will commence their study online, at least partially mitigating the impact. The challenge for the University of Portsmouth is to manage the, hopefully, short term decline in student numbers and resultant impact on our income and be in as strong a position as possible to more fully engage with the delivery of our strategic ambitions in 2021/22 and later years, recognising the University will still be managing the implications arising from the reduction in student numbers in at least 2021/22. Strong financial management has meant that the University has enjoyed a healthy financial position for several years. £100 million was borrowed to help fund the Estates Master Plan in advance of needing to spend it, so that extremely favourable interest rates could be secured. Several years of returning healthy surplus results, together with some delays to the delivery of the master plan mean the University currently holds significant cash balances. These are available to mitigate the impact of a deficit in 2020/21 while continuing to plan for the longer-term future and the ongoing delivery of the University's strategic ambitions.

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 at that time any changes to fees were intended to be introduced from 2021/22. The Review itself would have to be considered by the Government and legislation enacted before it could be implemented. Other priorities (Brexit, Covid-19) have impacted this timetable but recent Government statements indicate that HE-FE resources are very likely to be rebalanced to support FE colleges, considered by Government to be more agile and better aligned with labour market. This expectation is backed-up by the view (expressed by the Minister for Education and Skills) that the country has too many graduates with degrees for jobs that don't require this level of qualification. 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) increased substantially from 16.48% to 23.68% from 1st September 2019, year on year costs rose by £4.1 million. The Local Government Pension Scheme (LGPS) was revalued as at March 2019 and employer contributions increased by approximately £800,000 in 2019/20. The University's financial statements include a number of accounting adjustments in respect of the LGPS. Because of the downward move in discount rates (31st July 2019 to 31st July 2020), one of these adjustments (current service cost) will be significantly higher in 2020/21 and will impact the Income and Expenditure statement accordingly.

The UK's exit from the European Union will impact the University, the wider sector and the economy in several ways. The sector will be impacted by restrictions on obtaining EU research funding and by the recruitment of EU staff and students. The wider economy is likely to be adversely impacted by currency fluctuations and, potentially, inflationary pressures in the medium to longer term. Other than deferrals, EU students starting study in 2021/22 will no longer be considered home students for fee and loan purposes.

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. For the most recent review, the impact of Covid-19 was considered throughout. 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 Going Concern assessment takes account of the possibility that the University may breach one of the covenants associated with the private placement at the end of the 2020/21 financial year. Discussions with the lenders are underway to find an appropriate resolution.

The Governors consider that the University has adequate resources to continue in operational existence for at least 12 months from the date of signing. Our University Vision 2030 and Strategy 2025 strongly supports the University in mitigating against these challenges. Notably among them is the impacts of the Covid-19 pandemic and Brexit. These are 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

The University delivered a surplus in 2019/20, enabling the University to continue to support the delivery of the strategic aspirations articulated within the University Vision 2030 and Strategy 2025. 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

ADDRESSING RISK

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

The Risk Management Policy for 2019/2020 was approved by the Board on 9 October 2019.

The corporate risk register is aligned with the 12 central themes of the new University Vision and Strategy 2020. A UEB member leads each theme and is responsible for developing an action plan to take the theme forward.

This table summarises key strategic risks and the mitigation in place to minimise their impact.

THEME	RISK	MITIGATION
<p>We will deliver our vision by inspiring our staff community to be creative and bold.</p>	<p>Failure to engage staff effectively results in limited participation and commitment to delivery of the University Strategy, adversely impacting upon the ability to manage and deliver change effectively.</p> <p>Inability to recruit, develop and retain high calibre staff leads to a lack of required skills, knowledge and attributes with the consequence that the University is unable to attain strategic objectives.</p> <p>Inability to develop and support an adaptive workforce culture leads to a lack of resilience and inability to manage change and drive innovation effectively with the consequence that the University is unable to attain strategic objectives.</p> <p>Failure to increase BAME representation amongst staff results in a lack of role models that adversely impacts upon the BAME student attainment gap and achievement of the Access and Participation Plan.</p> <p>Failure to address the gender pay gap results in inequality and imbalance with the workforce, leading to negative perceptions of the University that impedes recruitment and retention of staff.</p> <p>Inability to provide effective wellbeing and support to staff results in diminished levels of staff engagement and commitment, leading to reduced ability to deliver and attain strategic objectives.</p> <p>Inability to manage the scale and pace of change creates an inability to deliver "business as usual" activities.</p>	<p>We have established strategies for effective and regular communication of goals and objectives.</p> <p>We offer attractive salary and relocation packages, good induction processes and follow sector-leading HR practices.</p> <p>We have established 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 will conduct regular staff "pulse" surveys of key themes and develop action plans to address issues raised.</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 are examining barriers to progression to enable us to increase BAME representation and to address the gender pay gap, supported by networking and aspiration building programmes and practical steps for improvement such as unconscious bias training.</p> <p>We are exploring new flexible working patterns and structures, including remote working.</p> <p>We have provided reassurance and support to EU staff to clarify the potential employment implications of Brexit.</p> <p><i>New mitigations introduced during the year:</i></p> <p>Approaches to deliver a socially-distanced course offer have been developed, including online and blended learning, socially-distanced teaching and appropriate health and safety precautions.</p>

THEME	RISK	MITIGATION
<p>Engage every student in a life-changing experience.</p>	<p>Admissions processes do not optimise student recruitment with the result that student numbers fall.</p> <p>Students withdraw or fail to progress resulting in a decline in retention rates with the consequence that students do not fulfil their potential.</p> <p>Declining student attainment and progression rates lead to poor TEF outcomes and league table positions that result in the University being less attractive to potential students.</p> <p>Poor comparative performance in the NSS and Graduate Outcomes Survey (GOS) lead to poor TEF outcomes and league table positions that result in the University being less attractive to potential students.</p>	<p>We are developing an action plan to continue to improve and offer an excellent student experience, taking targeted action where improvements are needed.</p> <p>We have identified and delivered the “hallmarks” of a Portsmouth graduate.</p> <p>We have a strongly managed admissions process, with strategies for communication with applicants facilitated through a CRM system and through the provision of high-quality information and advice.</p> <p>We have established action plans to address issues arising from the NSS and GOS 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 and to set risk-based trigger points in relation to academic performance.</p> <p><i>New mitigations introduced during the year:</i></p> <p>We have explored the delivery of virtual open days for applicants.</p> <p>We have developed communications and online videos that provide reassurance to new and returning students on the health and safety implications of Covid-19.</p>

THEME	RISK	MITIGATION
<p>Meet changing demand and widen participation</p>	<p>Courses do not reflect demand in terms of content and mode of delivery, leading to poor student recruitment with the result that student numbers fall and the quality of the student intake declines.</p> <p>Failure to achieve targets identified in the Access and Progression Plan leads to an inability to deliver required outcomes for students and results in a breach of a condition of OfS registration.</p> <p>Changes in applicant behaviour result in reduced student recruitment with the consequence that student numbers and income decline.</p> <p>Partnerships are insufficiently developed and supported resulting in a reduced ability to recruit with the consequence that student numbers and income are not optimised.</p>	<p>We offer high-quality teaching and a responsive, attractive and up-to-date curriculum that responds to students' needs and expectations, underpinned by robust curriculum review processes.</p> <p>We are exploring the development and delivery of high-quality online and blended learning that facilitates improved flexibility and choice for students and enables us to diversify our recruitment markets.</p> <p>Our course offer is responsive to demand and subject to the scrutiny of specially targeted and commissioned research and recruitment data.</p> <p>Delivery of our Access and Progression Plan is underpinned by the use of benchmarks and benchmark thresholds and monitoring processes are in-place to guide targeted action plans and interventions.</p> <p>We have formed targeted partnerships with progression routes to the University that can be well-resourced and supported.</p>
<p>Deliver globally-recognised research and innovative solutions that improve society</p>	<p>Poor REF outcomes result in diminished research reputation with the consequence that research profile, activities and associated income decline.</p> <p>Declining levels of research and innovation activity result in a diminished volume of activity with the consequence that research profile, activities and associated income decline.</p> <p>Failure to optimise use of innovation space constrains the creation of intellectual property and commercial capital and leads to underperformance in the KEF.</p>	<p>We are establishing an action plan to drive improvements in research quality, impact and income.</p> <p>We have implemented a strategy to optimise our performance in 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, which will ensure the optimisation of our innovation space and our interactions with business.</p>

THEME	RISK	MITIGATION
<p>Become one of the UK's leading civic universities</p>	<p>Lack of alignment between civic engagement activities and University strategy, resulting in fragmented activities and expenditure of resources that lacks impact and does not deliver strategic imperatives.</p> <p>Failure to identify and secure strategic delivery partners, leading to diluted delivery of civic engagement or disproportionate delivery by the University.</p> <p>Failure to identify and prioritise key civic stakeholders, resulting in civic engagement activities that do not address the differentiated priorities and needs of different civic stakeholder groups.</p> <p>Failure to manage the expectations of civic stakeholders, resulting in dissatisfaction with the University's level of support and engagement and leading to criticism of the University's civic contribution and reputational damage.</p>	<p>We have worked to establish a "Civic University" Agreement with stakeholders that sets clear expectations and outcomes for all parties.</p> <p>We have aligned our proposed areas of civic engagement with our University Strategy and have identified key strategic partners with shared mutual interests.</p> <p><i>New mitigations introduced during the year:</i></p> <p>We have provided proactive and coordinated engagement to deliver solutions during the Covid-19 pandemic through the release of staff with specialist skills; loan of specialist equipment and facilities; and manufacture of protective equipment.</p>
<p>Significantly build our global reach and reputation</p>	<p>Failure to maintain or increase international student numbers leads results in diminished cultural wealth and diversity within the University community and will affect future sustainability and diversity of income streams.</p> <p>Inability to cultivate strategic partnerships limits our global reach as an institution and engagement at all levels and leads to diminished ability to enhance education, research and innovation, resulting in reduced global impact and reputation.</p> <p>Inability to offer opportunities for students and staff to develop their global mindset, resulting in missed opportunities to acquire new skills and experiences which can impact on future employability of our graduates.</p> <p>Failure to enhance the University's global reputation leads to diminished ability to secure global partnerships, research collaborations and to recruit international students.</p>	<p>We have established a clear strategic focus upon internationalisation and are developing a global engagement action plan and regional strategies, with associated investment to further diversify our international recruitment markets.</p> <p>We have identified and offered a course portfolio and student experience that is attractive to the global recruitment market.</p> <p>We have reviewed our strategic partnerships, including identification, approval and support processes.</p> <p><i>New mitigations introduced during the year:</i></p> <p>We have reviewed and revised our three-year international recruitment action plan in the light of the Covid-19 pandemic.</p> <p>We have adjusted the timing of international student intakes to correlate with the lifting of lockdown restrictions and have explored the use of digital learning as a prelude to travel to the UK.</p> <p>We have provided targeted support to ensure that existing international students are retained.</p>

THEME	RISK	MITIGATION
<p>Lead in environmental sustainability and become climate positive by 2030</p>	<p>Failure to increase the climate literacy of staff and students leads to a lack of engagement in climate positive choices, resulting in an inability to attain improvements in sustainability.</p> <p>Failure to increase the climate literacy of staff and students leads to a lack of engagement in climate positive choices, resulting in an inability to attain improvements in sustainability.</p> <p>Failure to invest in sustainable resources and practices that embed sustainability as a “business as usual” activity leads to continued inefficiencies and waste, resulting in an inability to attain improvements in sustainability.</p> <p>Failure to develop and promote leading-edge research and innovation in sustainability leads to low impact activity, which results in a failure to optimise the provision of solutions for global sustainability challenges.</p>	<p>We are establishing “sustainability champion” roles at all levels of the University.</p> <p>We will invest in climate positive activities and disinvest from climate damaging activities.</p> <p>We will set clear key performance targets, which will be monitored and audited to drive improvements.</p> <p>We will ensure that new-build and refurbishment of the University estate supports sustainability and minimises detrimental impact on the environment.</p> <p>We are prioritising clean growth research and innovation, for example in the areas of Plastic Revolution, EMpasis3 and Resilient Cities, and will support environmental research, for example through our Blue Governance Centre, Institute of Marine Studies and new centres of excellence in carbon capture and alternative fuels.</p>
<p>Transform our alumni relations and advancement activity</p>	<p>Failure to align advancement, alumni engagement and fundraising initiatives and outcomes with University strategy, resulting in suboptimal and/or conflicted investment relative to University values and strategic imperatives.</p> <p>Insufficient investment and resources including in infrastructure, staffing, systems and skills to effectively cultivate and engage alumni, prospects and donors at the levels required to achieve targets, goals and vision.</p> <p>Lack of due diligence or ineffective management of volunteer, prospect and/or donor interactions and contributions, resulting in conflicts of interest, unrealistic expectations of influence, unethical affiliations, strain on academics and researchers, unrealised contributions, broken relationships and/or reputational damage.</p> <p>A lack of monitoring and process to disengage from relationships and/or funding sources no longer appropriate for the University resulting in misalignment with University values and potential reputational damage.</p> <p>Insufficient stewardship of donors and gifts, including a lack of ongoing management of and reporting on gift implementation, resulting in a failure to deliver on legal agreements, possible liability, as well as disgruntled stakeholders and lost future contributions.</p>	<p>We have established an Advancement Strategy Steering Group, supported by a Gifts Ethics Committee and a fundraising policy that includes a due diligence process.</p> <p>We have created an Alumni Relations and Advancement Team to provide stewardship for this activity.</p>

THEME	RISK	MITIGATION
<p>Deliver quality and excellence across all activities</p>	<p>Non-compliance with legislation and regulatory requirements results in fines and prohibitions being imposed upon the University with the consequence that it suffers financial loss and reputational damage.</p> <p>Quality assurance requirements are not met resulting in poor inspection reports and negative publicity with the consequence that the University suffers reputational damage.</p> <p>Failure to maintain accreditation from professional bodies results in course closures without students being “taught out”, leading to the implementation of the Student Protection Plan.</p> <p>Required standards of governance are not met, leading to poor or delayed decision-making that results in financial loss and reputational damage.</p>	<p>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 to ensure compliance with legal responsibilities and expectations and with good practice.</p> <p>We have robust systems and procedures for meeting quality assurance requirements, with action plans and task groups established to address specific issues.</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>
<p>Invest in our future and maintain financial strength</p>	<p>Lack of a viable teaching offer and/or increased competition leads to a decline in student recruitment, resulting in a fall in student numbers and associated income.</p> <p>Changes in government policy or redirection of funding to other sectors results in reductions in public funding with the consequence that the University’s funding declines or is placed at risk.</p> <p>Decline in overall income and/or an inability to identify and implement change programmes designed to achieve greater efficiency and effectiveness leads to increased costs as a proportion of overall income and results in sub-optimal use of resources.</p> <p>Increases in pension cost liabilities leads to a requirement for an increased employer contribution, resulting in lack of funds to resource strategic imperatives</p> <p>Inability to secure further borrowing due to the market view of the UK HE sector, resulting in an inability to finance further major investment in the estate.</p>	<p>We have 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 and an increased focus upon business cases to support new investment decisions has helped 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> <p><i>New mitigations introduced during the year:</i></p> <p>We have undertaken financial scenario planning in the light of the Covid-19 pandemic to determine budgetary parameters and their sensitivity to change.</p>

THEME	RISK	MITIGATION
<p>Enhance our estate and infrastructure</p>	<p>Cost over-runs, scope creep and delays in timing result in the delivery of a physical infrastructure that is not as originally planned and compromises the delivery of the University's aspirations.</p> <p>Failure to provide a modern and adaptable physical infrastructure leads to an estate that fails to retain its fitness for purpose and thereby compromises the delivery of the University's aspirations.</p> <p>Unanticipated loss of a major facility leads to an inability to deliver required services with the result that "business as usual" activities cannot be conducted effectively.</p> <p>Pandemic creates illness and risk to life, leading to an inability to deliver required services with the result that "business as usual" activities cannot be conducted effectively.</p> <p>Problematic and/or incomplete implementation and use of record systems results in the use of incorrect or incomplete data with the result that incorrect decisions and/or funding returns are made.</p> <p>Cybersecurity breaches result in loss, theft or alteration of data; service denial; or impersonation which compromises the ability to conduct business effectively.</p>	<p>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 cyber-security risks and basic mitigating activity.</p> <p><i>New mitigations introduced during the year:</i></p> <p>In the light of the Covid-19 pandemic, we have ensured that the advice of external agencies has been followed to protect the health and safety of the University community. During the lockdown, only essential on-campus services operated.</p>
<p>Innovate through digital technologies</p>	<p>Failure to secure capacity and/or ineffective project management results in cost and/or time over-runs that prevent the University from providing an online and blended learning offer at the beginning of the 2020/21 academic year.</p> <p>Failure to match the digital learning offer with student expectations and/or demand results in lack of take-up and leads to an inability to deliver anticipated growth in student numbers.</p> <p>The quality of the distance learning offer does not match competitors resulting in an uncompetitive offer that leads to poor demand and student take-up.</p> <p>Inability to update and revise the digital learning offer results in a dated, uncompetitive offer that leads to poor demand and student take-up.</p>	<p>A project board has been established to oversee the development and delivery of digital learning and a commercial delivery partner has been appointed.</p> <p>We will develop tailored digital provision but will supplement this offer with "off the shelf" online learning modules where these dovetail with our intended course offer.</p> <p>We will provide training and upskilling opportunities to enable staff to deliver online learning effectively.</p> <p><i>New mitigations introduced during the year:</i></p> <p>We have accelerated our activity in the light of the Covid-19 pandemic to ensure that a high-quality blended learning offer can be made to our students within the context of a socially distanced campus.</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 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 Vision, Mission and University Strategy 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 educational, social, cultural and economic development. The principal beneficiaries of our teaching and research activities are the students who we support in to and through Higher Education, enabling them to develop the knowledge and skills to enhance their prospects and outcomes. This section also details some of the broader benefits delivered through our activities.

Our Mission is "to create, share and apply knowledge to make a difference to individuals and society". The education and research carried out at the University also has indirect beneficiaries, including our local community.

The University delivers undergraduate and postgraduate level programmes to around 25,000 campus-based students across all levels and modes of study. A significant proportion these students come from low-income households and/or areas with traditionally low engagement in Higher Education; including many from local and regional populations where academic progression is historically poor.

Through our dedicated Recruitment and Outreach team we work with local schools and colleges on projects and schemes which seek to encourage growth mindsets and academic progression, whether to the University of Portsmouth or elsewhere, through providing insights into university study and higher education. We deliver events, presentations, and online activities and workshops, designed for people from groups who are underrepresented in higher education. We offer generous financial assistance to students from low-income households to mitigate some of the economic barriers to Higher Education. Our expenditure against the 2019/20 Access and Participation plan is detailed in Note 10 to the Financial Statements.

We provide comprehensive pastoral support, opportunities for students to engage in simulated learning and other career enhancing activities. Through our dedicated Careers and Employability Service we support students in finding part-time jobs, career planning, work experience, further study opportunities, or starting up a business. We offer individualised career support to all of our students during their time with us, and for five years after they leave. We also offer co-ordinate volunteering opportunities which enable students to utilise their knowledge and skills in real-life situations, whilst benefitting local organisations and charities.

We deliver teaching across a wide range of subjects and disciplines including strategically important areas such as science and healthcare professions, technology, engineering, mathematics, modern foreign languages and the creative industries. A significant proportion of our provision is professionally accredited, ensuring our students develop in line with current professional standards prior to graduating and entering employment; providing the local, national and international economy with highly capable graduates who can make a significant contribution to their employers, their communities and society as a whole.

Our research themes relate to current global issues including democratic citizenship, future and emerging technologies, health and wellbeing, security and risk; and sustainability and the environment. Over 60% of the research we submitted to REF2014 was rated as world-leading or internationally excellent; with over 80% of our research impact being judged as having 'outstanding' or 'very considerable' impact in terms of reach and significance. Our research activity is used to inform our curriculum, so our students benefit from exposure to current research, scholarship and professional practice.

Following the signing of a strategic partnership agreement by the local NHS trust and the University in autumn 2019; in July 2020 Portsmouth Hospitals was awarded university hospital status and became Portsmouth Hospitals University NHS Trust. This seeks to bring two of the largest institutions in the City together to provide significant benefits to patients, students and the local community. This is the first step in a longer-term partnership through which the aim is to enhance research partnerships, drive innovation and develop new treatments, as well as investing in academic partnerships to strengthen the future workforce.

In addition, our activity benefits the city in which we are based, and surrounding areas. An economic impact assessment carried out by BIGGAR economics, and published in July 2017 showed that in 2015/16 the University generated around £1.1bn gross value added (GVA) to the UK, including £476m in the city and £624m in the Solent region.

Our influence includes our role in the intellectual and cultural life of the city, our support for educational aspiration and achievement – for example through our involvement in the University Technical College, Portsmouth; and additional benefits that our presence has on businesses and local organisations.

THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

Membership

The University's Board of Governors draws its authority from the University's Articles¹ and Instrument of Government², which were updated during this year and formally adopted on 1 January 2020. The majority of Governors are external to the University, and the Board also includes student and staff members, together with the Vice-Chancellor and an elected officer of the Students' Union (both ex officio). The roles of Chair and Deputy Chair of the Board are separate from the role of the University's Chief Executive, which is the Vice-Chancellor.

Governors' remuneration

Governors receive no remuneration from the University in respect of activities undertaken while acting as 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. Following consultation with the sector in March 2020, a new Governance Code of Practice is due to be published by the CUC in Autumn 2020. The CUC Higher Education Audit Committees Code of Practice was published in June 2020. It was presented to the University Audit and Quality Committee at its September 2020 meeting and Committee affirmed its commitment to the principles enshrined within the Code.

Responsibilities

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

Statement of Primary Responsibilities

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

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1 The Articles of Government can be found at:

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

Clerk to the Board of Governors

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

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

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

Board and Committee Meetings

The Board normally holds five meetings per year and has several standing committees. All of the committees are formally constituted with terms of reference and are chaired by an external governor. The committees are Audit and Quality Committee, Infrastructure and Finance Committee, Human Resources Committee, Nominations Committee and the two Remuneration Committees.

Audit and Quality Committee

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

Infrastructure and Finance Committee

This committee examines and monitors, on behalf of the Board, all areas of the University's financial policy and strategy and makes recommendations and proposals and provides advice to the Board on these matters. It reviews the University's financial statements and financial forecasts and advises the Board upon their approval. As part of its remit, it also recommends to the Board the University's annual revenue and capital budgets and monitors performance against the approved budgets. This committee is also responsible for oversight of the strategic planning of the University's estate and its information technology infrastructure, including the formulation and oversight of the delivery of the Estate Masterplan and IT Strategy.

Human Resources Committee

The purpose of the Committee is to provide oversight for strategic human resources and related matters. It is responsible for ensuring that the University's Human Resource plans, policies, processes and functions effectively support the University to achieve its operational and strategic objectives. The remit of the Committee is University wide and extends beyond the monitoring of the Human Resources Department.

Nominations Committee

This committee considers and recommends nominations for appointments to the Board, in support of the Board's responsibility to determine and prescribe in Regulations its membership numbers and composition, as stated in the Instrument of Government. It also oversees succession planning for governors. It ensures that there is a balance of required skills and attributes amongst governors to enable the Board to meet its primary responsibilities, effectively oversee and scrutinize the work of the Executive and to secure stakeholder confidence.

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

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

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 context of the strategic objectives that pertain to their remit and as they contribute to the University Strategy. The Audit and Quality Committee is responsible for oversight of risk management and for advising the Board on the effectiveness of risk management processes.

REMUNERATION COMMITTEE

The University has two remuneration committees. The Senior Postholders Remuneration Committee and the Vice-Chancellor's Remuneration Committee.

The Vice-Chancellor's salary is set each year (2019/2020 in this instance) by the Vice-Chancellor's Remuneration Committee by reference to the previous financial year (2018/2019 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 2018/19 had:

- A turnover of c.£261 million
- The highest rating of "Gold" in the Teaching Excellence Framework
- 86% 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
- 12 of our 15 STEM Schools have achieved Athena SWAN Bronze Awards

Process for Assessing Value and Performance

Framework for setting the pay of senior postholders

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

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

- (i) Their sustained performance and contribution during the preceding year(s). The performance of individual postholders will be formally reviewed each year, mirroring the University's PDR process that applies to all staff. Any senior postholder identified as requiring significant improvement in their performance would not receive any pay increase in the relevant year.
- (ii) Any material changes in roles and responsibilities since the previous review period.
- (iii) The percentage increase in salary awarded to staff on national pay scales as a consequence of national negotiations.
- (iv) The average percentage increase in salary received by staff on national pay scales to reflect incremental pay progression.
- (v) Maintaining the relative value of salaries when compared with benchmarking data in the annual UCEA survey of senior staff remuneration within the higher education sector, with a particular focus upon:
 - All higher education institutions with a turnover of £202m to £400m
 - All post-92 higher education institutions with a turnover of £202m to £400m
 - All higher education institutions in London and the South East of England with a turnover of £202m to £400m
- (vi) The overall affordability of any proposed increases to senior salaries, taking account both of the University's financial performance and the need to offer salaries that compare favourably with competitor institutions.
- (vii) The University will review and moderate the pattern of increases across all senior postholders in order to ensure fairness and consistency.

The Framework also states that:

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

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

port.ac.uk/about-us/structure-and-governance/organisational-structure/board-of-governors-committees

Assessment of Value and Performance

Contextual information

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

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

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

Judgement of performance

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

- (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 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 2018/19 showed that he had either attained in full or had demonstrated substantial progress towards the delivery of all his performance objectives for the reporting year.
- (iii) The Vice-Chancellor had demonstrated strong strategic leadership and a dynamic, enthusiastic and entrepreneurial approach to his role.
- (iv) The Vice-Chancellor had attained a very high level of performance over the reporting year.

Having discussed and taken account of all relevant factors and especially the requirements of the Framework for Setting the Pay of Senior Postholders, the Vice-Chancellor's Remuneration Committee agreed that the Vice Chancellor should receive a salary of £288,000 with effect from 1 August 2019.

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 £1,364 in 2019/2020. 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 £4,790 in lieu of pension contributions from the University during 2019/2020.

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 2019 to 31 March 2020 is as follows:

Trade Union representatives and full-time equivalents

Number of employees who were relevant union officials during the relevant period	9.0
FTE number of trade union representative for this period	7.9

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	5
51% to 99% working hours	4
100% working hours	0

Percentage of pay bill spent on facility time

Total cost of facility time	£232,551
Total pay bill	£145,971,861
Percentage of the total pay bill spent on facility time	0.16%

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', the 'institution') 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 2020 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and 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 statement of principal accounting policies
- the consolidated and institution statement of comprehensive income and expenditure;
- the consolidated and institution statement of financial position;
- the consolidated and institution statement of changes in reserves;
- the consolidated statement of cash flows; and
- the related notes 1 to 31

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 (2019).

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. 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 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS accounts direction have been met.

Matters on which we are required to report by exception

Under the OfS Regulatory Advice 9: Accounts Direction, we are required to report in respect of the following matters if, in our opinion:

- the provider's grant and fee income, as disclosed in the note 4 to the accounts, has been materially misstated; or
- the provider's expenditure on access and participation activities for the financial year, as disclosed in note 10 to the accounts, has been materially misstated.

We have nothing to report in respect of these matters.

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 25 October 2019. 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.



Deloitte LLP
Statutory Auditor
Reading, UK
25 November 2020

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

General

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

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the University and all its subsidiary companies for the financial year to 31 July 2020.

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

Income recognition

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

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

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

Grant funding

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

Donations and endowments

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

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

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

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

Capital grants

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

Accounting for retirement benefits

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

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

Defined contribution plan

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

Defined benefit plan

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

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

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

Employment benefits

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

Finance leases

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

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

Operating leases

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

Foreign currencies

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

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

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

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

Fixed assets

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

An annual review of buildings is undertaken to determine if there 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

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

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

Investments

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

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

Stocks

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

Cash and cash equivalents

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

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

Financial instruments

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

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

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

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

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

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

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

Taxation

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

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

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

Reserves

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

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

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. For the most recent review, the impact of Covid-19 was considered throughout. 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 Going Concern assessment takes account of the possibility that the University may breach one of the covenants associated with the private placement at the end of the 2020/21 financial year. Discussions with the lenders are underway to find an appropriate resolution.

The Governors consider that the University has adequate resources to continue in operational existence for at least twelve months from the date of signing. Our University Vision 2030 and Strategy 2025 strongly supports the University in mitigating against these challenges. Notably among them is the impacts of the Covid-19 pandemic and Brexit. These are 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.

Accounting estimates and judgements

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

Pension provision assumptions:

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

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

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

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

University of Portsmouth
Consolidated and Institution Statement of Comprehensive Income and Expenditure
for the year ended 31 July 2020

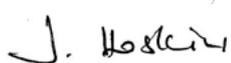
	Note	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	223,115	222,982	209,713	209,542
Funding body grants	2	24,348	24,348	22,326	22,326
Research grants and contracts	3	8,837	8,737	9,540	9,370
Other income	5	14,342	13,800	15,766	14,951
Investment income	6	2,812	2,807	3,676	3,671
Donations and endowments	7	99	99	75	75
Total Income		273,553	272,773	261,096	259,935
Expenditure					
Staff costs	8	160,121	159,759	152,741	152,330
Other operating expenses		82,049	81,626	71,080	71,145
Depreciation	14	17,774	17,705	16,524	16,212
Interest and other finance costs	9	2,899	2,897	3,216	3,217
Finance charge in respect of pension scheme		2,976	2,976	2,780	2,780
Total Expenditure	11	265,819	264,963	246,341	245,684
Operating Surplus		7,734	7,810	14,755	14,251
Loss on disposal of fixed assets	14	0	0	(7)	(7)
Gain on investment	24	40	40	155	155
Surplus after other gains and losses		7,774	7,850	14,903	14,399
Technical adjustment in relation to fair value of loan notes*		(2,309)	(2,309)	(4,625)	(4,625)
Surplus before tax		5,465	5,541	10,278	9,774
Taxation	12	24	0	17	0
Surplus for the year		5,441	5,541	10,261	9,774
Actuarial loss in respect of pension schemes	31	(66,233)	(66,233)	(24,150)	(24,150)
Total comprehensive (expenditure)/income for the year		(60,792)	(60,692)	(13,889)	(14,376)
Represented by:					
Endowment comprehensive income for the year	24	54	54	190	190
Unrestricted comprehensive (expenditure)/income for the year		(60,846)	(60,746)	(14,079)	(14,566)
		(60,792)	(60,692)	(13,889)	(14,376)

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

University of Portsmouth
Consolidated and Institution Statement of Financial Position
as at the year ended 31 July 2020

	Note	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Intangible asset	13	575	0	548	0
Tangible fixed assets	14	358,587	355,995	345,390	342,729
Investments	15	2,787	6,484	2,748	6,605
		361,949	362,479	348,686	349,334
Current Assets					
Stock		216	216	200	200
Trade and other receivables	16	23,964	23,874	15,835	15,552
Investments	17	76,322	76,322	104,131	104,131
Short term deposits	18	139,213	139,213	152,627	152,627
Cash and cash equivalents		67,328	66,268	20,022	19,053
		307,043	305,893	292,815	291,563
Less: Creditors: amounts falling due within one year	19	(57,536)	(57,209)	(48,244)	(47,874)
Net current assets		249,507	248,684	244,571	243,689
Total assets less current liabilities		611,456	611,163	593,257	593,023
Creditors: amounts falling due after more than one year					
Deferred grant income	20	(48,252)	(48,252)	(48,372)	(48,372)
Unsecured loans	20	(107,234)	(107,234)	(105,552)	(105,552)
Provisions					
Pension provision	23	(218,250)	(218,250)	(140,980)	(140,980)
Total net assets		237,720	237,427	298,353	298,119
Restricted reserves					
Restricted reserves	24	2,795	2,795	2,741	2,741
Unrestricted reserves					
Income and expenditure reserve- unrestricted		234,925	234,632	295,612	295,378
Total Reserves		237,720	237,427	298,353	298,119

These financial statements were approved by the Board of Governors on 23 November 2020.



J Hoskins
Chair of The Board of Governors



G Galbraith
Governor & Vice-Chancellor

University of Portsmouth
Consolidated and Institution Statement of Changes in Reserves
for the year ended 31 July 2020

	Note	Income and expenditure account Endowment (note 24) £000	Unrestricted £000	Total £000
Consolidated				
Balance at 1 August 2018		2,551	309,850	312,401
Surplus for the year		190	10,071	10,261
Actuarial loss in respect of pension scheme	31	0	(24,150)	(24,150)
Total comprehensive income for the year		190	(14,079)	(13,889)
Balance at 1 August 2019		2,741	295,771	298,512
Surplus for the year		54	5,387	5,441
Actuarial loss in respect of pension scheme	31	0	(66,233)	(66,233)
Total comprehensive expenditure for the year		54	(60,846)	(60,792)
Balance at 31 July 2020		2,795	234,925	237,720
University				
Balance at 1 August 2018		2,551	309,944	312,495
Surplus for the year		190	9,584	9,774
Actuarial loss in respect of pension scheme	31	0	(24,150)	(24,150)
Total comprehensive income for the year		190	(14,566)	(14,376)
Balance at 1 August 2019		2,741	295,378	298,119
Surplus for the year		54	5,487	5,541
Actuarial loss in respect of pension scheme	31	0	(66,233)	(66,233)
Total comprehensive income for the year		54	(60,746)	(60,692)
Balance at 31 July 2020		2,795	234,632	237,427

University of Portsmouth
Consolidated Statement of Cash Flows
for the year ended 31 July 2020

	Note	Year ended 31 July 2020 Consolidated £000	Year ended 31 July 2019 Consolidated £000
Cash flow from operating activities			
Surplus for the year		5,441	10,261
Adjustments for non-cash items			
Depreciation	14	17,774	16,524
Change in fair value of loan notes		2,309	4,625
(Increase)/decrease in stock		(16)	23
(Increase)/decrease in debtors		(8,012)	990
Increase in creditors		9,637	3,968
Net pensions cost for the year	31	11,037	12,260
		32,729	38,390
Adjustment for investing or financing activities			
Investment income		(2,831)	(3,697)
Interest payable		2,899	3,216
Endowment income		(14)	(36)
Loss on the sale of fixed assets	14	0	7
Capital grant income		(2,612)	(1,788)
		(2,558)	(2,298)
Net cash inflow from operating activities		35,612	46,353
Cash flows from investing activities			
Net movement of current asset investments	17	27,809	16,186
Net movement of short term deposits	18	13,414	(118,160)
Taxation paid		(24)	(17)
Investment income		2,831	3,697
Deferred capital grants received		3,317	2,069
Payments made to acquire fixed assets	14	(30,971)	(22,170)
New non-current asset investments		121	(349)
		16,497	(118,744)
Cash flows from financing activities			
Interest paid	9	(2,899)	(3,216)
Endowment cash received		14	36
Repayment of amounts borrowed		(1,918)	(1,751)
		(4,803)	(4,931)
Increase/(decrease) in cash and cash equivalents in the year		47,306	(77,322)
Cash and cash equivalents at the beginning of the year		20,022	97,344
Cash and cash equivalents at the end of the year		67,328	20,022

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 2020
Notes to the Financial Statements

1 Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home students	137,795	137,795	138,085	138,085
Full time EU students	9,592	9,592	8,125	8,125
Full-time international students	54,566	54,566	40,773	40,773
Part-time students	11,407	11,407	8,637	8,637
Education contracts	5,950	5,950	10,284	10,284
Franchise fee income	2,426	2,426	2,392	2,392
Short courses and Research Training Support Grants	1,379	1,246	1,417	1,246
	223,115	222,982	209,713	209,542

2 Funding council grants

Recurrent grants				
Office for Students	11,980	11,980	12,167	12,167
Research England	6,142	6,142	5,768	5,768
Release of capital grant	2,509	2,509	1,684	1,684
Specific grants				
Higher Education Innovation Fund	1,882	1,882	1,831	1,831
Miscellaneous	1,702	1,702	797	797
Department for Education	119	119	59	59
Education and Skills Funding Agency	14	14	20	20
	24,348	24,348	22,326	22,326

3 Research grants and contracts

Research councils	2,774	2,774	3,286	3,286
UK charities	746	746	1,341	1,338
UK Government/health authorities	1,514	1,481	1,409	1,390
Industry and commerce	1,001	967	863	723
EU Government	1,835	1,835	1,555	1,555
EU other	295	295	199	199
Other overseas	615	582	742	728
Other	57	57	145	151
	8,837	8,737	9,540	9,370

4 Grant and fee income

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

Grant income from the Office for Students	14,489	14,489	13,851	13,851
Grant income from other bodies	18,696	18,596	18,015	17,845
Fee income for research awards	2,176	2,176	4,178	4,178
Fee income from non-qualifying courses	3,881	3,748	6,036	5,865
Fee income for taught awards	217,058	217,058	199,499	199,499
	256,300	256,067	241,579	241,238

5 Other income

Residences, catering and conferences	5,802	5,802	7,503	7,503
Contract income	3,654	3,075	3,834	2,648
Other income	4,886	4,923	4,429	4,800
	14,342	13,800	15,766	14,951

Within the Other Income line is £1.1 million received from the UK Government during 2019/20 under the Coronavirus Job Retention Scheme.

6 Investment income

Interest from short term investments	2,731	2,726	3,629	3,624
Appreciation of restricted investments	81	81	47	47
	2,812	2,807	3,676	3,671

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

7 Donations and endowments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Donations with restrictions	66	66	13	13
Unrestricted donations	33	33	62	62
	99	99	75	75

8 Staff costs

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff Costs:				
Salaries	115,337	114,996	111,848	111,456
Social security costs	11,651	11,644	11,253	11,240
Apprenticeship levy	546	546	523	522
Other pension costs (note 31)	32,587	32,573	29,117	29,112
Total	160,121	159,759	152,741	152,330

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	1,332	1,305
Technical, Administrative and Professional	1,397	1,361
	2,729	2,666

Emoluments of the Vice-Chancellor:

	£000	£000
Basic salary	288	282
Taxable benefits in kind	1	1
	289	283
Pension allowance in lieu of pension contributions	57	40
Employer's contribution to the Teachers Pension Scheme	0	0
Total emoluments including employer's contribution to the Teachers Pension Scheme	346	323

An additional allowance equivalent to the employer 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. Employer contributions to the Teachers' Pension Scheme increased from 16.4% to 23.6% of salary from 1st September 2019, this accounts for the year on year increase in the allowance.

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	1	2
£105,000- £109,999	0	4
£110,000- £114,999	5	3
£115,000- £119,999	2	2
£120,000- £124,999	2	1
£125,000- £129,999	0	0
£130,000- £134,999	0	0
£135,000- £139,999	1	0
£140,000- £144,999	0	1
£145,000- £149,999	1	1
£150,000- £154,999	1	2
£155,000- £159,999	0	0
£160,000- £164,999	2	0
	15	16

Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University defines key management personnel as those staff appointed by the University's Governing Body. As at 31st July 2020 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.

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

8 Staff costs (continued)

	Year ended 31 July 2020 Consolidated £000	Year ended 31 July 2019 Consolidated £000
Basic salary	1,217	1,130
Taxable benefits in kind	9	8
Employer's contribution to the Local Government and Teachers Pension Scheme	1504	114
Key management personnel compensation	<u>1,376</u>	<u>1,252</u>
Relationship between Vice-Chancellor remuneration (salary, taxable benefits and employers pension contributions) and all other employees remuneration		
Vice-Chancellor Salary	288	282
Vice-Chancellor Remuneration	347	323
Median Salary all other staff	39	38
Median Remuneration all other staff	46	43
Pay Multiple (Median Salary)	7.4	7.3
Pay Multiple (Median Remuneration)	7.6	7.4

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.

	Year ended 31 July 2020 Consolidated £000	Year ended 31 July 2019 Consolidated £000
Vice-Chancellor Emoluments	347	323
Salary and Employer Pension Costs for lowest paid staff member	22	21
Ratio	16	16

The Vice-Chancellor's salary is set in accordance with the University's Framework for Setting the Pay of Senior Postholders. The Framework was established by the Board of Governors upon the recommendation of its Vice-Chancellor's and Senior Postholders' Remuneration Committee and is reviewed on an annual basis. The Committee is charged by the Board of Governors with the setting the pay of senior pay holders (key management personnel, as described in Note 7 of the Financial Statements). The Framework ensures that the University monitors the ratio between its highest paid member of staff and the median pay level to ensure that this remains compatible with ratios at comparable universities and that the earnings multiple should not exceed 10:1. In turn the Framework also adopts the proposal considered by the Hutton Review of Fair Pay in the Public Sector, namely that its highest paid staff member will not earn more than 20 times the full-time equivalent salary of its lowest paid staff member.

	Year ended 31 July 2020 Consolidated		Year ended 31 July 2019 Consolidated	
	£000	number	£000	number
Redundancy and Severance Costs, all Staff				
Contractual redundancy and severance payments	236	50	225	171
Payments in relation to a voluntary severance scheme	0	0	1,111	53
Other	145	19	435	21
Total	<u>381</u>	<u>69</u>	<u>1,771</u>	<u>245</u>

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 (2018/19: £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 £5,234 (2018/19: £7,150 to 10 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 2020
Notes to the Financial Statements (continued)

9 Interest and other finance costs

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
	152	152	241	241
	2,702	2,702	2,956	2,956
	45	45	19	20
	2,899	2,897	3,216	3,217

10 Access and participation

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

	3,977	3,977
	4,673	4,673
	910	910
	148	148
	9,708	9,708

Staff costs included in above

3,422 **3,422**

The University access and participation plans can be found at:

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

Note: There are no prior year comparators as 2019/20 is the first year of note requirement.

11 Analysis of total expenditure by activity

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

	154,142	153,644	147,744	147,141
	2,366	1,667	3,001	3,125
	51,382	51,740	34,471	34,626
	31,669	31,669	31,340	31,049
	4,981	4,987	6,509	6,512
	7,343	7,322	7,799	7,754
	8,061	8,061	9,480	9,480
	2,899	2,897	3,217	3,217
	2,976	2,976	3,217	2,780
	265,819	264,963	246,341	245,684

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

	123	71	100	56
	29	15	39	23
	64	64	128	128
	298	216	258	145
	188	188	122	122

12 Taxation

Recognised in the statement of comprehensive income

Current tax
Current year
Current tax expense
Total tax expense

	24	0	17	0
	24	0	17	0
	24	0	17	0

13 Intangible asset

Opening balance
Increase in value during the year
Closing balance

	548	0	523	0
	27	0	25	0
	575	0	548	0

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

14 Tangible fixed assets

	Freehold Land and Buildings £000	Long 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
Consolidated							
Cost or deemed cost:							
At 1 August 2019	363,428	8,387	9,966	381,781	321	51,738	433,840
Additions at cost	2,311	0	20,601	22,912	0	8,059	30,971
Transfer of assets under construction	3,295	0	(3,295)	0	0	0	0
Disposals/Demolitions	0	0	0	0	0	(1,063)	(1,063)
At 31 July 2019	369,034	8,387	27,272	404,693	321	58,734	463,748
Depreciation:							
At 1 August 2019	52,438	845	0	53,283	280	34,887	88,450
Depreciation	12,946	212	0	13,158	22	4,594	17,774
Disposals/Demolitions	0	0	0	0	0	(1,063)	(1,063)
At 31 July 2020	65,384	1,057	0	66,441	302	38,418	105,161
Net Book Value							
At 31 July 2020	303,650	7,330	27,272	338,252	19	20,316	358,587
At 31 July 2019	310,990	7,542	9,966	328,498	41	16,851	345,390
University							
Cost or deemed cost:							
At 1 August 2019	359,014	8,387	9,966	377,367	321	51,631	429,319
Additions at cost	2,311	0	20,601	22,912	0	8,059	30,971
Transfer of assets under construction	3,295	0	(3,295)	0	0	0	0
Disposals/Demolitions	0	0	0	0	0	(965)	(965)
At 31 July 2020	364,620	8,387	27,272	400,279	321	58,725	459,325
Depreciation:							
At 1 August 2019	50,682	845	0	51,527	280	34,783	86,590
Depreciation	12,878	212	0	13,090	22	4,593	17,705
Disposals/Demolitions	0	0	0	0	0	(965)	(965)
At 31 July 2020	63,560	1,057	0	64,617	302	38,411	103,330
Net Book Value							
At 31 July 2020	301,060	7,330	27,272	335,662	19	20,314	355,995
At 31 July 2019	308,332	7,542	9,966	325,840	41	16,848	342,729

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

15 Non-current investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
Consolidated			
At 1 August 2019	(1)	2,749	2,748
Additions	1	38	39
At 31 July 2020	0	2,787	2,787
University			
At 1 August 2019	3,856	2,749	6,605
Additions	(159)	38	(121)
At 31 July 2020	3,697	2,787	6,484

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 2020 £000	Year ended 31 July 2019 £000
Other non-current investments consist of:		
CVCP Properties plc	37	37
Hampshire Community Bank	150	150
Endowment asset (see note 24)	2,600	2,562
	2,787	2,749

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

16 Trade and other receivables

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year:				
Research grants receivable	1,905	1,905	2,186	2,186
Other trade receivables	9,342	9,342	4,892	4,818
Prepayments and accrued income	12,371	11,947	8,703	8,221
Amounts due from subsidiary undertakings	0	134	0	259
	23,618	23,328	15,781	15,484
Amounts falling due after one year:				
Prepayments and accrued income	346	346	54	54
Amounts due from subsidiary undertakings	0	200	0	14
	346	546	54	68
	23,964	23,874	15,835	15,552

Included in amounts due from subsidiary undertakings is a loan to the University of Portsmouth Enterprise Limited of £0k (2018/19: £39k) and a loan to Portsmouth Technopole Limited of £200k (2018/19: £0k). 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 2020
Notes to the Financial Statements (continued)

17 Other current asset investments

	Other current asset investments £000	Total £000
Consolidated		
At 1 August 2019	104,131	104,131
Purchases	63,060	63,060
Sales	(91,926)	(91,926)
Change in market value	1,057	1,057
At 31 July 2020	76,322	76,322
University		
At 1 August 2019	104,131	104,131
Purchases	63,060	63,060
Sales	(91,926)	(91,926)
Change in market value	1,057	1,057
At 31 July 2020	76,322	76,322

An investment of £60,215k (2018/19: £61,639k) is held as a segregated fund managed on behalf of the University by Goldman Sachs International. An investment of £10,024k (2018/19: nil) is a certificate of deposit issued by Standard Chartered Bank, maturing 6th November 2020. An investment of £5,047k (2018/19: nil) is a certificate of deposit issued by Credit Suisse, maturing 30th October 2020. An investment of £1,036k (2018/19: nil) is a bond issued by Macquarie Bank, maturing 18th December 2020.

18 Short term deposits

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Short term bonds	139,213	139,213	152,627	152,627
	139,213	139,213	152,627	152,627

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 2020 the weighted average interest rate of these fixed rate deposits was 0.70% (31 July 2019: 1.10%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 71 days (31 July 2019: 146 days). The fair value of these deposits was not materially different from the book value.

19 Creditors: Amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured bank loans	627	627	1,851	1,851
Accrued interest on placement loan	1,439	1,439	1,439	1,439
Trade payables	834	834	2,878	2,878
Other creditors	20,423	20,125	15,005	14,791
Social security and other taxation payable	6,254	6,253	5,799	5,790
Accruals and deferred income	17,224	17,194	12,778	12,603
Deferred capital grants	2,612	2,612	1,788	1,788
Holiday pay accrual	8,123	8,123	6,706	6,706
Amounts owed to subsidiaries	0	2	0	28
	57,536	57,209	48,244	47,874

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	3,989	3,989	1,996	1,996
	3,989	3,989	1,996	1,996

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

20 Creditors: Amounts falling due after more than one year

Deferred income:

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

Unsecured bank loans and placement loan:

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

Unsecured at 31 July 2020

Other creditors:

Unsecured loans repayable by 2034

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Deferred income:				
Due between one and two years	2,613	2,613	1,788	1,788
Due between two and five years	7,837	7,837	5,364	5,364
Due in five years or more	37,802	37,802	41,220	41,220
	48,252	48,252	48,372	48,372
Unsecured bank loans and placement loan:				
Due between one and two years	0	0	627	627
Due between two and five years	0	0	0	0
Due in five years or more*	106,934	106,934	104,625	104,625
Unsecured at 31 July 2020	106,934	106,934	105,252	105,252
Other creditors:				
Unsecured loans repayable by 2034	300	300	300	300
	155,486	155,486	153,924	153,924

* includes fair value movement of £2,309k (2018/19: £4,625).

21 Unsecured Bank Loans and placement loan

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

Lender	£000	Term	Interest rate	Borrower
Barclays	205	25 years	7.4% fixed until May 2021	University
Barclays	147	25 years	8.7% fixed until November 2020	University
Barclays	275	25 years	8.6% fixed until November 2020	University
Total of bank loan	627			

	Market Value as at 31/7/2020 £000	Present Value as at 31/7/2019 £000	Term	Interest rate	Borrower
Allianz Life Insurance Company of North America	32,217	30,226	15 years	2.73% fixed until February 2033	University
Sun Life Assurance Company of Canada (Bermuda)	11,200	10,277	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada (UK) Limited	10,000	10,277	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada	20,000	21,243	25 years	3.13% fixed until February 2043	University
Sun Life Assurance Company of Canada (Bermuda)	23,517	21,723	30 years	3.22% fixed until February 2048	University
Sun Life Assurance Company of Canada	10,000	10,879	35 years	3.19% fixed until February 2053	University
Subtotal	106,934	104,625			
Accrued interest	1,439	1,439			
Total of placement loan	108,373	106,064			

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

22 Financial instruments

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

Financial Assets:

Measured at undiscounted amount receivable:

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

Equity instruments measured at cost less impairment:

Investments in subsidiaries and associates (Note 15)

Measured at fair value through profit and loss:

Equity investments

Financial Liabilities:

Measured at undiscounted amount payable:

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

Measured at amortised cost

Loan notes (Note 21)

Measured at fair value through profit and loss:

Loan notes (Note 21)

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

Interest Expense:

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Financial Assets:				
Measured at undiscounted amount receivable:				
Trade and Other Debtors (Note 16)	23,618	23,194	15,781	15,225
Amounts due from subsidiary undertakings (Note 16)	(0)	134	0	259
Equity instruments measured at cost less impairment:				
Investments in subsidiaries and associates (Note 15)	187	3,884	187	4,043
Measured at fair value through profit and loss:				
Equity investments	78,922	78,922	106,693	106,693
Financial Liabilities:				
Measured at undiscounted amount payable:				
Bank loans (Note 19 and 20)				
Trade and other creditors (Note 19 and 20)	627	627	2,478	2,478
Amounts owed to subsidiaries (Note 19)	105,161	104,832	94,765	94,366
Measured at amortised cost				
Loan notes (Note 21)	0	2	0	28
Measured at fair value through profit and loss:				
Loan notes (Note 21)	67,778	67,778	65,469	65,469
Interest Expense:				
Total interest expense for financial liabilities at undiscounted amount payable	152	152	241	241
Total interest expense for financial liabilities at fair value	2,702	2,702	2,956	2,956

The financial instruments disclosure includes a prior year adjustment in respect of the value of the private placement bond as at 31st July 2019. The bond consists of a series of notes and the adjustment is required due to the original understanding being that all notes were swapped by the counterparty at the bond's inception date. The swapped notes have features that mean they are "non-basic" financial instruments and must be accounted for at fair value, whereas the unswapped notes are "basic" financial instruments and are accounted for at amortised cost. Information has subsequently come to light which indicates that £40m of notes were not swapped. The financial instruments note (Note 22) has therefore been restated to classify these notes as amortised cost liabilities.

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

	Pension provision (note 31) £000	Deferred tax £000	Total £000
23 Provisions for liabilities			
Consolidated			
At 1 August 2019	(140,980)	0	(140,980)
Increase in liability	(77,270)	0	(77,270)
At 31 July 2020	(218,250)	0	(218,250)
University			
At 1 August 2019	(140,980)	0	(140,980)
Increase in liability	(77,270)	0	(77,270)
At 31 July 2020	(218,250)	0	(218,250)

	Restricted permanent endowments £000	Expendable endowments £000	2020 Total £000	2019 Total £000
24 Endowment funds				
Restricted net assets relating to endowments are as follows:				
At 1 August 2019				
Capital	1,112	0	1,112	1,112
Accumulated income	1,488	141	1,629	1,439
	2,600	141	2,741	2,551
Appreciation of restricted investments	82	0	82	50
Expenditure	0	(68)	(68)	(15)
Increase in market value of investments	40	0	40	155
	122	(68)	54	190
At 31 July 2020	2,722	73	2,795	2,741

Represented by:

Capital	1,112	1,112
Accumulated income	1,683	1,629
	2,795	2,741

Analysis by type of purpose:

Lectureships	2,722	2,601
Prize funds	73	140
	2,795	2,741

Analysis by asset:

Investments	2,600	2,562
Cash	195	179
	2,795	2,741

The Endowment is managed by CCLA Investment Management Limited. The funds are primarily held as units in Ethical Investment (63%) and Fixed Interest (33%). The remaining 4% is held within a Deposit Fund.

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

25 Consolidation of net debt

Net debt 1 August 2019	88,820	
Movement in cash and cash equivalents	(47,306)	
Other non-cash changes	458	
Net debt 31 July 2020	41,972	
Change in net debt	(46,848)	
Analysis of net debt:		
Cash and cash equivalents	67,328	20,022
Borrowings: amounts falling due within one year		
Unsecured loans	2,066	3,290
Borrowings: amounts falling due after more than one year		
Unsecured loans	107,234	105,552
Net debt	41,972	88,820

26 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2020:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted at 31 July	37,050	37,050	49,671	49,671
	37,050	37,050	49,671	49,671

27 Contingent liabilities

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

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

28 Minimum lease payments

	Year ended 31 July 2020			Year ended 31 July 2019
	Land and Buildings £000	Consolidated Plant and Machinery £000	Total £000	Total £000
Total rentals payable under operating leases:				
Up to one year	287	188	475	448
Between two and five years	257	0	257	513
In more than five years	19	0	19	1,610
	563	188	751	2,571

29 Events after the reporting period

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

University of Portsmouth

Financial Statements for the Year Ended 31 July 2020

Notes to the Financial Statements (continued)

30 Related party transactions

The University has had transactions with its subsidiary companies, University of Portsmouth Enterprise Limited, University of Portsmouth Investments Limited, University of Portsmouth Services Limited, Technology Enterprises Portsmouth Limited, Portsmouth Technopole Limited, ASTA Technology UK Limited 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 2019/20 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,163k (2018/19: £1,128k) 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 former external Governors, who resigned from the Board of Governors on 27 August 2019. 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. 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.

31 Pension and similar obligations

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

TPS

Introduction

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

The Teachers' Pension Budgeting And Valuation Account

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

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

Valuation Of The Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme 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.

Department for Education
Bishopsgate House, DARLINGTON DL1 5QE

TPS financial note – August 2019

Contribution amounts outstanding as at 31 July 2020 and included in social security and other taxation payable creditors is £1,619,832 (31 July 2019: £1,238,370).

University of Portsmouth
Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

31 Pension and similar obligations (continued)

LGPS

The Local Government Pension Scheme (LGPS) is a defined benefit scheme based on final pensionable salary. The results below relate to the funded and unfunded liabilities within the fund which is part of the LGPS. The funded nature of the LGPS requires the employer and its employees to pay contributions into the fund, calculated at a level to balance the pension liabilities with investment assets. The unfunded liabilities are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. No fund exists to meet these benefits. The most recent valuation was carried out as at 31 March 2019, and has been updated by independent actuaries to the Hampshire County Council Pension Fund to take account of the requirements of FRS102 in order to assess the liabilities of the Fund as at 31 July 2020. The actuarial assumptions for the long term liabilities of the LGPS are detailed in the table below and include an assumed 3.1% increase for salary costs. This is set at 1.0% above CPI and includes annual pay awards, increments and promotions.

	Year ended 31 July 2020	Year ended 31 July 2019
The financial assumptions used to calculate scheme liabilities under FRS102 are:		
Discount rate	1.4%	2.2%
Rate of increase of salaries	3.1%	3.7%
Rate of revaluation of pension accounts	2.1%	2.2%
Rate of increase in pensions	2.1%	2.2%
Rate of inflation CPI	2.1%	2.2%
Assets are valued at fair value, and comprise:	£000	£000
Equities	150,650	153,330
Bonds	56,973	52,468
Property	16,709	18,338
Cash	4,383	4,839
Other	45,195	25,725
Total	<u>273,910</u>	<u>254,700</u>

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

	2020		2019	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	22.8	24.2	23.1	24.7
Female	25.3	26.7	25.8	27.6

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Analysis of amounts shown in the balance sheet:		
Fair value of scheme assets	273,910	254,700
Present value of funded scheme liabilities	(484,325)	(387,750)
Present value of unfunded scheme liabilities	(7,835)	(7,930)
Deficit in the scheme- net pension liability recorded within pension provision (note 21)	<u>(218,250)</u>	<u>(140,980)</u>
Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:		
Current service cost	(19,455)	(12,510)
Past service cost	(152)	(7,550)
Total operating charge	<u>(19,607)</u>	<u>(20,060)</u>
Financing:		
expected return on assets	5,688	6,610
interest on expected scheme liabilities	(8,664)	(9,390)
Net return	<u>(2,976)</u>	<u>(2,780)</u>
Total expense recognised in income and expenditure account	<u>(22,583)</u>	<u>(22,840)</u>
Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:		
Total actuarial loss on funded liabilities	(65,885)	(24,090)
Total actuarial loss on unfunded liabilities	(348)	(60)
Total actuarial loss recognised	<u>(66,233)</u>	<u>(24,150)</u>

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Financial Statements for the Year Ended 31 July 2020
Notes to the Financial Statements (continued)

31 Pension and similar obligations (continued)

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

	Year ended 31 July 2020 £000	Year ended 31 July 2020 £000
Opening fair value of assets	254,700	233,120
Movement in year:		
expected return on assets	5,688	6,610
contributions by the University	11,546	10,580
contributions by the participants	3,224	3,030
net benefits paid out	(7,143)	(7,850)
actuarial gain on assets	5,895	9,210
Closing fair value of assets	<u>273,910</u>	<u>254,700</u>
Opening present value of funded liabilities	<u>(387,750)</u>	<u>(329,420)</u>
Movement in year:		
current service	(19,455)	(12,510)
interest cost	(8,496)	(9,170)
contributions by the participants	(3,224)	(3,030)
net benefits paid out	6,532	7,230
past service cost	(152)	(7,550)
actuarial loss	(71,780)	(33,300)
Closing present value of funded liabilities	<u>(484,325)</u>	<u>(387,750)</u>
Opening present value of unfunded liabilities	<u>(7,930)</u>	<u>(8,270)</u>
Movement in year:		
interest cost	(168)	(220)
net benefits paid out	611	620
actuarial loss	(348)	(60)
Closing present value of unfunded liabilities	<u>(7,835)</u>	<u>(7,930)</u>
Actual return on scheme assets:		
Expected return on scheme assets	5,688	6,610
Actuarial gain on assets	5,895	9,210
Actual return on assets	<u>11,583</u>	<u>15,820</u>

History of experience gains and losses for the year ended 31 July 2020 were as follows:

	Year ended 31 July 2020	31 July 2019	31 July 2018	31 July 2017	31 July 2016
Difference between the expected and actual return on scheme assets:					
Amount £000	5,895	9,210	16,020	15,250	14,450
Percentage of scheme assets at end of year	2.2%	3.6%	6.9%	7.4%	7.9%

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

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
TPS	13,012	8,881
LGPS	10,650	9,945
Other, including NHS	864	811
FRS102 adjustment re LGPS	8,061	9,480
Total pension cost (Note 8)	<u>32,587</u>	<u>29,117</u>



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