



UNIVERSITY OF  
PORTSMOUTH

# FINANCIAL REVIEW

FOR THE YEAR  
ENDED 31 JULY 2021

Higher  
Education  
Corporation



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

This has been an unprecedented and demanding year for all of us. Despite the challenges of the pandemic, the year has brought many successes as we take forward the first stage of our ambitious University Strategy and we have made many encouraging steps towards delivering our vision of being the UK's top modern university and one of the top 100 young universities in the world by 2030.

The University signed a Civic University Partnership Agreement in April with 19 local and regional organisations. This partnership represents our strong mutual commitment to work together to address common concerns and to contribute to the social, economic and cultural wealth of our city and region. This commitment will contribute significantly to our strategic ambition to become a leading civic university and to set a new benchmark for the role of universities in civic engagement.

An important and highly visible example of our civic engagement is our strong partnership with Portsmouth Hospitals University NHS Trust. Our collaborative work in research and innovation has led to a number of exciting and ground-breaking initiatives, which includes our game-changing Covid-19 genome sequencing work. Additionally, our community testing programme has helped to keep our local communities safe in the midst of the global pandemic.

We are also a global university. In July, the University was awarded a silver HEIST award for its work to connect with the city's large Bangladeshi community, and promoting Portsmouth globally. Working with the local community, businesses and the City Council, this innovative programme has promoted the University and the City of Portsmouth to key decision makers, institutions and organisations in Bangladesh.

The University was successful in applying for the Race Equality Charter Bronze Award. We have much still to do but this provides a valuable springboard to further our mission to respect and celebrate diversity and equal opportunity through an inclusive culture. This year also saw the launch of our Scholarship and Support Fund for Black Students which will help us to ensure that all students have the resources to thrive and that we play our part in tackling the awarding gap that exists across all English universities.

We completed our submission to the Research Excellence Framework in March 2021. This was the culmination of a huge amount of work by many people over several years. Whilst preparations on the submission itself commenced in 2018, much of the research and impact we have presented started far earlier. As one example of ground-breaking research, the University received a £9.2 million grant from UK Research and Innovation to help build a sustainable future for the UK's marine environment. The project is one of six nationally, which will investigate how we can safeguard the future of the UK's marine and coastal economy while protecting sea ecosystems. Coastal communities are facing increased pressures from climate change, threats to marine wildlife and flooding. With the marine economy worth £48 billion, this research will support policy makers to manage this fragile environment and its dependent economy in a sustainable way.

The construction of our Ravelin Sports Centre will be completed by the end of the year. This impressive facility will be available for community use and is on track to achieve BREAAAM excellence, demonstrating excellent environmental credentials. In addition to providing high quality sports facilities, its surrounding park will have a new three-tiered wildflower amphitheatre. This project supports our vision to become climate positive and will create a vibrant experience for our students.

In the summer of 2021, we submitted a planning application to Portsmouth City Council for a new academic building adjacent to Victoria Park in Portsmouth's city centre. This stunning new building has been designed for the future. With large flexible spaces for teaching, research, innovation and collaboration, it will provide a new state-of-the-art learning facility. We have purposely planned to ensure that the design and landscaping complement the sensitive parkland setting and that the building attains high standards of environmental sustainability.

The pandemic meant that our graduation ceremonies took a different form this year but we are proud and pleased that 48 ceremonies were held in person for those who were able to attend, alongside virtual ceremonies for those who were not able to travel to Portsmouth. It was important to celebrate the success of our 9,500 graduating students in this way, especially given the challenging circumstances under which they had studied.

In July 2021, the National Student Survey (NSS) 2021 results were published and perhaps unsurprisingly, given the unusual year, the results showed a decline in student satisfaction across the sector. Our own scores were below where they should be and the University has taken decisive action to address the concerns raised. By addressing our key strategic imperatives and working collaboratively, we believe an improvement in student satisfaction will be seen.

We are immensely proud and grateful to colleagues for all we have achieved together and for the great dedication and diligence that, given the challenges of the pandemic, has been the defining and underpinning characteristic of our University community for the past 12 months. We would also like to record our thanks to our students for their support and understanding in what has been an incredibly difficult year for everyone.



Jenny Crighton  
Chair of the Board of Governors



Professor Graham Galbraith  
Vice-Chancellor

November 2021

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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 2020 - 31 July 2021

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

External Members	Bahram Bekhradnia	
	Roger Burke-Hamilton	
	Mark Cubbon	
	Jenny Crighton	Chair from 1 August 2021
	Bishop Christopher Foster	
	Jane Hoskins	Chair up to 31 July 2021
	Claudia Iton	
	Liz Jolly	
	Vineet Khurana	
	David Madoc-Jones	
	Frances Morris-Jones	
	Paul Myers	
	David Wilding	
	David Willan	Deputy Chair
	Christopher Williams	
Student Governor	Timothy Lee-Lewis	Up to 1 April 2021
Nominated by Academic Council	Dr Catherine Carroll-Meehan	
	Dr Jenny Walden	
Nominated by Academic Staff	Professor David Sanders MBE	
Nominated by Prof. Services Staff	Lyuda Wade	Up to 31 July 2021
Nominated by Student Body	Hayley Turner-McIntyre	
	Michael Kiddell	From 1 July 2021
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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# IMPLEMENTING OUR STRATEGY

## Developing Our Vision and Strategy

Our Vision and Strategy were developed through extensive consultation with key stakeholders throughout 2018 and 2019. This included a series of focus groups, workshops and town-hall events attended by 800 staff and students. This consultation resulted in our ambitious Vision 2030:

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

The Vision was endorsed by Governors in July 2019 who subsequently approved our Strategy 2025 in November 2019, following additional consultation and development work.

The strategy was launched to staff through a series of events in early 2020.

## Implementation Planning and Delivery

Following Governor approval of our vision and strategy, it was agreed that a programme-based approach to delivery would be implemented. The University was in the process of implementing this approach at the onset of the global Covid-19 pandemic. The consequence of this was a narrowing of focus to deliver business continuity across our full range of activities and, as such, the University Executive Board took the decision to pause some aspects of our overall approach to strategic implementation.

As we move beyond the initial, and hopefully most severe, stages of the pandemic, we will renew our commitment to delivery of Strategy and focus on further planning for successful implementation in to 2021/22 and beyond.

## Strategic Delivery in 2020/21

The Covid-19 pandemic has caused severe disruption to the implementation of our Strategy and considerable work lies ahead for our aims to be realised. Despite this, work has continued in relation to the key aspects of the Strategy throughout 2020/21.

In some cases, the impacts of the pandemic have accelerated activity; for example, in activities relating to digital innovation in learning and teaching and across many other areas of our organisation, including within our Professional Services. Our positive financial outturn has enabled us to invest in the implementation of our strategy in both 2020/21 and for 2021/22.

The table below details some of the key activities undertaken and notable achievements in 2020/21; in relation to our strategic aims.

Strategic Aim	2020/21 Activity/Milestone
<b>We will deliver our vision by inspiring our staff community to be creative and bold</b>	✓ Appointment of Interim Chief People Officer and Interim Director of Race Equality
	✓ Leadership development programme approved for launch in 2021/22
	✓ New format Staff pulse survey underway to enhance staff engagement
	✓ Introduction of a comprehensive suite of employment and related HR policies to improve practice and empower managers
<b>Engage every student in a life-changing experience</b>	✓ Blended and connected approach to teaching introduced and to be continued into the future
	✓ Portfolio review underway to improve all aspects of the student experience, including student satisfaction and graduate outcomes
	✓ £1m fund for laptops and other IT support for low income students to facilitate their engagement with online materials
	✓ Attainment gap for black students reduced from 26% in 2017/18 to 16% in 2019/20 (latest available data)
<b>Meet changing demand and widen participation</b>	✓ Exceeded combined Home/EU full-time undergraduate and postgraduate taught new entrant targets in 2020/21
	✓ Growth to 700 degree apprenticeship students in 2020/21 with further growth planned for 2021/22
	✓ Over 200 students on five newly launched online Master's courses run with Cambridge Education Group (CEG) Digital
	✓ Initiation of project regarding potential branch campus
<b>Deliver globally-recognised research and innovative solutions that improve society</b>	✓ Successful submission to REF2021, with over 600 staff across 16 units of assessment; including over 1,400 case studies and over 50 impact case studies
	✓ Increased research and innovation income during a challenging year, with increased bidding activity across the University
	✓ Established two new research centres on Finance and Blue Governance in the Faculty of Business and Law
	✓ Work by University researchers with Portsmouth Hospitals University Trust on rapid whole genome sequencing of Covid-19 to understand variants was cited by SAGE in advice to Government

Strategic Aim	2020/21 Activity/Milestone
<b>Become one of the UK's leading civic universities</b>	✓ Civic Partnership Agreement signed and Civic Partnership Board established to support implementation
	✓ Economic Impact Survey underway and local perception survey conducted
	✓ University of Portsmouth Multi-Academy Trust established with three local primary schools
<b>Significantly build our global reach and reputation</b>	✓ Overall full-time international student numbers met target despite Covid-19 impact, with many students supported to study online
	✓ Successful world-wide delivery of our first online pre-sessional English course in 2020/21
	✓ Development of dual degree awards, with Edith Cowan University, Australia, as our strategic partner
	✓ Establishment of local recruitment operations in Pakistan and Bangladesh during 2020/21, with further establishment of local joint operations with International College Portsmouth in Hong Kong, Kenya and India underway. Establishment of our presence in the Middle East planned for 2021/22
<b>Lead in environmental sustainability and become climate positive by 2030</b>	✓ Launch of the Centre for Enzyme Innovation that received £5.8m from the Research England Expanding Excellence Fund; and a further £1m funding from the Solent Local Enterprise Partnership through the Government's 'Getting Building Fund'
	✓ The new Ravelin Sports Centre, now scheduled to open in 2021/22, has been designed to be one of the UK's most sustainable sports facilities; and during construction has received an 'Outstanding' rating from BREEAM UK, the world's leading sustainability assessment for buildings

To meet our strategic aims will require us to deliver quality and excellence that cuts across all our activity. 2020/21 has seen work commence on a number of projects aiming to deliver improvements including a University-wide data improvement programme, increased alignment between risk management and the University Strategy; and a Board of Governors Effectiveness review.

Delivery of the University Strategy will also depend on our success in enhancing our estate and infrastructure. The new Ravelin Sports Centre is almost complete, in spite of the impact of Covid-19 on building works, and is due to open in 2021/22. Plans have also now been submitted for a landmark academic hub on the Victoria Park site.



# ENVIRONMENTAL SUSTAINABILITY

## Our Ambition

Sustainability is an integral part of the University Strategy and at its heart we aim to become a climate-positive university by 2030. The University is proud to work with its students, staff and partners to create a sustainable future. This is a journey which starts with our Estates Masterplan policy to achieve BREEAM 'Outstanding' for sustainable building design in our effort to modernise the estate with low-carbon all electric buildings.

Our new Ravelin Sports Centre won the best Public Sector Project Design at the BREEAM Awards 2020.





## Energy and carbon management

The supply of electricity to all our buildings is from 100% certified UK renewable sources (wind, solar, hydro) and renewable energy supplies allow us to report zero emissions. All our energy is obtained in advance through flexi purchase framework contracts with ESPO, the specialist buying organisation for the public sector, who support us to forecast our multi-million-pound utility budgets.

Measured carbon emissions from electricity, gas, water and waste continue to reduce due to lower consumption during the Covid-19 pandemic. However, the climate-positive ambition will need to take account of all university emissions, including those from travel and procurement activity in order to have a complete picture of our carbon footprint.

## Sustainable travel

The University continues to support local authority efforts to improve air quality in the city and the quality of life of its residents by reducing staff commuter traffic- around two thirds of staff now regularly use sustainable travel modes. Staff travel discounts and the cycle to work scheme remain popular even with the bicycle supply shortage during the pandemic.



## Recycling and waste management

The University manages a wide variety of waste streams and consistently achieves a 70% recycling rate by working with the University community and other local universities in a joint contract to deliver high levels of recycling and compliance with waste duty of care.

Overall, waste volumes have reduced over the years as recycling has increased, alongside a drive to rid the University of single use plastics.

## 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 sustainability and environment research areas.



As an example, through our Revolution Plastics initiative, we're working with partners in business, government and academia around the world to find innovative solutions to the planet's plastic pollution crisis. This is supported by our new research centres. From pioneering research into plastic-degrading enzymes, through to our multi-disciplinary approach to inform blue governance policies around the world to secure the future of the planet's marine and freshwaters.

The University launched two new projects in 2020/21 (supported by The Flotilla Foundation). The first is an ocean plastics policy hub, which will create a global network of national governments, organisations, business leaders, researchers, campaigners and the public to become the 'go-to' source of independent evidence and advice for better and more accountable ocean plastics policies. The other is a citizen science project in partnership with Jetsam Tech to reduce plastic waste in Portsmouth. The project will create what is believed to be the world's first programme of city-wide plastic pollution surveys, using a citizen science-based approach and utilising smartphone technology.

We are helping green growth in other ways too, our Greentech South team is working on two European Regional Development Fund (ERDF) projects. Both aim to support Small and Medium Sized Enterprises in reducing carbon emissions and facilitating the move towards a zero-carbon economy.

## Environmental management



The University has a well-established system for monitoring environmental performance and routinely checking its environmental compliance, which is independently certified against the ISO 14001 international standard every year.

# FINANCIAL REVIEW

## Overall performance

The University delivered a positive financial result in 2020/21 due mainly to successful student recruitment and controlled expenditure, including savings in a number of areas as a consequence of the Covid-19 pandemic.

## 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 June 2020, the University's Board of Governors approved a one-year Covid-19 financial strategy for 2020/21 including a deficit budget of £42 million. This budget deficit took into account a number of downside factors: (i) uncertainty regarding student recruitment (new and continuing), using the mid-range point of predictions by Universities UK, (ii) considerable uncertainty in the HE-sector with respect to International student recruitment and students not being able to travel (given the global shutdown), (iii) the expected impact of other (non-tuition fee) sources of income from the shutdown and (iv) uncertainty at what costs would be incurred to run a Covid-secure campus.

In common with the rest of the HE-sector, there were concerns before the start of the academic year about student numbers. However, it increasingly became apparent that recruitment of both home and EU/International students was extremely positive. The alternative options for applicants and students were limited and Universities were able to transition to online forms of learning very rapidly. In addition, recruitment to the University's semester two (January 2021) start courses was very buoyant. Partly as a result, the University has an operating surplus for 2020/21 of £12.7 million.

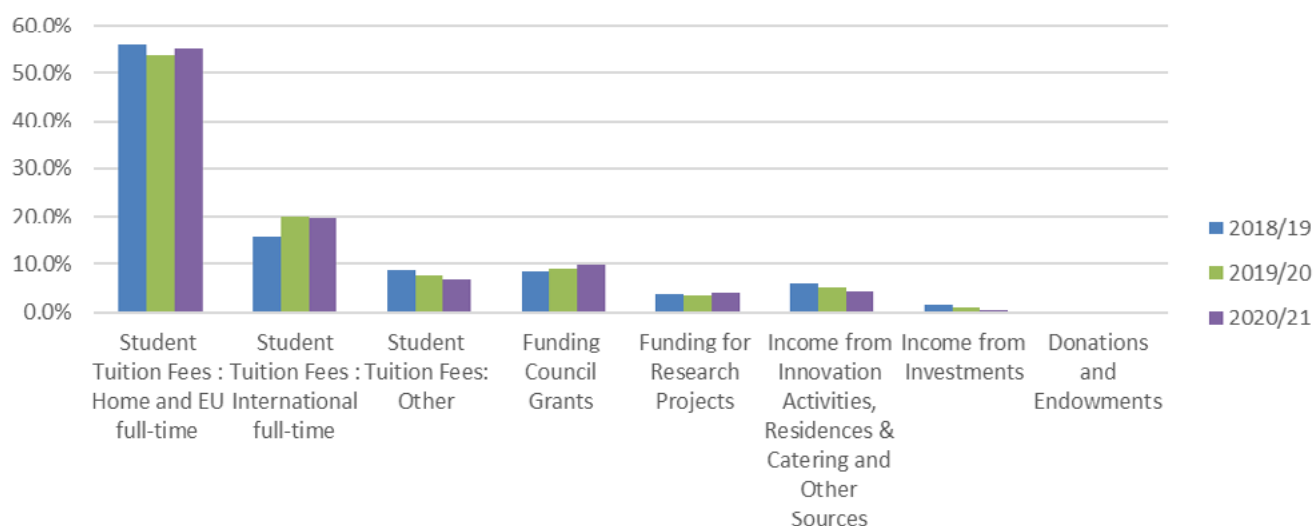
The Financial Strategy in support of the University's estates capital developments was approved in July 2017, with the agreed approved funding model being a combination of cash balances, cash generated in-year and long-term debt financing (£100 million private placement bond secured during 2017/18). Work on the redevelopment has been slower than originally envisaged, due to a combination of BREXIT and Covid-19. However, there was progress during 2020/21 to an extent and the University's new £57 million Sports Centre is due to open at the end of 2021. Planning permission has been submitted for the next major project which is the new academic building for the Faculties of Business and Law and Humanities and Social Sciences (with a current budget of £135 million). Construction of the building is currently due to start early in 2022. The University is in the process of reviewing its campus development plans in light of changing requirement for the Estate, including future delivery of digital teaching, whether different working arrangement might free up space and expected demand for new teaching programmes and new research opportunities.

## Income

The University group's income for 2020/21 totals £282.5 million, compared to £273.6 million in 2019/20, an increase of 3.3%.

Sources of Income	2020/21 £000	2019/20 £000	Change £000	Change %
Student Tuition Fees: Home and EU full-time	155,725	147,387	8,338	5.7
Student Tuition Fees: International full-time	55,522	54,566	956	1.8
Student Tuition Fees: Other	19,259	21,162	(1,903)	(9.0)
Funding Council Grants	27,792	24,348	3,444	14.1
Funding for Research Projects	11,284	8,837	2,447	27.7
Income from Innovation Activities, Residences and Catering and Other Sources	11,931	14,342	(2,411)	(16.8)
Income from Investments	1,006	2,812	(1,806)	(64.2)
Donations and Endowments	21	99	(78)	(78.8)
Total	282,541	273,553	8,988	3.3

## Income





## Student Tuition Fees

Total fee income increased by £7.4 million compared to the previous year. This was predominantly related to income from full-time UK & EU students which increased by £8.3 million (5.7%). This was composed of growth in both new entrants and continuing full-time students, including fewer year abroad placements due to the Covid-19 pandemic.

## Government Funding

Total funding is £3.4 million (14.1%) higher than in 2019/20. This includes £2.5 million increase in miscellaneous grants relating to support as a result of Covid-19, including for student hardship (£1.3m), PhD extensions (£424,000), Covid-19 testing cost recovery (£277,000) and for World Class Laboratories (£500,000- also Covid-19 related).

## Other Sources of Income

Income from research grants and contracts rose by £2.4 million to £11.3 million. There were increases across a number of sponsors (Research Council, UK Government/Health Authorities, EU Government and Overseas) and general bid activity increased in the year. A number of projects which were put on pause towards the end of 2019/20 (because of the pandemic) were also able to restart, which also contributed to the increase in income.

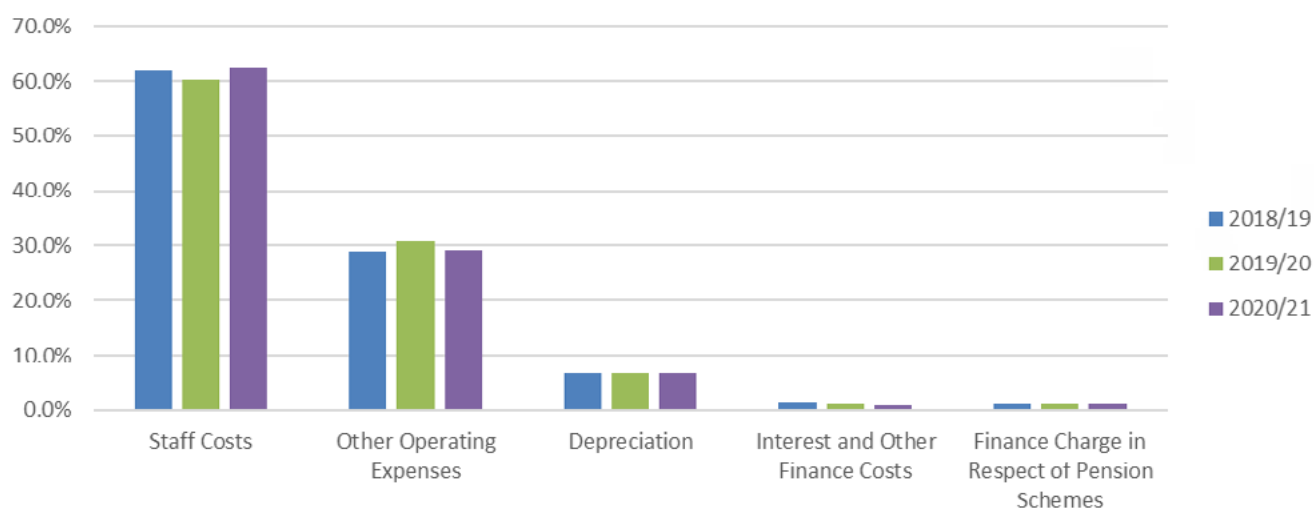
Income from Innovation, Residences, Catering and Other fell by £2.4 million to £11.9 million. This includes £1.8 million reduction in residences, catering and conference income due to the pandemic. Income from the Government's Coronavirus Job Retention Scheme also fell by £800,000 compared to 2019/20.

Investment Income has decreased by £1.8 million (64.2%) compared to 2019/20. The continued impact of the Covid-19 pandemic resulted in depressed market rates for much of the year and this explains the fall in investment income, despite the year on year increase in average cash balances £292.1 million in 2020/21, compared to £282.8 million in 2019/20.

## Expenditure

Expenditure by Type	2020/21 £000	2019/20 £000	Change £000	Change %
Staff Costs	168,093	160,121	7,972	5.0
Other Operating Expenses	78,423	82,049	(3,626)	(4.4)
Depreciation	17,933	17,774	159	0.9
Interest and Other Finance Costs	2,469	2,899	(430)	(14.8)
Finance Charge in Respect of Pension Schemes	2,949	2,976	(27)	(0.9)
Total	269,867	265,819	4,048	1.5

### Expenditure



Expenditure has increased by 1.5% from £265.8 million in 2019/20 to £269.9 million. Within this, staff costs rose by £8.0 million (5.0%), including a £3.6 million increase in the FRS102 adjustment for the Local Government Pension Scheme; excluding this, staff costs rose by £4.4 million or 2.7%. The August 2020 pay award was 0%, however staff received £500 (per full time equivalent) as an additional payment in April 2021 and this accounts for circa £2 million of the increase. The remainder is made up annual increments and an increased annual leave adjustment compared to 2019/20.

Other Operating Expenditure decreased by £3.6 million (4.4%) in the year. There were reductions across several categories of spend, including £1.9 million on travel and subsistence, £484,000 on general premises spend and £640,000 on staff related expenses (including recruitment, staff development and conferences). Again, these are predominantly due to the Covid-19 pandemic.

Depreciation increased minimally by £159,000 (0.9%) in the year.

Interest and other finance costs fell by £430,000 (14.8%) to £2.5 million in 2020/21. £135,000 of the reduction is due to 2020/21 being the last year of the historic Barclays mortgages. The remainder reflects increased capitalisation of Masterplan loan costs, as projects proceed. The finance charge in respect of the local government pension scheme fell slightly by £27,000.

## Surplus

The Operating Surplus for the year on the University's consolidated accounts is £12.7 million, 4.5% of total income (2019/20: 2.8%).

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 £13.2 million (2019/20: £5.5 million).

## Statement of Financial Position

Net Assets:	31 July 2021 £000	Represented By:	31 July 2021 £000
Non- Current Assets	388,839	Income and Expenditure Reserve: restricted	3,101
Net Current Assets	252,617	Income and Expenditure Reserve: unrestricted	267,584
Creditors due after one year	(157,686)		
Pension Liability	(213,086)		
Net Assets	270,685	Total Reserves	270,685

Non-current assets increased by £26.9 million to £388.8 million in total. This includes expenditure of £31.7 million on assets under construction (mainly the new University Sports Centre) and equipment (£12.8 million, this largely relates to corporate systems (Student Records, HR and Finance) projects). Intangible fixed assets reduced to nil in 2020/21, reflecting a write down of goodwill in the University's accounts (this relates to the original acquisition of ASTA plc (100% owned subsidiary of the University) and follows the departure of the original company owner during 2019/20). The investments shown in the consolidated accounts relates to the Glaxo endowment, which the University has held since 1997.

Within net current assets is a figure of £304.5 million, which represents the University's cash, short-term deposits and cash investments. These increased by £21.6 million in the year; reflecting the 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, decreased by £5.2 million to £213.1 million. The pension liability is recalculated as at each financial year end for the purposes of the financial statements. The decreased liability at 31 July 2021 compared to twelve months previously is predominantly due to the actuarial gain of £19.8 million. This in turn is impacted by a 0.3% increase in discount rate (set with reference to corporate bond yields) between the two year-end dates. This results in lower present value (cost) being placed on future cash flows by the scheme actuaries and an increased calculation of scheme asset performance compared to 2019/20.

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.

## Investment Performance

The University continues to adopt a reasonably 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 (£304.5 million as at 31 July 2021 compared to £282.9 million at 31 July 2020), and these funds have been actively managed within the risk framework of the Treasury Management Policy. The continued impact of the Covid-19 pandemic resulted in depressed market rates for much of the year and this explains the £1.8 million year on year fall in investment income, despite the rise in cash balances.

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 borrowing, 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 2020/21 and 2019/20 are shown in the table below.

	2020/21	2019/20
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£45.5m	£36.8m
Earnings before Interest, Taxes, Depreciation and Amortisation as a % of Income	16.0%	13.5%
Operating Surplus as a % of Total Income	4.5%	2.8%
Unrestricted Reserves (excluding pension liability) as a % of Income	94.6%	87.7%
Borrowings as a % of Total Income	35.9%	37.3%
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	441.1	416.2
Staff Costs as a % of Income	59.5%	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** necessitated in 2019/20 the rapid transfer of the University's courses and other activity to online delivery and to staff working from home. With some exceptions, wherever possible and legally permitted, these new ways of learning and working largely continued throughout 2020/21.

In common with the majority of the sector, the University expected a sizeable reduction in student numbers as a result of the pandemic. This did not take place and the year end results are much better than could have been anticipated twelve months previously, when the pandemic had just started and there was uncertainty pertaining to all areas of operation. However, the University and sector faced challenges throughout 2020/21 and a number of these remain. These include reacting to possible future changes in Government guidance over the 2021/22 winter period, including a reimposition of international travel restrictions and increased costs of running a Covid secure campus.

Strong financial management has meant that the University enjoyed a healthy financial position for several years. £100 million was borrowed in 2017 to help fund the Estates Master Plan in advance of needing to spend it, so that extremely favourable interest rates could be secured. 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 2021/22, 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 the 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. The Local Government Pension Scheme (LGPS) was revalued as at March 2019 and employer contributions increased by approximately £800,000 in 2019/20. The next revaluation is due March 2022. The University's financial statements include a number of accounting adjustments in respect of the LGPS. Because of the current low discount rates, one of these adjustments (current service cost) increased significantly higher in 2020/21 and impacted 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 financial statements have been prepared on a going concern basis which the Board of Governors considers to be appropriate for the following reasons.

The Board of Governors has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the going concern period), which indicate that, taking account of down-side scenarios, including the impact of the Covid-19 pandemic, the Group and parent University will have sufficient funds to meet their liabilities as they fall due for that period.

The University considers going concern each year, including examination of down-side scenarios which might impact on the Group and the parent University's ability to continue to operate for the going concern period. This review is based on the University's financial position, the markets in which it operates and also the key risks, including those described above, that it faces. The responses to these risks and challenges are considered and their potential impact on our ability to continue to operate without the need to materially curtail the nature of our operations or ambitions. The going concern assessment includes monitoring all covenants associated with the Private Placement. These covenants were not breached in 2020/21 and the forecasts indicate that these covenants should not be breached during the going concern period, even in down-side scenarios.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Conclusion

The University delivered a surplus in 2020/21, 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:

<https://www.port.ac.uk/about-us/publications/financial-statements-and-annual-report>

# 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 2020/2021 was approved by the Board on 23 November 2020.

The corporate risk register is aligned with the 8 ambitions of the University Vision 2030 and Strategy 2025. A UEB member leads each theme within the University Strategy 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. The order in which the risks are noted below does not reflect the magnitude of risk but rather the order that they appear in the University Strategy and Vision.

THEME	RISK	MITIGATION
<b>We will deliver our vision by inspiring our staff community to be creative and bold</b>	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.	We have established strategies for effective and regular communication of goals and objectives.
	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's ability to attain strategic objectives is constrained.	We offer competitive salary, relocation and reward packages, along with good induction processes.
	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's ability to attain strategic objectives is constrained.	We ensure that organisational structures facilitate required change and that recruitment processes take account of the skills sets and other attributes necessary for remote working.
	Failure to encourage enhanced performance results in under-achievement that impedes delivery of strategic objectives.	The University supports appropriate flexible and remote working patterns and structures. New policies for management of under-performance and probation have been developed with underpinning training and development for managers implementing the policies.
	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.	Work continues to identify progression barriers for BAME teaching staff, and recommendations to overcome these are in progress.
	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.	The University keeps under review shortlisting, interview and promotion processes with some targeted interventions to promote gender balance in discrete areas.
	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.	The University has strategies and approaches to facilitate communication that supports wellbeing. Appropriate measures were introduced during the pandemic in compliance with Government guidance, such as social distancing and the provision of protective equipment, including vaccinations.
	Inability to manage the scale and pace of change creates an inability to deliver "business as usual" activities.	Clear identification and focus on business-critical activities and objectives and the re-phasing of timescales.



THEME	RISK	MITIGATION
<b>Engage every student in a life-changing experience</b>	<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 leads 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 Graduate Outcomes Survey (GOS) leads to poor TEF outcomes and league table positions that result in the University being less attractive to potential students.</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>Strengthened strategies for communication with continuing students and the use of blended learning to strike an appropriate balance between face-to-face and remote learning.</p> <p>Review of Programme Monitoring and Review (PMR) policy and methodology and the use of benchmarks and benchmark thresholds to set expectations.</p> <p>Identification of where focus should be placed to best effect, recognising that small percentage changes can have a disproportionate impact on league table positions.</p> <p>Increased focus and targeting of resources on the indicators and activities that enhance TEF outcomes and league table positions.</p>
<b>Meet changing demand and widen participation</b>	<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>Review of the portfolio in the light of student demand and performance indicators.</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. In addition, there is careful control and diversification of the course portfolio.</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 make use of specially targeted and commissioned recruitment data from Data HE, along with the development of tactical USPs to enhance recruitment.</p> <p>Creation of targeted partnerships with progression routes that can be well-resourced and supported.</p>

THEME	RISK	MITIGATION
<b>Deliver globally-recognised research and innovative solutions that improve society</b>	<p>Poor REF outcomes result in diminished research reputation with the consequence that research profile, activities and associated income decline.</p> <p>Declining levels of research and innovation activity result in a diminished volume of activity with the consequence that research profile, activities and associated income decline.</p> <p>Failure to optimise use of innovation space constrains the creation of intellectual property and commercial capital and leads to underperformance in the REF.</p>	<p>Oversight of REF Steering Group and sub-groups will be maintained now the REF submission has been made. The REF strategy and code of practice will be kept under review.</p> <p>Research leadership has been established for each research theme, along with Strategic initiatives to improve performance in bidding for research funds.</p> <p>Prioritising the opening of laboratories and other research facilities following lockdown.</p> <p>The Implementation of Innovation Connect Strategy and a review of management arrangements for innovation centres will help maximise opportunities.</p> <p>The University seeks to promote stronger interactions between innovation centre tenants and the academic and business support expertise of the University.</p> <p>The risk was mitigated with the offer of “rent holidays” during the pandemic to innovation centre tenants to ensure continued occupancy rates.</p>
<b>Become one of the UK's leading civic universities</b>	<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>Poor perceptions of student behaviour in relation to the Covid-19 pandemic restrictions lead to hostility from the local community, resulting in reputational damage and poor community relations.</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 identified key strategic partners with shared mutual interests.</p> <p>There is a clear University commitment to protecting the wellbeing of all in the City and clear communication of conduct expectations for students.</p> <p>Creation of positive community messages regarding hosting and provision of testing facilities for students and staff.</p> <p>Close liaison with the police and other enforcement authorities.</p>

THEME	RISK	MITIGATION
<b>Significantly build our global reach and reputation</b>	<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>Failure to maintain or increase international student numbers 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 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 reviewed our strategic partnerships, including identification, approval and support processes.</p> <p>Diversification of recruitment markets and intensification of targeted marketing.</p> <p>Scenario planning and sensitivity analysis undertaken for international student numbers.</p> <p>Development of ecosystem of opportunities for students to develop global mindsets outside the UK.</p> <p>We have developed Global Operational Plans and Regional Strategies, along with Faculty Global Engagement Action Plans.</p>
<b>Lead in environmental sustainability and become climate positive by 2030</b>	<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>Development of roadmap to carbon positive underway, overseen by Steering Group involving staff and students.</p> <p>Climate literacy course launched.</p> <p>Clear KPIs and targets set, monitored and audited.</p> <p>Investment in climate positive activities and disinvestment from climate damaging activities.</p> <p>Ensuring 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.</p>



THEME	RISK	MITIGATION
<b>Transform our alumni relations and advancement activity</b>	<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 in infrastructure, staffing, systems and skills to effectively cultivate and engage alumni 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>Ineffective gatekeeping and monitoring of alumni, volunteer and/or donor interactions with students, fellow graduates and others in the University community could allow unethical or inappropriate behaviour to take place resulting in reputational damage and even legal liability.</p> <p>Inappropriate collection and/or use of confidential information, resulting in regulatory (data protection and/or fundraising) noncompliance, opening the University to liability, reputational and relationship damage.</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.</p> <p>A Fundraising policy has been established, along with due diligence processes and a Gifts Ethics Committee.</p>

THEME	RISK	MITIGATION
<b>Deliver quality and excellence across all activities</b>	<p>Non-compliance with legislation and regulatory requirements results in fines and prohibitions being imposed upon the University, with the consequence that it suffers financial loss and reputational damage.</p> <p>Quality assurance requirements are not met, resulting in poor inspection reports and negative publicity with the consequence that the University suffers reputational damage.</p> <p>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>Inability to capture and sustain the efficiencies of the new activities and processes adopted to tackle the Covid-19 working environment, result in a failure to take forward more efficient and cost-effective activities and processes.</p> <p>Lack of ability to focus upon the implications and requirements of Brexit, due to the need to tackle the immediate operational issues necessitated by the Covid-19 pandemic, result in a failure to adequately prepare for the necessary degree of organisational change and new working practices.</p>	<p>We have strong, well-publicised and enforced procedures for meeting our legal obligations.</p> <p>Continued provision of central support for reviews monitored through Quality Assurance Committee.</p> <p>Action plans in response to any issues raised by Professional and Statutory Regulatory Bodies.</p> <p>Interaction with the OfS following implementation of the Student Protection Plan.</p> <p>Adherence to Instrument and Articles of Government, Standing Orders and relevant Committee of University Chairs (CUC) codes.</p> <p>Oversight of the Quality and Excellence Working Group and integration of new activities into its workstream.</p> <p>Mapping of all new processes and procedures developed during the Covid-19 pandemic.</p> <p>Oversight of the Brexit Working Group.</p> <p>Horizon scanning and appraisal of briefings from sector representative bodies.</p>
<b>Invest in our future and maintain financial strength</b>	<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>Marketing Strategy and associated campaigns and the use of CRM system to enhance relationships with potential students.</p> <p>Financial scenario planning to determine budgetary parameters and their sensitivity to change.</p> <p>Increased focus on business cases to support new investment to identify and realise benefits.</p> <p>Enhanced and regular review of costs during implementation of change programmes.</p> <p>Exploring alternative options to the direct benefit schemes.</p> <p>Lobbying and influencing via sector representative bodies.</p> <p>Regular contact with current investors and advisers has indicated that the ability to borrow more money is going to be harder. We are revisiting the master plan and this needs to consider the impact of moving a large proportion of activity to online.</p>

THEME	RISK	MITIGATION
<b>Enhance our estate and infrastructure</b>	<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 implementation of the new student records system creates error or delay which results in an adverse impact upon the student and user experience.</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>Estates masterplan delivered in phases to provide control and opportunity to review.</p> <p>Individual Project boards monitor progress against programme, cost and quality with strict variation controls to ensure adherence to the brief. Risk registers regularly updated and reviewed, including to consider impact of pandemic and mitigating actions.</p> <p>Construction working practices adopted that facilitate social distancing.</p> <p>Changes to working practices, including increased working from home to be embedded in the review of the estates masterplan.</p> <p>Regular stress and security testing of all systems to ensure capacity, integration and that activities can be sequenced.</p> <p>Covid-19 strategy group established with associated workstrand groups.</p> <p>Advice of Public Health England, World Health Organisation and Foreign and Commonwealth Office implemented.</p> <p>External consultancy secured and designated programme lead assigned to oversee the project.</p> <p>There is extensive consultation on requirements, attainment and maintenance of GCHQ Cyber Essentials Plus. Information security is a design decision within University IT systems.</p> <p>Additional investment in cyber security controls.</p>
<b>Innovate through digital technologies</b>	<p>Failure to secure and accelerate 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 for the 2020/21 academic year (and beyond).</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>Appointment of specialist staff and the detailed due diligence and careful selection of delivery partner.</p> <p>Robust scrutiny of evidence of student demand.</p> <p>Identification of benchmark quality standards for online learning materials and selection of delivery partner with experience, skills and capability of taking similar offers to market.</p> <p>Selection of delivery partner with experience, skills and capability of taking similar offers to market.</p> <p>Purchase of existing "off the shelf" online learning modules where these dovetail with the course offer.</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 Higher 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.

The University's vision and strategy demonstrate our focus on the provision and delivery of Higher Education, high-quality research and innovative solutions that benefit society. Our aim is to engage every student in a life-changing experience, to meet changing demand; and to widen participation in Higher Education to ensure that those who have the potential to benefit from the experience are given the opportunity to do so. This is particularly important within a city with low HE participation rates, compared to others in the South and South East of England.

The University delivers programmes at undergraduate and postgraduate level to over 26,000 campus-based students across all levels and modes of study. In the most recent HESA performance indicators, relating to the 2019/20 academic year, 97% of our young UK domiciled entrants, including many from local and regional populations, were admitted from state schools or colleges; compared to 90% for the UK as a whole, and 85% for the South East of England. 16% of these entrants were from neighbourhoods with the lowest level of HE participation; compared to 12% for the UK as a whole, and 11% for the South East of England.

We have a long tradition of widening access and participation to underrepresented groups through the work of our dedicated Recruitment and Outreach team. We engage with local schools and colleges on work encouraging growth mindsets and raising educational aspiration through projects, events, presentations and online activities and workshops. We also offer generous financial assistance and support to students from low-income households to mitigate some of the financial barriers to access and participation in Higher Education. Our expenditure against our Access and Participation plan is detailed in Note 10 to the Financial Statements.

Our teaching activity covers a wide range of areas including STEM and other strategically important areas including modern foreign languages and the creative industries. Many of our programmes are accredited by professional bodies to ensure curricula are aligned with current professional standards. This ensures our students graduate with the skills required by employers locally, regionally and beyond.

We aim to deliver globally-recognised research and innovative solutions that improve society. Our submission to REF2021 included over 600 staff across 16 units of assessment; including over 1,400 case studies and over 50 impact case studies.

Our research themes are focused on contemporary global issues including democratic citizenship, future and emerging technologies, health and wellbeing, security and risk; and sustainability and the environment. Our research, and these themes, inform the curricula of our taught programmes where relevant, ensuring our students benefit from exposure to current research and scholarship.

In addition, our activity benefits the City of Portsmouth and surrounding areas. A recent economic impact survey carried out by BiGGAR economics, to be published in October 2021, showed that in 2019/20, the University generated Gross Value Add (GVA) of £505 million to the City of Portsmouth; and £658 million to the wider Solent region. This was despite the impact of Covid-19 on economic impact within 2019/20.

# THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

## Membership

The University's Board of Governors draws its authority from the University's Articles<sup>1</sup> and Instrument of Government<sup>2</sup>, which were formally adopted on 1 January 2020. The majority of Governors are external to the University, and the Board also includes student and staff members, together with the Vice-Chancellor and an elected officer of the Students' Union (both ex officio). The roles of Chair and Deputy Chair of the Board are separate from the role of the University's Chief Executive, which is the Vice-Chancellor.

## Governors' Remuneration

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

## Governors' Insurance

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

## CUC Governance Code of Practice and Principles

The University operates in accordance with the Committee of University Chairs (CUC) Code of Governance and in March 2021, the Board formally adopted the core values of the new CUC Code of Governance 2020.

The CUC Higher Education Audit Committees Code of Practice was published in June 2020. It was presented to the University Audit and Quality Committee at its September 2020 meeting and the Committee affirmed its commitment to the principles enshrined within the Code.

## Responsibilities

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

## Statement of Primary Responsibilities

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

In March 2021, the Board considered the model Statement of Primary Responsibilities which appeared within the 2020 CUC Code of Governance and agreed that its compliance with the suggested 19 responsibilities would be considered as part of the formal Review of Board Effectiveness that would be conducted during the year.

The current Statement of Primary Responsibilities confirms that the Board of Governors shall be responsible for the following:

## Strategy

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

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

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



## Vice-Chancellor

Appointing the head of the institution as its Vice-Chancellor and Chief Executive Officer and establishing suitable arrangements for monitoring her/his performance.

## 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; the effective and efficient use of resources; the solvency of the University and for safeguarding its assets; approving annual estimates of income and expenditure; and approving annual actuals of income and expenditure.

## Monitoring

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

## Corporate Governance

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

## Audit

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

## Estates and Information Technology

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

- an estate strategy which identifies the property and space requirements needed to fulfil the objectives of the institution's Strategy, and also provides for a planned programme of maintenance;
- an 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

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

## Equality and Diversity

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

## Board's Responsibilities

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

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

## Board and Committee Meetings

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

### Audit and Quality Committee

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

### Infrastructure and Finance Committee

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

### 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 activities overseen by 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 scrutinise the work of the Executive and to secure stakeholder confidence.

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

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

### Internal Control

The adequacy and effectiveness of arrangements for corporate governance, risk management and oversight of any statutory and other regulatory responsibilities, including compliance with the OfS' ongoing conditions of registration and any terms and conditions of funding, are ensured through ongoing oversight and review to ensure that they remain fit-for-purpose. This is achieved through a range of review mechanisms including those undertaken internally and by external parties, including the internal and external auditors. The Board is ultimately responsible for these arrangements, but discharges detailed review and monitoring to sub-committees and management under a Scheme of Delegation.

These arrangements allow the University to ensure propriety and regularity in the use of public funding. This is achieved through the operation of frameworks and policies, including the Financial Regulations and policies covering issues such as travel and expenses; declarations of interest; gifts and hospitality; anti-bribery; anti money laundering; counter-fraud; credit control; and whistleblowing.

- The key elements of the University's system of internal control, which is designed to support the Board of Governors in carrying out its responsibilities, include:
- Clear definitions of the responsibilities of, and the authority delegated to, senior officers of the University.
- A comprehensive annual planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- A regular review of institutional performance and of financial results, involving variance reporting and updates of forecast out-turns.
- Clearly defined and formalised requirements for approval and control of expenditure.
- Procedures for the management of investment and risk.
- A professional internal audit service delivered under terms of reference which reflect guidance issued by the OfS, and whose annual programme is approved by the Audit and Quality Committee.

The Audit and Quality Committee is responsible for meeting, at least quarterly, with the external auditors and the internal audit service, and reviewing their work. The Committee considers detailed reports together with recommendations for the improvement of the University's system of internal control and management's response and implementation plans. It also receives and considers guidance and reports from the OfS and other assurance sources, as they affect the University's business and monitors adherence with the regulatory requirements, including the need for ensuring the quality of data returned for funding purposes. It reviews the University's annual financial statements together with the accounting policies. Whilst senior staff of the University attend meetings of the Audit and Quality Committee, they are not members of the Committee.

The Board of Governors' review of the effectiveness of the system of internal control is also informed by the University Executive Board, which has responsibility for the oversight of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

## Risk Management

The current Risk Management Policy was approved by the Board of Governors in October 2021 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 COMMITTEES

The University has two remuneration committees. These are the senior postholders' remuneration committee and the Vice-Chancellor's remuneration committee.

The Vice-Chancellor's salary is set each year (2020/2021 in this instance) by the Vice-Chancellor's Remuneration Committee by reference to the previous financial year (2019/2020 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 2019/2020 had:

- A turnover of c.£273 million
- The highest rating of "Gold" in the Teaching Excellence Framework
- 86% student satisfaction rates in the National Student Survey
- 93% of UK, FT, FD Graduates progressing to employment or further study 15 months after graduation
- Achieved a position for the first time in the Times Higher Impact Rankings (the only global performance tables that assess universities against the United Nation's Sustainable Development Goals (SDGs).
- 12 of its 15 STEM Schools in receipt of 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 the Framework for Setting the Pay of Senior Postholders. This is reviewed and, if necessary, updated each year.

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

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

The Framework also states that:

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

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

**[port.ac.uk/about-us/structure-and-governance/organisational-structure/board-of-governors-committees](https://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:

- (a) Comments, feedback and observations on the Vice-Chancellor's performance from governors confirmed that it was their view that the Vice-Chancellor had provided outstanding leadership for the University and had maintained a firm focus upon achieving key strategic outcomes for the University during an extremely challenging year.
- (b) The assessment of the Vice-Chancellor's achievement against his objectives for 2019/20 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.
- (c) The Vice-Chancellor had demonstrated and combined strong and exemplary strategic leadership with a firm and focussed approach to the crisis management necessitated by the Covid-19 pandemic.
- (d) The Vice-Chancellor had attained a very high level of performance over the reporting year.

Having discussed and taken account of the prevailing operating context and the challenging financial circumstances faced by the University, the Vice-Chancellor's Remuneration Committee reaffirmed that the Vice-Chancellor's salary for 2020/2021 should be frozen at its 2019/2020 level.

The Vice-Chancellor's Remuneration Committee wished to emphasise that the Vice-Chancellor had demonstrated a consistently high level of performance throughout the year. The decision to freeze his salary at its 2019/2020 level was solely the consequence of restraints imposed by the operating environment and was consistent with decisions taken for all other senior postholders for the same reasons.

## 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 2020/2021. It is a taxable benefit and the Vice-Chancellor pays tax upon this.

### Pension Allowance

The University allows any member of staff who can demonstrate that they have met their maximum lifetime pension allowance to opt-out of their pension scheme and, instead, receive a pension allowance from the University in lieu of pension contributions. The Vice-Chancellor has availed himself of this option and received an annual allowance of £57,476 in lieu of pension contributions from the University during 2019/2020. The annual allowance in 2020/2021 was £56,592, with the reduction attributable to a short period of requested absence.

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 paid for by the Vice-Chancellor through deduction 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 31 March (i.e. not the financial year end date).

Data for the reporting period 1 April 2020 to 31 March 2021 is as follows:

## Trade Union representatives and full-time equivalents

Number of employees who were relevant union officials during the relevant period	14.0
FTE number of trade union representative for this period	10.5

## 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	10
51% to 99% working hours	4
100% working hours	0

## Percentage of pay bill spent on facility time

Total cost of facility time	£162,740
Total pay bill	£151,615,061
Percentage of the total pay bill spent on facility time	0.11%

## 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

We have audited the financial statements of the University of Portsmouth ("the University") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Statement of Financial Position, Consolidated Statement of Cash Flows and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2021, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board of Governors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks"), we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board of Governors, the Audit and Quality Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board of Governors and Audit and Quality Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fees and other operating income is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue journals made to unrelated accounts and unusual journal entries in relation to cash and borrowings.
- Inspecting cash receipts in the period prior to and following 31 July 2021 to verify tuition fee and other operating income had been recognised in the correct accounting period.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board of Governors and other management (as required by auditing standards) and discussed with the Board of Governors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation and specific disclosures required by higher education related legislation, including the Accounts Direction issued by the Office for Students on 25 October 2019 and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with higher education regulatory requirements of the Office for Students, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## Other information

The Board of Governors is responsible for the other information, which comprises the Financial Review for the year ended 31 July 2021. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in Financial Review, is consistent with the financial statements.

## Board of Governors responsibilities

As explained more fully in their statement set out on page 1, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

## Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 10 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in Note 4 to the financial statements has been materially misstated.

We have nothing to report in these respects.

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors and in accordance with Section 10 of the Articles of Government. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Rees Batley (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
66 Queen Square  
Bristol  
BS1 4BE

25th November 2021

# 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.

The financial statements have been prepared on a going concern basis which the Board of Governors considers to be appropriate for the following reasons.

The Board of Governors has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the going concern period), which indicate that, taking account of down-side scenarios, including the impact of the Covid-19 pandemic, the Group and parent University will have sufficient funds to meet their liabilities as they fall due for that period.

The University considers going concern each year, including examination of down-side scenarios which might impact on the Group and the parent University's ability to continue to operate for the going concern period. This review is based on the University's financial position, the markets in which it operates and also the key risks, including those described above, that it faces. The responses to these risks and challenges are considered and their potential impact on our ability to continue to operate without the need to materially curtail the nature of our operations or ambitions. The going concern assessment includes monitoring all covenants associated with the Private Placement. These covenants were not breached in 2020/21 and the forecasts indicate that these covenants should not be breached during the going concern period, even in down-side scenarios.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due, for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Basis of Consolidation

The consolidated financial statements include the University and all its subsidiary companies for the financial year to 31 July 2021.

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. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

## Reserves

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

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

## Accounting Estimates and Judgements

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

Pension provision assumptions:

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

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

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

Whilst the valuation of the private placement bond involves a degree of estimation, the University does not consider this to have a material effect on the financial statements.



**University of Portsmouth**  
**Consolidated and Institution Statement of Comprehensive Income and Expenditure**  
**for the year ended 31 July 2021**

	Note	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	230,507	230,402	223,115	222,982
Funding body grants	2	27,792	27,792	24,348	24,348
Research grants and contracts	3	11,284	10,945	8,837	8,737
Other income	5	11,931	11,595	14,342	13,800
Investment income	6	1,006	1,008	2,812	2,807
Donations and endowments	7	21	21	99	99
<b>Total Income</b>		<b>282,541</b>	<b>281,763</b>	<b>273,553</b>	<b>272,773</b>
<b>Expenditure</b>					
Staff costs	8	168,093	167,852	160,121	159,759
Other operating expenses		78,423	77,962	82,049	81,626
Depreciation	14	17,933	17,859	17,774	17,705
Interest and other finance costs	9	2,469	2,468	2,899	2,897
Finance charge in respect of pension scheme		2,949	2,949	2,976	2,976
<b>Total Expenditure</b>	11	<b>269,867</b>	<b>269,090</b>	<b>265,819</b>	<b>264,963</b>
<b>Operating Surplus</b>		<b>12,674</b>	<b>12,673</b>	<b>7,734</b>	<b>7,810</b>
Loss on disposal of fixed assets	14	0	0	0	0
Gain on investment	24	229	229	40	40
<b>Surplus after other gains and losses</b>		<b>12,903</b>	<b>12,902</b>	<b>7,774</b>	<b>7,850</b>
Technical adjustment in relation to fair value of loan notes*		314	314	(2,309)	(2,309)
<b>Surplus before tax</b>		<b>13,217</b>	<b>13,216</b>	<b>5,465</b>	<b>5,541</b>
Taxation	12	19	0	24	0
<b>Surplus for the year</b>		<b>13,198</b>	<b>13,216</b>	<b>5,441</b>	<b>5,541</b>
Actuarial gain/(loss) in respect of pension schemes	31	19,767	19,767	(66,233)	(66,233)
<b>Total comprehensive income/(expenditure) for the year</b>		<b>32,965</b>	<b>32,983</b>	<b>(60,792)</b>	<b>(60,692)</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year	24	306	306	54	54
Unrestricted comprehensive income/(expenditure) for the year		32,659	32,677	(60,846)	(60,746)
		<b>32,965</b>	<b>32,983</b>	<b>(60,792)</b>	<b>(60,692)</b>

All items of income and expenditure relate to continuing activities.  
The accompanying notes and policies on pages 44 to 56 form part of these financial statements.

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

**University of Portsmouth**  
**Consolidated and Institution Statement of Financial Position**  
**as at the year ended 31 July 2021**

	Note	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Intangible asset	13	0	0	575	0
Tangible fixed assets	14	385,823	383,221	358,587	355,995
Investments	15	3,016	6,047	2,787	6,484
		<b>388,839</b>	<b>389,268</b>	<b>361,949</b>	<b>362,479</b>
<b>Current Assets</b>					
Stock		210	210	216	216
Trade and other receivables	16	16,300	16,185	23,964	23,874
Investments	17	59,512	59,512	76,322	76,322
Short term deposits	18	187,313	187,313	139,213	139,213
Cash and cash equivalents		57,660	56,494	67,328	66,268
		<b>320,995</b>	<b>319,714</b>	<b>307,043</b>	<b>305,893</b>
Less: Creditors: amounts falling due within one year	19	(68,378)	(67,801)	(57,536)	(57,209)
<b>Net current assets</b>		<b>252,617</b>	<b>251,913</b>	<b>249,507</b>	<b>248,684</b>
<b>Total assets less current liabilities</b>		<b>641,456</b>	<b>641,181</b>	<b>611,456</b>	<b>611,163</b>
Creditors: amounts falling due after more than one year					
Deferred grant income	20	(50,766)	(50,766)	(48,252)	(48,252)
Unsecured loans	20	(106,920)	(106,920)	(107,234)	(107,233)
<b>Provisions</b>					
Pension provision	23	(213,086)	(213,086)	(218,250)	(218,250)
<b>Total net assets</b>		<b>270,685</b>	<b>270,410</b>	<b>237,720</b>	<b>237,428</b>
<b>Restricted reserves</b>	24	<b>3,101</b>	<b>3,101</b>	<b>2,795</b>	<b>2,795</b>
<b>Unrestricted reserves</b>					
Income and expenditure reserve- unrestricted		267,584	267,309	234,925	234,633
<b>Total Reserves</b>		<b>270,685</b>	<b>270,410</b>	<b>237,720</b>	<b>237,428</b>

The accompanying notes and policies on pages 44 to 56 form part of these financial statements.

These financial statements were approved by the Board of Governors on 25 November 2021.



J Crighton  
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 2021**

	Note	Income and expenditure account Endowment (note 24) £000	Unrestricted £000	Total £000
<b>Consolidated</b>				
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 income for the year		54	(60,846)	(60,792)
Balance at 1 August 2020		2,795	234,925	237,720
Surplus for the year		306	12,892	13,198
Actuarial gain in respect of pension scheme	31	0	19,767	19,767
Total comprehensive expenditure for the year		306	32,659	32,965
Balance at 31 July 2021		3,101	267,584	270,685
<b>University</b>				
Balance at 1 August 2019		2,741	295,379	298,120
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 1 August 2020		2,795	234,633	237,428
Surplus for the year		306	12,910	13,216
Actuarial gain in respect of pension scheme	31	0	19,767	19,767
Total comprehensive income for the year		306	32,677	32,983
Balance at 31 July 2021		3,101	267,309	270,410

**University of Portsmouth**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 July 2021**

	Note	Year ended 31 July 2021 Consolidated £000	Year ended 31 July 2020 Consolidated £000
<b>Cash flow from operating activities</b>			
Surplus for the year		13,198	5,440
<b>Adjustments for non-cash items</b>			
Depreciation	14	17,933	17,775
Change in fair value of loan notes		(314)	2,309
Gain on endowments		(229)	(40)
(Increase)/decrease in stock		6	(16)
(Increase)/decrease in debtors		7,664	(8,012)
Increase/(Decrease) in creditors		13,691	9,637
Net pensions cost for the year	31	14,603	11,037
		53,354	32,690
<b>Adjustment for investing or financing activities</b>			
Investment income		(1,006)	(2,831)
Interest payable		2,469	2,899
Endowment net income		(77)	(14)
Loss on the sale of fixed assets	14	0	0
Capital grant income		(2,204)	(2,612)
		(818)	(2,558)
Taxation paid		(19)	(24)
<b>Net cash inflow from operating activities</b>		65,715	35,548
<b>Cash flows from investing activities</b>			
Net movement of current asset investments	17	16,810	27,809
Net movement of short term deposits	18	(48,100)	13,414
Investment income		1,006	2,831
Deferred capital grants received		2,514	3,317
Payments made to acquire fixed assets	14	(45,169)	(30,971)
Net movement of non-current asset investments		575	161
New endowment deposits		0	0
		(72,364)	16,561
<b>Cash flows from financing activities</b>			
Interest paid	9	(2,469)	(2,899)
Endowment cash received		77	14
Repayment of amounts borrowed		(627)	(1,918)
		(3,019)	(4,803)
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		(9,668)	47,306
<b>Cash and cash equivalents at the beginning of the year</b>		67,328	20,022
<b>Cash and cash equivalents at the end of the year</b>		57,660	67,328

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**Notes to the Financial Statements**

**1 Tuition fees and education contracts**

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

Year ended 31 July 2021		Year ended 31 July 2020	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
142,307	142,307	137,795	137,795
13,418	13,418	9,592	9,592
55,522	55,522	54,566	54,566
8,982	8,982	11,407	11,407
6,742	6,742	5,950	5,950
2,334	2,334	2,426	2,426
1,202	1,097	1,379	1,246
230,507	230,402	223,115	222,982

**2 Funding council grants**

**Recurrent grants**

Office for Students	
Research England	
Release of capital grant	

**Specific grants**

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

12,508	12,508	11,980	11,980
6,870	6,870	6,142	6,142
2,100	2,100	2,509	2,509
2,164	2,164	1,882	1,882
3,963	3,963	1,702	1,702
117	117	119	119
70	70	14	14
27,792	27,792	24,348	24,348

**3 Research grants and contracts**

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

3,506	3,506	2,776	2,776
783	783	746	746
2,289	2,235	1,514	1,481
909	664	1,001	967
2,557	2,557	1,835	1,835
212	212	294	294
982	942	615	582
46	46	57	57
11,284	10,945	8,837	8,737

**4 Grant and fee income**

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

Grant income from the Office for Students	
Grant income from other bodies	
Fee income for research awards	
Fee income from non-qualifying courses	
Fee income for taught awards	

14,608	14,608	14,489	14,489
24,468	24,129	18,696	18,596
2,898	2,898	2,176	2,176
4,304	4,199	3,881	3,748
223,305	223,305	217,058	217,058
269,583	269,139	256,300	256,067

**5 Other income**

Residences, catering and conferences	
Contract income	
Other income	

3,669	3,669	5,802	5,802
3,989	3,334	3,654	3,075
4,273	4,592	4,886	4,923
11,931	11,595	14,342	13,800

Within the Other Income line is £0.3m (2019/20: £1.1m) received from the UK Government under the Coronavirus Job Retention Scheme.

**6 Investment income**

Interest from short term investments	
Investment income on endowments	

925	927	2,731	2,726
81	81	81	81
1,006	1,008	2,812	2,807

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**Notes to the Financial Statements (continued)**

**7 Donations and endowments**

Donations with restrictions  
 Unrestricted donations

Year ended 31 July 2021		Year ended 31 July 2020	
Consolidated £000	University £000	Consolidated £000	University £000
1	1	66	66
20	20	33	33
21	21	99	99

**8 Staff costs**

Staff Costs:

Salaries  
 Social security costs  
 Apprenticeship levy  
 Other pension costs (note 31)

Total

118,325	118,114	115,337	114,996
12,034	12,021	11,651	11,644
559	559	546	546
37,174	37,157	32,587	32,573
168,093	167,852	160,121	159,759

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

Average full time equivalent staff numbers by major category:

Academic and Research  
 Technical, Administrative and Professional

Number	Number
1,341	1,332
1,410	1,397
2,751	2,729

Emoluments of the Vice-Chancellor:

Basic salary  
 Taxable benefits in kind

Pension allowance in lieu of pension contributions  
 Employer's contribution to the Teachers Pension Scheme

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

£000	£000
287	288
1	1
288	289
57	57
0	0
345	346

Higher paid staff:

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

	Number	Number
£100,000- £104,999	3	1
£105,000- £109,999	0	0
£110,000- £114,999	5	4
£115,000- £119,999	1	2
£120,000- £124,999	2	2
£125,000- £129,999	0	0
£130,000- £134,999	1	1
£135,000- £139,999	1	1
£140,000- £144,999	0	0
£145,000- £149,999	1	1
£150,000- £154,999	0	0
£155,000- £159,999	0	0
£160,000- £164,999	2	2
£285,000- £290,000	1	1
	17	15

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 Senior Deputy Vice-Chancellor, the Chief Operating Officer & Deputy Vice-Chancellor, the Deputy Vice-Chancellor (Global Engagement and Student Life), the Pro Vice-Chancellor (Research, Innovation and External Relations) and the Executive Directors of Finance and Corporate Governance.



**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**Notes to the Financial Statements (continued)**

**8 Staff costs (continued)**

	Year ended 31 July 2021 Consolidated £000	Year ended 31 July 2020 Consolidated £000
Basic salary	1,219	1,217
Taxable benefits in kind	9	9
Employer's contribution to the Local Government and Teachers Pension Scheme	137	150
Key management personnel compensation	1,365	1,376
Relationship between Vice-Chancellor remuneration (salary, taxable benefits and employers pension contributions) and all other employees remuneration		
Vice-Chancellor Salary	287	288
Vice-Chancellor Remuneration	345	347
Median Salary all other staff	39	39
Median Remuneration all other staff	47	46
Pay Multiple (Median Salary)	7.3	7.4
Pay Multiple (Median Remuneration)	7.3	7.6

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 2021 Consolidated £000	Year ended 31 July 2020 Consolidated £000
Vice-Chancellor Emoluments	345	347
Salary and Employer Pension Costs for lowest paid staff member	22	22
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 8 of the Financial Statements). Please refer to the Remuneration Committee report for more detail relating to the emoluments of the Vice-Chancellor.

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 2021 Consolidated		Year ended 31 July 2020 Consolidated	
	£000	number	£000	number
Redundancy and Severance Costs, all Staff				
Contractual redundancy and severance payments	273	44	236	50
Payments in relation to a voluntary severance scheme	0	0	0	0
Other	23	1	145	19
Total	296	45	381	69

**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 (2019/20: £0) in respect of activities undertaken as a consequence of Board membership.

Due to the impact of COVID-19 the total expenses paid to or on behalf of members of the Board of Governors was £0 (2019/20: £5,234 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 2021**  
**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 2021		Year ended 31 July 2020	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
17	17	152	152
2,425	2,425	2,702	2,702
27	26	45	43
<b>2,469</b>	<b>2,468</b>	<b>2,899</b>	<b>2,897</b>

**10 Access and participation**

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

3,776	3,776	3,977	3,977
4,950	4,950	4,673	4,673
946	946	910	910
164	164	148	148
<b>9,836</b>	<b>9,836</b>	<b>9,708</b>	<b>9,708</b>
<b>3,666</b>	<b>3,666</b>	<b>3,422</b>	<b>3,422</b>

Staff costs included in above

The University access and participation plans can be found at:

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

**11 Analysis of total expenditure by activity**

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

152,468	152,016	154,142	153,644
2,184	1,569	2,366	1,667
53,591	53,994	51,382	51,740
30,422	30,422	31,669	31,669
4,986	4,986	4,981	4,987
9,143	9,031	7,343	7,322
11,654	11,654	8,061	8,061
2,469	2,468	2,899	2,897
2,949	2,949	2,976	2,976
<b>269,866</b>	<b>269,089</b>	<b>265,819</b>	<b>264,963</b>

Other operating expenses include:

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

127	88	123	71
98	93	29	15
78	78	64	64
311	220	298	216
114	114	188	188

**12 Taxation**

Recognised in the statement of comprehensive income

Current tax  
Current year  
Current tax expense  
Total tax expense

19	0	24	0
19	0	24	0
19	0	24	0

**13 Intangible asset**

Opening balance  
(Decrease)/Increase in value during the year  
Closing balance

575	0	548	0
(575)	0	27	0
<b>0</b>	<b>0</b>	<b>575</b>	<b>0</b>

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**Notes to the Financial Statements (continued)**

**14 Tangible fixed assets**

	Freehold Land and Buildings	Long Leasehold Land and Buildings	Assets under Construction	Land and Buildings Total	Computing Equipment and IT Projects	Plant and Machinery	Fixtures, Fittings and Equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Consolidated</b>								
Cost or deemed cost:								
At 1 August 2020	369,032	8,388	27,273	404,693	32,589	323	26,143	463,748
Additions at cost	645	0	31,700	32,345	4,619	0	8,205	45,169
Transfer of assets under construction	10	0	(10)	0	0	0	0	0
Disposals/Demolitions	(1,487)	0	0	(1,487)	(1,246)	0	(867)	(3,600)
<b>At 31 July 2021</b>	<b>368,200</b>	<b>8,388</b>	<b>58,963</b>	<b>435,551</b>	<b>35,962</b>	<b>323</b>	<b>33,481</b>	<b>505,317</b>
Depreciation:								
At 1 August 2020	65,837	604	0	66,441	23,295	304	15,121	105,161
Depreciation	13,678	211	0	13,889	2,389	19	1,636	17,933
Disposals/Demolitions	(1,487)	0	0	(1,487)	(1,246)	0	(867)	(3,600)
<b>At 31 July 2021</b>	<b>78,028</b>	<b>815</b>	<b>0</b>	<b>78,843</b>	<b>24,438</b>	<b>323</b>	<b>15,890</b>	<b>119,494</b>
<b>Net Book Value</b>								
<b>At 31 July 2021</b>	<b>290,172</b>	<b>7,573</b>	<b>58,963</b>	<b>356,708</b>	<b>11,524</b>	<b>0</b>	<b>17,591</b>	<b>385,823</b>
At 31 July 2020	303,195	7,784	27,273	338,252	9,294	19	11,022	358,587
<b>University</b>								
Cost or deemed cost:								
At 1 August 2020	364,618	8,388	27,273	400,279	32,589	323	26,134	459,325
Additions at cost	564	0	31,700	32,264	4,619	0	8,202	45,085
Transfer of assets under construction	10	0	(10)	0	0	0	0	0
Disposals/Demolitions	(1,487)	0	0	(1,487)	(1,246)	0	(867)	(3,600)
<b>At 31 July 2021</b>	<b>363,705</b>	<b>8,388</b>	<b>58,963</b>	<b>431,056</b>	<b>35,962</b>	<b>323</b>	<b>33,469</b>	<b>500,810</b>
Depreciation:								
At 1 August 2020	64,013	604	0	64,617	23,295	304	15,114	103,330
Depreciation	13,605	211	0	13,816	2,389	19	1,635	17,859
Disposals/Demolitions	(1,487)	0	0	(1,487)	(1,246)	0	(867)	(3,600)
<b>At 31 July 2021</b>	<b>76,131</b>	<b>815</b>	<b>0</b>	<b>76,946</b>	<b>24,438</b>	<b>323</b>	<b>15,882</b>	<b>117,589</b>
<b>Net Book Value</b>								
<b>At 31 July 2021</b>	<b>287,574</b>	<b>7,573</b>	<b>58,963</b>	<b>354,110</b>	<b>11,524</b>	<b>0</b>	<b>17,587</b>	<b>383,221</b>
At 31 July 2020	300,605	7,784	27,273	335,662	9,294	19	11,020	355,995

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2021

### Notes to the Financial Statements (continued)

#### 15 Non-current investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
<b>Consolidated</b>			
At 1 August 2020	0	2,787	2,787
Additions	0	229	229
<b>At 31 July 2021</b>	<b>0</b>	<b>3,016</b>	<b>3,016</b>
<b>University</b>			
At 1 August 2020	3,697	2,787	6,484
Additions	(666)	229	(437)
<b>At 31 July 2021</b>	<b>3,031</b>	<b>3,016</b>	<b>6,047</b>

The investments in subsidiary companies shares comprises the following:

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

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Other non-current investments consist of:		
CVCP Properties plc	37	37
Hampshire Community Bank	150	150
Endowment asset (see note 24)	2,829	2,600
	<b>3,016</b>	<b>2,787</b>

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

#### 16 Trade and other receivables

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year:				
Research grants receivable	2,641	2,641	1,904	1,904
Other trade receivables	4,364	3,981	9,342	9,342
Prepayments and accrued income	9,295	9,252	12,371	11,947
Amounts due from subsidiary undertakings	0	109	0	134
	<b>16,300</b>	<b>15,983</b>	<b>23,617</b>	<b>23,327</b>
Amounts falling due after one year:				
Prepayments and accrued income	0	0	347	347
Amounts due from subsidiary undertakings	0	202	0	200
	<b>0</b>	<b>202</b>	<b>347</b>	<b>547</b>
	<b>16,300</b>	<b>16,185</b>	<b>23,964</b>	<b>23,874</b>

Included in amounts due from subsidiary undertakings is a loan to Portsmouth Technopole Limited of £202k (2019/20: £200k) with an interest rate of 1% above the base rate set by the Bank of England. All other amounts due from subsidiary undertakings are unsecured, repayable on demand and do not attract interest.

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**Notes to the Financial Statements (continued)**

**17 Other current asset investments**

	Other current asset investments £000	Total £000
<b>Consolidated</b>		
At 1 August 2020	76,322	76,322
Sales	(17,124)	(17,124)
Change in market value	314	314
<b>At 31 July 2021</b>	<b>59,512</b>	<b>59,512</b>
<b>University</b>		
At 1 August 2020	76,322	76,322
Sales	(17,124)	(17,124)
Change in market value	314	314
<b>At 31 July 2021</b>	<b>59,512</b>	<b>59,512</b>

An investment of £59,512k (2019/20: £60,215k) is held as a segregated fund managed on behalf of the University by Goldman Sachs International.

**18 Short term deposits**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Short term bonds	187,313	187,313	139,213	139,213
	187,313	187,313	139,213	139,213

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 2021 the weighted average interest rate of these fixed rate deposits was 0.17% (31 July 2020: 0.70%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 140 days (31 July 2020: 71 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 2021		Year ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured bank loans	0	0	627	627
Accrued interest on placement loan	1,430	1,430	1,439	1,439
Trade payables	1,376	1,376	834	834
Other creditors	31,763	31,329	20,423	20,125
Social security and other taxation payable	4,055	4,053	6,254	6,253
Accruals and deferred income	17,367	17,171	17,224	17,194
Deferred capital grants	2,204	2,204	2,612	2,612
Holiday pay accrual	10,183	10,183	8,123	8,123
Amounts owed to subsidiaries	0	55	0	2
	<b>68,378</b>	<b>67,801</b>	<b>57,536</b>	<b>57,209</b>

**Deferred income**

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

Research grants received on account	5,718	5,718	3,989	3,989
	5,718	5,718	3,989	3,989

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**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 2021

Other creditors:

Unsecured loans repayable by 2034

Year ended 31 July 2021		Year ended 31 July 2020	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
2,204	2,204	2,613	2,613
6,611	6,611	7,837	7,837
41,951	41,951	37,802	37,802
50,766	50,766	48,252	48,252
0	0	0	0
0	0	0	0
106,620	106,620	106,934	106,933
106,620	106,620	106,934	106,933
300	300	300	300
157,686	157,686	155,486	155,485

\* includes fair value movement of -£314k (2019/20: £2,309).

**21 Unsecured bank loans and placement loan**

	Market Value as at 31/7/2021 £000	Present Value as at 31/7/2020 £000			
Allianz Life Insurance Company of North America	29,826	32,217	15 years	2.73% fixed until February 2033	University
Sun Life Assurance Company of Canada (Bermuda)	10,672	11,200	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada (UK) Limited	10,000	10,000	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada	20,000	20,000	25 years	3.13% fixed until February 2043	University
Sun Life Assurance Company of Canada (Bermuda)	26,122	23,517	30 years	3.22% fixed until February 2048	University
Sun Life Assurance Company of Canada	10,000	10,000	35 years	3.19% fixed until February 2053	University
Subtotal	106,620	106,934			
Accrued interest	1,430	1,439			
Total of placement loan	108,050	108,373			

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 2021		Year ended 31 July 2020	
Consolidated	University	Consolidated	University
£000	£000	£000	£000
16,300	15,874	23,617	23,193
0	109	(0)	134
187	3,218	187	3,884
62,341	62,341	78,922	78,922
0	0	627	627
119,144	118,511	105,161	104,831
0	55	0	2
40,595	40,591	40,595	40,595
67,455	67,459	67,778	67,777
17	17	152	152
2,425	2,425	2,702	2,702



**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**Notes to the Financial Statements (continued)**

**23 Provisions for liabilities**

	Pension provision (note 31) £000	Deferred tax £000	Total £000
<b>Consolidated</b>			
At 1 August 2020	(218,250)	0	(218,250)
Increase in liability	5,164	0	5,164
<b>At 31 July 2021</b>	<b>(213,086)</b>	<b>0</b>	<b>(213,086)</b>
<b>University</b>			
At 1 August 2020	(218,250)	0	(218,250)
Increase in liability	5,164	0	5,164
<b>At 31 July 2021</b>	<b>(213,086)</b>	<b>0</b>	<b>(213,086)</b>

**24 Endowment funds**

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Expendable endowments £000	2021 Total £000	2020 Total £000
<b>At 1 August 2020</b>				
Capital	1,112	0	1,112	1,112
Accumulated income	1,610	73	1,683	1,629
	2,722	73	2,795	2,741
Appreciation of restricted investments	81	0	81	82
Expenditure	0	(4)	(4)	(68)
Increase in market value of investments	229	0	229	40
	310	(4)	306	54
<b>At 31 July 2021</b>	<b>3,032</b>	<b>69</b>	<b>3,101</b>	<b>2,795</b>

Represented by:

Capital	1,112	1,112
Accumulated income	1,989	1,683
	3,101	2,795
<b>Analysis by type of purpose:</b>		
Lectureships	3,032	2,722
Prize funds	69	73
	3,101	2,795
<b>Analysis by asset:</b>		
Investments	2,829	2,600
Cash	272	195
	3,101	2,795

The Endowment is managed by CCLA Investment Management Limited. The funds are primarily held as units in Ethical Investment (65%) and Fixed Interest (29%). The remaining 6% is held within a Deposit Fund.

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2021

### Notes to the Financial Statements (continued)

#### 25 Consolidation of net debt

Net debt 1 August 2020	41,972	
Movement in cash and cash equivalents	9,668	
Other non-cash changes	(950)	
Net debt 31 July 2021	50,690	
Change in net debt	8,718	
Analysis of net debt:		
Cash and cash equivalents	57,660	67,328
Borrowings: amounts falling due within one year		
Unsecured loans	1,430	2,066
Borrowings: amounts falling due after more than one year		
Unsecured loans	106,920	107,234
Net debt	50,690	41,972

#### 26 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2021:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted at 31 July	7,532	7,532	37,050	37,050
	7,532	7,532	37,050	37,050

#### 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 2021			Year ended 31 July 2020
	Land and Buildings £000	Consolidated Plant and Machinery £000	Total £000	Total £000
Total rentals payable under operating leases:				
Up to one year	260	114	374	475
Between two and five years	693	0	693	257
In more than five years	0	0	0	19
	953	114	1,067	751

#### 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 2021

### 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 2020/21 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,267k (2019/20: £1,163k) from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

Due to the nature of the University's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

No Board member has received any remuneration/waived payments from the group during the year (2019/20: £Nil).

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

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

###### Scheme Changes

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

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, has rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination. Any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

Department for Education  
Bishopsgate House, DARLINGTON DL1 5QE

TPS financial note – August 2019

Contribution amounts outstanding as at 31 July 2021 and included in social security and other taxation payable creditors is £1,674,191 (31 July 2020: £1,619,832).

# University of Portsmouth

## Financial Statements for the Year Ended 31 July 2021

### 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 2021. The actuarial assumptions for the long term liabilities of the LGPS are detailed in the table below and include an assumed 3.6% increase for salary costs. This is set at 1.0% above CPI and includes annual pay awards, increments and promotions.

	Year ended 31 July 2021	Year ended 31 July 2020
The financial assumptions used to calculate scheme liabilities under FRS102 are:		
Discount rate	1.7%	1.4%
Rate of increase of salaries	3.6%	3.1%
Rate of revaluation of pension accounts	2.6%	2.1%
Rate of increase in pensions	2.6%	2.1%
Rate of inflation CPI	2.6%	2.1%
Assets are valued at fair value, and comprise:	£000	£000
Equities	193,228	150,650
Bonds	57,067	56,973
Property	20,691	16,709
Cash	3,337	4,383
Other	59,404	45,195
Total	333,728	273,910

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.

	2021		2020	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	22.9	24.3	22.8	24.2
Female	25.3	26.8	25.3	26.7

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Analysis of amounts shown in the balance sheet:		
Fair value of scheme assets	333,728	273,910
Present value of funded scheme liabilities	(539,470)	(484,325)
Present value of unfunded scheme liabilities	(7,344)	(7,835)
Deficit in the scheme- net pension liability recorded within pension provision (note 21)	(213,086)	(218,250)
Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:		
Current service cost	(26,832)	(19,455)
Curtailment/Past services cost	(100)	(152)
Total operating charge	(26,932)	(19,607)
Financing:		
expected return on assets	3,912	5,688
interest on expected scheme liabilities	(6,861)	(8,664)
Net return	(2,949)	(2,976)
Total expense recognised in income and expenditure account	(29,881)	(22,583)
Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:		
Total actuarial gain/(loss) on funded liabilities	19,791	(65,885)
Total actuarial (loss) on unfunded liabilities	(24)	(348)
Total actuarial loss recognised	19,767	(66,233)

**University of Portsmouth**  
**Financial Statements for the Year Ended 31 July 2021**  
**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 2021 £000	Year ended 31 July 2020 £000
Opening fair value of assets	273,910	254,700
Movement in year:		
expected return on assets	3,912	5,688
contributions by the University	15,278	11,546
contributions by the participants	3,314	3,224
net benefits paid out	(7,633)	(7,143)
actuarial gain on assets	44,947	5,895
Closing fair value of assets	333,728	273,910
Opening present value of funded liabilities	(484,325)	(387,750)
Movement in year:		
current service	(26,832)	(19,455)
interest cost	(6,756)	(8,496)
contributions by the participants	(3,314)	(3,224)
net benefits paid out	7,013	6,532
past service cost	(100)	(152)
actuarial loss	(25,156)	(71,780)
Closing present value of funded liabilities	(539,470)	(484,325)
Opening present value of unfunded liabilities	(7,835)	(7,930)
Movement in year:		
interest cost	(105)	(168)
net benefits paid out	620	611
actuarial loss	(24)	(348)
Closing present value of unfunded liabilities	(7,344)	(7,835)
Actual return on scheme assets:		
Expected return on scheme assets	3,912	5,688
Actuarial gain on assets	44,947	5,895
Actual return on assets	48,859	11,583

History of experience gains and losses for the year ended 31 July 2021 were as follows:

	Year ended 31 July 2021	31 July 2020	31 July 2019	31 July 2018	31 July 2017
Difference between the expected and actual return on scheme assets:					
Amount £000	44,947	5,895	9,210	16,020	15,250
Percentage of scheme assets at end of year	13.5%	2.2%	3.6%	6.9%	7.4%

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
TPS	13,559	13,012
LGPS	11,470	10,650
Other, including NHS	491	864
FRS102 adjustment re LGPS	11,654	8,061
Total pension cost (Note 8)	37,174	32,587

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