



**UNIVERSITY OF
PORTSMOUTH**

Financial Review for the year ended 31 July 2018

Higher Education Corporation

Welcome from the Chair of Governors and the Vice-Chancellor

This has been another year of marked achievement for the University of Portsmouth. We have already achieved a prestigious "Gold" rating in the Teaching Excellence Framework and, this year, we have seen our position in *The Guardian* league table increase from 37th to 25th. Similarly, we have achieved a place in the Academic Ranking of World Universities for the second year running. This reinforces our profile as a university with an increasing national and global impact and presence.

The University's financial results in 2017/18 are indicative of strong student recruitment and robust financial management. The surplus, at £6.8 million, is broadly the same as for the prior year, reflecting financial stability.

Our students are at the heart of everything we do. Students invest significantly in their education and must, in return, receive the student experience that they need and deserve. For the 12th year in a row, the University has exceeded the sector average for overall student satisfaction reported via the National Student Survey. We are ranked 19th nationally, with 88% overall satisfaction from our final year students, compared the sector average of 83%.

We must also ensure that our students are well prepared for the world of work and that they graduate with the skills and attributes that employers need. This year's Destinations of Leavers from Higher Education ranked us as the top university for graduate employment outcomes in the South East and within the top 10% nationally. We are pleased that 97.5% of our graduates are in employment or are undertaking further study within 6 months of graduation.

Our research is ground-breaking and designed to tackle some of the world's most urgent challenges. This year we welcomed the new directors of our five thematic research areas – democratic citizenship; future and emerging technologies; health and wellbeing; security and risk; and sustainability and the environment – and much encouraging progress is already evident as we work towards the next Research Excellence Framework. Amongst our many successes, we can include our pioneering work on creating enzymes that can digest plastic and reduce pollution; establishing algorithms to identify the best off-shore wind farm locations; and contributing to equality by exploring the links between women, work and violence in the developing world.

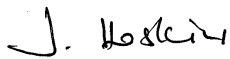
To reinforce our global presence, we established our Global Engagement Strategy this year. Our strategy builds on our international profile and reputation, is designed to promote a globally engaged staff and student body, and will enable us to engage more effectively with our many international partners. It will create a global mind-set that will permeate all University activities. In support of our new strategy, a new regional office in Delhi and a presence in Nigeria, to complement our existing regional offices in China and Malaysia.

It was also pleasing for the University's commitment to gender equality to be recognised by the reaffirmation this year of our Athena Swan Bronze Award. This award is a testimony to the passion and hard work of our staff and their tangible demonstration of commitment to the values of the University and its commitment to diversity.

We continue to play a key role in the life of our City. Our recently launched partnership with Portsmouth Football Club is one example of the way that we are working to increase participation rates in higher education within our community. Through our visibility at every match, our collaborative outreach programmes, and our integrated research projects, we can encourage people to consider futures they might not have believed achievable in the past. Likewise, our Portsmouth Scholars Scheme sees our students providing mentorship to college students who will, in turn return to the schools they attended to mentor their students. In these ways, we are encouraging ambition and aspiration within the City.

Similarly, our ambitious Estate Masterplan is a graphic demonstration of our ambition not just for ourselves but for our City. It reinforces our contribution to the social, economic and cultural wealth of Portsmouth. Our aim is that our state-of-the-art Sports Centre will be the first sports centre in the country with a BREEAM outstanding rating and will be located within a beautifully landscaped park. Similarly, our plans for the redevelopment of the Victoria site will bring an innovatively designed and internationally acclaimed new building to Portsmouth's skyline.

It is impossible to give recognition to all the activities that have made this another enormously successful year and these represent just some of the highlights. However, none of these achievements would have been possible without the hard work and commitment of all members of the University community whom we thank for their continued effort and support over the last year.



Jane Hoskins
Chair of the Board of Governors



Professor Graham Galbraith
Vice-Chancellor

November 2018

Strategic Report for the Year Ended 31 July 2018

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Governors

Board of Governors and Senior Financial Officers of the University of
Portsmouth Higher Education Corporation
1 August 2017 – 26 November 2018

Board of Governors (who are also Trustees)

External Members	Dr Peter Bunyan	Up to 31 July 2018
	Roger Burke-Hamilton	From 1 February 2018
	Bishop Christopher Foster	
	Jenny Crighton	
	Mark Greenwood	
	Jane Hoskins	Chair
	Claudia Iton	From 1 December 2017
	Baldev Laly	
	Anne Lambert	
	Mark Lemon	
	Frances Morris-Jones	
	Paul Myers	
	Mark Readman	
	Ingmar Rinck	From 1 April 2018
	Margaret Scott	
	David Wilding	From 1 August 2018
	David Willan	
Chris Williams	From 1 February 2018	
Professor Nairn Wilson	Deputy Chair	
Student Governor	Lucy Cook	
Nominated by Academic Council	Professor Karen Heard-Lauréote	
	Dr Jenny Walden	
Nominated by Academic Staff	Professor Mike Tipton	Up to 31 July 2018
	Dr David Sanders	From 1 August 2018
Nominated by Support Staff	Kathryn Land	Up to 31 July 2018
	Lyuda Wade	From 1 August 2018
Nominated by Student Body	James Thompson	Up to 30 June 2018
	Violet Karapaseva	From 1 July 2018
Vice-Chancellor	Professor Graham Galbraith	
<h2>Senior Financial Officers of the University</h2>		
Director of Finance	Emma Woollard	
Deputy Directors of Finance	Dr Elizabeth Bartle	
	Mark Carter	From 1 November 2017
<h2>Secretariat</h2>		
Director of Corporate Governance and Clerk to the Board of Governors	Adrian Parry	

Strategic Ambitions

Our Mission

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

Our Values

Ambitious

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

Responsible

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

Open

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

Our Vision

We will deliver transformational education, research and innovation by:

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

Enabling the delivery of our vision

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

Building on our underpinning strengths





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

The full University Strategy, as well as our Research and Innovation, Education, Global, People and IT strategies, is available here:









<http://www.port.ac.uk/vision/>




Strategic Targets and Key Performance Indicators 2017/18




Key to Indicators


Symbol	Description
	On track
	Broadly on track, but some concerns need to be addressed
	Some significant concerns which could be damaging if not addressed
	Serious concerns threaten this area; impact on the University's overall performance



Recognising and sustaining our strengths in undergraduate education and growing our provision in the areas of postgraduate, part-time, CPD and flexible modes of study.








Area	Indicator	Target	Brief Summary of Current Performance	
Student Numbers	Home/EU students	2017/18 – c.19,600 students		On track.
	International students	2017/18 – c.3,400 students		Recruitment solid, but below stretching targets.
	Full-Cost and Collaborative students	2017/18 – c.3,700 students		Numbers improving but 3% below target.
	Total Students	2017/18 – c.26,800 students		At target. Indicator reflects variations noted above.
Student Satisfaction	NSS – Undergraduate	Overall satisfaction at 91% by 2020/21 2017/18 – 90% overall satisfaction		Overall satisfaction at 88%. Significantly above sector (83%) and in Top 20 HEIs. Indicator reflects variations at subject level.
	PTES - Postgraduate Taught	2020/21 – overall satisfaction in upper quartile for the sector		In upper quartile
	PRES Postgraduate Research	2020/21 – overall satisfaction in upper quartile for the sector		In upper quartile
Withdrawals	Non-continuation rate for FT first degree students	2020/21 – 5%		

Every student takes part in career-enhancing activities, such as placements, exchanges, enterprise, volunteering or work-based learning			
Area	Indicator	Target	Brief Summary of Current Performance
Participation in Career Enhancing Activities	Proportion of students taking part in career enhancing activities	2020/21 – all students	
Graduate Outcomes	Percentage of graduates in employment or further study after six months	2017/18 – Target 90%	 Exceeding 2020/21 targets
	Percentage of graduates in professional jobs after six months	2017/18 – Target 70%	 Exceeding 2020/21 targets




Building on our financial strength and increasing the contribution to income that comes from research			
Area	Indicator	Target	Brief Summary of Current Performance
Income	Research and Innovation income	2017/18 Target - £23.3 million	 Exceeding target
Research Active Staff	Number of research-active staff	Increase number and proportion of research active staff	
PGR students	FTE PGR student numbers	2017/18 target – 505 FTE	 Exceeding target

Establishing nationally and internationally recognised cross-discipline thematic areas that address key issues facing society			
Area	Indicator	Target	Brief Summary of Current Performance
Themes	Establish five thematic areas, contributing to education, research and innovation activity and impact	Thematic areas established and contributing to education, R&I activity and impact	


Creating a network of strategic global partnerships to support internationalisation			
Area	Indicator	Target	Brief Summary of Current Performance
International Collaborations	At least three successful international collaborations established, located in at least three continents	2020/21 – three successful collaborations established across at least three continents.	 On track.
Student Numbers	Number of on-campus international students	2017/18 – c.3,400 students	

Raising expectations and creating ladders of opportunity for people in our region to take part in Higher Education			
Area	Indicator	Target	Brief Summary of Current Performance
Widening Participation (Recruitment)	Young students from low-participation neighbourhoods	Latest HESA PI benchmark – 10.4% Access Agreement Target – 11.25%	 Exceeds both targets.
	Mature students from low-participation neighbourhoods with no previous HE	Latest HESA PI benchmark – 13.2% Access Agreement Target – 15.5%	 Exceeds both targets.
Widening Participation (Retention)	Young students from low-participation neighbourhoods	Latest HESA PI benchmark – 9.2% Access Agreement Target – 6.2%	 Outperforms HESA benchmark but missed Access Agreement target.
	Mature students from low-participation neighbourhoods with no previous HE	Latest HESA PI benchmark – 13.5% Access Agreement benchmark – 11.6%	 Outperforms both targets.
UTC	University Technical College successfully established and operational	UTC established and operational	 Two student cohorts recruited.
New Routes	New routes including apprenticeships introduced and recruiting successfully	New routes introduced and recruiting successfully	 On track.
Franchised Courses	Number of students on franchised courses with FE colleges.	Increased number of students on franchised courses with FE colleges	



Supporting and developing our people to deliver excellence with commitment and passion				
Area	Indicator	Target	Brief Summary of Current Performance	
Staff Development	All staff offered appropriate development opportunities.	Maintain staff satisfaction with development opportunities		Declining performance in last staff survey.
	Athena SWAN award gained	Awards at institution and department level		
Academic Staff Qualifications	Percentage of staff holding an HEA fellowship	Increase % staff holding HEA fellowship		Significant increase on last year but below 2020/21 target.
	Percentage of staff with Doctorates	Increase no. and % of staff holding doctorates		Significant increase since 2015 maintained.
Staff Satisfaction	Percentage of staff who recommend University of Portsmouth as a good place to work	Maintain levels of staff satisfaction		Declining performance in last staff survey.

Developing a flexible physical and digital environment that promotes enjoyment and engagement within a community of learning				
Area	Indicator	Target	Brief Summary of Current Performance	
Estate	Estate masterplan to be developed by April 2016, with implementation well underway by 2020	Estate masterplan implementation well underway by 2020		Funding secured and implementation underway.
	NSS results on learning resources	2017/18 – 89% satisfaction		On track
	Staff satisfaction with their working environment	Improve staff satisfaction with working environment		





Being a proud part of Portsmouth and our region, working in partnership to support and influence the economic, educational and cultural life of the city

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

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

Area	Indicator	Target	Brief Summary of Current Performance	
Financials	Financial surplus (net contribution)	Achieve agreed financial surplus. 2017/18 – £7.4m (2.9%)		
	Cash balances	Achieve agreed cash balances		

Maintaining and enhancing our quality, reputation and visibility

Area	Indicator	Target	Brief Summary of Current Performance	
External Audits and Reviews	Outcomes of external audits and reviews by QAA, PSRBs, OFSTED and other bodies	Achieve positive reviews		
League Tables	Improve ranking across the key UK league tables	Top 50 average across Guardian, Times and CUG classifications by 2020/21		Target achieved. Ranked 25 th by Guardian in 2019 guide.
	Improve ranking in the 'THE Top 100 Universities under 50'	2020/21 – Top 50		Ranked 100-150
	Maintain our position in the top 400 of the 'THE World University Rankings'	2020/21 – 351-400 th		Ranked 401-500

Strategic Commentary

Student Recruitment

Home/EU

This has been a successful year in terms of student demand, in the context of a continued increase in competition following the removal of student number controls. In total the University received around 25,000 applications from prospective Home/EU students ahead of the 2017/18 academic year. In total, just over 5,500 Home/EU undergraduates on HEFCE supported programmes commenced their studies at Portsmouth in 2017/18, with over 15,500 registered in total. Home/EU postgraduate taught recruitment also remained strong following a significant increase in registrations last year following the introduction of government-backed support for postgraduate taught students, with over 900 full-time registrations, and an increase in part-time registrations to almost 1,500.

International

Full-time student numbers increased by 9% in 2017/18, with increases in international student numbers at all levels of study. However international student numbers remain below the stretching strategic targets set at the outset of our existing strategic plan.

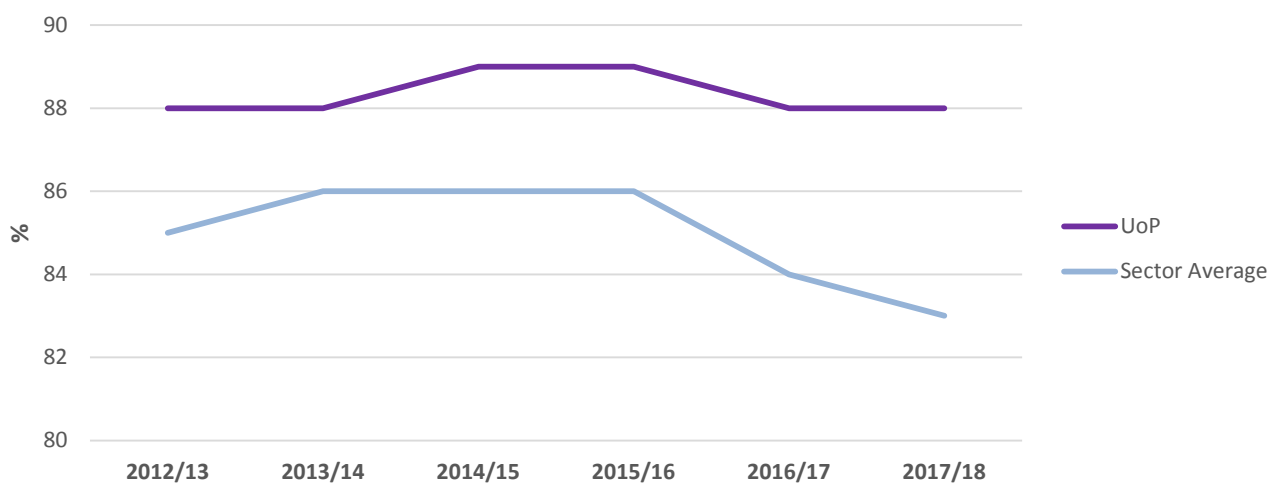
A new Global Engagement Strategy was launched in 2017/18 and, as part of this we have restructured our International Office, which has been renamed University of Portsmouth Global. In addition, we have launched a new office in New Delhi and a new presence in Lagos, meaning that the University now has offices in Beijing, Shanghai, New Delhi, Lagos and Kuala Lumpur.

Student Satisfaction

Undergraduate

Our strength in undergraduate provision is exemplified by high levels of student satisfaction. In the 2018 National Student Survey for undergraduate students 88% of our students expressed overall satisfaction with their course, compared to 83% nationally. This was the 12th successive year in which we outperformed the sector average and placed us within the Top 20 of 150 HEIs in the UK on this measure. Our strategic target is to further improve our performance against this measure with an ambition to achieve 91% overall satisfaction by 2020/21.

National Student Survey - Overall Satisfaction



Postgraduate Student Satisfaction

Equally, our commitment to ensuring an excellent postgraduate student experience is also demonstrated through the opinions of our students. In the most recent surveys of postgraduate student opinions, Postgraduate Taught Experience Survey 2018, and Postgraduate Research Experience Survey 2017, we were in the upper quartile for the sector for overall student satisfaction.

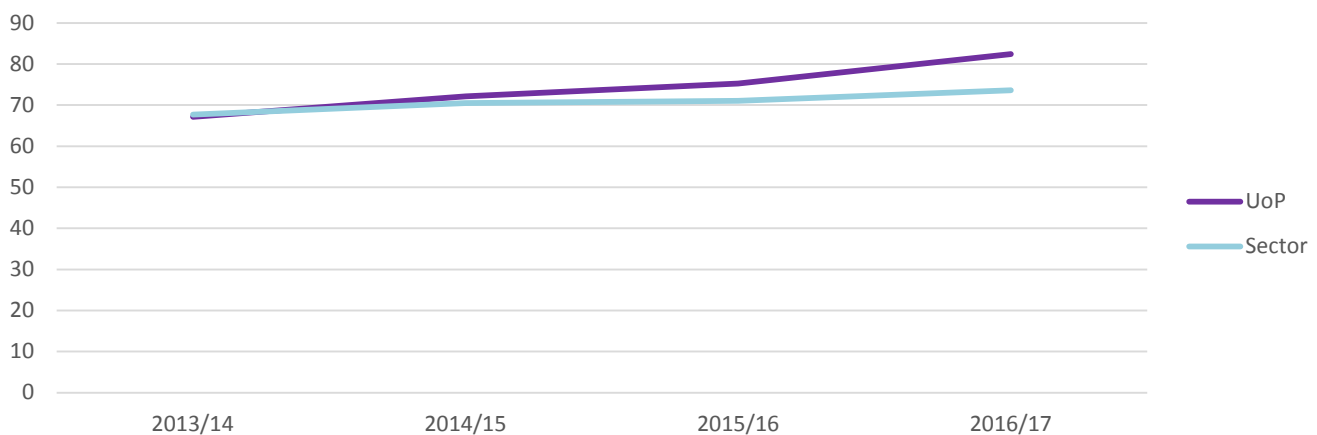
Student Outcomes

We are committed to ensuring that Portsmouth graduates will be knowledgeable, informed, intellectually curious, responsible, self-aware and self-motivated, independent learners set for success in their future careers. Additionally, we seek to ensure that every student takes part in career-enhancing activities, such as placements, exchanges, enterprise, volunteering or work-based learning in order to enhance their experience and equip them ready for professional life upon completion of their studies.

The Destination of Leavers from Higher Education (DLHE) is an annual survey which reviews graduates' primary activities six months after leaving the University. The most recent survey, published in July 2018, reviews the destination of students who left between August 2016 and July 2017. This showed that 97.5% of Portsmouth graduates were in employment or further study 6 months after graduating, the highest rate amongst universities in the South East of England. 82% of those in work or study after graduation were in professional jobs, compared to a 74% average for the rest of the sector.

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

Destinations of Leavers from HE
Professional Occupations (%)

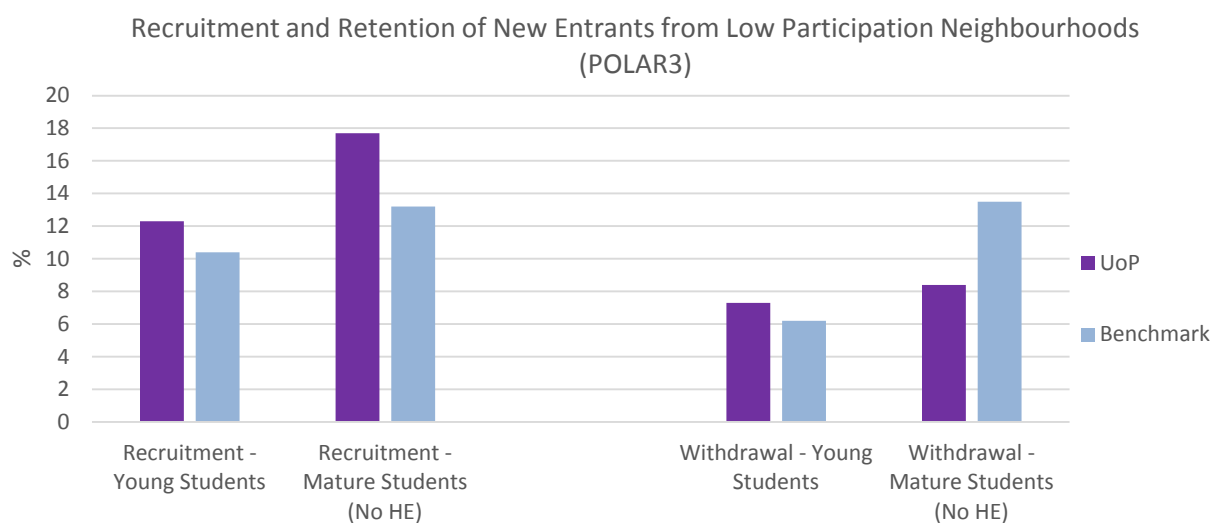


Widening Access and Participation

The University's longstanding commitment to widening access to Higher Education is continued in the current University strategy which includes our stated aim of 'raising expectations and creating ladders of opportunity for people in our region to take part in Higher Education'. In 2017/18 we spent £5.8m on bursaries and support for students from low income households alongside additional financial support. We have also invested heavily in additional support services which seek to ensure that all students who have the potential to succeed in Higher Education are able to do so. Our successful Postgraduate Support Scheme also continued in 2017/18, through which £3,000 bursaries were offered to high-achieving Portsmouth undergraduates from low-income families who wished to progress to further study.

The most recent HESA performance indicators, published in Spring 2018, form the basis of our principal recruitment and retention targets within our Access and Participation Plan. The University continues to

consistently outperform benchmarks for these indicators and has included stretching targets in our 2019/20 Access and Participation Plan, which has recently been approved by the Office for Students.

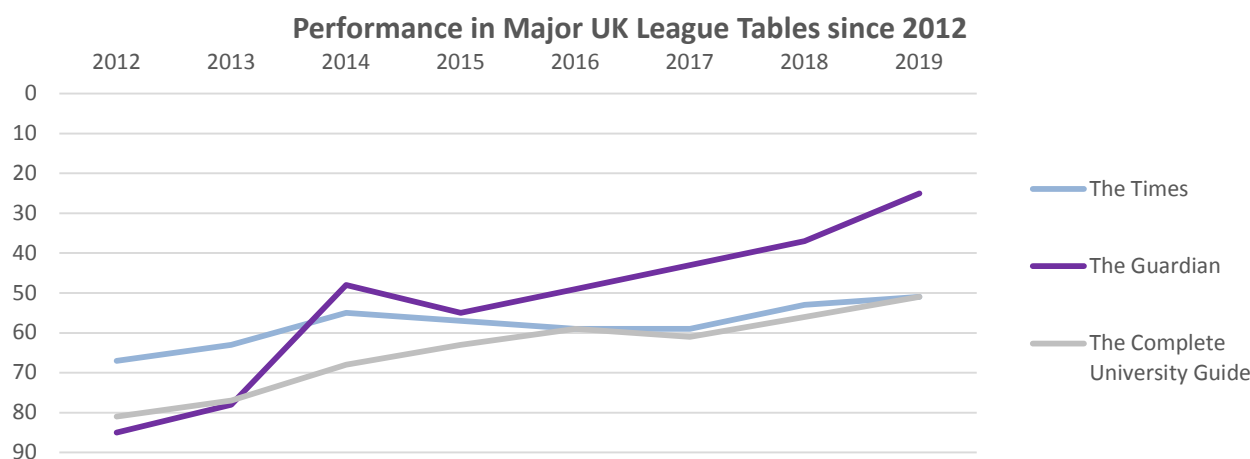


The University is a partner in the University Technical College (UTC – Portsmouth), which opened in September 2017 and recruited successfully in its first year of operation. UTC is a collaboration with key partners in the City, including the Royal Navy, Portsmouth City Council, BAE Systems and QinetiQ, which seeks to respond to the need at secondary and post-16 levels to develop students ready to enter employment and/or further study in engineering or STM-related subjects. The UTC is a non-selective school located in an area where it provides opportunities for first-generation learners to enter higher education upon completion of their studies.

In June 2017 the University achieved a Gold rating in the Teaching Excellence Framework (TEF), the UK government's first assessment of teaching excellence in Higher Education. The TEF assessment is based on benchmarked metrics, with particular regard to student satisfaction, continuation rates, and progression to highly skilled employment or further study. As such, this award recognises that the University consistently achieves outstanding for its students from all backgrounds.

Quality, Reputation and Visibility

We are currently meeting our strategic aim of being ranked in the Top 50 for each of the major UK university league tables. In the 2019 Guardian University Guide (published in May 2018) we were ranked 25th of 121 HEIs. This represented our highest ever ranking in a major UK university league table and was complemented by improved performance in both the Times/Sunday Times University Guide and Complete University Guide.



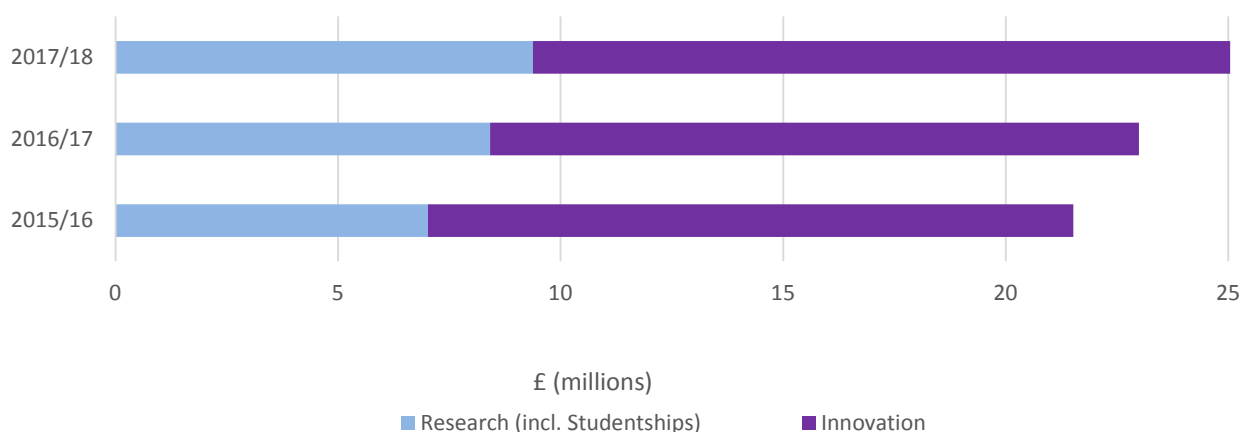
In addition to our undergraduate provision we are also committed to ensuring an excellent postgraduate student experience. In the most recent student surveys, Postgraduate Taught Experience Survey 2018, and Postgraduate Research Experience Survey 2017, we were in the upper quartile for the sector for overall student satisfaction.



Research and Innovation

We seek to deliver excellence in research and innovation by building on our financial strength and increasing the contribution to income that comes from our research and commercial activities. In 2017/18 our combined research and innovation income was £25.1million; an increase of £2.1m on the previous year. Additionally, Home/EU and International Postgraduate Research Student numbers continued to grow in 2017/18.

Research and Innovation Income



Through our University Strategy we undertook to establish nationally and internationally recognised cross-discipline thematic areas that address the key issues facing society. Thematic areas have now been established in Democratic Citizenship, Future and Emerging Technologies, Health and Wellbeing, Security and Risk and Sustainability and the Environment. The themes strategy aims to build new interdisciplinary activities that will generate significant outputs in future years.

Alongside the launch of our Global Engagement Strategy 2017-20 we have been developing strategic global partnerships. We launched five new programmes with the Management Development Institute of Singapore in July 2018 with a second phase of programmes planned for 2018/19. Work is underway on the development of additional global partnerships.

Facilities and Estate

In recent years the University has invested heavily in our facilities and estate as we seek to promote enjoyment and engagement within a community of learning. This includes the opening of our new £12 million Future Technology Centre which was built with contributions from the Higher Education Funding Council for England (£5m) and the Solent Local Enterprise Partnership (£2m).

Our Estate Masterplan, which provides a long-term framework for investment in the University estate, was approved by the Board of Governors in November 2016, with the financing strategy agreed in July 2017. In 2017/18 the University secured funding arrangements for this significant investment in the University's estate. Implementation is now underway; site preparation started for a new indoor sports centre on the Ravelin Park site started in Autumn 2018.

Environmental sustainability

Our commitment

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

The University monitors environmental performance and compliance, which is independently verified through our certification to the international standard for environmental management, ISO 14001: 2015.



Sustainable travel

The University has a new Travel Plan and our overall aim is to reduce our commuter traffic and as a result support work to improve air quality in the city. Measures include two entirely new bus routes serving the University, a Park & Ride route plus a free University bus route around popular student and staff residential areas. Continued membership of the travel green easitNETWORK for Portsmouth will also influence commuting travel behaviour by providing discounted train tickets and bicycle purchases for everyday commuter journeys. The local bus company continues to offer staff, discounted season tickets and hover travel services from the Isle of Wight are also offering special rates.

Recycling and waste management

University waste is managed centrally under two external waste contracts with collection schedules being reduced during non-term time to provide an efficient but effective service. We benefit from working with major providers in the waste management sector and with other local universities to deliver high levels of compliance with waste duty of care requirements and high levels of office/food waste recycling regularly achieving 70% across campus.

Energy and carbon management

Utility costs and consumption are being closely monitored to avoid unnecessary use of resources and provide budget reassurance against forecast. Our main electricity supply was secured with a renewable energy tariff and with energy consumption being the main factor affecting our carbon emissions the University continues to specify energy efficient LED lighting designs through a relationship with Salix Finance.

The University continued its annual payment under the Carbon Reduction Commitment (CRC) regulations with the purchase of 10,585 t/CO₂ of carbon allowances for electricity and gas consumed at a cost of £187,354, a reduction of £29,538 compared to the previous year.

Research, innovation and teaching

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

Financial Review

Overall performance

The University's positive financial results for 2017/18 reflect strong student recruitment and appropriate control of expenditure budgets.

Financial Strategy

The University has a well embedded and robust approach to its annual strategic and financial planning process with the overarching aim of strengthening and making explicit the link between academic and financial planning. This approach is integral to delivering our financial strategy and it is clear this is enabling us to:

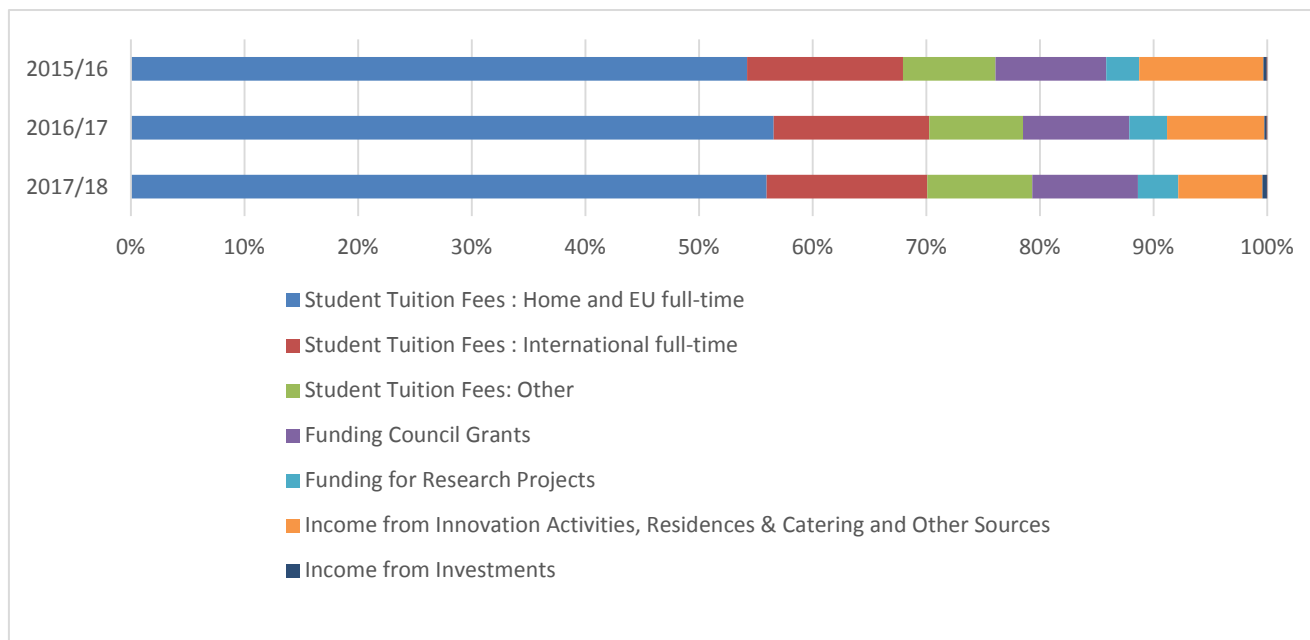
- Promote a greater focus on delivering our strategic ambitions as a University
- Deploy resources effectively, allowing successful implementation to our strategy
- Plan our capital investment effectively, deriving maximum strategic benefits
- Enable more explicit monitoring of planned and actual investment

The Financial Strategy in support of the University's Estate Masterplan was approved in July 2017 with the agreed approved funding model being a combination of cash balances, cash generated in-year and long term debt financing. In respect of this last item, the University secured and received £100 million bond financing during 2017/18 through a successful private placement exercise with two North American investors, providing a range of maturities at competitive interest rates. The issue of the placement took place ahead of Masterplan expenditure requirements as the University wished to benefit from historically low interest rates. The impact of this funding on the University's financial statements and key financial indicators is detailed within this report.

Income

The University group's income for 2017/18 totals £245.7 million, compared to £233.7 million in 2016/17.

Sources of Income	2017/18 £000	2016/17 £000	Change £000	Change %
Student Tuition Fees : Home and EU full-time	137,410	132,174	5,236	4.0
Student Tuition Fees : International full-time	34,770	31,987	2,783	8.7
Student Tuition Fees: Other	22,711	19,335	3,376	17.5
Funding Council Grants	22,776	21,848	928	4.2
Funding for Research Projects	8,773	7,792	981	12.6
Income from Innovation Activities, Residences & Catering and Other Sources	18,214	19,996	(1,782)	(8.9)
Income from Investments	931	443	488	110.2
Donations and Endowments	67	117	(50)	(42.7)
Total	245,652	233,682	11,970	5.1



Student Tuition fees

Income from full-time UK & EU students increased by £5.2 million (4.0%) reflecting approximately 500 additional (all years) students, mainly undergraduate. This includes the continuing transfer of students from courses formerly fully funded by the NHS. International full-time income increased by £2.8 million (8.7%); as well as general fee inflation, this also reflects increased student recruitment.

Government Funding

Total funding is £0.9 million higher than in 2016/17. Mainstream teaching and research funding & HEIF (Higher Education Infrastructure Fund) fell slightly by £0.1 million, Miscellaneous grants rose by £1.0 million; reflecting increased funding under the Catalyst, Connecting Capabilities and Industrial Strategy funding streams.

Other sources of income

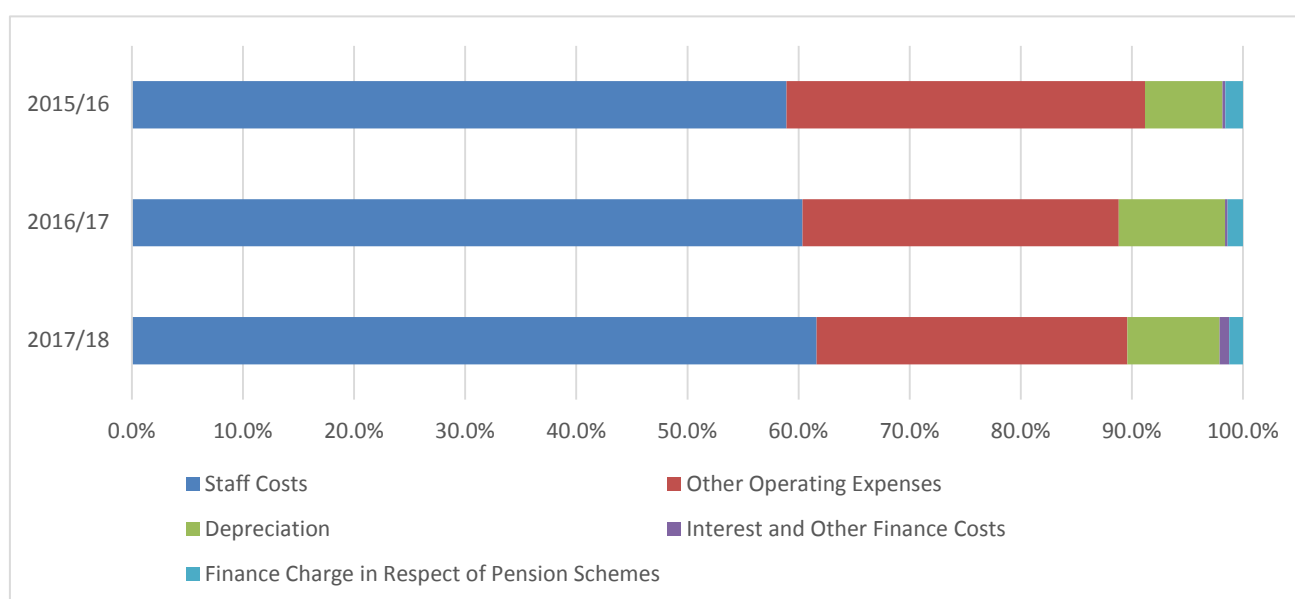
Income from research grants and contracts increased by £1.0 million to £8.8 million; this is predominantly due to a number of new awards funded by Research Councils UK and the EU; this level of increase represents a substantial achievement for the University, which also continues to support its 2015-2020 Research and Innovation Strategy through substantial investment in academic research

Income from Innovation, Residences, Catering and Other fell by £1.8 million to £18.2 million. This is partly (£800,000) due to a hall of residence being removed from use for planned major refurbishment. Contract income also reduced by £800,000 in the year reflecting some reduction in Innovation contract activity as well as reduced income from the bar the University operates for the students.

Investment Income has increased by £488,000 (110.2%) in total compared to 2016/17, predominantly due to the £115.8 million increase in cash balances during the year, £100 million of which being in respect of the private placement. Year-end cash balances and current investments totalled £252.1 million compared to £136.4 million at the end of 2016/17.

Expenditure

Expenditure by Type	2017/18 £000	2016/17 £000	Change £000	Change %
Staff Costs	147,243	136,951	10,292	7.5
Other Operating Expenses	66,819	64,642	2,177	3.4
Depreciation	19,789	21,670	(1,881)	(8.7)
Interest and Other Finance Costs	2,056	506	1,550	306.3
Finance Charge in Respect of Pension Schemes	2,990	3,190	(200)	(6.3)
Total	238,897	226,959	11,938	5.3



Expenditure has increased from £227.0 million to £238.9 million, including a £10.3 million (7.5%) increase in staff costs. This increase includes annual increments, the 1.7% August 2017 pay award (approximately £4m in total) and the 2.3% average full time equivalent increase in staff numbers, all new posts being agreed as part of the University's annual strategic and financial planning process (£2.5m). These new posts were predominantly in academic or student facing areas (for example the establishment of a new Apprenticeships Office), emphasizing the priority being given to the University's strategic ambitions. The remaining £3.8 million reflects the costs of the voluntary severance scheme run during 2017/18. The scheme was designed to provide the capacity to refresh staffing in areas of growth and greatest strategic importance, all applications being considered in light of the University's operational, business and strategic requirements.

Other Operating Expenditure increased by £2.2 million (3.4%) in the year. £1.5 million of this increase relates to externally funded research and innovation contracts and is matched with an increase in income.

Depreciation fell by £1.9 million (8.6%) compared to 2016/17. This decrease reflects adjustments in respect of the Langstone Halls of Residence which were permanently vacated before the financial year-end. During 2016/17 it was decided to write off the adjusted remaining value of these buildings over the remaining life. For 2016/17 this meant 12 months of increased depreciation charge. The final charge in 2017/18 was lower as the halls were vacated and so

taken out of use part-way through the financial year.

Interest and other finance costs increased by £1.6 million (306.3%) to £2.1 million in 2017/18. This entirely reflects the first year (part-year only) of interest costs for the new £100 million private placement.

Surplus

The surplus for the year on the University's consolidated accounts is £6.8 million, 2.8% of total income (2016/17: 2.9%).

Balance Sheet

Net Assets:	31 July 2018 £000	Represented By:	31 July 2018 £000
Non- Current Assets	342,696	Income and Expenditure Reserve: restricted	2,551
Net Current Assets	224,928	Income and Expenditure Reserve: unrestricted	309,691
Creditors due after one year	150,812		
Pension Liability	104,570		
Net Assets	312,242	Total Reserves	312,242

Total Net Assets for the University and its subsidiaries increased in value by £28.0 million to £312.2 million.

Non-current assets reduced by £5.3 million to £324.7 million in total; this included expenditure of £14.3 million on new fixed assets and £19.8 million depreciation. Depreciation includes the second year of an accelerated charge for the Langstone Halls of Residence, which as noted above, were permanently vacated towards the end of the year 2017/18. Additions to fixed assets and work in progress include completion of the University's new Future Technology Centre, which provides an exciting new space for Engineering and Science students to explore new and emerging technologies. Other additions include the refurbishment of the Dental Academy, significant works to Mercantile House building and initial spend on the new Sports Building, due to open in the autumn of 2020.

Year-end cash balances and current investments increased by £115.8 million (to £252.1 million) in the year; the increase being mainly due to the new £100 million private placement. Under FRS102, investments refers to fixed term cash investments, made from general funds and maturing at least 3 months after date of purchase, including government treasury bills. Cash and cash equivalents refers to all other cash balances.

The pension liability, relating to University staff membership (approximately 50% of total staffing) of the Hampshire Local Government Pension Scheme, fell by £15.4 to £104.6 million. The pension liability is recalculated as at each financial year end for the purposes of the financial statements. The reduced liability at 31st July 2018 compared to twelve months previously is due to a 0.2% increase in discounts rate (set with reference to corporate bond yields) between the two year end dates. This results in lower present value (cost) being placed on future cash flows by the scheme actuaries and an improved calculation of scheme asset performance compared to 2016/17.

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 risk based approach to its treasury management, with a clear commitment to ensuring its cash balances remain as secure as possible. Investment income increased by £488,000 in 2017/18, partly reflecting increased cash balances and current investments (£252.1 million compared to £136.4 million as at 31st July 2017). A refreshed Treasury Management Policy was approved in January 2018, which permitted investment in higher yielding investment instruments, and provided the opportunity to move funds to external fund managers. Furthermore a 0.25% increase in the Bank of England base rate in November 2017 increased the investment income achievable on bank deposits.

The approved changes to the Treasury Management Policy were influenced by the significant cash increase, via the private placement which combined with the University group's other cash balances require careful and proactive management in order to maximise return and mitigate the cost of carry of the borrowings, whilst meeting the University's needs in respect of liquidity.

Financial Sustainability and Financial Health

The University's Financial Key Performance Indicators (KPIs) for Sustainability and Health are reported to the relevant Governor committees. Discussion focuses on the University's position over time and also relative to sector benchmarks. The Financial KPIs for 2017/18 and 2016/17 are shown in the table below.

	2017/18	2016/17
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	£32.6m	£33.9m
Earnings before interest, Taxes, Depreciation and Amortisation as a % of Income	13.3%	14.5%
Surplus for the year as a % of Total Income	2.8%	2.9%
Unrestricted Reserves (excluding pension liability) as a % of Income	126.1%	120.6%
Borrowings as a % of Total Income	43.1%	2.5%
Days Ratio of Net Liquidity to Total Expenditure (excluding depreciation)	420.0	242.4
Staff Costs as a % of Income	59.9%	58.6%

The indicators above demonstrate the University's financial health and changes compared to the previous year's figures are well understood. For example the £100 million private placement has impacted on the days' ratio calculation (through higher year end cash balances) and percentage of borrowings (due to increased interest costs). Staff costs as a percentage of income have increased, however this is largely due to voluntary severance scheme costs in 2017/18.

Going Concern

The University undertakes an annual exercise to consider Going Concern. This is a review of our ability to continue to operate for at least twelve months from the date of signing the financial statements; that is until at least December 2019. This review is based on the University's financial position, the markets in which it operates and also the key risks it faces. The responses to these risks and challenges are considered and their potential impact on our ability to continue to operate without the need to materially curtail the nature of our operations or ambitions. This concluded that the University continues to remain a going concern. The Governors consider that the University has adequate resources to continue in operational existence for the foreseeable future. Our University Strategy to 2020/21 strongly supports us in mitigating against these challenges. Notably among them is the impact of the outcome of the EU referendum. While this is expected to make our operating environment more challenging and increase uncertainty, it is not expected to significantly impact on the successful delivery of the strategy.

Conclusion

Once again the University delivered a sizeable surplus, building on several years of excellent financial performance. This is after ensuring significant expenditure can be incurred to support the delivery of the strategic aspirations articulated within our University Strategy 2015 – 2020. It continues to be expected that these surpluses will be used to support our agreed ambitions for major redevelopment and enhancement of the institution's estate to ensure we continue to be a successful and financially sustainable University.

The University's Annual Report and Accounts can be viewed online at:
<http://www.port.ac.uk/departments/services/finance/publishedfinalstatements/>

Addressing Risk

The University has a comprehensive approach to risk management. The University's overall risk register is regularly reviewed by the Board of Governors. This table summarises key strategic risks and the mitigation in place to minimise their impact. The University undertook a comprehensive review of its corporate risk register during the course of the year and the risks below were reframed in that context.

ISSUE	RISK	MITIGATION
<p>Student recruitment and retention</p>	<p>Ineffective marketing results in poor student recruitment with the consequence that student numbers and income decline</p> <p>Courses do not reflect demand resulting in poor student recruitment with the consequence that student numbers and income falls and the quality of the student intake declines</p> <p>Demographic changes in the number of traditional HE entrants result in increased competition with the consequence that student numbers and income decline</p> <p>Admissions processes do not optimise student recruitment with the consequence that student numbers and income decline</p> <p>Students withdraw or fail to progress resulting in a decline in retention rates with the consequence that student numbers and income decline</p> <p>Partnerships are insufficiently developed and supported resulting in a reduced ability to recruit with the consequence that student numbers and income are not optimised</p>	<p>We have developed a comprehensive and robust marketing strategy and have invested significantly in the development of a new brand proposition and targeted and enhanced marketing campaigns.</p> <p>We have set clear recruitment targets, have reviewed our entry tariffs and have used unconditional offers selectively. Our admissions processes are geared to optimise conversion rates. This has been supported by major new investment in marketing activity.</p> <p>We will continue to ensure that we provide high quality teaching and a responsive, attractive and up-to-date curriculum that meets student expectations and the needs of society and the economy.</p> <p>We have established a clear strategic focus upon internationalisation and have developed a global engagement strategy, with associated investment to further diversify our international recruitment markets.</p> <p>We provide effective student support and wellbeing services to help our students to optimise their academic performance.</p>
<p>Student experience</p>	<p>Poor TEF outcomes result in diminished reputation with the consequence that the University's is less attractive to potential students</p> <p>Poor student satisfaction results in poor NSS outcomes with the consequence that league table positions decline</p> <p>Ineffective employability skills amongst students results in poor employability rates with the consequence that performance in the Graduate Outcomes Survey declines</p>	<p>We have developed and implemented our Education Strategy and have continued to improve and offer an excellent student experience, taking targeted action where improvements were identified.</p> <p>We have established an Employability Strategy for our students and have action plans to address issues arising from the NSS and DLHE surveys.</p> <p>We have implemented changes to the structure of the academic year to better support the quality of the student experience.</p>

ISSUE	RISK	MITIGATION
<p>Research and innovation income</p>	<p>Poor REF outcomes result in diminished research reputation with the consequence that research profile, activities and associated income decline</p> <p>Declining levels of research and innovation activity result in a diminished volume of activity with the consequence that research profile, activities and associated income decline</p>	<p>We have established a new Research and Innovation Strategy to drive approaches to increase income.</p> <p>We have developed a strategy to guide our approach to the next Research Excellence Framework.</p> <p>We have made strategic investments in existing and emerging research and innovation activities.</p> <p>We have made new staff appointments to strengthen the research base and enhance income potential.</p> <p>We have developed key strategic partnerships regionally, nationally and internationally to diversify our income.</p>
<p>Financial stability</p>	<p>Changes to government policy result in reductions in public funding with the consequence that the University's funding declines or is placed at risk</p> <p>Inability to identify and implement effective and efficient ways of working results in increased costs as a proportion of overall income with the consequence that the University does not make optimal use of its resources</p>	<p>We have a robust financial strategy that delivers financial sustainability and assists the diversification of income streams.</p> <p>We have adapted and improved our student recruitment and admission activities and processes to optimise student numbers, thereby protecting our income from tuition fees.</p> <p>Our Executive Planning Group helps to identify and drive financial efficiencies, value for money and cost savings across the University and to focus resources upon strategic priorities.</p> <p>We have restructured many of our back-office functions to reduce costs and to streamline processes and administration.</p>

ISSUE	RISK	MITIGATION
<p>Estate and IT infrastructure</p>	<p>Inability to offer fit-for-purpose buildings and infrastructure results in reduced ability to attract and retain students and staff with the consequence that strategic objectives cannot be attained</p> <p>Unexpected loss of a significant estate or IT facility results in constraints upon the ability to conduct business effectively with the consequence that the University is unable to deliver required services</p> <p>Ineffective or inaccurate record systems result in the use of incorrect or incomplete data to inform decisions and/or funding returns with the consequence that decisions are flawed or that funding returns are inaccurate</p> <p>Breaches of cybersecurity results in loss, theft or alteration of data; denial of service; or impersonation with the consequence that the ability to conduct business effectively is compromised</p> <p><u>New risks added during the course of the year:</u></p> <p>Inability to deliver the estate masterplan to schedule results in an inability to offer a high-quality environment with the consequence that strategic objectives cannot be attained</p>	<p>Our estates masterplan is ambitious, forward thinking and designed to meet future organisational and student needs. We have also developed and funded a long-term maintenance plan.</p> <p>We have undertaken robust feasibility studies with oversight from dedicated project boards and an over-arching Strategic Technology Projects Board. We have robust contract monitoring to ensure that projects proceed to expectations.</p> <p>We have robust contingency and recovery plans in place to ensure network and cyber security, supported by multi-layer security systems, security testing and information systems auditing. This is supported by awareness raising and training to ensure that staff are aware and understand cyber-security risks and basic mitigating actions.</p>
<p>Attracting and retaining staff</p>	<p>Inability to recruit high-calibre staff leads to a lack of required skills, knowledge and attributes with the consequence that the University is unable to attain strategic objectives</p> <p>Inability to retain high-calibre staff leads to inability to a lack of required skills, knowledge and attributes with the consequence that the University is unable to attain strategic objectives</p> <p>Inability to develop the workforce culture leads to a lack of resilience and ability to manage change effectively with the consequence that the University is unable to attain strategic objectives</p> <p>Inability to secure or develop sufficient capacity to drive intended change and innovation with the consequence that the University is unable to attain its strategic objectives</p>	<p>We have developed a People Strategy and have undertaken work to ensure that we offer attractive salary and relocation packages, good induction processes and follow sector-leading HR practices.</p> <p>We have developed and piloted a new personal development review process to better acknowledge and manage the performance of staff and to support their training and development needs.</p> <p>We have reviewed and widened our workload allocation model and have made a significant investment in the wellbeing, training and development of our staff.</p> <p>We have provided reassurance and support to EU staff to clarify the potential employment implications of Brexit</p>

ISSUE	RISK	MITIGATION
<p>Regulatory compliance</p>	<p>Non-compliance with legislation and regulatory requirements results in fines and prohibitions being imposed upon the University with the consequence that it suffers financial loss and reputational damage</p> <p>Quality assurance requirements are not met resulting in poor inspection reports and negative publicity with the consequence that the University suffers reputational damage</p> <p><u>New risks added during the course of the year:</u></p> <p>Required standards of governance are not met resulting in poor decision-making and financial loss and reputational damage</p>	<p>We have strong, well-publicised and enforced procedures for meeting our legal obligations.</p> <p>We enforce robust governance and corporate controls within the University and our supply chains.</p> <p>We have strong administrative procedures in place to fully satisfy UKVI requirements.</p> <p>We have established an action plan and risk assessment to guide our delivery of the Prevent duty.</p>
<p>Reputation and image</p>	<p>Poor league table positions result in a diminished reputation and image with the consequence that this constrains ability to recruit students and staff and attract external investment</p> <p>Disreputable strategic partnerships result in the University being brought into disrepute with the consequence that its reputation and ability to conduct business with other parties is damaged</p> <p>Inability to plan and liaise effectively over the delivery of the estates masterplan with local stakeholders creates disruption and inconvenience in the local environment with the consequence that relationships are damaged and the University's reputation is damaged</p>	<p>We have identified and monitored the factors that are likely to influence our reputation and have enhanced our approach to communications and marketing.</p> <p>We have developed strong due diligence processes and, where necessary, will enforce robust governance and corporate controls within the University, our partnerships and within our supply chains.</p>

Public Benefit and Community Engagement

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

Our strategy, mission and vision demonstrate our focus on the delivery of higher education and high quality research. It is through this activity that we are able to make a major contribution to social, cultural, educational and economic development. Our published mission states, "We delight in creating, sharing and applying knowledge *to make a difference to individuals and society*". The principal beneficiaries of the University's activity are our students and the wider public. Over 100,000 students have graduated from the University of Portsmouth since 1992.

We acknowledge our special responsibility to our local community. In 2015/16 the University generated around £1.1 billion gross value added (GVA) to the UK, including £476m in Portsmouth City and £624m in the Solent Region (source: "Economic Impact of the University of Portsmouth- BIGGAR Economics, July 2017). In addition to the economic benefits provided by our students, and over 2,500 full-time equivalent staff, our influence extends to the provision of intellectual and cultural leadership within the city, support for educational aspiration and attainment, and bringing benefits to businesses and local organisations.

Through each of our main areas of activity – education, research and innovation – we provide many additional benefits to the communities we serve, selected examples are detailed below. In addition to these, further examples of activities which provide public benefit and/or community engagement can be found on the University website at www.port.ac.uk

Education

The University delivers undergraduate and postgraduate programmes to around 24,000 students. Through our Education Strategy we seek to promote and encourage creativity and innovation, developing partnerships and supporting staff and students to fulfil their potential. We provide the regional, national and international economies with highly capable graduates able to make significant contributions to society. Our provision includes strategically important areas such as science, engineering, mathematics, modern foreign languages and the creative industries. Many of our courses are professionally accredited, ensuring our graduates' development is in line with current professional standards, ensuring they are work-ready. Our programmes are developed to respond to the needs of employers and the local, regional, national and international economy, for example the recent introduction of an Adult Nursing course, alongside our existing healthcare provision is in direct response to the local and national requirement for qualified practitioners in this area.

97.5% of our graduates are in employment or further study six months after graduation, and 82% of those working are employed in professional or managerial occupations. Many of our graduates remain in the city and surrounding area upon completion of their studies – providing up to date knowledge and skills to employers.

The city of Portsmouth includes a number of wards with some of the lowest participation rates in Higher Education in the UK. Overall Higher Education participation rates are significantly below the average for the South East. Our strategic commitment to "raise expectations and create ladders of opportunity for all those in our region who might benefit from taking part in Higher Education", seeks to build on our enduring commitment to widen access and participation. Our Recruitment and Outreach team create and maintain links between local Schools and Colleges and University, including many with traditionally low levels of progression to Higher Education. We offer a range of activities designed to interest and inform students about higher education. These activities are delivered from Years 5 to 13 and seek to encourage growth mindsets in individuals and include our very successful Student Ambassador and Student Mentoring schemes.

The University is working in partnership with Portsmouth College on the delivery of the Portsmouth Scholars' Scheme, which encourages and supports progression from school to college and from college to Higher Education through an active mentoring and support structure. The project seeks to demystify University for potential students, particularly those who come from families where there is no prior experience of Higher Education. As mentors our students can convey what University life is like. Through the first stage of the scheme, University students and learning development tutors visit young people at college and provide subject support through one-to-one and small group sessions. The

second phase of the scheme involves students from the University and the college mentoring Year 10 and 11 students at secondary schools within the City.

We are committed to fair and non-discriminatory admissions processes and continue to provide generous financial assistance to students from low-income households to mitigate against economic barriers to Higher Education. Our overall success in promoting access and participation and improving social mobility is evidenced through the very high proportion of our Home/EU full-time undergraduates from state schools and colleges (97% in 2016/17), students with non A-Level qualifications (45%), students from low-income households (35%), low participation neighbourhoods (27%) and BME students (26%), many of whom are non-traditional entrants to Higher Education.

The University was the lead partner in the establishment of a University Technical College (UTC) for up to 600 pupils, aged 14-19, which opened in 2017 and exists alongside around 50 such institutions operating across England. The UTC is designed to work with the University and employers, including the Royal Navy, BAE Systems, QinetiQ, and Portsmouth City Council to provide a curriculum and pupil opportunities which prepares pupils who will be ready to work upon leaving. The UTC specialises in advanced manufacturing and electrical and mechanical engineering skills which are taught alongside core GCSEs, in order to address workforce shortages in these areas across the Solent Region.

Research and Innovation

Through our Research activity we seek to address fundamental and strategically important questions and to deliver economic, social and cultural impacts across the full breadth of our activity from the purest sciences to the economically and technologically applied ones, with our outputs influencing a wide range of stakeholders including charities, industry and government agencies.

Over 60% of the research the University submitted to REF2014 was rated as world-leading and internationally excellent; with over 80% of our research impact being judged as having 'outstanding' or 'very considerable' impact in terms of reach and significance.

Our research continues to provide significant benefits beyond the University, with our experts regularly sharing the outcomes of their research. Perhaps the most prominent example this year has been a University of Portsmouth Research team's involvement in engineering an enzyme better at degrading PET, used in the manufacture of plastic bottles, than the one found in nature.

In addition to providing work-ready graduates to employers in the city and surrounding region, we support businesses providing students for part-time work, short-term internships, year-long sandwich placements.

The University works with business partners of all sizes through collaborative research and consultancy. We provide our partners with access to world-class facilities and laboratories, as well as providing advice and support to SMEs in the region through our Business Enterprise Centre. We have developed and maintain relationships with local stakeholders including local enterprise partnerships including the Solent Local Enterprise Partnership, Solent Growth Hub, Future Solent and Creative Network South.

This year has seen the launch of a new collaboration between the University and the Portsmouth Hospitals Trust. The Portsmouth Technologies Trials Unit will support local health research studies, combining the resources and expertise of both organisations to support research projects at all stages of their lifecycle. The unit will specialise in research studies seeking to develop new technologies, working with SMEs, clinical researchers, academics, industry and the National Institute for Health Research, to improve healthcare.

Community Engagement

Our commitment to ensuring that "every student takes part in career-enhancing activities, such as placements, exchanges, enterprise, volunteering or work-based learning" provides added value to the community around us.

Community Partnerships, Volunteering and Working with Local Schools

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

In addition to allowing students to improve their clinical and patient-management skills these projects also ensure dental graduates have an informed and meaningful insight in to the factors contributing to health inequalities within communities. The community benefits through enhanced understanding around the causes of disease, improved oral health and a reduction in inequalities and, as a result, many disadvantaged people are able to benefit from dental care and treatment that would not otherwise have been available to them.

This year over 1,300 University of Portsmouth students were involved in recorded volunteering activity arranged through our Careers and Employability Service, Department of Sports and Recreation, or University of Portsmouth Students' Union, in work based placements in the third sector; actively partnering with over 100 organisations and resulting in over 53,000 hours of recorded voluntary work being undertaken.

As well as the many instances in which individual or small groups of students volunteer with partners, our Department of Employability has also sourced and developed larger scale volunteering projects. These include local involvement in national initiatives such as Code Club, a network of volunteers delivering free coding clubs for 9-13 year olds, and STEM Ambassadors which seeks to encourage and inspire young people to progress further in science, technology, engineering and mathematics subjects. Additionally, our students continue to work with local primary schools to improve pupil literacy through our 'Reading Scheme'.

Our Department of Sport and Recreation is also heavily involved in volunteering activity with the UP for Sport programme, which delivers outreach in local schools. Students are recruited, trained and deployed in to local schools and community organisations, delivering sports sessions to young people. The department has also been awarded funding by the Football Association enabling the provision of volunteering, coaching and refereeing opportunities to the local community.

Volunteering through the Students' Union recruited over 500 students to their pool of Volunteers for their Volunteering in Portsmouth (VIP) scheme which provided a number of opportunities for members to get involved with a variety of organisations and projects. UPSU staff are also encouraged to utilise paid volunteering leave to participate in projects that can give back to the community.

Sponsorship of Portsmouth Football Club

The University was named as the Main Club Partner to Portsmouth Football Club in May 2018, building on our existing relationship as Official Education Sponsor which has seen students gain valuable work experience, internships and placements at the club. It is anticipated that the arrangement will strengthen our partnership allowing us to further cement our commitment to the economic, educational and cultural life of our city and region and providing a number of collaborative research opportunities. Upon the announcement of the arrangement the football club chairman, Michael Eisner, said: " It is clear to me that both institutions play a huge role in the city and the University in particular is essential in providing educational courses that drive many aspects of the local economy. Specifically, we want to help increase participation rates in higher education in areas of the city where football has an emotional connection with the citizens.

The University's Structure of Corporate Governance

Membership

The University's Board of Governors draws its authority from the University's Articles¹ and Instrument of Government². The majority of Governors are external to the University, and the Board also includes student and staff members, together with the Vice-Chancellor and the President of the Students' Union (both *ex officio*). The roles of Chair and Deputy Chair of the Board are separate from the role of the University's Chief Executive, which is the Vice-Chancellor.

Governors' Remuneration

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

Governors' Insurance

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

CUC Governance Code of Practice and Principles

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

Responsibilities

The University's Board of Governors is responsible for the ongoing strategic direction of the University and approval of major developments. The Board takes an overview of the inherent risks facing the institution. The Governors discharge the responsibilities set out in the CUC Code of Governance, including responsibilities for the proper conduct of public business, strategic planning, monitoring performance, finance, audit, estate management, charitable status, staffing, the Students' Union and health and safety. The matters reserved specifically for the Board for decision are set out in the Articles of Government of the University and under the Office for Students (OfS) Terms and Conditions of funding for higher education providers for the period to 31 July 2019. 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.

¹ The Articles of Government can be found at:

<http://www.port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,77031,en.pdf>

² The Instrument of Government can be found at:

<http://www.port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,77030,en.pdf>

Statement of Primary Responsibilities

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

Strategy

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

Vice-Chancellor

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

Clerk to the Board of Governors

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

Senior Postholders

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

Staff

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

Stewardship

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

Monitoring

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

Corporate Governance

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

Audit

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

Estates and Information Technology

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

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

Students' Union

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

Health and Safety

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

Equality and Diversity

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

Board's Reserved Powers

The Board of Governors shall not delegate the following:

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

Board and Committee Meetings

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

Audit and Quality Committee

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

Finance Committee

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

Human Resources Committee

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

Estate and Information Technology Committee

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

Nominations Committee

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

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

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

Risk Management

The current Risk Management Policy was approved by the Board of Governors in October 2018 and is reviewed annually. The maintenance and update of the Risk Register is the responsibility of the Director of Corporate Governance. As one means of complying with the key principles of risk management, all committees of the Board of Governors conduct their work in the context of the University Strategy and the Risk Management Policy. In essence, committees will examine the inherent risks in the strategic objectives of the committees as they contribute to the University Strategy.

Financial Responsibilities

2017/18 Financial Responsibilities of the University's Board of Governors

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

The Board is responsible for keeping proper accounting records which disclose with accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Articles, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant Accounting Standards. In addition, within the terms and conditions of the OfS Terms and Conditions of funding for higher education providers for the period to 31 July 2019, and the University, the Board, through its accountable officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University at the year end and of the surplus or deficit and cash flows for that year.

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

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

The Board has taken reasonable steps to:

- ensure that funds from the OfS (previously HEFCE) are used only for the purposes for which they have been given and in accordance with the OfS Terms and Conditions of funding for higher education providers for the period to 31 July 2019 and any other conditions which the OfS may from time to time prescribe;
- ensure that there are appropriate financial and managerial controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

2017/18 Statement of Internal Control

The governing body has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Instruments and Articles and the OfS Terms and Conditions of funding for higher education providers for the period to 31 July 2019. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of financial statements. It continues to be reviewed and refined in accordance with the OfS guidance.

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

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

The Board's review of the effectiveness of the system of internal control was previously informed by the HEFCE Assurance Team, which operates to standards defined in the HEFCE Audit Code of Practice. The University was last reviewed by the HEFCE Assurance Team in February 2015 and the review confirmed the HEFCE's confidence in the effectiveness of the University's management and governance. The HEFCE's overall conclusion was that it was 'able to place reliance upon the University's accountability information', which is the highest achievement outcome that can be obtained from such reviews. In addition, the HEFCE previously made an annual risk assessment of the University which was confirmed in February 2018 and this stated that the University was deemed to be "not at higher risk". The internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

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

Public Information

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

Remuneration Committee

The Vice-Chancellor's salary is set each year by the Vice-Chancellor's Remuneration Committee by reference to the previous financial year (2016/17). 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 2016/17 had:

- A turnover of over £230 million
- Over 22,000 students, including 4,000 international students from over 120 countries
- Over 2,500 academic and professional services staff
- Over 100 education partnerships in 25 countries
- The highest rating of "Gold" in the Teaching Excellence Framework
- 88% student satisfaction rates in the National Student Survey
- 96% of its graduates in work or further study within six months of graduation with *The Economist* rating the University as the best in the UK for boosting graduate salaries
- A top 40 ranking in *The Guardian* League Table of UK universities
- A top 100 ranking in the *Times Higher* New University Rankings
- An annual economic benefit to the local economy of £300 million.

Process for Assessing Value and Performance

Framework for Setting the Pay of Senior Postholders

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

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

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

(vi) Any material changes in roles and responsibilities since the previous review period.

The Framework also states that:

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

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

<http://www2.port.ac.uk/departments/services/boardofgovernors/aboutus/filetodownload,200660,en.pdf>

Assessment of Value and Performance

Contextual Information

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

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

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

Judgement of Performance

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

- (i) Comments, feedback and observations on the Vice-Chancellor's performance from governors confirmed that it was the view of governors that the Vice-Chancellor had provided effective leadership for the University; had presided over a sustained improvement in the University's performance; and had maintained a firm focus upon achieving key strategic outcomes for the University.
- (ii) The assessment of the Vice-Chancellor's achievement against his objectives for 2016/17 showed that the majority of objectives had been successfully completed. In instances where objectives had been partially completed, significant progress could be demonstrated. There were no instances where little or no progress had been made towards the achievement of an objective.
- (iii) The performance of the University in the past year had been impressive. It had attained a 'Gold' ranking in the Teaching Excellence Framework; had performed strongly in the National Student Survey; had improved its league table position; had enhanced its student employability rates; and had maintained a robust financial position.

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

- (i) A salary of £273,000 with effect from 1 August 2017.
- (ii) A non-consolidated special payment of £5,000 in recognition of his contribution to the University's exceptional performance during the course of the year; which included the achievement of a "Gold" rating in the TEF and improvements in key national league tables.

The Vice-Chancellor subsequently declined to receive the non-consolidated special payment and requested that these monies should instead be used to help to support bursaries to enable people from disadvantaged wards within Portsmouth to study at the University.

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 £1,338 for 2017/18. It is a taxable benefit and the Vice-Chancellor pays tax upon this.

Pension Allowance

The University allows any member of staff who can demonstrate that they have met their maximum lifetime pension allowance to opt-out of their pension scheme and, instead, receive a pension allowance from the University in lieu of pension contributions. The Vice-Chancellor has availed himself of this option and received a monthly allowance of £3,217 in lieu of pension contributions from the University during 2017/18. This is shown separately within note 7 to the Financial Statements.

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

Trade Union Facility Time

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

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

Data for the reporting period 1 April 2017 to 31 March 2018 is as follows:

Trade Union representatives and full-time equivalents

Number of employees who were relevant union officials during the relevant period	16
FTE number of trade union representative for this period	16

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	14
51% to 99% working hours	2
100% working hours	0

Percentage of pay bill spent on facility time

Total cost of facility time	£259,809
Total pay bill	£138,339,000
Percentage of the total pay bill spent on facility time	0.19%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0.38%
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Independent auditor's report to the governing body of the University of Portsmouth

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2018 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and of the group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the Group and University Statements of Comprehensive Income and Expenditure;
- the Group and University Balance Sheets;
- the Group and University Statements of Changes in Reserves;
- the Group Cash Flow statement;
- the statement of principal accounting policies; and
- the related notes 1 to 28.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

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

We have nothing to report in respect of these matters.

Responsibilities of the governing body

As explained more fully in the governing body's responsibilities statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the governing body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- the requirements of the OfS's accounts direction have been met.

Use of our report

This report is made solely to the governing body in accordance with the Accounts Direction issued by the Office for Students dated 19 June 2018. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Hornby FCA (Senior statutory auditor)
Deloitte LLP
Statutory Auditor
Reading, UK
27 November 2018

Statement of Principal Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

Basis of Consolidation

The consolidated financial statements include the University and all its subsidiary companies for the financial year to 31 July 2018.

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

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

Income Recognition

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

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

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

Grant Funding

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

Donations and Endowments

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

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

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

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

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

Capital Grants

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

Accounting for Retirement Benefits

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Hampshire County Council administered Local Government Pension Scheme (LGPS). The TPS is 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 company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

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

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

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

Employment Benefits

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

Finance Leases

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

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

Operating Leases

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

Foreign Currencies

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

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

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

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The revaluation was performed by qualified quantity surveyors based upon their independent review of the estate and supporting information from the University. At this time, the estimated useful lives of the buildings were reviewed and updated based upon an assessment of the age and condition of the estate.

An annual review of buildings is undertaken to determine if there has been any impairment in the accounting period.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives (maximum 50 years).

No depreciation is charged on assets in the course of construction.

Equipment

Equipment costing less than £15,000 per individual item, or group of related items. Is written off in the year of acquisition except where it forms part of the IT infrastructure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Equipment:	
AV Equipment	3 years
IT Infrastructure	5 years
Other Equipment	5 years
IT Systems	5 or 10 years
Specialist Scientific Equipment	10 years
Vehicles	5 years

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

Borrowing Costs

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

Intangible Assets and Goodwill

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

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

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

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

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

Investments

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

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

Stocks

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

Cash and Cash Equivalents

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

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

Financial Instruments

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

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

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

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

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

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

Accounting Estimates and Judgements

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

(i) Pension provision assumptions

Retirement benefits for University employees are provided by two defined benefit schemes; the Teachers' Superannuation Scheme (an unfunded Government scheme) and the Hampshire Local Government Pension Scheme (LGPS). In the case of the latter, the University is able to identify its share of the underlying assets and liabilities on a consistent basis and provides for these in the financial statements in accordance with FRS 102. All relevant calculation are based on information provided by the Scheme's actuaries (Aon Hewitt) and this information is based on a number of key assumptions. Key among these is the discount rate which is used for the calculation of the defined benefit liabilities. The rate is assumed to be equal to the yield on high quality (AA rated) corporate bonds. Other assumptions include estimated future pay increases, scheme membership numbers and mortality. All assumptions are tested during the external audit process.

There are no critical accounting estimates which have had a significant effect on the amounts recognised in the financial statements.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

Taxation

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

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

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

Reserves

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

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

University of Portsmouth
Financial Statements for the Year Ended 31 July 2018



Consolidated Statement of Comprehensive Income and Expenditure
for the year ended 31 July 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	194,891	194,681	183,496	183,293
Funding body grants	2	22,776	22,776	21,848	21,848
Research grants and contracts	3	8,773	8,642	7,792	7,644
Other income	4	18,214	17,362	19,996	19,273
Investment income	5	931	925	443	444
Donations and endowments	6	67	67	107	107
Total Income		245,652	244,453	233,682	232,609
Expenditure					
Staff costs	7	147,243	146,812	136,951	136,455
Other operating expenses		66,819	66,130	64,642	63,917
Depreciation	12	19,789	19,712	21,670	21,584
Interest and other finance costs	8	2,056	2,062	506	506
Finance charge in respect of pension scheme		2,990	2,990	3,190	3,190
Total Expenditure	9	238,897	237,706	226,959	225,652
Surplus before other gains and losses		6,755	6,747	6,723	6,957
Loss on disposal of fixed assets	12	(8)	(8)	(18)	(18)
Gain on investment	22	61	61	80	80
Surplus before tax		6,808	6,800	6,785	7,019
Taxation	11	16	0	27	0
Surplus for the year		6,792	6,800	6,758	7,019
Actuarial gain in respect of pension schemes	28	21,240	21,240	23,620	23,620
Total comprehensive income for the year		28,032	28,040	30,378	30,639
Represented by:					
Endowment comprehensive income for the year	22	136	136	140	140
Unrestricted comprehensive income for the year		27,896	27,904	30,238	30,499
		28,032	28,040	30,378	30,639

All items of income and expenditure relate to continuing activities

University of Portsmouth
Financial Statements for the Year Ended 31 July 2018



Consolidated and University Balance Sheet
as at the year ended 31 July 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Intangible asset	10	523	0	497	0
Tangible fixed assets	12	339,751	336,777	345,201	342,164
Investments	13	2,422	7,008	2,310	6,871
		342,696	343,785	348,008	349,035
Current Assets					
Stock		223	217	365	354
Trade and other receivables	14	16,998	16,846	10,387	10,242
Investments	15	120,317	120,317	0	0
Short term deposits	16	34,467	34,467	56,918	56,918
Cash and cash equivalents		97,344	96,253	79,434	78,561
		269,349	268,100	147,104	146,075
Less: Creditors: amounts falling due within one year	17	(44,421)	(44,008)	(38,636)	(38,389)
Net current assets		224,928	224,092	108,468	107,686
Total assets less current liabilities		567,624	567,877	456,476	456,721
Creditors: amounts falling due after more than one year					
Deferred grant income	18	(48,034)	(48,034)	(47,861)	(47,861)
Unsecured loans	18	(102,778)	(102,778)	(4,475)	(4,475)
Provisions					
Pension provision	21	(104,570)	(104,570)	(119,930)	(119,930)
Total net assets		312,242	312,495	284,210	284,455
Restricted reserves	22	2,551	2,551	2,415	2,415
Unrestricted reserves					
Income and expenditure reserve - unrestricted		309,691	309,944	281,795	282,040
Total Reserves		312,242	312,495	284,210	284,455

These financial statements were approved by the Board of Governors on 26 November 2018

J Hoskins
 Chair of The Board of Governors

G Galbraith
 Governor & Vice-Chancellor

University of Portsmouth
Financial Statements for the Year Ended 31 July 2018



**Consolidated and University Statement of Changes in Reserves
for the year ended 31 July 2018**

	Note	Income and expenditure account		Total £000
		Endowment (note 22) £000	Unrestricted £000	
Consolidated				
Balance at 1 August 2016		2,275	251,557	253,832
Surplus for the year		140	6,618	6,758
Actuarial gain in respect of pension scheme	28	0	23,620	23,620
Total comprehensive income for the year		140	30,238	30,378
Balance at 1 August 2017		2,415	281,795	284,210
Surplus for the year		136	6,656	6,792
Actuarial gain in respect of pension scheme	28	0	21,240	21,240
Total comprehensive income for the year		136	27,896	28,032
Balance at 31 July 2018		2,551	309,691	312,242
University				
Balance at 1 August 2016		2,275	251,541	253,816
Surplus for the year		140	6,879	7,019
Actuarial gain in respect of pension scheme	28	0	23,620	23,620
Total comprehensive income for the year		140	30,499	30,639
Balance at 1 August 2017		2,415	282,040	284,455
Surplus for the year		136	6,664	6,800
Actuarial gain in respect of pension scheme	28	0	21,240	21,240
Total comprehensive income for the year		136	27,904	28,040
Balance at 31 July 2018		2,551	309,944	312,495

University of Portsmouth
Financial Statements for the Year Ended 31 July 2018



Consolidated Statement of Cash Flows
for the year ended 31 July 2018

	Note	Year ended 31 July 2018 Consolidated £000	Year ended 31 July 2017 Consolidated £000
Cash flow from operating activities			
Surplus for the year		6,792	6,758
Adjustments for non-cash items			
Depreciation	12	19,789	21,670
Decrease in stock		142	12
Increase in debtors		(6,561)	(1,470)
Increase in creditors		5,348	4,856
Net pensions cost for the year	28	5,880	6,630
		<u>24,598</u>	<u>31,698</u>
Adjustment for investing or financing activities			
Investment income		(915)	(476)
Interest payable		2,056	506
Endowment income		(75)	(60)
Loss on the sale of fixed assets	12	8	18
Capital grant income		(1,845)	(1,586)
		<u>(771)</u>	<u>(1,598)</u>
Net cash inflow from operating activities		<u>30,619</u>	<u>36,858</u>
Cash flows from investing activities			
Purchase of current asset investments	15	(120,317)	0
Net movement of short term deposits	16	22,451	(2,977)
Taxation paid		(14)	0
Investment income		915	476
Deferred capital grants received		2,276	3,171
Payments made to acquire fixed assets		(14,347)	(18,332)
New non-current asset investments		(136)	(244)
		<u>(109,172)</u>	<u>(17,906)</u>
Cash flows from financing activities			
Interest paid	8	(2,056)	(506)
Endowment cash received		75	60
New unsecured loans		100,000	0
Repayment of amounts borrowed		(1,556)	(1,427)
		<u>96,463</u>	<u>(1,873)</u>
Increase in cash and cash equivalents in the year		<u>17,910</u>	<u>17,079</u>
Cash and cash equivalents at the beginning of the year		79,434	62,355
Cash and cash equivalents at the end of the year		97,344	79,434

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

University of Portsmouth
Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
1 Tuition fees and education contracts				
Full-time home students	128,864	128,864	125,123	125,123
Full time EU students	8,547	8,547	7,051	7,051
Full-time international students	34,770	34,770	31,987	31,987
Part-time students	7,787	7,787	6,033	6,033
Education contracts	10,896	10,896	9,070	9,070
Franchise fee income	2,474	2,474	2,590	2,590
Short courses and Research Training Support Grants	1,553	1,343	1,642	1,439
	194,891	194,681	183,496	183,293
2 Funding council grants				
Recurrent grant				
Higher Education Funding Council for England	13,785	13,785	18,662	18,662
Office for Students	4,758	4,758	0	0
Release of capital grant	1,566	1,566	1,482	1,482
Specific grant				
Higher Education Innovation Fund	1,449	1,449	1,550	1,550
Miscellaneous	1,096	1,096	133	133
National College for Teaching and Leadership	116	116	21	21
Education and Skills Funding Agency	6	6	0	0
	22,776	22,776	21,848	21,848
3 Research grants and contracts				
Research councils	3,128	3,128	2,728	2,728
UK charities	1,326	1,312	1,465	1,464
UK Government/health authorities	1,018	992	1,222	1,200
Industry and commerce	700	622	548	436
EU Government	1,478	1,478	1,023	1,023
EU other	169	166	68	60
Other overseas	780	770	685	685
Other	174	174	53	48
	8,773	8,642	7,792	7,644
4 Other income				
Residences, catering and conferences	9,993	9,993	10,799	10,799
Contract income	3,732	2,583	4,092	2,864
Other income	4,489	4,786	5,106	5,611
	18,214	17,362	19,996	19,273
5 Investment income				
Interest from short term investments	856	850	369	370
Appreciation of restricted investments	75	75	74	74
	931	925	443	444
6 Donations and endowments				
Donations with restrictions	2	2	27	27
Unrestricted donations	65	65	80	80
	67	67	107	107

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
7 Staff costs				
Staff Costs:				
Salaries	113,727	113,312	105,416	104,943
Social security costs	11,171	11,158	10,612	10,591
Apprenticeship levy	523	523	168	168
Other pension costs (note 28)	21,822	21,819	20,755	20,753
Total	147,243	146,812	136,951	136,455

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

Average full time equivalent staff numbers by major category:

	Number	Number
Academic and Research	1,344	1,297
Technical, Administrative and Professional	1,392	1,359
	2,736	2,656
	£000	£000
Emoluments of the Vice-Chancellor:		
Basic salary	273	266
Taxable benefits in kind	1	1
	274	267
Pension allowance in lieu of pension contributions	39	31
Employer's contribution to the Teachers Pension Scheme	0	7
Total emoluments including employer's contribution to the Teachers Pension Scheme	313	305

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

Other higher paid staff:

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

	Number	Number
£100,000 - £104,999	4	0
£105,000 - £109,999	2	4
£110,000 - £114,999	3	1
£115,000 - £119,999	1	0
£120,000 - £124,999	0	1
£125,000 - £129,999	0	0
£130,000 - £134,999	1	1
£135,000 - £139,999	0	1
£140,000 - £144,999	4	2
	15	10

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 2018 this group of staff consists of the Vice-Chancellor, the three Pro Vice-Chancellors, the Chief Operating Officer and the Directors of Finance and Corporate Governance.

	£000	£000
Basic salary	1,110	1,054
Taxable benefits in kind	9	26
Employer's contribution to the Local Government and Teachers Pension Scheme	123	121
Key management personnel compensation	1,242	1,201

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

7 Staff costs (continued)

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

	Year ended 31 July 2018 Consolidated £000	Year ended 31 July 2017 Consolidated £000
Vice-Chancellor Salary	273	266
Vice-Chancellor Remuneration	313	305
Median Salary all other staff	35	33
Median Remuneration all other staff	40	38
Pay Multiple (Median Salary)	8	8
Pay Multiple (Median Remuneration)	8	8

The median salary and remuneration ratio calculations are calculated in accordance with the methodology prescribed by the Office for Students and are based on all staff employed at any point during the respective financial year; all part-time staff (including those on variable hours and casual contracts) have been converted to full-time as required by this methodology. All staff are treated as full-time in the calculation, independent of their actual full time equivalence during the year. The calculations do not take account of outsourced staff; which are limited to grounds maintenance, cleaning and security services. Agency staff paid by invoice are excluded from the calculation.

Vice-Chancellor Emoluments	313	305
Salary and Employer Pension Costs for lowest paid staff member	20	19
Ratio	16	16

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

Redundancy and Severance Costs, all Staff

	Year ended 31 July 2018		Year ended 31 July 2017	
	£000	number	£000	number
Contractual redundancy and severance payments	255	54	325	38
Payments in relation to a voluntary severance scheme	3,732	123	0	0
Other	307	30	0	0
Total	4,294	207	325	38

Board of Governors:

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

No member of the Board of Governors has received any remuneration/waived payments from the University or its subsidiary companies during the year (2016/17 - £0) in respect of activities undertaken as a consequence of Board membership.

Total expenses paid to or on behalf of 12 members of the Board of Governors was £6,724 (2016/17 - £7,042 to 14 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 2018



Notes to the Financial Statements (continued)

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
8 Interest and other finance costs				
Interest on loans repayable (unsecured bank loans - Barclays)	435	435	559	559
Interest on loans repayable (unsecured placement loans - other)	1,604	1,604	0	0
Gain/(loss) on currency exchange transactions	17	23	(53)	(53)
	2,056	2,062	506	506

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

9 Analysis of total expenditure by activity

Academic and related expenditure	152,218	151,618	147,005	146,399
Other income generating activities	2,255	1,603	2,142	1,475
Administration and central services	30,891	31,019	26,589	26,605
Premises	33,805	33,740	33,870	33,870
Residences, catering and conference	7,284	7,286	7,270	7,285
Research grants and contracts	7,398	7,388	6,387	6,322
Interest and other finance costs	2,056	2,062	506	506
Finance charge in respect of pension scheme	2,990	2,990	3,190	3,190
	238,897	237,706	226,959	225,652

Other operating expenses include:

External auditor's remuneration in respect of audit services	77	46	73	38
External auditor's remuneration in respect of non audit services	38	12	100	60
Internal auditor's remuneration	59	59	89	89
Operating lease rentals - land and buildings	428	315	392	297
Operating lease rentals - other	78	78	61	61

10 Intangible asset

Opening balance	497	0	381	0
Increase in value during the year	26	0	116	0
Closing balance	523	0	497	0

11 Taxation

Recognised in the statement of comprehensive income

Current tax

Current year	16	0	27	0
Current tax expense	16	0	27	0
Total tax expense	16	0	27	0

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Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

12 Tangible fixed assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Assets under Construction	Land and Buildings Total	Plant and Machinery	Fixtures, Fittings and Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Cost or deemed cost:							
At 1 August 2017	341,431	8,387	8,773	358,591	347	44,098	403,036
Additions at cost	4,001	0	7,204	11,205	0	3,142	14,347
Transfer of assets under construction	7,965	0	(7,965)	0	0	0	0
Disposals/Demolitions	0	0	0	0	0	(1,363)	(1,363)
At 31 July 2018	353,397	8,387	8,012	369,796	347	45,877	416,020
Depreciation:							
At 1 August 2017	28,828	423	0	29,251	259	28,325	57,835
Depreciation	15,119	211	0	15,330	23	4,436	19,789
Disposals/Demolitions	0	0	0	0	0	(1,355)	(1,355)
At 31 July 2018	43,947	634	0	44,581	282	31,406	76,269
Net Book Value							
At 31 July 2018	309,450	7,753	8,012	325,215	65	14,471	339,751
At 31 July 2017	312,603	7,964	8,773	329,340	88	15,773	345,201
University							
Cost or deemed cost:							
At 1 August 2017	337,017	8,387	8,773	354,177	347	43,932	398,456
Additions at cost	4,001	0	7,204	11,205	0	3,128	14,333
Transfer of assets under construction	7,965	0	(7,965)	0	0	0	0
Disposals/Demolitions	0	0	0	0	0	(1,359)	(1,359)
At 31 July 2018	348,983	8,387	8,012	365,382	347	45,701	411,430
Depreciation:							
At 1 August 2017	27,428	423	0	27,851	259	28,182	56,292
Depreciation	15,054	211	0	15,265	23	4,424	19,712
Disposals/Demolitions	0	0	0	0	0	(1,351)	(1,351)
At 31 July 2018	42,482	634	0	43,116	282	31,255	74,653
Net Book Value							
At 31 July 2018	306,501	7,753	8,012	322,266	65	14,446	336,777
At 31 July 2017	309,589	7,964	8,773	326,326	88	15,750	342,164

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

13 Non-current investments

	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
Consolidated			
At 1 August 2017	0	2,310	2,310
Additions	0	112	112
At 31 July 2018	0	2,422	2,422
University			
At 1 August 2017	4,561	2,310	6,871
Additions	25	112	137
At 31 July 2018	4,586	2,422	7,008

The investments in subsidiary companies shares comprises the following:

Name of subsidiary	Nature of activity	Holding
University of Portsmouth Enterprise Limited	Consultancy and bar	100,002 Ordinary Class A £1 Shares fully paid
University of Portsmouth Investments Limited	Recruitment services in China	2 Ordinary Class A £1 Shares 1,000,000 Ordinary Class B £0.10 Shares fully paid
University of Portsmouth Services Limited	Dental Services contract with NHS	1 Ordinary Class A £1 Shares fully paid
Technology Enterprises Portsmouth Limited	Owns Portsmouth Technopole Limited	2 Ordinary Class A £1 Shares fully paid
Portsmouth Technopole Limited	Operation of the Technopole Innovation Centre	1,915,850 Ordinary Class A £1 Shares fully paid
ASTA Technology UK Limited	European Space Agency accredited courses	10 Ordinary Class A £1 Shares fully paid

All subsidiary companies are registered in England and Wales. The registered office for all 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 subsidiary companies are consolidated with those of the University.

Other non-current investments consist of:	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
CVCP Properties plc	37	37
Hampshire Community Bank	100	50
Endowment asset (see note 22)	2,285	2,223
	2,422	2,310

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

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
14 Trade and other receivables				
Amounts falling due within one year:				
Research grants receivable	1,594	1,594	1,048	1,048
Other trade receivables	3,559	3,506	3,145	3,145
Prepayments and accrued income	5,969	5,633	6,155	5,768
Deposits paid for buildings purchases	5,843	5,843	0	0
Amounts due from subsidiary undertakings	0	193	0	169
	16,965	16,769	10,348	10,130
Amounts falling due after one year:				
Prepayments and accrued income	33	33	39	39
Amounts due from subsidiary undertakings	0	44	0	73
	33	77	39	112
	16,998	16,846	10,387	10,242

15 Current investments

	Other current asset investments £000	Total £000
Consolidated		
At 1 August 2017	0	0
Additions	120,317	120,317
At 31 July 2018	120,317	120,317
University		
At 1 August 2017	0	0
Additions	120,317	120,317
At 31 July 2018	120,317	120,317

An investment of £60,146k is held as a segregated fund managed on behalf of the University by Goldman Sachs International. An investment of £60,171k is held in the Royal London Enhanced Cash Plus Fund, managed by Royal London Asset Management Ltd.

16 Short term deposits

Short term bonds	34,467	34,467	56,918	56,918
	34,467	34,467	56,918	56,918

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

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.44% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 41 days. The fair value of these deposits was not materially different from the book value.

17 Creditors: Amounts falling due within one year

Unsecured bank loans	1,698	1,698	1,556	1,556
Accrued interest on placement loan	1,620	1,620	0	0
Trade payables	606	606	1,827	1,827
Other creditors	16,826	16,562	12,860	12,652
Social security and other taxation payable	5,661	5,661	5,377	5,338
Accruals and deferred income	10,146	9,988	9,852	9,852
Deferred capital grants	1,845	1,845	1,586	1,586
Holiday pay accrual	6,019	6,019	5,578	5,578
Amounts owed to subsidiaries	0	9	0	0
	44,421	44,008	38,636	38,389

Deferred income

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

Research grants received on account	1,573	1,573	1,905	1,905
Grant income	262	262	650	650
	1,835	1,835	2,555	2,555

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
18 Creditors: Amounts falling due after more than one year				
Deferred income:				
Due between one and two years	1,845	1,845	1,586	1,586
Due between two and five years	5,534	5,534	4,758	4,758
Due in five years or more	40,655	40,655	41,517	41,517
	48,034	48,034	47,861	47,861
Unsecured bank loans and placement loan:				
Due between one and two years	1,851	1,851	1,698	1,698
Due between two and five years	627	627	2,477	2,477
Due in five years or more	100,000	100,000	0	0
Unsecured at 31 July 2018	102,478	102,478	4,175	4,175
Other creditors:				
Unsecured loans repayable by 2034	300	300	300	300
	150,812	150,812	52,336	52,336

19 Unsecured Bank Loans and placement loan

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

Lender	£000	Term	Interest rate	Borrower
Barclays	700	25 years	7.4% fixed until May 2021	University
Barclays	1,214	25 years	8.7% fixed until November 2020	University
Barclays	2,262	25 years	8.6% fixed until November 2020	University
Total of bank loan	<u>4,176</u>			
Allianz Life Insurance Company of North America	30,000	15 years	2.73% fixed until February 2033	University
Sun Life Assurance Company of Canada (Bermuda)	10,000	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada (UK) Limited	10,000	20 years	2.93% fixed until February 2038	University
Sun Life Assurance Company of Canada	20,000	25 years	3.13% fixed until February 2043	University
Sun Life Assurance Company of Canada (Bermuda)	20,000	30 years	3.22% fixed until February 2048	University
Sun Life Assurance Company of Canada	10,000	35 years	3.19% fixed until February 2053	University
Total of placement loan	<u>100,000</u>			
Accrued interest on placement loan	<u>1,620</u>			
	<u>105,796</u>			

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

20 Financial instruments

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:				
Financial Assets:				
Measured at undiscounted amount receivable				
Trade and Other Debtors (Note 14)	16,965	16,576	10,348	9,961
Amounts due from subsidiary undertakings (Note 14)	0	193	0	169
Equity instruments measured at cost less impairment:				
Investments in subsidiaries and associates (Note 13)	137	4,723	87	4,648
Measured at fair value through profit and loss:				
Equity investments	122,602	122,602	2,223	2,223
Financial Liabilities:				
Measured at undiscounted amount payable				
Bank loans (Note 17 and 18)	4,176	4,176	5,731	5,731
Trade and other creditors (Note 17 and 18)	90,757	90,344	84,941	84,694
Amounts owed to subsidiaries (Note 17)	0	9	0	0
Measured at fair value through profit and loss:				
Loan notes (Note 17 and 18)	101,620	101,620	0	0
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	435	435	559	559
Total interest expense for financial liabilities at fair value	1,604	1,604	0	0

University of Portsmouth
Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

21 Provisions for liabilities

	Pension provision (note 28)	Deferred tax	2018 Total
	£000	£000	£000
Consolidated			
At 1 August 2017	(119,930)	0	(119,930)
Reduction in pension liability	15,360	0	15,360
At 31 July 2018	(104,570)	0	(104,570)
University			
At 1 August 2017	(119,930)	0	(119,930)
Reduction in pension liability	15,360	0	15,360
At 31 July 2018	(104,570)	0	(104,570)

22 Endowment funds

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£000	£000	£000	£000
At 1 August 2017				
Capital	1,112	0	1,112	1,121
Accumulated income	1,151	152	1,303	1,154
	2,263	152	2,415	2,275
New donations and endowments	0	0	0	0
Appreciation of restricted investments	75	2	77	86
Expenditure	0	(2)	(2)	(26)
Increase in market value of investments	61	0	61	80
	136	0	136	140
At 31 July 2018	2,399	152	2,551	2,415
Represented by:				
Capital			1,112	1,121
Accumulated income			1,439	1,294
			2,551	2,415
Analysis by type of purpose:				
Lectureships			2,400	2,253
Prize funds			151	162
			2,551	2,415
Analysis by asset:				
Investments			2,285	2,223
Cash			266	192
			2,551	2,415

The Endowment is managed by CCLA Investment Management Limited. The funds are primarily held as units in Ethical Investment (60%) and Fixed Interest (36%). The remaining 4% is held within a Deposit Fund.

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

23 Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2018:

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted at 31 July	10,980	10,980	7,998	7,998
	10,980	10,980	7,998	7,998

24 Contingent liabilities

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

25 Lease financial commitments

	Year ended 31 July 2018			Year ended 31 July 2017
	Consolidated			
	Land and Buildings £000	Plant and Machinery £000	Total £000	£000
Total rentals payable under operating leases:				
Up to one year	315	78	393	464
Between two and five years	658	0	658	929
In more than five years	1,720	0	1,720	1,888
	2,693	78	2,771	3,281

26 Events after the reporting period

The University purchased two buildings shortly after the end of the reporting period:

- (i) Victoria House - completion took place on 28th August 2018 with a purchase price of £1.0 million
- (ii) Highbury City Learning Centre - completion took place on 2nd August 2018 with a purchase price of £5.8 million

27 Related party transactions

The University has had transactions with its subsidiary companies, University of Portsmouth Enterprise Limited, University of Portsmouth Investments Limited, University of Portsmouth Services Limited, Technology Enterprises Portsmouth Limited, Portsmouth Technopole Limited, Portsmouth Technopole (Holdings) Limited and ASTA Technology UK Limited. These transactions are eliminated on consolidation and accordingly the Corporation has availed itself of the dispensation in FRS8 not to disclose such items in these financial statements.

During 2017/18 the University of Portsmouth Students' Union (UPSU), which is a separate and independent legal entity, received a grant of £1,357k (2016/17: £1,093k) from the University of Portsmouth. The President of the UPSU is a member of the University Board of Governors.

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

Notes to the Financial Statements (continued)

28 Pension and similar obligations

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

TPS

Introduction

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

The Teachers' Pension Budgeting And Valuation Account

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

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

Valuation Of The Teachers' Pension Scheme

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

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

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
 - total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
 - an employer cost cap of 10.9% of pensionable pay;
 - actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.
- The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

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

Scheme Changes

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

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

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

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

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

Department for Education
Bishopsgate House, DARLINGTON DL1 5QE

TPS financial note – August 2017

Contribution amounts outstanding as at 31 July 2018 and included in social security and other taxation payable creditors is £1,257,898 (2017: £1,193,776).

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

28 Pension and similar obligations (continued)

LGPS

The Local Government Pension Scheme (LGPS) is a defined benefit scheme based on final pensionable salary.

The results below relate to the funded and unfunded liabilities within the fund which is part of the LGPS. The funded nature of the LGPS requires the employer and its employees to pay contributions into the fund, calculated at a level to balance the pension liabilities with investment assets. The unfunded liabilities are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. No fund exists to meet these benefits.

The most recent valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Hampshire County Council Pension Fund to take account of the requirements of FRS102 in order to assess the liabilities of the Fund as at 31 July 2018.

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
The financial assumptions used to calculate scheme liabilities under FRS102 are:		
Discount rate	2.8%	2.6%
Rate of increase of salaries	3.6%	3.5%
Rate of revaluation of pension accounts	2.1%	2.0%
Rate of increase in pensions	2.1%	2.0%
Rate of inflation RPI	3.2%	3.1%
Rate of inflation CPI	2.1%	2.0%

Assets are valued at fair value, and comprise:

	£000	£000
Equities	142,669	126,102
Bonds	60,378	53,367
Property	15,153	13,393
Cash	6,994	6,182
Other	7,926	7,006
Total	233,120	206,050

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.

	2018		2017	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
Male	24.1	26.2	24.0	26.0
Female	27.2	29.4	27.0	29.3

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Analysis of amounts shown in the balance sheet:		
Fair value of scheme assets	233,120	206,050
Present value of funded scheme liabilities	(329,420)	(317,320)
Present value of unfunded scheme liabilities	(8,270)	(8,660)
Deficit in the scheme - net pension liability recorded within pension provision (note 18)	(104,570)	(119,930)

Analysis of amounts charged to consolidated statement of comprehensive income and expenditure:

Current service cost	(12,720)	(12,090)
Past service cost	0	0
Total operating charge	(12,720)	(12,090)
Financing:		
expected return on assets	5,430	4,430
interest on expected scheme liabilities	(8,420)	(7,620)
Net return	(2,990)	(3,190)
Total expense recognised in income and expenditure account	(15,710)	(15,280)

Analysis of amounts recognised in consolidated statement of comprehensive income and expenditure:

Total actuarial gain on funded liabilities	21,250	22,950
Total actuarial loss on unfunded liabilities	(10)	670
Total actuarial gain recognised	21,240	23,620

University of Portsmouth

Financial Statements for the Year Ended 31 July 2018



Notes to the Financial Statements (continued)

28 Pension and similar obligations (continued)

Year ended 31 July 2018
£000

Year ended 31 July 2017
£000

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

Opening fair value of assets	206,050	182,710
Movement in year:		
expected return on assets	5,430	4,430
contributions by the University	9,890	8,650
contributions by the participants	3,010	2,820
net benefits paid out	(7,280)	(7,810)
actuarial gain on assets	16,020	15,250
Closing fair value of assets	<u>233,120</u>	<u>206,050</u>
Opening present value of funded liabilities	(317,320)	(309,920)
Movement in year:		
current service	(12,720)	(12,090)
interest cost	(8,200)	(7,390)
contributions by the participants	(3,010)	(2,820)
net benefits paid out	6,660	7,200
past service cost	(60)	0
actuarial gain	5,230	7,700
Closing present value of funded liabilities	<u>(329,420)</u>	<u>(317,320)</u>
Opening present value of unfunded liabilities	(8,660)	(9,710)
Movement in year:		
interest cost	(220)	(230)
net benefits paid out	620	610
actuarial (loss)/gain	(10)	670
Closing present value of unfunded liabilities	<u>(8,270)</u>	<u>(8,660)</u>
Actual return on scheme assets:		
Expected return on scheme assets	5,430	4,430
Actuarial gain on assets	16,020	15,250
Actual return on assets	<u>21,450</u>	<u>19,680</u>

History of experience gains and losses for the year ended 31 July 2018 were as follows:

	Year ended 31 July 2018	31 July 2017	31 July 2016	31 July 2015	31 July 2014
Difference between the expected and actual return on scheme assets:					
Amount £000	16,020	15,250	14,450	7,080	(7,890)
Percentage of scheme assets at end of year	6.9%	7.4%	7.9%	4.5%	-5.7%

Year ended 31 July 2018
£000

Year ended 31 July 2017
£000

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

TPS	9,162	8,409
LGPS	8,884	8,040
Other, including NHS	886	866
FRS102 adjustment re LGPS	2,890	3,440
Total pension cost (Note 7)	<u>21,822</u>	<u>20,755</u>