

# Financial Statements

## 2021-2022



**70**<sup>th</sup>  
Anniversary

Royal Charter





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**Consolidated Financial Statements for the year ended 31 July 2022**

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**Treasurer**

Stephen Young

**Executive Director, Finance and Planning**

Sarah C Pook

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# HIGHLIGHTS OF THE YEAR



## Forging industry partnerships

Dr Shahnaz Ibrahim and colleagues at the Southampton Business School connect with industry to benefit teaching and research. Our partner, Future Worlds, shares enterprise knowledge and industry mentors to help our students develop start-up business ideas during their studies.



## Looking after the sandwich generation

Research led by Professors Athina Vlachantoni, Maria Evandrou and Jane Falkingham is informing policy on how society can support those who care for both younger and older generations.



## Keeping patients safe in hospital

Professor Peter Griffiths, Professor Jane Ball, Dr Jeremy Jones and their team have shaped the public debate around safe nurse staffing levels in hospitals, and informed clinical guidelines and legislation in the UK.



# 13th

in the Complete  
University Guide 2023



# Top 100

Global University\*

\*QS World Rankings 2023



# 92%

of our research has been  
classified as world leading or  
internationally excellent\*\*

\*\*Research Excellence Framework 2021



## Supercharging your immune system

Research led by Professor Nulzin Divecha and his laboratory team has identified a way to boost the power of the human immune system to find and destroy cancer cells within the body.




## Describing new dinosaur species

PhD student Chris Barker, Dr Neil Gostling and his team have described three species of dinosaur previously unknown to science, from bones found on the Isle of Wight.



## Optimising sports performance

PhD Researcher Dr Devon Lewis is developing a new type of wearable muscle sensor to accelerate injury recovery and performance training in elite sports.

 **Find out more:**  
[www.southampton.ac.uk/news](http://www.southampton.ac.uk/news)

## Strategic Report

### Summary – strategy overview

In its 70th anniversary year, the University of Southampton has maintained its record of delivering high quality education research, and knowledge exchange & enterprise, as we move out of the challenges faced during the global pandemic.

Over the course of the year, the focus was on delivery of the new University strategy that was co-created with the whole University community. The strategy sets out a clear set of goals and ambitious targets for the University, focusing on the excellence in the triple helix of education, research and knowledge exchange & enterprise. Overall, the University's purpose and vision is to inspire excellence in order to achieve the remarkable and build an inclusive world.

Our continued focus on quality has seen the University continue to maintain and improve upon its league table position both nationally and internationally. The University moved up to 16th in the Guardian University Guide, with 13 subjects in the top 10. The University also moved up two places in the Complete University Guide to be ranked 13th and remains 16th in The Times and Sunday Times Good University Guide. We remain well within the top 100 in the global rankings being placed 78th in the Quacquarelli Symonds (QS) World University Rankings. Strong league table performance is a good indicator of future student recruitment, especially internationally, and a testament to the continued hard work within our community to further improve student experience.

The University's outstanding research and impact was recognised in the Research Excellence Framework (REF 2021) results, announced in May. Ninety-two per cent of the University's research was classed as 'world leading' (4\*) or 'internationally excellent' (3\*), placing the University of Southampton in the

top 10 per cent of submitting institutions. The University of Southampton performed exceptionally well in impact. The assessment placed us in the top 10 per cent in the sector and 4th in the Russell Group.

The University continues to perform exceptionally strongly in the annual Knowledge Excellence Framework, run by Research England. We perform at or above the benchmark for our seventeen comparator Universities (large, research-intensive) in all seven areas of knowledge exchange that are assessed.

The results of the 2022 National Student Survey (NSS) were published in July and provide a strong guide to the experience that our final year students have had with us during their undergraduate studies. Our institutional overall satisfaction score remains high at 79%, which is ahead of both the sector (75%) and Russell Group (76%) average.

The University continues to make Widening Participation a key priority for the institution, recognising the importance of ensuring those from all backgrounds are able to succeed in Higher Education. In the latest published data, from 2020/21, 87% of our undergraduates were from a state school, and 8.1% were from low participation neighbourhoods. In the last decade, we have also significantly increased our proportion of UK first-year undergraduate black and minority ethnic students from 11% in 2009/10 to 24% in 2020/21.

The University generates significant positive economic impact for both the local area and the United Kingdom as a whole. A report by London Economics estimated the total economic impact on the UK associated with the University of Southampton's activities to be £4.14 billion (in 2020/21), a multiplier of 7.4 times the University's direct expenditure.

### Financial Highlights

Total Income	Adjusted Surplus After Tax*	Total Net Assets	Cash & Investments	Net Cash Inflow**
<b>£673 million</b>	<b>£64 million</b>	<b>£620 million</b>	<b>£613 million</b>	<b>£89 million</b>
(2020/21 £554m)	(2020/21 £11m)	(2020/21 £535m)	(2020/21 £583m)	(2020/21 £87m)

\*Result not including the increase/(decrease) in USS deficit funding accrual of £141 million.

\*\*Net cash inflow from operating activities

### Review of the financial year

Reflecting a strong recovery from the impact of the global pandemic, the University of Southampton and Subsidiary Undertakings achieved an adjusted surplus after tax of £63.7

million in the year to 31 July 2022 (compared to an adjusted surplus of £11.4 million for 2020/21). This result does not include the movement in the Universities Superannuation Scheme (USS) accrual. Including the movement in the USS deficit funding accrual accounted for within staff costs, the result for 2021/22

**Strategic Report (continued)**

after tax was a £77.4 million deficit that compares to a surplus of £18.2 million for 2020/21.

The increase year on year in the adjusted surplus was mainly due to tuition fee and halls of residences income linked to higher numbers of students. The University also received a one-off surrender premium of £17.5 million from one of its tenants to break a long-term lease.

The net cash inflow from operating activities in 2021/22 was £89.4 million, an increase of £2.8 million on the prior year. This is a strong result and above the strategic Key Performance Indicator (KPI) target of £70 million.

Total expenditure for the University, not including the increase in the USS deficit accrual, was £596.8 million, an increase of £43.8 million (7.9%) compared to the prior year. The main factor in this movement is an increase in staff costs and agency fees relating to higher numbers of international student numbers. More broadly, as the University resumes operational activities more aligned to pre-pandemic working practices, associated costs have increased.

Employer contributions to the USS scheme increased from 21.1% to 21.4% on 1 October 2021. Employer contributions to the PASNAS scheme are 13.85% plus a contribution to the deficit recovery scheme of £0.16 million a month. Appropriate pension provisions for our staff is a priority for the University and affordability is regularly assessed.

**Income**

Total income increased by £118.8 million to £672.8 million, reflecting a strong recovery after the impacts of the global pandemic in 2020/21. The majority of the increase relates to tuition fee income (up £87.1 million), and is due to both fee income relating to students starting in January 2021 as well as a higher student intake in September 2021. In addition, income from residences and catering was £15.6 million higher than the prior year, reflecting the re-opening of facilities and increased footfall on campus location after the period of pandemic-related restrictions. The University also received a one-off surrender premium of £17.5 million from one of its tenants to break a long-term lease.

Total income from tuition fees and education contracts increased by £87.1 million (36.4%) from £239.0 million in 2020/21 to £326.1 million in 2021/22. The number of undergraduate and postgraduate international students (including EU) increased on the prior year by 28.3%, from 5,850 full time equivalent (FTE) to 7,504 FTE, however of these 948 FTE relates to students who joined the University in January 2021. The University currently has no plans to repeat a January start date, now the impacts of the global pandemic are decreasing. The number of international students in 2018/19, before the start of the global pandemic, was 5,430 – illustrating the strong growth in this area by the University.

In 2021/22, our total student population increased from 20,744 FTE to 22,616 FTE, according to our most recent student number planning enrolment data. The University strategy aims to deliver growth with quality in our student numbers over the next decade.

Research grants and contracts income has decreased by £5.4 million, from £120.1 million in 2020/21 to £114.7 million. The drop reflects the impact on the research environment of the global pandemic and specifically the knock-on impact that delayed award announcements from Funding Councils over this period. Research income from EU sources decreased by £0.3 million in the year.

Investment income remained at prior year levels for the year, with a marginal decrease of £0.1 million linked to volatility in the bond market in the second half of 2022.

Donations and endowment income also stayed close to prior year levels being £2.9 million in the year, compared to the prior year of £3.0 million. The University has invested significantly in a new large-scale donation initiative ‘Campaign for Southampton’, and increased levels of donations income are anticipated in the future.

**Expenditure**

Total expenditure increased by £191.6 million from £546.2 million in 2020/21 to £737.8 million. Total expenditure, excluding the movement in the USS pension provision, saw an increase in expenditure of £43.9 million from £552.9 million in 2020/21 (not including the decrease in USS accrual of £6.8 million) to £596.8 million (not including the increase in USS accrual of £141.1 million).

Staff expenditure, excluding the movement in the USS pension provision, increased by 3.7% from £329.1 million in 2020/21 to £341.4 million. Whilst salary and pension costs did increase during the year, additional resource expenditure was carefully controlled.

The average headcount for staff in 2021/22 was 5,554, an increase of 86 FTE on the amount for 2020/21 of 5,468. Around 50% of staff are entitled to annual pay scale increments of around 3%. During the year, staff recognitions awards totalling £4.1m were paid to all members of staff as a thank you for their on-going hard work in supporting the University to recover from the COVID-19 pandemic. From October 2021, the employers’ contribution to the USS pension scheme increased from 21.1% to 21.4%, which with the deficit recovery contributions rising to 6% (previously 2%), is currently at the limits of affordability.

Other operating expenses (£206.9 million) increased by £30.3 million over the prior year level of £176.6 million. The largest single variance was ‘office expenses and professional fees’, which increased by £12.5 million. This primarily relates to increased agents fees linked to higher numbers of international students. Also included in the other operating expenses movement was a £5.2 million increase in travel costs, reflecting the ability of our community to attend global events after extended periods of



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## Strategic Report (continued)

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lock-down linked to the pandemic. Heat, light and power costs increased by £1.8 million as the University used more of its campus as operational activity returned to pre-pandemic levels.

### Balance Sheet

Despite the continuing challenges of our pension deficits, our total net assets remain strong at £619.5 million, an increase of £84.4 million on the prior year (£535.1 million in 2020/21).

The University has significant funds to ensure the highest quality in our teaching and research facilities. The University made good progress on developing its estate, given the on-going impacts of the pandemic, and during the year to 31 July 2022, we acquired or constructed capital assets with a value of £42.2 million. Included in this amount is £6.6 million spent on purchasing and upgrading a teaching & learning building in Southampton city centre. This building will be used to accommodate student growth.

The value of non-current asset investments increased by £1.8 million in the year, to £10.1 million. This movement reflects changes in the fair value of investments in spin out companies, in which the University holds shares.

In April 2017, the University issued an unsecured fixed rate public bond of £300 million, over a 40-year term with a coupon rate of 2.25%. There are no capital repayments to be made over the term of the bond, with full repayment of £298.5 million due in 2057. An investment plan is in place to repay the bond in full at its term. The finance lease commitment relating to Mayflower halls has decreased from £46.8 million to £46.4 million and our bank loans have decreased from £63.2 million to £61.0 million reflecting planned repayments. Further information on this and the rates payable are outlined in note 23 to the financial statements.

The University's net debt, as set out in note 27, moved from £298.9 million net debt as at 31 July 2021 to £193.3 million as at 31 July 2022. This positive movement mainly relates to the increase in cash held by the University of £102.9 million. Over the course of 2022, our Investment Committee has reviewed our investment strategy and holdings. As part of this process, holdings on fixed term deposit on maturity were moved into short-term cash as part of a strategy to make different investment decisions in the subsequent financial year. The net debt does not take into account the investment portfolio held as part of the University treasury management strategy of £400.6 million. If this is taken into account, the overall position is adjusted net funds of £207.3 million, compared to £174.5 million at 31 July 2021.

The pension liability of the University's PASNAS fund has decreased to £15.2 million (2020/21 £197.1 million). The PASNAS scheme has an FRS102 revaluation annually and this year's decrease in the liabilities is mainly driven by a change in the actuarial assumptions on discount rates. As at 31 July 2022, the discount rate used to calculate the scheme liabilities was 3.4%, an increase from the 31 July 2021 assumption of 1.6%. The discount

rate is the long-term interest rate used to fund future pension benefits, and it has increased due to the changing value in the market of government gilts. A reconciliation of the movement in the scheme deficit can be found in note 24.

The USS pension scheme undergoes a revaluation periodically, with the last one being the 2020 valuation. The 2020 valuation required deficit contributions to increase above previous assumptions, rising to 6.3% from 1 April 2020 and lasting for the length of the recovery plan until 31 March 2038. These changes significantly increase the deficit provision. As at the 31 July 2022, the obligation to fund the USS pension scheme has increased to £214.3 million, from £72.6 million as at 31 July 2021. The prior year liability was based on the 2018 valuation.

### Subsidiaries

The University of Southampton Science Park supports the long-term strategy of the University by providing opportunities for our research to spin out into knowledge exchange and enterprise activities, for student work experience during studies and for student employment when they graduate. The Science Park also makes a significant contribution to the economic growth and prosperity of both our city and region. During the year, total occupancy levels increased to 86.3%, a significant increase from 80% in July 2021. Occupancy increased due to a number of new leases being signed for large sized offices. Science Park turnover was £4.8 million (2020/21 £4.5 million) and there was a loss before taxation of £2.5 million (2020/21 profit of £3.1 million). The loss in the year was largely driven by write off of work-in-progress costs of £5.4 million relating to the Future Town Innovation Hub, which is eliminated upon consolidation.

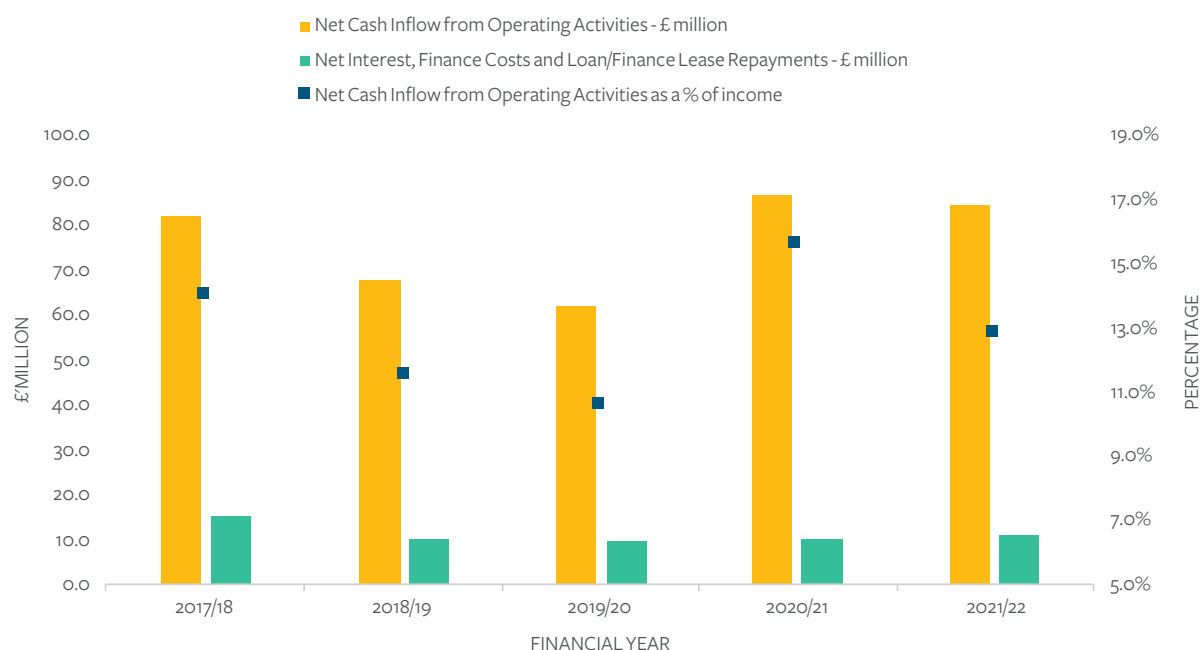
The University's campus in Malaysia (University of Southampton Malaysia (UoSM)) remains a pivotal part of the University's international strategy, offering twenty research-led programmes in engineering, computer science, business, economics and finance. In late 2021, operations moved to a new full-service campus situated in the vibrant EcoWorld community in Iskandar and this location is now fully open for students from September 2022.



## Key financial trend analysis

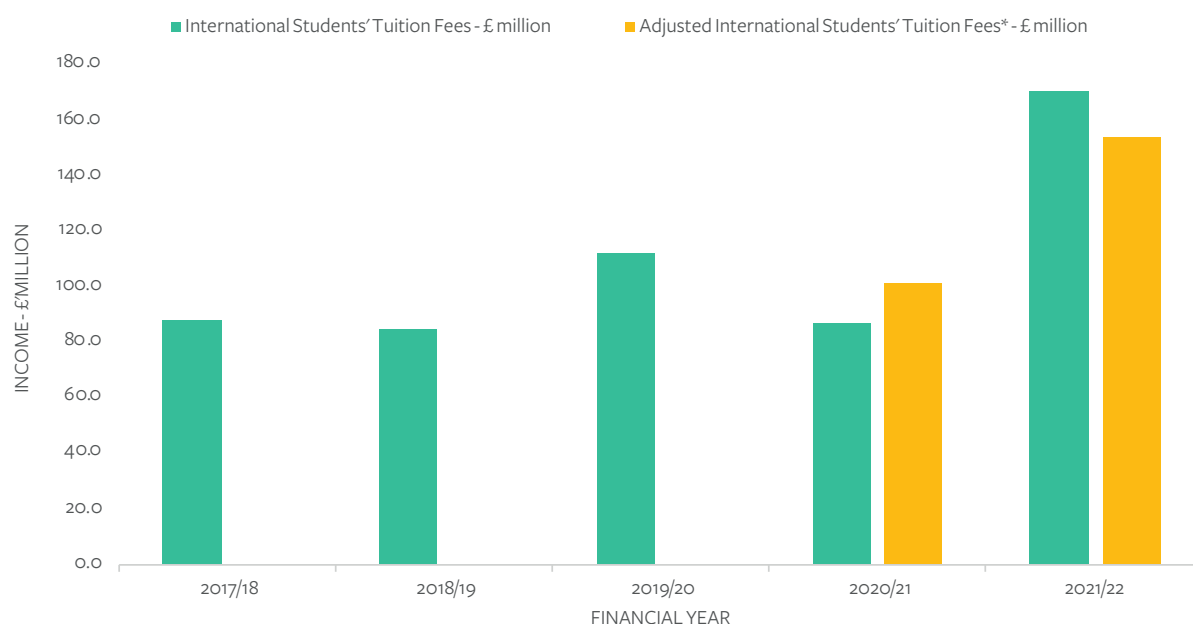
### Net Cash Inflow from Operating Activities – 2017/18 - 2021/22

The net cash inflow from operating activities is the amount of cash generated by the University and Subsidiary Undertakings before external financing costs and investment. The net cash inflow from operating activities in 2021/22 was £89.4 million, which is 13.3% of total income; this is an increase of £2.8 million on the prior year.



### International student tuition fee income

Tuition fee income from international students has increased by £84.6 million on the prior year; however, this does include £16.1 million of income relating to students who joined the University in January 2021 for a 12-month course which was delayed from the usual September 2020 commencement due to Covid-19 related international travel restrictions. The course delay was unique to the 2020 cohort. The University attracts a high volume of applications from international students, a key reason for this being the institution's strong global reputation and top 100 ranking in the QS league table.

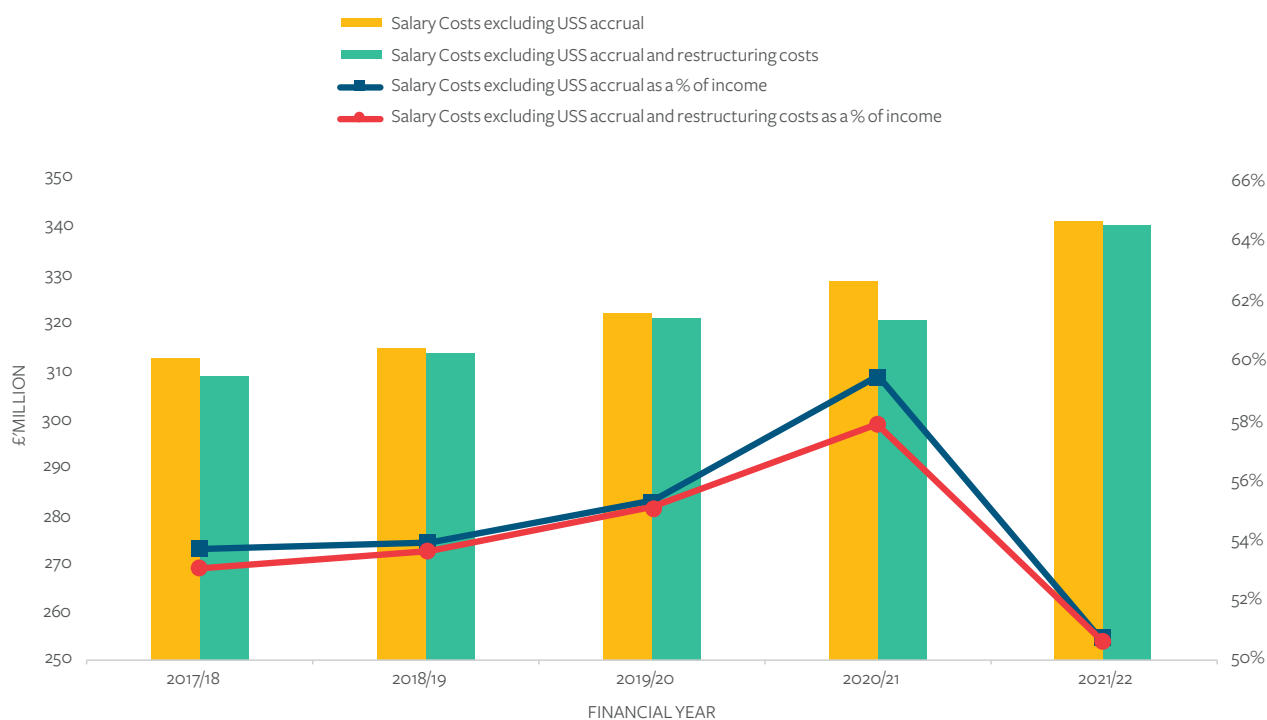


\*Adjusted international students tuition fees shows the income in that financial period without including the £16.1 million accrual for the January 2021 cohort of students.

## Strategic Report (continued)

### Salary as a proportion of Income - 2017/18 - 2021/22

Salary costs, as a proportion of income, were 50.7% in 2021/22 (excluding the impact of the USS accrual) which compares to 59.4% in 2020/21. Underlying staff costs (excluding the USS accrual) have increased by £12.3 million in 2021/22 (increased by £6.7 million in 2020/21) which is an increase of 3.7%. The ratio has decreased partly due to the increase in income over the year.



**Strategic Report (continued)****Major financial risks**

During the year, the University focused on recovery and embedding its new strategy whilst moving out of a volatile period of global uncertainty. There remained a focus on effective management of costs alongside investment in strategic priorities, in order to deliver long-term sustainability.

The University Executive Board review the risk register as a standing item on its agenda, with the University Council and Audit Committee also reviewing the University risk register at regular intervals. The Council and Audit Committee consider that it is consistent with their knowledge of the University's activities and addresses the key aspects of the University's Strategic Plan.

A comprehensive financial risk assessment was considered by Council in setting the 2022/23 University budget.

The major risk areas are summarised below:

Area:	Risk:	Mitigating action:
<b>Student income</b>	<p>Actual student income for 2022/23 may fall below the business plan target, therefore reducing forecast income streams.</p> <p>International students may not be able to commence study due to travel restrictions, relating to COVID-19.</p> <p>Tuition fee levels are not appropriate to manage expenditure increases. In 2017, Home undergraduate student fees were frozen at £9,250, which is worth £6,500 in today's money. In their response to the Augar Review of Post 18 Education &amp; Funding, the Government have stated that this cap will remain in place until at least 2024/25.</p>	<p>2022/23 recruitment above plan achieved through the Confirmation and Clearing strategy, and international admissions process.</p> <p>Key subjects have plans in place to mitigate potential late arrivals. Expenditure controls and cost cutting initiatives to mitigate against potential revenue decreases.</p> <p>Forecasts assume that the maximum fee will remain at £9,250 throughout; sensitivity testing is done to model impact of fee change on University economy.</p>
<b>Inflation</b>	<p>Inflation is currently running at around 10%. Whilst costs are subject to inflationary pressure, some significant income sources, including home fees, are not inflation linked.</p> <p>If the pay award increases by 1% then the impact on the surplus would be a reduction of £2.5m pa, and if non-staff costs increase by 1% then the impact on the surplus would be a reduction of £1.8m pa.</p>	<p>The forecasts allow for general inflation in line with OBR forecasts of RPI-X and use recent industry-specific projections for fuel and construction costs. A further review will be made during the final budget update this autumn.</p>
<b>Research grants and contracts income</b>	<p>The University may fail to achieve the planned levels of external research funding.</p> <p>The UK could fail to negotiate associated country membership of the Horizon Europe scheme with the European Union (EU).</p>	<p>Maximising research income is a key performance indicator. The Research Strategy and Bridging Strategy KPIs will support delivery.</p> <p>The UK Government have stated that in the event that it is unable to secure Horizon Europe participation, funding will be provided for an alternative scheme.</p> <p>The University will continue to engage with the Government to press for commitment to UK science &amp; research and for clarity regarding participation in Horizon projects post Brexit.</p>



**Strategic Report (continued)**

Area:	Risk:	Mitigating action:
<b>Staff costs</b>	There is a risk that national pay awards will increase above the assumptions included in the business plan.	Expenditure controls are in place to mitigate against higher than anticipated national pay awards.
<b>Energy costs</b>	There is a risk the price of gas and electricity will increase above the assumptions included in the business plan.	<p>Expenditure controls are in place to mitigate against higher than anticipated energy costs.</p> <p>The University is part of a consortium that is working with providers on fixing energy prices.</p> <p>The University is exploring opportunities to generate its own sources of energy and reduce consumption.</p>
<b>Pension costs</b>	<p>The escalating cost and volatility of our pension schemes remains one of our highest risks to long-term sustainability.</p> <p>The 2020 USS valuation has now concluded. The forecasts include the resulting employers' contribution increase to 21.4% from April 2022 as well as the estimated impact of the revised deficit recovery scheme. The focus is now on providing flexible, lower cost options to members and updating governance processes.</p> <p>There is a risk of PASNAS employer contribution increases, for which no allowance has been made in the forecasts.</p>	<p>The Pensions Committee monitor USS developments and support UUK work on lower cost options and governance updates.</p> <p>The Pensions Committee have been reviewing options for PASNAS with external advice and union engagement. The University made a £30m deficit contribution to the scheme in 2021/22 to help address the past service deficit. A member consultation will be held this summer regarding options for cost sharing and/or benefit changes.</p> <p>The PASNAS scheme was closed to new members from 1 January 2019 and a new defined contribution scheme provided for new eligible staff.</p> <p>The latest PASNAS valuation is due to conclude in 2022, which allows for any changes to contributions to be factored into forward forecasts this year.</p>
<b>International reputation</b>	Reputational damage could result in lower number of international students and an adverse impact to relationships with research and enterprise partners.	<p>Development of international strategy with focus on core relationships and student experience.</p> <p>Continued focus on strong international league table results.</p>
<b>Sustainability</b>	<p>Strong cash flow is required to generate sufficient funding for future capital investment.</p> <p>There is a risk of unexpected expenditure, including increased costs.</p>	<p>The £300 million bond proceeds, existing cash reserves and the level of ongoing operating cash generation should be sufficient to fund the capital investment programme.</p> <p>The University tests business plans against a range of scenarios and manages expenditure through financial controls.</p>

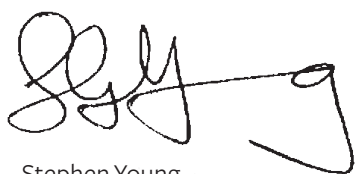
## Conclusion

In its 70th anniversary year, the University has delivered a strong financial performance, with surplus being ahead of budget expectations. The institution has shown exceptional resilience in moving out of a period of volatility and uncertainty, during the global pandemic and demonstrated that the prior year's bridging strategy was successful in providing a platform for growth. Every member of staff has contributed to the on-going success of the University, and this was recognised in a one-off bonus payment of £600 to each member of staff.

I was pleased to see the new, ambitious strategy launched in January 2022. This provides the structure to bring together the strands of excellence in education, research and knowledge exchange & enterprise, to cement Southampton's place as one of the top Universities in the country and the world. Alongside the strategy, Council also approved a multi-year estates masterplan, which will create the capacity for growth with excellence. Projects included in the masterplan range from new teaching & learning facilities to multi-million pound research buildings, with sustainability principles wrapping around all the capital programme activities.

Over the year, the University has invested in capital programmes that are aligned to the estates masterplan. Work is progressing well with a £34 million redevelopment of our Jubilee sports hall, we purchased a new Teaching & Learning building in the heart of the city and continued the on-going development of the Future Town Innovation Hub at our Science Park. Investment is vital in order to deliver world-class education, research and knowledge exchange & enterprise – and our strong cash position supports long-term strategic funding of the capital programme.

Finally, I would like to thank the Vice Chancellor, and his team, for steering the University through a period of unprecedented volatility and ensuring Southampton has emerged in a strong financial and reputational position. As we begin a new academic year, it is heartening to see staff and students back on our campuses being able to interact face-to-face and fully participate in all the facets of a world leading research-intensive University.



Stephen Young

University Treasurer

## Public Benefit

### Introduction

The University is a corporation formed by Royal Charter and holds charitable status. Our aims, powers and the governance framework within which we operate are set out in our Charter, Statutes and Ordinances. Governance of the University is overseen by the Council and the Senate. The Council is responsible for approving our mission and strategy, monitoring our performance, scrutinising our finances and directing our academic functions, with the latter using the expertise of Senate to provide guidance and assurance. In fulfilling this role, Council has had due regard to the Charity Commission's guidance on public benefit. This section outlines the ways in which the University has delivered its charitable purposes for the benefit of the public.

A founding member of the Russell Group of research-intensive universities, the University of Southampton has a reputation for excellence in education, research, knowledge exchange & enterprise, which is reflected in our consistently high international league table rankings.

The University is an exceptional place whose people achieve remarkable things, some examples of which are shared below. It makes a strong contribution to public benefit through its education, research and knowledge exchange & enterprise activities.

### Celebrating 70 amazing years



*Credit: Southern Daily Echo*

2022 marks the 70<sup>th</sup> anniversary of Southampton receiving its Royal Charter confirming University status. A number of initiatives and events have taken place to celebrate this milestone. In May, almost 400 alumni and supporters gathered on the Highfield campus to explore how the University has changed over seven decades and to learn about its ambitions for the future. There

was a host of activity to get involved in, including a sold-out talk from alumnus, former BBC North America Editor and our Pro-Chancellor, Jon Sopel, and an update on our world-leading cancer and dementia research.

To celebrate its 70<sup>th</sup> anniversary, the University launched the 2022 Anniversary Fellowship scheme. This scheme aims to attract, develop and sustain the highest quality research talent from around the world, from different backgrounds and experiences. Over the next five years, over £4 million of funding is being provided for exceptional early career researchers to tackle difficult and novel challenges, and enable adventurous, ambitious research that supports our strategic priorities.

Alongside this milestone, the University is also celebrating the 50th anniversary of its partnership with University Hospital Southampton (UHS) NHS Foundation Trust. It is half a century since acquisition of university-hospital status and the first cohort of students at Southampton medical school. In May, UHS hosted a virtual conference to celebrate 50 years of research and innovation.

### Delivering world class research and enhancing enterprise and knowledge exchange

#### Research

The University continued to deliver excellent research with impacts across a wide range of areas. The 2021 Research Excellence Framework (REF) results were announced in May 2022, and demonstrated the high quality of the University's published research outputs, real-world impact and its research environment. Ninety-two per cent of the University's submission was classed as 'World leading' (4\*) or 'internationally excellent' (3\*), placing Southampton in the top 10 per cent of UK institutions. Chemistry and Mathematical Sciences scored particularly highly, with respectively 100% and 99% of their outputs classed as 4\* or 3\*. We performed particularly strongly for the impact of our research with 97% of our impact case studies rated as 4\* or 3\*, with Psychology, Psychiatry and Neuroscience, Computer Science and Philosophy all achieving 100% 4\*. The REF also revealed that considering a grade point average, the impact of our research was ranked 7th in the UK (excluding specialist institutions).

Researchers from across the University of Southampton are leading a new multidisciplinary, multicentre project to find new ways of preventing burdensome combinations of conditions such as diabetes, heart disease, depression or dementia. The £2.2 million study, funded by the National Institute for Health and Care Research, brings together researchers from primary care, maths and web science, as well as city council leaders. The project team will use Artificial Intelligence methods to better understand the order in which people develop conditions and how they group together to become 'burdensome'.

In June 2022, Interdisciplinary Physics and Astronomy research at Southampton were awarded more than £700,000 Engineering



**Public Benefit (continued)**

*Professor Otto Muskens is leading the project*

and Physical Sciences Research Council (EPSRC) funding to develop new instruments that can improve environmental sustainability when testing photonic integrated circuits at full wafer scale. Integrated photonics is revolutionising information and communication technology and high volume fabrication of circuits with reliable performance requires sophisticated testing methods that can identify any malfunctioning devices early in the process.

Dr Pete Lawrence, Clinical Psychology in the School of Psychology won the British Psychological Society 2021 Award for Outstanding Doctoral Research. Dr Lawrence, who is currently working on examining the development of anxiety disorders and their prevention in children at risk, has won multiple awards over the years for his research endeavours. In 2020, he won the first prize in the Springer Nature/Association of British Turkish Academics National Doctoral Research Awards (Social Sciences), and the Dean's prize for outstanding early career research in the Faculty of Environmental and Life Sciences.

Researchers at our University, the University Hospital Southampton (UHS) NHS Foundation Trust and Solent NHS Trust were awarded £2.28 million to help children with attention deficit hyperactivity disorder (ADHD) and their families. Sleep loss is a common problem for many children with ADHD and can aggravate the symptoms of the condition. Knowledge about how to effectively treat these problems is limited. The five-and-a-half-year study will provide resources and training for healthcare professionals to help them correctly identify sleep problems. It will also offer new online support to help children and their families.

Professors Athina Vlachantoni and Jackline Wahba were elected as Fellows of the Academy of Social Sciences. Athina Vlachantoni is Professor of Gerontology and Social Policy and Jackline Wahba OBE, is Professor of Economics. Each year, the Academy of Social Sciences elects new Fellows who are selected through an independent peer review that recognises their excellence and impact, including their wider contributions to social sciences for public benefit.

"The music industry is really interested in how music works – how to understand it as data. If it can do that, it can understand what you like and give you more of that."

*Professor Thomas Irvine  
Associate Professor in Music*

A Southampton researcher was awarded an Alan Turing Institute fellowship to investigate whether AI can replicate the complexities of jazz improvisation. In a research project that fuses jazz music with computer science Dr Tom Irvine is hoping to understand what it would take for a computer to write music well. The project is investigating the complex elements of jazz as a way of exploring how, or if, AI can reproduce the human elements of music. The hope is that this will lead to wider applications within the music industry.

Southampton Institute for Arts and Humanities (SIAH) fosters and facilitates knowledge exchange and enterprise in vital research areas (environment, digital, wellbeing and regeneration). It is led by Professor Nicky Marsh whose own research area focuses on contemporary literature, media and culture with particular reference to economics and gender. In 2021, SIAH brought in £930,000 of internal and external investment, signalling the ambition and interdisciplinary reach of arts and humanities-led research at Southampton. It brings together people, disciplines and faculties across the University and beyond forging partnerships and putting the human at the heart of everything it does.

### **Enterprise & knowledge exchange**

The University continues to perform exceptionally strongly in the annual Knowledge Excellence Framework, run by Research England. We perform at or above the benchmark for our seventeen comparator Universities (large, research-intensive) in all seven areas of knowledge exchange that are assessed. We had particularly strong results in Intellectual Property and Commercialisation, Working with Business, Working with Public and Third Sector and Public and Community Engagement.

In the year, a new University spinout company was launched with a strong focus on sustainability. ViridiCO<sub>2</sub> delivers innovative, disruptive technology, capable of addressing the lack of mitigative Carbon Capture Utilisation (CCU) technology, by transforming carbon dioxide into a variety of high-value chemical intermediates. This process reduces reliance on fossil fuels, actively reduces CO<sub>2</sub> emissions and helps to transition manufacturers towards a circular economy.

Energy and environmental challenges for industry – and how cutting-edge research and innovation could help solve them – was under the spotlight at an event in February staged by the SETsquared ICUR Programme and lead by the University. This provided an opportunity to hear about industry's priorities for innovation with representatives from Mitsubishi, Shell and UK Water Industry Research. The aim of the event was to establish opportunities for researchers and innovative start-ups to help

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## Public Benefit (continued)

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solve problems such as water usage, energy consumption and use of natural resources.

The University is proud to have been successful in obtaining contract renewal from Innovate UK to run the ICURe Programme with SETSquared and continue to deliver innovation and skills development of our researchers through to 2025.

In March, the Wessex Health Innovation Programme took place at the Ageas Bowl in Southampton. The business support programme was delivered by SETSquared and the Wessex Academic Health Science Network and was aimed at clinicians, healthcare practitioners, innovators and entrepreneurs with an idea for a health-based product or service, founders of early-stage ventures, and more experienced entrepreneurs launching a new health-based product or venture. The four-day immersive and interactive course supports inventors and innovators to develop their business plan and to be able to explain the value of their proposition to the NHS and the health sector.

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### Delivering high quality education and student experience

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#### Education

At the beginning of the year, the Southampton MOOC (Massive Open Online Course) programme team was selected as a winner of the AdvanceHE CATE (Collaborative Award for Teaching Excellence). The MOOC team drives and supports the creation of open, free online courses. Its collaborative approach involves academics, professional services staff, students and external organisations in providing education to thousands of learners, offering opportunities for staff and students to acquire digital education skills and developing collaborations with external partners.

#### Widening participation and outreach

The University has partnered with the Cowrie Scholarship Foundation (CSF), which aims to raise hundreds of thousands of pounds to provide scholarships for disadvantaged black British students to study at leading UK universities. The Foundation's mission is to fund 100 disadvantaged black British students through leading UK universities. The University of Southampton is supporting CSF by providing scholarships for three students per year over a ten-year period to study an undergraduate programme of their choice.

In the 2021/22 academic year, the effects of COVID-19 continued to be particularly difficult for many students from underrepresented groups and low-income backgrounds. We implemented a number of measures to support students who were experiencing difficulties in their studies or engaging with outreach. The Online Learning Grant (OLG) provided financial support to over 288 students to help them access hybrid learning resources and materials. The University allocated £100,000

through the OLG in the 2021/22 academic year in addition to the £550,000 to support students in financial hardship through the Student Support Fund. We also sent out over 17,000 hard copy activity packs to pupils in the local area to support their engagement with outreach activity. We have been sustained a range of online provision of outreach and support for students from underrepresented groups which we have blended with traditional face to face activity to respond to the evolving needs and requirements of school pupils.

In recognition of our progress in this area, the University achieved a 'Highly Commended and Gold' award at the Social Mobility Awards 2022.

Examples of achievements over the past year include the continuing development of the University's flagship widening participation programme – Ignite Southampton – that supports undergraduate students from underrepresented backgrounds to access, succeed at and progress from the University. The University has cultivated a successful partnership with the Purpose Coalition, a social mobility organisation led by Rt Hon. Justine Greening, former Secretary of State for Education and Southampton alumna, which assessed our contribution to its Levelling Up Goals as exceptional, with significant strengths in four key areas – successful school years, right advice and experiences, closing the digital divide and achieving equality through diversity and inclusion; and the provision of activity packs made available to thousands of low-income families in the South, aimed at helping children whose education was impacted during lockdown.

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### Building sustainable inclusive communities through partnership working

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#### Creating an inclusive University community

In February, the annual Southampton Stonewall Lecture focused on 'Portable closets: Secrets and lives since gay liberation' and was open to all staff and students. This lecture series explores the rich heritage that is lesbian, gay, bisexual, transgender and queer (LGBTQ) history. It has been organized since 2012 by Professor Mark Cornwall from the History Department to show-case the latest cutting-edge historical research on this theme.

The University was again a proud sponsor of the fifth Southampton Pride event in August. The University's Pulse LGBT and Staff Network marched in the parade and had a stall on the day. Sponsoring Pride supports the University's Strategic Plan – Equality, Diversity and Inclusion to build an inclusive community where "we intentionally lead and influence social change," and everyone "feels welcomed for who [they] are."

#### Social impact

Three University of Southampton academics are at the heart of a new global network to bring together academic institutions, NGOs and charities around the world to tackle a desperate need

**Public Benefit (continued)**

staff and alumni who wanted to run the full or half-marathon with 70 members of our community running to commemorate our 70th year.

**Culture and events**

Southampton Arts and Humanities Festival ran from Thursday 11th to Sunday 20th November 2021.

The Festival was preceded by a month-long series of celebratory events in October for Black History Month and for the first time was followed by a month of celebration for UK Disability History Month (18th Nov - 18th Dec), and then by LGBT+ History Month in February 2022. The main events of Southampton Arts and Humanities Festival 2021 included a family-friendly workshop that focused on the Mexican Day of the Dead to raise awareness of this globally practiced cultural phenomenon.

The Hands-on Humanities Day on Saturday 20th November included a rich programme of interactive activities, exhibits and workshops, from archaeology to light, from history and wellbeing to bones and storytelling.

John Hansard Gallery (JHG) is one of the UK's leading contemporary art galleries. They support, develop and present great art by outstanding artists from across the world and are proud to play a dynamic role in the cultural life of Southampton and the region.

2021/22 was a busy year for JHG. They presented 6 exhibitions including keynote exhibitions by Hetain Patel and Jitish Kallat, attracting over 45,000 visitors. In addition, 3,700 members of the public experienced Saints and Saviours, an offsite project celebrating Black History Month in partnership with Black History Month South. Alongside their public exhibition programme, JHG welcomed 479 members of the public over 29 free family friendly workshops as part of Space to Create!

JHG continued to offer a blended programme of work across online and social media platforms, with two new online video commissions reaching 39,000 people.



for better healthcare in war and conflict. Attacks on healthcare are now a feature of modern warfare. Between 2016 and 2020, the Safeguarding Health in Conflict Coalition documented over 4,000 incidents with almost 1,000 health facilities damaged or destroyed, almost 700 health workers killed, and more than 400 kidnapped. The Global Alliance on War, Conflict and Health was officially launched at an event in Beirut, Lebanon, on Friday 1 July 2022, to tackle this. The Alliance's mission focuses on the research behind improving this healthcare, on developing sustainable programmes, and on bringing different organisations together to work towards common goals.

"A lot of blast injury work is done by engineers or clinicians. The IBRN\* was set up to bring engineers and clinicians together to address real-world problems and to focus on the humanitarian side."

*\*International Blast Injury Research Centre  
Dr. Rebecca Brown, Research Fellow*

**Community engagement**

The second largest employer in the region, the University provides employment opportunities to over 6,000 people; and is home to more than 21,000 students from over 130 countries.

The University of Southampton generates significant positive economic impact for both the local area and the United Kingdom as a whole. A report by London Economics estimated the total economic impact on the UK associated with the University of Southampton's activities to be £4.14 billion (in 2020/21), a multiplier of 7.4 times the University's direct expenditure. The diversity of sources of this economic impact are equally impressive, with significant contributions from education, research and knowledge exchange & enterprise.

In April, the University campus staged part of the route for the annual Southampton marathon, as part of the 70th Anniversary celebrations. The University offered funded places for students,



## Public Benefit (continued)

From March-May 2022, Community Takeover returned to JHG. Over 5 weeks, a selection of different groups and organisations were invited to take over the main gallery space to host a range of vibrant, creative responses to themes exploring the environment, sustainability and wellbeing. Working with schools, local charities, artists, and community leaders, JHG explored what we can do to help our planet and our health.

Throughout 2021/22, JHG continued to partner with Southampton UK City of Culture 2025 Trust and organisations from across Southampton, leading 3 workshops, to actively make Southampton an actively Inclusive City.

Turner Sims Southampton (TS) is a nationally renowned music venue located on our Highfield Campus. Its vision is for communities to connect locally and globally through the joy of live music. Between 2021-2022 TS has delivered 99 live performances with 15,027 tickets sold including 1554 to under 18s and students. TS also presented 16 free events, with 3109 tickets. Concerts brought renowned UK and international performers to present an exciting range of music from classical, global, folk and jazz.

During the year, TS collaborated with Southampton Music Hub to deliver two live School Concerts in collaboration with Southampton and Hampshire Music Hubs, and Jazz Denmark giving over 500 pupils live encounters with Chicago trumpeter Marquis Hill and stars of our Jazz Double Bill in partnership with JazzDanmark as part of the Sounds of Denmark Festival.

TS initiated Community Engagement Framework research seeking to identify and understand the needs of our local communities resulted in dialogue with 30 new organisations from schools, charities and local communities. In summer 2022, TS successfully piloted a free Family Summer Day that attracted over 600 attendees, for many of whom it was their first time at TS.

## Creating a sustainable organisation



Marquis Hill schools concert: March 2022



Turner Sims Family Day: July 2022

Environmental sustainability is core to our mission. The University's ambition is to achieve net zero carbon emissions by 2030, embedding sustainability into everything it does. Our sustainability strategy focuses on six key goals:

- **Goal 1**  
Achieve net zero emissions for Scope 1 and Scope 2 by 2030
- **Goal 2**  
Measure our total emissions footprint and set targets for Scope 3 emissions reductions
- **Goal 3**  
Adopt a value-based approach to reduce emissions from business travel
- **Goal 4**  
Ensure that sustainability is a part of every University education programme by 2025
- **Goal 5**  
Make sustainability a cornerstone of UoS' research and societal impact
- **Goal 6**  
Implement a sustainable and ethical investment policy

Over the course of the year, the University has made progress against all its goals. For example:

- Across our campuses, we are continually making changes to improve the sustainability of our catering outlets, such as introducing alternatives to plastic packaging, cutlery and stirrers, and we reward those who bring their own reusable cups into our cafes.
- We reduced 47% of our emissions by switching our electricity tariff to electricity generated from a renewable supply, such as wind and solar.

**Public Benefit (continued)**

- At Wide Lane Sports Grounds, native hedgerows are developing into a habitat for birds and insects.
- We have put in place a new treasury management policy, which includes a focused section on our approach to sustainable and ethical investment.

**Principles**

The University of Southampton has a clear mission: to change the world for the better. We do that through our remarkable world-class education, research, knowledge exchange & enterprise, and by attracting exceptional students from across the globe, and empowering and developing them to realise their full potential through their journeys of discovery and learning with us.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. In light of the obligation to report on measures to ensure that all parts of our business and supply chain are slavery free, we continue to review our workplace policies and procedures to assess their effectiveness in identifying and tackling modern slavery issues. Our workplace policies and procedures demonstrate our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

**Trade Union Facilities Time (Unaudited)**

The Trade Union Act 2016 introduced new annual Trade Union Facilities Time reporting requirements for public sector organisations. Employers with at least one 'relevant union official' are required to publish information on facility time.

The following information has not been audited, and covers the period 1 April 2021 to 31 March 2022:

**Trade union representatives and full time equivalents**

Trade union representatives	47.0
FTE trade union representatives	39.9

**Percentage of working hours spent on facility time**

0% of working hours:	-
1% to 50% of working hours	47
51% to 99% of working hours	-
100% of working hours	-

**Total pay bill and facility time costs**

Total pay bill	£326,807,000
Total cost of facility time	£202,359
Percentage of pay spent on facility time	0.06%

**Paid trade union activities**

Hours spent on paid facility time	5,544
Hours spent on paid trade union activities	-
Percentage of total paid facility time hours spent on TU activities	-

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## Corporate Governance

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The following corporate governance statement provides information about the University's governance, management and legal structure during the year ended 31 July 2022 and up to the date of signing of these Financial Statements.

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### Legal status of the University

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The University of Southampton is a chartered corporation established by Royal Charter in 1952. Its aims, powers and framework of governance are set out in the Charter and supporting Statutes and Ordinances.

The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of that Act, including the need to register with the Charity Commission. Since 1 April 2018, the Office for Students has been 'principal regulator' for charity law purposes of those English universities which are exempt charities.

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### Governance

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The University's constitution is set out in the Charter, Statutes and Ordinances. These are the overarching governance documents that outline the University's aims, structure, responsibilities and powers. These require the University to have two separate governing bodies, Council and Senate, each with clearly defined functions and responsibilities to oversee and manage the University's activities, as follows:

**Council** is the governing body of the University, and is charged by the Charter with responsibility for "...the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University..." (Article 10 of the Charter). In carrying out its functions, the Council is bound by the terms of the 'Terms and conditions of funding for higher education institutions' between the Office for Students and the University.

Council has a membership consisting of ex officio members, lay members, representatives of both academic staff and other staff, and the President of the Students' Union (see below for Council membership). The Chair and Vice-Chair of Council are appointed from among the lay membership which forms a majority on the Council.

Council normally meets eight times a year and receives reports on the functioning of the University and of its subsidiary companies. These include the critical assessment of agreed Key Performance Indicators. Matters specifically reserved for Council decision include the Mission and strategic direction of the University, and the approval of budgetary allocations and major new developments.

**Senate** is the University's main academic authority, and its responsibilities include (subject to Council approval where necessary) the direction and regulation of education and

examinations, the award of degrees, and the promotion of research.

Whilst Council is the ultimate authority within the University, it cannot be directly involved in decision making on all matters for which it is formally responsible: the range of business undertaken inevitably means that some delegation of powers to individuals and to committees is necessary.

**Audit Committee** is responsible for reviewing the University's arrangements for matters of governance, internal control, risk management, data assurance, value for money and for reviewing and commenting on the annual financial statements and accounting policies. It meets four times a year with the University's senior officers and the external and internal auditors. The Committee discusses detailed audit reports and recommendations for the improvement of the University's systems of control, together with management's response and implementation plans. The Committee also considers reports from the Office for Students relating to the conduct of business and monitors adherence to the regulatory requirements. Whilst senior executives are in attendance at meetings, they are not members of the Committee. The Committee members also meet annually separately with external and internal auditors for independent consultations.

**Finance Committee** considers and makes recommendations to Council regarding the University's financial plans and interests and takes into consideration both local constraints and aspirations together with the context of the wider environment of Higher Education funding, public policy and the demand for Higher Education services.

**Nominations Committee** is responsible for making recommendations for the filling of vacancies in the lay membership of Council, following internal and external advertisement and reference to the alumni of the University. The Committee also appoints the lay members of the Audit Committee, Remuneration Committee, Finance Committee and Health & Safety Audit & Assurance Committee.

**Remuneration Committee** determines the remuneration of the President and Vice-Chancellor and members of the University Executive Board, and has oversight of the remuneration arrangements for other senior members of staff, including members of our professoriate and senior professional services staff. The members of Remuneration Committee are all lay members of Council; membership comprises the Chair of Council, the Vice-Chair of Council, the Treasurer and two other lay members of Council.

**Pensions Committee** considers and makes recommendations to Council regarding pension matters using expert external advisers.

**Estates & Infrastructure Committee** monitors the University's capital projects and offers advice and support in keeping projects

## Corporate Governance (continued)

on track for implementation together with input on design and costs.

**Health & Safety Audit and Assurance Committee** provides assurance to Council that the University is complying with the statutory and other appropriate health and safety requirements. The committee also makes recommendations for areas of improvement or for further work as necessary.

All of these committees are formally constituted with terms of reference and, with the exception of Remuneration Committee, Pensions Committee and Finance Committee, comprise lay members (one of whom is in the chair) and academic members. All members of Council and of its committees, together with the executive officers, are subject to Standing Orders, which inter alia require the maintenance of a Register of Interests. Members may not be present at any discussion in which they have a direct or indirect financial interest.

The University has complied with the key recommendations of the Committee of University Chairs' 'The Higher Education Code of Governance'. The Statement of Primary Responsibilities adopted by the University's governing body can be viewed at:

[www.southampton.ac.uk/about/governance/council.page](http://www.southampton.ac.uk/about/governance/council.page)

### President and Vice-Chancellor

The President and Vice-Chancellor is the principal academic and administrative officer of the University and has overall responsibility to Council for the executive management of the University. Under the Office for Students 'Terms and conditions of funding for higher education institutions' the President and Vice-Chancellor is the designated accountable officer', and in that capacity is required to advise Council on the discharge of all its responsibilities under the terms and conditions of funding.

### Statement of Internal Control

Council is responsible for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, whilst safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to understand and manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only a reasonable, but not absolute, assurance against financial misstatement or loss.

The internal control system has been in place for the year ended 31 July 2022 and up to the date of approval of the financial statements, and accords with Office for Students guidance.

The key elements of the system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities and delegated authority of Deans of Faculties and the Chief Operating Officer;

- a medium and short-term planning process, supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts;
- regular reviews of business, operational, compliance and financial risk;
- regular reviews of overall performance and at least termly reviews of financial performance and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, appointment of staff, investment and borrowing decisions; and
- comprehensive Financial Regulations approved by the Finance Committee, Audit Committee and Council.

The system of internal control is supplemented by 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 the likelihood and impact of those risks becoming a reality; and to manage them efficiently, effectively and economically.

Council has approved a process of identifying major risks and encouraging risk management awareness throughout the University with formal risk management strategies, policies and reporting systems, which are regularly monitored by Audit Committee and Council. This includes a focus on primary strategic aims and key performance indicators. Risk management and internal control are considered on a regular basis during the year and there is an adequate risk and control assessment system.

Risk management has also been incorporated fully into the corporate planning and decision-making processes of the University. Council reviews the University's strategic risk register and key performance indicators (KPI) on a regular basis and formally reviews retrospective KPI performance annually in July.

Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and 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.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the systems of internal control. Any such system can, however, only provide reasonable, but not absolute, assurance against financial misstatement or loss.

### Role of Council in the Preparation of the Financial Statements

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which



## Corporate Governance (continued)

enable it to ensure that the financial statements are prepared in accordance with the 'Statement of Recommended Practice (SORP): Accounting for Further and Higher Education' and other relevant accounting and financial reporting standards. In addition, within the 'Terms and conditions of funding for higher education institutions' between the Office for Students and the Council of the University, Council, through the President and Vice-Chancellor, 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 and of the surplus or deficit and cash flows for that year.

Council has, through its committees and officers, ensured that in the preparation of the financial statements:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent; and
- applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis has been used in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from all government sources, including

Office for Students, UKRI, Department

- for Education and Education and Skills Funding Agency, are used only for the purposes for which
- they have been given and in accordance with the 'Terms and conditions of funding for higher education institutions' and any other conditions which may have been prescribed;
- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;
- safeguard the assets of the University and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

Members of Council have had due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

### Members of the Council

There are five classes of Council membership.

Class 1: Officers

Class 2: Lay members appointed by the Council

Class 3: Academic members of staff

Class 4: Non-academic members of staff

Class 5: Representatives of the Students' Union

Membership for the period 1 August 2021 – 24 November 2022

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 22 Nov 2022	Attendance Aug 2021 – Jul 2022	Membership of other Committees of Council (including joint committees)
Mr PD Greenish	Class 1 Chair	August 2018	July 2024	10/10	The Chair of Council is, where they choose, an ex-officio member of all Council committees with the exception of the Audit Committee.
Dame J Macgregor	Class 1 Vice- Chair	August 2018	July 2024	8/10	Remuneration Committee Nominations Committee Pensions Committee
Mr S Young	Class 1 Treasurer	August 2021	July 2024	8/10	Remuneration Committee Finance Committee Pensions Committee Investments Committee
Professor M E Smith	Class 1 President and Vice-Chancellor	October 2019		10/10	The President & Vice Chancellor is, where they choose, an ex-officio member of all Council committees with the exception of the Audit Committee. In addition, the President & Vice Chancellor is not a member of the Remuneration Committee.

**Corporate Governance (continued)**

<b>Name</b>	<b>Type of Membership</b>	<b>Original appointment in this class commenced</b>	<b>Appointment end or actual leaving date if before 22 Nov 2022</b>	<b>Attendance Aug 2021 – Jul 2022</b>	<b>Membership of other Committees of Council (including joint committees)</b>
Professor P Wright	Class 1 Senior Vice President	August 2021		10/10	Nominations Committee Estates & Infrastructure Committee
Ms F Barnes	Class 2	November 2016	July 2025	7/10	Finance Committee Nominations Committee Investments Committee
Mr G Hobbs	Class 2	August 2016	July 2022	9/10	Audit Committee
Mr P Hollins	Class 2	April 2016	July 2022	10/10	Remuneration Committee Pensions Committee
Mr W Shannon	Class 2	July 2015	July 2024	5/10	Finance Committee Estates & Infrastructure Committee
Dr A Vincent	Class 2	August 2017	July 2023	7/10	Health & Safety Audit and Assurance Committee Remuneration Committee
Ms H Pawlby	Class 2	August 2017	July 2023	6/10	Estates & Infrastructure Committee
Dame M Atkins	Class 2	March 2019	July 2025	9/10	Estates & Infrastructure Committee
Baroness S Verma	Class 2	August 2021	July 2024	6/10	
Mr A Thakur	Class 2	August 2021	July 2024	8/10	Audit Committee (from September 2022)
Mr R Gledhill	Class 2	August 2022	July 2025	0/0	Audit Committee
Ms J Douglas Todd	Class 2	August 2022	July 2025	0/0	Remuneration Committee
Professor J Holloway	Class 3	August 2018	July 2024	9/10	Nominations Committee
Dr V Cardo	Class 3	October 2020	July 2023	10/10	
Professor m.c. Schraefel	Class 3	August 2021	July 2024	6/10	
Dr K Vithana	Class 3	August 2021	July 2024	10/10	
Mr A Whitmore	Class 4	August 2020	July 2023	10/10	Estates & Infrastructure Committee
Mr B Dolbear	Class 5	July 2021	June 2022	8/9	Nominations Committee Estates & Infrastructure Committee
Mr O Murray	Class 5	July 2022	June 2023	1/1	Nominations Committee Estates & Infrastructure Committee

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## **Independent auditor's report to the governing body of University of Southampton**

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### **Report on the audit of the financial statements**

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#### **1. Opinion**

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

- **give a true and fair view of the state of the group's and university's affairs as at 31 July 2022 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.**

We have audited the financial statements which comprise:

- the consolidated and university statement of comprehensive income;
- the consolidated and university statement of financial position;
- the consolidated and university statement of changes in reserves;
- the consolidated statement of cash flows;
- the statement of principle accounting policies;
- the related notes 1 to 33; and
- supplementary schedule for the US Department of Education, being required by reference to University of Southampton accepting students under the US Department of Education student financial assistance programs.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019).

#### **2. 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and the university for the year are disclosed in note 11 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the university.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independent auditor's report to the governing body of University of Southampton (continued)

### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• Capitalisation of expenditure on land and buildings; and</li> <li>• Valuation of the Universities Superannuation Scheme (USS) deficit.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <p>↔ Similar level of risk</p>
<b>Materiality</b>	The materiality that we used for the group financial statements was £11m which was determined on the basis of 1.65% of total income.
<b>Scoping</b>	Our full scope audit covered 99% of group income and 91% of group net assets.
<b>Significant changes in our approach</b>	There were no significant changes in our approach in the current year.

### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the governing body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the governing body's assessment of the group's and university's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of the forecast prepared by management by considering the historical accuracy of previous forecasts, and by assessing whether their assumptions are reasonable given the continuing uncertainty in the economic environment;
- Consideration of the university's financial position, including the size and liquidity of its investment portfolio;
- Recalculation of forecast loan covenant compliance and the amount of headroom thereon;
- Performance of sensitivity analyses to understand whether there are realistic scenarios where the University would have insufficient liquidity to continue its operations; and
- Comparison of post year end performance to forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and university's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governing body with respect to going concern are described in the relevant sections of this report.

### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Independent auditor's report to the governing body of University of Southampton (continued)

### 5.1 Capitalisation of expenditure

<b>Key audit matter description</b>	<p>The Group recognised a total of £37m (2021: £32m) of additions to land and buildings and assets in the course of construction in the year to 31 July 2022, as disclosed in note 16 to the financial statements.</p> <p>There is a judgement as to whether the expenditure included in this amount correctly meets the definitions of capital spend under FRS 102, as a large part of the capital expenditure relates to refurbishment of existing assets where there is judgment regarding whether spend is enhancing the value of the asset. Inappropriate accounting judgments could be utilised as a method to fraudulently manipulate the financial statements by capitalising amounts which should be recognised as expenditure.</p> <p>Details of the accounting policies applied are set out in note 1 to the financial statements. Capital expenditure is discussed in the strategic report on page 6.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<ul style="list-style-type: none"> <li>• We obtained an understanding of the relevant controls over the classification of expenditure on capital projects as capital or revenue in nature.</li> <li>• We assessed management's accounting policies in this area as to their compliance with FRS 102.</li> <li>• We tested the appropriateness of the accounting treatment of a sample of additions against the standards set out in FRS 102.</li> <li>• We assessed whether a sample of the expenditure met the required definitions to be recognised as capital.</li> <li>• We have assessed whether there were any significant delays in construction.</li> </ul>
<b>Key observations</b>	Based on the work performed we are satisfied that the capitalisation of expenditure is materially correct.

### 5.2 Valuation of the Universities Superannuation Scheme (USS) deficit

<b>Key audit matter description</b>	<p>The USS provision has increased in the year, from £73m in 2021 to £214m as at 31 July 2022. The increase was largely due to the new schedule of contributions agreed in the year. This makes the provision more sensitive to changes in assumptions, and there is a greater degree of uncertainty associated to key assumptions, in particular the pay rise assumptions due to the current economic environment. The provision is calculated by the university in line with the guidance and models provided by the British Universities Finance Directors' Group (BUFDG). In valuing the provision, management have used a discount rate of 3.33% (2021: 0.89%).</p> <p>Details of the USS deficit provision can be found in note 31 to the financial statements. Details of the sensitivity analysis prepared by management can be found in note 2 to the financial statements. The valuation of the USS deficit is discussed in the strategic report on page 5, and is defined as a major financial risk on page 11.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<ul style="list-style-type: none"> <li>• We obtained an understanding of the relevant controls over the valuation of the USS defined benefit obligation.</li> <li>• We have reviewed the methodology applied in valuing the liabilities recognised with reference to the BUFDG guidance and models.</li> <li>• We have considered the consistency of the key assumptions year on year and challenged the university specific assumptions determined by management by considering the consistency with forecasts, the accuracy of previous assumptions, the potential impact of inflation on the assumptions, and benchmarking the university's assumptions against the sector.</li> <li>• We have worked with internal actuarial specialists as part of our audit team to review the assumptions used in the valuation, in particular the appropriateness of the discount rate.</li> <li>• We have reviewed management's sensitivity analysis, and have performed further analysis on the sensitivity of the assumptions used by management.</li> </ul>
<b>Key observations</b>	Based on the work performed we are satisfied that the valuation of the USS deficit is materially correct.

## Independent auditor's report to the governing body of University of Southampton (continued)

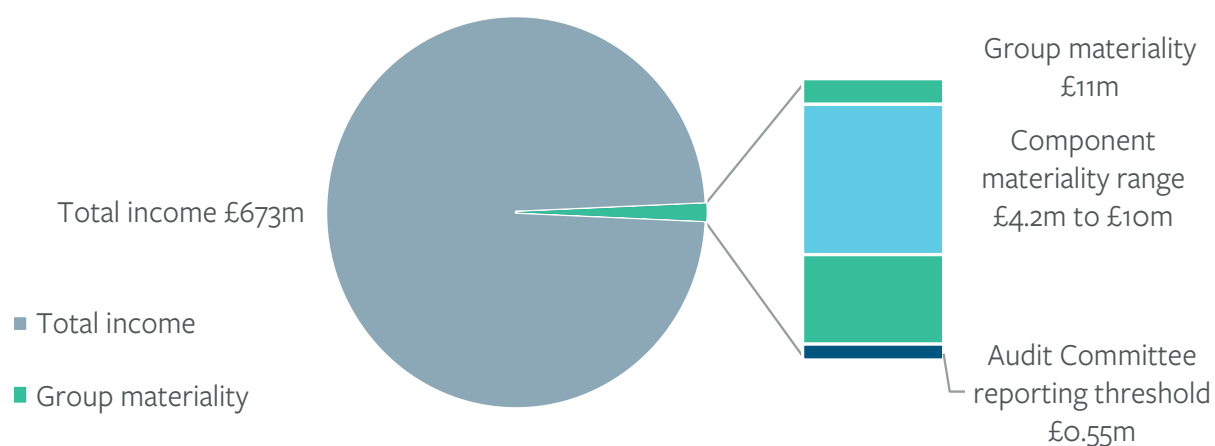
### 6. Our application of materiality

#### 6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	University financial statements
<b>Materiality</b>	£11.0m (2021: £7.6m)	£10m (2021: £7.5m)
<b>Basis for determining materiality</b>	1.65% of total income (2021: 1.4% of total income)	
<b>Rationale for the benchmark applied</b>	We use total income as the benchmark for determining materiality as this reflects the underlying performance of the group and is a key metric for users of the financial statements.	



The increase in materiality as compared to prior year is partially caused by an increase in total income, as well as by the increase in the percentage applied to determine materiality. The percentage was increased year on year due to the reduced impacts of COVID-19 on the University's operations.

## Independent auditor's report to the governing body of University of Southampton (continued)

### 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	University financial statements
<b>Performance materiality</b>	65% (2021: 65%) of group materiality	65% (2021: 65%) of university materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> <li>• the quality and maturity of the control environment;</li> <li>• the low number of uncorrected misstatements identified in prior periods; and</li> <li>• the level of turnover of management and key accounting personnel.</li> </ul>	

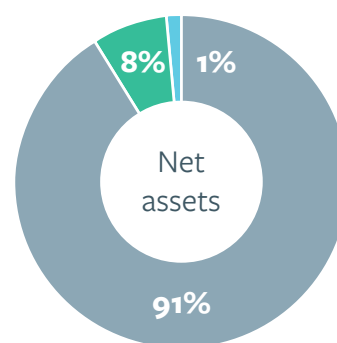
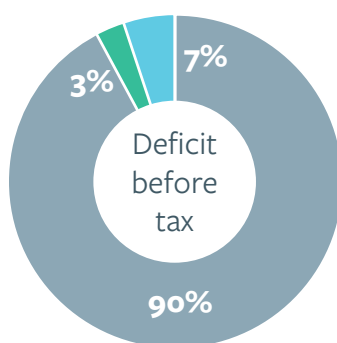
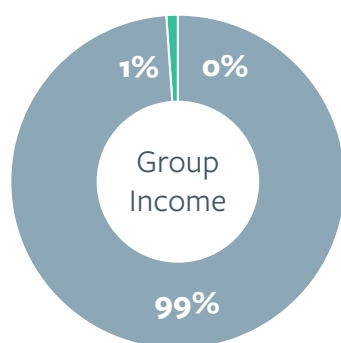
### 6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £550k (2021: £379k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the nature of the university and its subsidiaries, and assessing the risks of material misstatement at the group level. The university has eight subsidiary companies which form part of the consolidation, including subsidiaries based in Malaysia and Singapore. All subsidiaries are wholly owned by the university. All audit work on subsidiaries was performed directly by the group engagement team. We have not placed reliance on internal controls in determining the scope of our audit. The scope of our audit is summarised in the table below.

Component	Component Materiality £m	Scope
<b>University of Southampton</b>	£10.0m (2021: £7.5m)	Full scope audit.
<b>University of Southampton Science Park</b>	£4.2m (2021: £3m)	Audit of account balances, specifically the investment properties and non-current liabilities (borrowings).
<b>Other non-dormant subsidiaries</b>	n/a (2021: n/a)	Analytical procedures at group level.



■ Full audit scope    ■ Specified audit procedures    ■ Analytical procedures at group level

## Independent auditor's report to the governing body of University of Southampton (continued)

### 8. Other information

The other information comprises the information included in the Strategic Report, Public Benefit Statement and Corporate Governance Statement, other than the financial statements and our auditor's report thereon. The governing body is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements. 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 this regard.**

### 9. 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 and for being satisfied that they 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.

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

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

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

### 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

#### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for governing body remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including real estate, pensions and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.



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## **Independent auditor's report to the governing body of University of Southampton (continued)**

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As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in capitalisation of expenditure on land and buildings. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Office for Students "Regulatory Advice 9: Accounts Direction", the requirements of Title 34 CFR (code of financial regulations) 668.172, and the Higher Education Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's conditions of registration with the Office for Students.

### **11.2 Audit response to risks identified**

As a result of performing the above, we identified capitalisation of expenditure on land and buildings as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Office for Students; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

In our opinion, in all material respects:

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

### **13. Matters on which we are required to report by exception**

#### **13.1. Matters required under the OfS Accounts Direction**

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

- the provider's grant and fee income, as disclosed in the note 5 to the accounts, has been materially misstated; or
- the provider's expenditure on access and participation activities for the financial year, as disclosed in note 14 to the accounts, has been materially misstated.

**We have nothing to report in respect of these matters.**

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**Independent auditor's report to the governing body of University of Southampton (continued)**

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**14. Other matters which we are required to address****14.1. Auditor tenure**

Following the recommendation of the audit committee, we were appointed by the governing body on 20 February 2018 to audit the financial statements for the year ending 31 July 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ending 31 July 2018 to 31 July 2022.

**14.2. Consistency of the audit report with the additional report to the audit committee**

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

**15. Use of our report**

This report is made solely to the governing body in accordance with the charter and statutes of the university and the Accounts Direction issued by the Office for Students dated 25 October 2019. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.



Claire Siviter FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

30 November 2022

**Consolidated and University Statement of Comprehensive Income Year Ended 31 July 2022**

		Consolidated		University	
	Notes	2022	2021	2022	2021
		£000	£000	£000	£000
Income					
Tuition fees and education contracts	3/5	326,114	239,028	323,753	237,029
Funding body grants	4/5	83,021	84,153	83,021	84,153
Research grants and contracts	6	114,715	120,076	113,982	119,670
Other income	7	140,094	101,703	137,217	97,757
Investment income	8	6,008	6,140	5,986	6,121
Donations and endowments	9	2,879	2,977	2,879	2,977
Total income		672,831	554,077	666,838	547,707
Expenditure					
Staff costs excluding movements in the USS deficit funding accrual	10	341,387	329,112	338,561	326,807
Increase/(decrease) in the USS deficit funding accrual accounted for within staffing costs	10	141,063	(6,779)	141,063	(6,779)
Staff costs	10	482,450	322,333	479,624	320,028
Other operating expenses	11/13	206,898	176,627	206,106	175,555
Depreciation and amortisation	13	31,422	29,476	30,941	29,195
Interest and other finance costs	12	17,053	17,731	17,026	17,972
Total expenditure		737,823	546,167	733,697	542,750
(Deficit)/Surplus before other gains/losses		(64,992)	7,910	(66,859)	4,957
Gain/(loss) on investments		(10,217)	10,782	(5,543)	7,816
(Loss)/gain on disposal of fixed assets		(3,534)	558	(3,524)	558
Share of operating deficit in associate		33	92	-	-
(Deficit)/Surplus before tax		(78,710)	19,342	(75,926)	13,331
Taxation	15	1,356	(1,164)	-	-
(Deficit)/Surplus for the year after tax		(77,354)	18,178	(75,926)	13,331
(Deficit)/Surplus attributable to the University		(77,354)	18,066	(75,926)	13,331
(Deficit)/Surplus attributable to non-controlling interest		-	112	-	-
		(77,354)	18,178	(75,926)	13,331

**Consolidated and University Statement of Comprehensive Income Year Ended 31 July 2022 (continued)**

	Notes	Consolidated		University	
		2022	2021	2022	2021
		£000	£000	£000	£000
<b>(Deficit)/Surplus for the year after tax</b>		<b>(77,354)</b>	18,178	<b>(75,926)</b>	13,331
<b>Other comprehensive income</b>					
Actuarial gain in respect of pension schemes	31	<b>161,795</b>	17,462	<b>161,795</b>	17,462
<b>Total comprehensive income for the year</b>		<b>84,441</b>	35,640	<b>85,869</b>	30,793
<b>Represented by :</b>					
Endowment comprehensive (expenditure)/ income for the year		<b>(2,065)</b>	2,014	<b>(2,065)</b>	2,014
Restricted comprehensive expenditure for the year		<b>(619)</b>	(194)	<b>(619)</b>	(194)
Unrestricted comprehensive income for the year		<b>87,125</b>	33,708	<b>88,553</b>	28,973
Non-controlling interest		-	112	-	-
		<b>84,441</b>	35,640	<b>85,869</b>	30,793

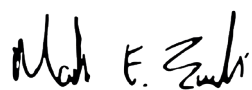
All items of income and expenditure relate to continuing operations. There is no tax relating to other comprehensive income.



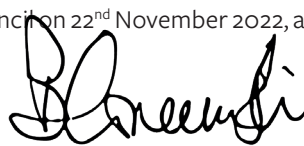
**Consolidated and University Statement of Financial Position as at 31 July 2022**

		<b>Consolidated</b>		<b>University</b>	
	<b>Notes</b>	<b>As at 31 July 2022 £000</b>	<b>As at 31 July 2021 £000</b>	<b>As at 31 July 2022 £000</b>	<b>As at 31 July 2021 £000</b>
<b>Non-current assets</b>					
Fixed assets	16	<b>754,165</b>	741,230	<b>695,553</b>	692,431
Heritage assets	16	<b>6,035</b>	6,035	<b>6,035</b>	6,035
Intangible assets	17	<b>910</b>	229	<b>910</b>	229
Investments	18	<b>10,056</b>	8,307	<b>47,778</b>	40,040
Share of net assets of associate	19	<b>252</b>	219	-	-
		<b>771,418</b>	756,020	<b>750,276</b>	738,735
<b>Current assets</b>					
Stock		<b>1,363</b>	935	<b>1,345</b>	893
Trade and other receivables	20	<b>68,815</b>	70,912	<b>66,375</b>	69,197
Investments	21	<b>400,626</b>	473,354	<b>400,626</b>	473,354
Cash and cash equivalents		<b>212,618</b>	109,741	<b>202,900</b>	93,009
		<b>683,422</b>	654,942	<b>671,246</b>	636,453
<b>Creditors: amounts falling due within one year</b>	22	<b>(197,997)</b>	(193,256)	<b>(191,724)</b>	(188,525)
<b>Net current assets</b>		<b>485,425</b>	461,686	<b>479,522</b>	447,928
<b>Total assets less current liabilities</b>		<b>1,256,843</b>	1,217,706	<b>1,229,798</b>	1,186,663
<b>Creditors: amounts falling due after more than one year</b>	23	<b>(404,916)</b>	(409,087)	<b>(402,956)</b>	(405,497)
<b>Provisions</b>					
Pension provisions	24	<b>(229,536)</b>	(269,729)	<b>(229,536)</b>	(269,729)
Other provisions	24	<b>(2,867)</b>	(3,807)	-	-
<b>Total net assets</b>		<b>619,524</b>	535,083	<b>597,306</b>	511,437
Represented by:					
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	25	<b>12,822</b>	14,887	<b>12,822</b>	14,887
Income and expenditure reserve - restricted reserve	26	<b>4,557</b>	5,176	<b>4,557</b>	5,176
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		<b>602,145</b>	515,020	<b>579,927</b>	491,374
<b>Total reserves</b>		<b>619,524</b>	535,083	<b>597,306</b>	511,437

The financial statements were approved by the Council on 22<sup>nd</sup> November 2022, and signed on its behalf by:



**Professor Mark E Smith**  
President and Vice-Chancellor



**Philip Greenish**  
Chair of Council



**Sarah Pook**  
Executive Director, Finance and Planning

**Consolidated and University Statement of Changes in Reserves Year Ended 31 July 2022****Consolidated****Income and Expenditure Reserve**

	Notes	Endowment £000	Restricted £000	Unrestricted £000	Total £000	Non- Controlling Interest £000	Attributable to the University £000
<b>Balance at 1 August 2020</b>		<b>12,873</b>	<b>5,370</b>	<b>481,200</b>	<b>499,443</b>	<b>1,388</b>	<b>498,055</b>
Surplus/(deficit) from the Statement of Comprehensive Income		2,014	(194)	16,358	18,178	112	18,066
Other comprehensive income	31	-	-	17,462	17,462	-	17,462
		2,014	(194)	33,820	35,640	112	35,528
<b>Balance at 1 August 2021</b>		<b>14,887</b>	<b>5,176</b>	<b>515,020</b>	<b>535,083</b>	<b>1,500</b>	<b>533,583</b>
Deficit from the Statement of Comprehensive Income		(2,065)	(619)	(74,670)	(77,354)	-	(77,354)
Other comprehensive income	31	-	-	161,795	161,795	-	161,795
Transfer of non-controlling interest		-	-	-	-	(1,500)	1,500
<b>Total Comprehensive Income/ (Expenditure) for the year</b>		<b>(2,065)</b>	<b>(619)</b>	<b>87,125</b>	<b>84,441</b>	<b>(1,500)</b>	<b>85,941</b>
<b>Balance at 31 July 2022</b>		<b>12,822</b>	<b>4,557</b>	<b>602,145</b>	<b>619,524</b>	<b>-</b>	<b>619,524</b>

**Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2022 (continued)****University**

		<b>Income and Expenditure Reserve</b>			
	<b>Notes</b>	<b>Endowment</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 August 2020</b>		<b>12,873</b>	<b>5,370</b>	<b>462,401</b>	<b>480,644</b>
Surplus/(deficit) from the Statement of Comprehensive Income		2,014	(194)	11,511	13,331
Other comprehensive income	31	-	-	17,462	17,462
<b>Total Comprehensive Income/(Expenditure) for the year</b>		<b>2,014</b>	<b>(194)</b>	<b>28,973</b>	<b>30,793</b>
<b>Balance at 1 August 2021</b>		<b>14,887</b>	<b>5,176</b>	<b>491,374</b>	<b>511,437</b>
Deficit from the Statement of Comprehensive Income		(2,065)	(619)	(73,242)	(75,926)
Other comprehensive income	31	-	-	161,795	161,795
<b>Total Comprehensive Income/(Expenditure) for the year</b>		<b>(2,065)</b>	<b>(619)</b>	<b>88,553</b>	<b>85,869</b>
<b>Balance at 31 July 2022</b>		<b>12,822</b>	<b>4,557</b>	<b>579,927</b>	<b>597,306</b>

**Consolidated Statement of Cash Flows for the year ended 31 July 2022**

	<b>Year ended 31 July 2022</b>	Year ended 31 July 2021
	<b>£000</b>	£000
<b>Cash flow from operating activities before tax</b>		
(Deficit)/surplus before taxation	<b>(78,710)</b>	19,342
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	<b>31,422</b>	29,476
Loss/(gain) on investments	<b>9,917</b>	(10,782)
Impairment of investments	<b>300</b>	187
Impairment of fixed assets	<b>32</b>	-
Increase in stock	<b>(428)</b>	(160)
Decrease/(increase) in trade and other receivables	<b>2,131</b>	(2,727)
Increase in creditors	<b>512</b>	45,897
Increase in pension provision	<b>121,602</b>	4,927
(Decrease)/increase in other provisions	<b>(940)</b>	835
Exchange rate loss on loans	<b>852</b>	295
Gain on revaluation of investment property	<b>(2,843)</b>	(1,651)
Gain on financial instruments	<b>(53)</b>	(357)
<b>Share of operating (surplus)/deficit in associate</b>	<b>(33)</b>	(92)
Adjustment for investing or financing activities		
Investment income	<b>(6,008)</b>	(6,140)
New endowments	<b>(2)</b>	(36)
Capital grant income	<b>(4,884)</b>	(7,260)
Interest payable	<b>14,444</b>	14,416
Loss on the disposal/write down of fixed assets	<b>729</b>	1,582
<b>Net cash inflow from operating activities before taxation</b>	<b>88,040</b>	87,752
<b>Taxation</b>	<b>1,356</b>	(1,164)
<b>Net cash inflow from operating activities after taxation</b>	<b>89,396</b>	86,588



**Consolidated Statement of Cash Flows for the year ended 31 July 2022 (continued)**

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
<b>Cash flows from investing activities</b>		
Capital grants receipts	4,979	8,531
Payments made to acquire tangible assets	(39,571)	(36,443)
Payments on intangible assets	(725)	(185)
Proceeds from disposal of tangible assets	-	1,110
Proceeds from disposal of fixed asset investments	-	2,261
Net divestment/(investment) in current investments	60,762	(7,423)
Investment income	5,879	6,521
<b>Net cash inflow/(outflow) from investing activities</b>	<b>31,324</b>	<b>(25,628)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(14,397)	(14,370)
New endowments	2	36
Repayment of amounts borrowed	(3,053)	(1,909)
Capital element of finance lease repayments	(395)	(368)
<b>Net cash outflow from financing activities</b>	<b>(17,843)</b>	<b>(16,611)</b>
<b>Increase in cash and cash equivalents in the year</b>	<b>102,877</b>	<b>44,349</b>
Cash and cash equivalents at beginning of the year	109,741	65,392
Cash and cash equivalents at end of the year	212,618	109,741
<b>Increase in cash and cash equivalents in the year</b>	<b>102,877</b>	<b>44,349</b>

## Notes to the Financial Statements for the year ended 31 July 2022

### 1. Statement of principal accounting policies

#### a. Going Concern

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future. The University's net debt, as set out in note 27, moved from £298.9 million net debt as at 31 July 2021 to £193.3 million as at 31 July 2022. However, the net debt does not take into account the investment portfolio held as part of the University's treasury management strategy of £400.6 million. If this is taken into account, the overall position is adjusted net funds of £207.3 million, compared to £174.5 million at 31 July 2021. The University has sufficient liquidity for its continuing operations and therefore the going concern basis has been used in the preparation of the financial statements.

#### b. General

The University of Southampton is a chartered corporation established by Royal Charter in 1952, and an exempt charity under the terms of the Charities Act 2011. Its principal place of business is University Road, Southampton, Hampshire, United Kingdom.

#### c. Basis of accounting

These financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and the applicable accounting standard Financial Reporting Standard 102 (FRS 102). The financial statements comply with the requirements of FRS 102.

The financial statements are prepared in accordance with the historical cost convention, modified to include certain items at fair value.

The University has taken the exemption permitted under FRS 102 to not produce a cash flow statement for the University. A group cash flow statement is provided on page 35.

The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102.

#### d. Basis of consolidation

The consolidated financial statements combine the financial statements of the University and its subsidiary undertakings for the financial year to 31 July.

Where the financial statements of subsidiary companies are denominated in foreign currency, income and expenditure are converted to sterling for consolidation on the basis of the average exchange rate for the accounting period and the Consolidated Statement of Financial Position is converted using the rate at the Consolidated Statement of Financial Position date. Any resulting

exchange rate differences are recognised in the Statement of Comprehensive Income.

The consolidated Statement of Comprehensive Income includes the Group's share of the comprehensive income of associated undertakings and the Consolidated Statement of Financial Position includes the investment in associated undertakings at the Group's share of their underlying net tangible assets (the 'equity method'). Associated undertakings are those in which the Group has significant, but not dominant, influence over their commercial and financial policy decisions.

The consolidated financial statements do not include the income and expenditure of the University of Southampton Students' Union as it is a separate entity over which the University does not exert control or significant influence over policy decisions.

Operational decision making is based on the activities of the whole institution, and this, along with the fact that materially all of the University's income and expenditure relates to its principal activities and originates in the UK, means that there is only one operating segment, and there is no segmental reporting.

#### e. Income recognition

##### *Grant funding*

Grant funding including funding council block grants, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions specified in the agreement have been met. In the absence of any performance conditions income is recognised in full as soon as it becomes receivable.

Income received in advance of any performance related conditions being met is recognised as deferred income within creditors on the Statement of Financial Position and released to income as the conditions are met. Where grants are received in arrears income is recognised in line with the performance conditions which have been met.

## Notes to the Financial Statements for the year ended 31 July 2022

### *Tuition fees*

Fee income is stated gross of any expenditure and credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is waived or reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

### *Provision of goods or services*

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied or the terms of the contract have been satisfied. Where services are being rendered, but are not complete at the end of the period, income is recognised with reference to the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

### *Donations and endowments*

Donation income is accounted for under the Performance Model and can be split into the following types of donation:

- *Donated income with performance conditions*  
Income is recognised within the Statement of Comprehensive Income when receivable (legal/contractual commitment) and performance conditions have been met.
- *Donations with restrictions*  
A donation is considered to have a restriction when the gift agreement contains “a requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance-related condition.”  
Income with restrictions, but no performance conditions, is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and recorded within restricted reserves. As the funding is expended against the restriction it is transferred to unrestricted reserves by way of a reserves transfer.
- *Donations without restrictions*  
Income with neither restrictions nor performance conditions is recognised within the Statement of Comprehensive Income when the University is entitled to the income and recorded within unrestricted reserves.

Endowments are a class of donation where the donor requires the original gift to be invested, with the return to be spent against the donor’s charitable aims. The donor can specify that the capital can be spent (expendable endowment) or maintained in perpetuity (permanent endowment). In addition, the donor can specify how the gift and any associated income should be spent (a restricted endowment) or give the funds for the general benefit of the University (unrestricted endowment).

An endowment gift is recognised in the Statement of Comprehensive Income when the University is entitled to the gift. Investment income and appreciation of endowments is recognised in the year in which it arises and is either restricted or unrestricted income according to the terms of the restriction applied to each individual endowment fund.

### *Capital grants*

Capital grants received for the purpose of purchasing or constructing specific assets are recognised as income when the University is entitled to the funds subject to any performance related conditions being met. Grants where the University has discretion over the assets being purchased or built are recognised in full as income when the University is entitled to the income.

### *Interest*

Interest is credited to the Statement of Comprehensive Income on a receivable basis.

### *Agency income*

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

## **f. Accounting for retirement benefits**

The three principal pension schemes for the University’s staff are the Universities Superannuation Scheme (USS), the University of Southampton Pension and Assurance Scheme (PASNAS) and the University of Southampton Retirement Fund (USRF). The University also contributes to the National Health Service Pension Scheme (NHPS), Hampshire County Council (HCC), National Employment Savings Trust (NEST) and schemes relating to subsidiary companies. A small number of staff remain in other schemes.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities of each university due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

PASNAS and HCC are defined-benefit schemes, the assets of which are held in trustee-administered funds which are valued every three years by professionally qualified independent actuaries. NHPS is externally funded and the University’s share of the underlying assets and liabilities of the scheme cannot be identified, therefore this is accounted for as if it were a defined contribution scheme. USRF and NEST are defined contribution schemes.

## Notes to the Financial Statements for the year ended 31 July 2022

### *Defined benefit schemes*

Defined benefit schemes are post-employment benefit schemes other than defined contribution schemes. Under defined benefit schemes, 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 University recognises a liability for its obligations under defined benefit schemes net of scheme assets.

The 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 scheme.

### *Defined contribution schemes*

A defined contribution scheme is a post-employment benefit scheme under which the University pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the Statement of Comprehensive Income in the year during which services are rendered by employees.

### **g. Employment benefits**

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the period in which the employees render service to the University. Any unused benefits which have accrued at each Statement of Financial Position date are recognised as a liability, with the expense being recognised as staff costs in the Statement of Comprehensive Income.

### **h. Leases**

#### *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 a finance lease and the associated lease liability are stated at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Lease payments are apportioned between the finance charge

and the reduction of the outstanding liability. 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 to the Statement of Comprehensive Income on a straight-line basis over the lease term. Any lease premiums or incentives are spread evenly over the minimum lease term.

### **i. Foreign currency**

Transactions denominated in foreign currencies are recorded in the Statement of Comprehensive Income at the actual rate of exchange on conversion to sterling. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated into sterling at the foreign exchange rate prevailing at that date.

Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

### **j. Fixed assets**

Fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Fixtures, fittings and equipment purchased by the University and costing less than £25,000 per individual items or group of related items is written off in the year of acquisition. All other items of fixtures, fittings and equipment is capitalised. The capitalisation thresholds for subsidiary undertakings are set at appropriate levels that do not exceed £25,000.

#### *Depreciation*

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold buildings:	50 years
Leasehold land and buildings:	50 years
Fixtures, fittings and equipment:	3 - 10 years

Assets under the course of construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are ready for use.



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## Notes to the Financial Statements for the year ended 31 July 2022

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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

### *Impairment*

A review for potential indicators of impairment is carried out at each reporting date. If events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable, a calculation of the impact is completed and arising impairment values charged against the asset and to the Statement of Comprehensive Income.

### *Investment properties*

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Within investment properties is capitalised lease premiums and associated costs which represent premiums paid by the Science Park in respect of land on long leases (99 years and over). These are included at historic cost and depreciated on a straight-line basis over the term of the lease. Any revaluation is held within Investment Leasehold and Freehold Property.

## **k. Heritage assets**

Artefacts held and conserved principally for their contribution to knowledge and culture, obtained since 1 August 2010, costing over £25,000, are normally capitalised and held at the lower of cost or net realisable value. Where assets are fully or substantially donated, they are capitalised and held at the lower of valuation at the time of acquisition or net realisable value.

Heritage assets are not depreciated as their long economic lives mean that any depreciation would be immaterial but they are regularly reviewed for impairment.

Income received to support the purchase of heritage assets is recognised when the University is entitled to the income. The University holds a number of heritage assets obtained before 1 August 2010 that are not capitalised as the historical cost or valuation at the time of acquisition cannot be determined in a cost beneficial manner.

## **l. Intangible assets**

Intangible assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Intangible assets purchased by the University and costing less than £25,000 per individual items or group of related items is written off in the year of acquisition. The capitalisation thresholds for subsidiary undertakings are set at appropriate levels that do not exceed £25,000.

### *Amortisation*

Amortisation on intangible assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

- Software: 3 years (up to a maximum period of 8 years)

Software in progress is accounted for at cost, based on the value of the direct costs incurred to 31 July. They are not depreciated until they are ready for use.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

### *Impairment*

A review for potential indicators of impairment is carried out at each reporting date. If events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable, a calculation of the impact is completed and arising impairment values charged against the asset and to the Statement of Comprehensive Income.

## **m. Gifts in kind**

Gifts in kind are included as fixed assets and depreciated in accordance with the policy set out above. The value of the donation is included in the Statement of Comprehensive Income in the period in which it is received, using a reasonable estimate of the gross value or the amount actually realised.

## **n. Investment**

All investments are initially recognised at cost and subsequently measured at fair value at each reporting date, with movements

## Notes to the Financial Statements for the year ended 31 July 2022

recognised in the Statement of Comprehensive Income. For non-trading investments where fair value cannot be reliably measured, they will be measured at cost less impairment.

Investments in subsidiary undertakings and associates are accounted for at cost less accumulated impairment losses.

Investments in associated undertakings are accounted for using the equity method of accounting which reflects the University's share of the profit or loss, other comprehensive income and equity of the associate. In applying the equity method the University uses interim financial statements of the associate prepared to the 31st July.

All gains and losses on investment assets are recognised in the Statement of Comprehensive Income for that period.

A review for potential indicators of impairment is carried out at each reporting date. If events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable, a calculation of the impact is completed and arising impairment values charged against the asset and to the Statement of Comprehensive Income.

### **o. Stock**

The stocks are centrally held items for cleaning, maintenance and resale, and cochlear implants awaiting issue to patients. Stock is held at the lower of cost and net realisable value.

### **p. Cash and cash equivalents**

Cash includes cash in hand, cash at bank, 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. Deposit investments are deemed to be cash equivalents if they have a maturity of three months or less from the date of acquisition.

Cash and cash equivalents contain sums relating to endowment reserves which the University is restricted as to how they disburse.

### **q. Financial instruments**

As allowable under FRS 102 the University has adopted the option to apply the recognition, measurement and disclosure requirements of sections 11 and 12 of FRS 102. Financial assets and financial liabilities are recognised when the University becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through the Statement of

Comprehensive Income, which are initially measured at fair value (normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

### *Investments*

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publically traded or their fair value is reliably measurable) are measured at fair value through the Statement of Comprehensive Income. Where fair value cannot be measured reliably, investments are measured at cost less impairment. In the University's Statement of Financial Position, investments in subsidiaries are measured at cost less impairment.

### *Loans*

Loans which are basic financial instruments (as defined in paragraph 11.9 of FRS 102) are initially recorded at the transaction price, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method and are subject to an annual impairment review.

### *Public bonds*

Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the bonds are measured at amortised cost using the effective interest rate method. Under this method the discount at which the bonds were issued and the transaction costs are accounted for as an additional interest expense over the term of the bonds.

### *Derivatives*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are then revalued annually with any gains or losses being reported in the Statement of Comprehensive Income. The fair values are calculated by the bank from proprietary models based upon well recognised financial principles, data sources believed to be reliable and reasonable estimates about relevant future market conditions.

### *Short-term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

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## Notes to the Financial Statements for the year ended 31 July 2022

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### *Interest rate swaps*

Under FRS102 this is measured at fair value through the Statement of Comprehensive Income. This value has been calculated by the bank from proprietary models.

### **r. 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 a transfer of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

Contingent assets and liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes.

### **s. 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 sections 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 other commercial organisations however, the overall taxation liability of the group is minimised through using the Gift Aid scheme.

Deferred tax is provided in full on timing differences which result in an obligation at the Statement of Financial Position 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 computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised only if they are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

### **t. Reserves**

Reserves are classified as restricted and unrestricted reserves. 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.

## Notes to the Financial Statements for the year ended 31 July 2022

### 2. Significant estimates and judgements

In the process of applying its accounting policies, the University is required to make certain estimates, judgements and assumptions that management believe are reasonable based on the information available. These are reviewed on a regular basis by senior management.

The University's management has sought to adopt those accounting policies most appropriate to the circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows. In determining and applying those accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption could materially affect the reported results or net asset position of the University.

A number of material judgements and significant estimates have been used in the preparation of the financial statements which are detailed below.

#### USS pension provision

The University has a contractual commitment to fund past deficits arising within the Universities Superannuation Scheme (USS), and under FRS 102 (Section 28) this obligation is recognised as a liability on the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income. The recovery plan in the 2020 actuarial valuation requires employers to contribute 6.2% deficit contribution until March 2024 and then 6.3% of salaries towards repairing the deficit over the period from April 2024 to March 2038. The provision in the Statement of Comprehensive Income was calculated using a discount rate of 3.33% and an estimate of the changes in staffing levels and pay increases.

This resulted in a £141.7 million increase of the provision to £214.3 million (2021: £72.6 million) as at 31st July 2022. Details of the movements in the provision are included in note 24 to the accounts.

#### Judgement Discount Rate

The discount rate used in the calculation of the provision is 3.33%. This has been determined by reference to average market yields at the reporting date on high quality corporate bonds (bond rating AA) whose term covers the remaining duration of the recovery plan.

The following sensitivity analysis outlines the potential impact on the existing carried forward liability of £214.3m of a change to the discount rate:

- A 1% increase in the discount rate would decrease the debit to the Statement of Comprehensive Income by £17.1 million and reduce the 2021/22 provision by £17.1 million to a total provision of £197.2 million.
- A 1% decrease in the discount rate would increase the debit to the Statement of Comprehensive Income by £19.2 million and increase the 2021/22 provision by £19.2 million to a total provision of £233.5 million.
- A decrease in the discount rate in line with the prior year to 0.89% would increase the debit to the Statement of Comprehensive Income by £51.1 million and increase the 2021/22 provision by £51.1 million to a total provision of £265.4 million.

#### Estimates

##### Staffing Levels and Pay Increases

In addition to the discount rate and deficit recovery rate and period, the value of the USS pension provision is based on management's estimate of expected changes in staffing levels and pay increases. These are based on the University's business plans which have been reviewed and approved by the University's governing body.

Based on the inputs used to determine the current provision, the following sensitivity analysis outlines the potential impact on the existing carried forward liability of £214.3 million (assuming the same discount rate of 3.33% and deficit recovery period to 31 March 2038 and additional employer's deficit contributions of 6.2% to March 2024 and 6.3% from April 2024 to March 2038):

#### Pay increases

- an increase of 1% per annum in the pay increase assumptions would increase the debit to the Statement of Comprehensive Income by £18.9 million and increase the 2021/22 provision by £18.9 million to a total provision of £233.2 million.
- a decrease of 1% per annum in the pay increase assumptions would decrease the debit to the Statement of Comprehensive Income by £17.1 million and reduce the 2021/22 provision by £17.1 million to a total provision of £197.2 million.

#### Staffing levels

- an increase of 1% per annum in the staffing level assumptions would increase the debit to the Statement of Comprehensive Income by £19.3 million and increase the 2021/22 provision by £19.3 million to a total provision of £233.6 million.
- a decrease of 1% per annum in the staffing level assumptions would decrease the debit to the Statement of Comprehensive Income by £17.5 million and reduce the 2021/22 provision by £17.5 million to a total provision of £196.8 million.



## Notes to the Financial Statements for the year ended 31 July 2022

### Defined benefit scheme pension provision – PASNAS and HCC

#### Estimate

The University contributes to two defined benefit pension schemes for which a provision is recorded in the Statement of Financial Position; these are University of Southampton Pension and Assurance Scheme (PASNAS) and Hampshire County Council (HCC). The recognised pension deficit liability is based on the valuation provided by professionally qualified independent actuaries which is based on a number of assumptions. These include the future cash flows of the Schemes, a discount rate of 3.4% (which is based on average AA rated UK corporate bond rates that reflect the duration of our liability), a 3.1% increase in pensionable salaries going forward and proposed price inflation of 3.4% (which is based on the Retail Price Index). Further details on these assumptions can be found in note 31.

The net interest expense is based on the interest rates of AA rated corporate bonds and the deficit position.

Management review the assumptions made to derive the provisions recorded within the Statement of Financial Position to ensure that they are reasonable. The following sensitivity analysis outlines the potential impact on the provision of £15.2m:

- an increase of 0.5% in the discount rate would increase the credit to the Statement of Comprehensive Income by £26.8 million and reduce the 2021/22 provision from £15.2 million to an asset of £11.6 million.
- a decrease of 0.5% in the discount rate would reduce the credit to the Statement of Comprehensive Income by £31.1 million and increase the 2021/22 provision from £15.2 million to £46.3 million.
- an increase of 0.5% per annum in the salary increase assumptions would reduce the credit to the Statement of Comprehensive Income by £7.2 million and increase the 2021/22 provision from £15.2 million to 22.4 million.
- a decrease of 0.5% per annum in the salary increase assumptions would increase the credit to the Statement of Comprehensive Income by £6.5 million and decrease the 2021/22 provision from £15.2 million to £8.7 million.
- an increase of 0.5% per annum in the inflation assumptions would reduce the credit to the Statement of Comprehensive Income by £12.4 million and increase the 2021/22 provision from £15.2 million to £27.6 million.
- a decrease of 0.5% per annum in the inflation assumptions would increase the credit to the Statement of Comprehensive Income by £13.3 million and decrease the 2021/22 provision from £15.2 million to £1.9 million.

### Revaluation model for investment property

#### Estimate

The University of Southampton Science Park is an investment property which is valued each year by an independent valuation specialist. The property is stated at fair value with changes in the fair value being recognised in the Statement of Comprehensive Income.

The valuer uses a valuation technique based on the net present value of contracted future rental streams. This valuation method requires assumptions to be made regarding the estimated yield from the property and the level of long-term occupancy rates. Management acknowledges that changes to these assumptions can derive a different valuation, but accept that the assumptions used are reasonable based on past performance and existing lease commitments.

The determined fair value of the investment property is most sensitive to the estimated yield. The equivalent yield deriving from the valuation was 4.22%. The following sensitivity analysis outlines the potential impact on the valuation of the leasehold property assets of £51.2 million:

- If the yield were to reduce by 0.25% (3.97%), the value of the Science Park would increase by £3.7 million to £54.9 million.
- If the yield were to increase by 0.25% (4.47%), the value of the Science Park would reduce by £3.1m to £48.1 million.

## Notes to the Financial Statements for the year ended 31 July 2022

### 3. Tuition fees and education contracts

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
Full-time home/EU students	127,072	125,020	127,072	125,020
Full-time international students	169,964	85,496	167,603	83,497
Part-time home/EU students	2,705	2,459	2,705	2,459
Part-time international students	420	277	420	277
Research training support grants	17,702	18,118	17,702	18,118
Special and short course fees	8,251	7,658	8,251	7,658
	<b>326,114</b>	239,028	<b>323,753</b>	237,029

Included in the above is £3,960,000 (2021: £3,370,000) of NHS Teaching Contract income in respect of full and part-time fees.

Other income from health authorities is disclosed under note 7.

During the year the University has recognised £16.1 million of income relating to students who joined the University in January 2021 for a 12-month course which was delayed from the usual September 2020 commencement due to Covid-19 related international travel restrictions. The course delay was unique to the 2020 cohort.

Fee income is stated net of waivers and discounts.

### 4. Funding body grants

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
<b>Recurrent grants:</b>				
Office for Students and Research England	69,610	70,407	69,610	70,407
<b>Specific grants:</b>				
Office for Students and Research England	8,527	6,486	8,527	6,486
<b>Capital grants</b>	4,884	7,260	4,884	7,260
	<b>83,021</b>	84,153	<b>83,021</b>	84,153

In accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 our finance policies (see page 37e. Grant funding) state that income received in advance of any performance related conditions being met is recognised as deferred income within creditors on the Statement of Financial Position (see note 22) and released as income once the performance conditions are met. Specific Government Grant income of £403,000 (2021: £607,000) and Government Capital grants of £20,000 (2021: £1,386,000) have been received but have not been included in the Statement of Comprehensive Income as performance conditions had not been met as at 31st July.

## Notes to the Financial Statements for the year ended 31 July 2022

### 5. Details of grant and fee income

The source of grant and fee income, included in notes 3 to 4 is as follows:

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
<b>Recurrent Grants</b>				
Office for Students	<b>18,706</b>	17,544	<b>18,706</b>	17,544
Research England - QR	<b>50,904</b>	50,028	<b>50,904</b>	50,028
Research England - GCRF	-	2,835	-	2,835
NHS Teaching Contract	<b>3,960</b>	3,370	<b>3,960</b>	3,370
<b>Specific Grants</b>				
Higher Education Academic Subject Centres (NCOP)	<b>791</b>	1,021	<b>791</b>	1,021
Higher Education Innovation Fund	<b>4,845</b>	4,259	<b>4,845</b>	4,259
Research QR Policy Support Fund	<b>937</b>	-	<b>937</b>	-
Enhancing Research Culture	<b>698</b>	-	<b>698</b>	-
Participatory Research	<b>150</b>	-	<b>150</b>	-
Ukrainian Hardship Funding	<b>6</b>	-	<b>6</b>	-
Capital grant	<b>4,884</b>	7,260	<b>4,884</b>	7,260
Grant income from other bodies	<b>1,100</b>	1,206	<b>1,100</b>	1,206
Fee income for taught awards	<b>286,251</b>	200,038	<b>283,890</b>	198,039
Fee income for research awards	<b>27,652</b>	27,962	<b>27,652</b>	27,962
Fee income from non-qualifying courses	<b>8,251</b>	7,658	<b>8,251</b>	7,658
Total grant and fee income	<b>409,135</b>	323,181	<b>406,774</b>	321,182

Fee income is stated net of waivers and discounts.

## Notes to the Financial Statements for the year ended 31 July 2022

### 6. Research grants and contracts

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
<b>Income:</b>				
UK Research Councils	<b>48,830</b>	51,520	<b>48,830</b>	51,520
UK based charities	<b>13,064</b>	14,341	<b>13,064</b>	14,323
UK Central/Local Government, health authorities and hospitals	<b>23,096</b>	22,686	<b>23,096</b>	22,675
UK industry, commerce and public corporations	<b>5,644</b>	6,293	<b>5,042</b>	5,999
EU Government bodies	<b>12,948</b>	13,287	<b>12,948</b>	13,287
EU other sources	<b>2,969</b>	2,888	<b>2,939</b>	2,876
Other overseas sources	<b>7,382</b>	8,164	<b>7,300</b>	8,120
Other sources	<b>782</b>	897	<b>763</b>	870
	<b>114,715</b>	120,076	<b>113,982</b>	119,670

In accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 our finance policies (see page 37e. Grant funding) state that income received in advance of any performance related conditions being met is recognised as deferred income within creditors on the Statement of Financial Position (see note 22) and released as income once the performance conditions are met. Research grant income of £66.5 million (2021: £66.4 million) has been received but has not been recognised in income as it had not been spent as at 31st July as required in the performance conditions. Of the total deferred income £10.7 million (2021: £12.5 million) relates to government funded research grants.

### 7. Other income

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
Residences, catering and conferences	<b>38,672</b>	23,082	<b>38,672</b>	23,082
Consultancies, trading and services rendered	<b>42,474</b>	39,941	<b>40,172</b>	37,535
Health authorities	<b>13,221</b>	11,929	<b>13,221</b>	11,929
Capital grants	-	115	-	115
Other income	<b>45,727</b>	26,636	<b>45,152</b>	25,096
	<b>140,094</b>	101,703	<b>137,217</b>	97,757

Within other income, the University received a one-off surrender premium of £17.5 million from one of its tenants to break a long-term lease.

## Notes to the Financial Statements for the year ended 31 July 2022

### 8. Investment income

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
Investment income on endowments	234	192	234	192
Other investment income	5,774	5,948	5,752	5,929
	<b>6,008</b>	<b>6,140</b>	<b>5,986</b>	<b>6,121</b>

### 9. Donations and endowments

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
New endowments	2	36	2	36
Donations with restrictions	2,361	2,279	2,361	2,279
Unrestricted donations	516	662	516	662
	<b>2,879</b>	<b>2,977</b>	<b>2,879</b>	<b>2,977</b>

### 10. Staff costs

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
<b>Staff costs:</b>				
Salaries and wages	263,140	244,117	260,706	242,114
Social Security costs	24,773	24,771	24,636	24,545
Pension costs excluding movements in USS provision	52,956	51,958	52,701	51,889
Severance and early retirement	518	8,266	518	8,259
	<b>341,387</b>	<b>329,112</b>	<b>338,561</b>	<b>326,807</b>
Increase/(decrease) in USS pension provision	141,063	(6,779)	141,063	(6,779)
Total cost including USS pension provision	<b>482,450</b>	<b>322,333</b>	<b>479,624</b>	<b>320,028</b>



## Notes to the Financial Statements for the year ended 31 July 2022

### 10. Staff costs (continued)

	Consolidated		University	
	2022	2021	2022	2021
	Number	Number	Number	Number
<b>Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:</b>				
Education, research and enterprise	<b>2,558</b>	2,584	<b>2,529</b>	2,556
Management, specialist and administrative	<b>2,230</b>	2,114	<b>2,182</b>	2,079
Technical and experimental	<b>361</b>	344	<b>358</b>	341
Community and operational	<b>405</b>	426	<b>397</b>	420
	<b>5,554</b>	5,468	<b>5,466</b>	5,396

### Emoluments of the President and Vice-Chancellor Professor Mark E Smith

	2022	2021
	£000	£000
Salary	<b>295</b>	288
Purchase of additional holiday	<b>(6)</b>	-
	<b>289</b>	288
Supplement in lieu of pension	<b>21</b>	20
Taxable benefits	<b>4</b>	1
Non-taxable benefits	<b>3</b>	-
	<b>317</b>	309
USS employer contributions	<b>18</b>	18
USS Scheme deficit recovery charge - non-contributory	<b>12</b>	4
	<b>347</b>	331

#### Salary

During the year, Professor Mark Smith was paid salary of £294,175 (2021: £287,000) plus an additional one off bonus payment of £600 as paid to all members of staff. Professor Smith elected to purchase additional holiday during the year, resulting in deductions from his salary of £5,906. Professor Smith is a member of the Universities Superannuation Scheme (USS) with the USS Voluntary Salary Cap in place, limiting the accrual of pension benefits to part of his salary. He received a supplement in lieu of pension of £20,917 (2021: £20,200) in respect of the non-pensionable part of his salary. The University made the required employer pension contributions of £29,878 (2021: 22,000) during the year, including the required scheme deficit recovery charge.

## Notes to the Financial Statements for the year ended 31 July 2022

### 10. Staff costs (continued)

#### Pay Ratios (including casual workers on a full year equivalent basis)

	2022		2021	
	Basic Pay	Total Remuneration	Basic Pay	Total Remuneration
Professor Mark Smith	9.4	9.6	9.0	9.3
Median salary (for reference)	£31,406	£35,982	£31,866	£35,654

#### Pay Ratios (excluding casual workers on a full year equivalent basis)

	2022		2021	
	Basic Pay	Total Remuneration	Basic Pay	Total Remuneration
Professor Mark E Smith	8.1	8.2	8.0	8.2
Median salary (for reference)	£36,396	£42,250	£35,845	£40,474

#### Taxable benefits

In common with other senior post holders, the University provided Professor Mark Smith with single membership of a healthcare scheme to help ensure his availability for work, at a cost of £925 for the period from 1 August 2021 to 31 July 2022 (2021: £925).

For the better performance of his official duties, and as required by contract, Professor Mark Smith lived at the Vice-Chancellor's official residence in Southampton whilst serving as President and Vice-Chancellor. The residence is used regularly for University meetings and official functions. These living arrangements incurred a taxable benefit of £3,410 in 2022 (2021: £494) and a non-taxable benefit of £3,425 based on market rental prices (2021: £256).

The increase from 2021 to 2022 in the benefit in kind reflected the increased use of the facility post-COVID.

#### Higher Paid Staff

Remuneration of higher paid staff based on basic salary is detailed below. Where a proportion of the salary is reimbursed by a third party, only the proportion paid by the University and its subsidiaries is included.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**10. Staff costs (continued)**

	2022		2021	
	Headcount	All Staff FTE	Headcount	All Staff FTE
£100,000 - £104,999	<b>46</b>	<b>33.2</b>	45	30.7
£105,000 - £109,999	<b>37</b>	<b>24.1</b>	18	11.1
£110,000 - £114,999	<b>16</b>	<b>9.7</b>	37	19.8
£115,000 - £119,999	<b>36</b>	<b>20.1</b>	8	5.5
£120,000 - £124,999	<b>3</b>	<b>3.0</b>	5	3.8
£125,000 - £129,999	<b>1</b>	<b>1.0</b>	4	3.5
£130,000 - £134,999	<b>7</b>	<b>7.1</b>	4	4.0
£135,000 - £139,999	<b>2</b>	<b>1.3</b>	3	1.2
£140,000 - £144,999	<b>1</b>	<b>0.8</b>	3	3.7
£145,000 - £149,999	<b>1</b>	<b>0.9</b>	1	1.0
£150,000 - £154,999	<b>1</b>	<b>1.0</b>	-	-
£155,000 - £159,999	<b>1</b>	<b>1.0</b>	2	2.0
£160,000 - £164,999	-	-	-	-
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	-	-	1	1.0
£180,000 - £184,999	-	-	1	1.0
£185,000 - £189,999	-	-	-	-
£190,000 - £194,999	-	-	1	0.3
£195,000 - £199,999	<b>1</b>	<b>0.3</b>	-	-
none between £200,000 and £284,999	-	-	-	-
£285,000 - £289,999	-	-	1	1.0
£290,000 - £294,999	<b>1</b>	<b>1.0</b>	-	-
Total	<b>154</b>	<b>104.5</b>	134	89.6

**Compensation for loss of office**

Aggregate payments for voluntary severance for 19 (2021: 282) members of staff was £518,000 (2021: £8,266,000).

Aggregate payments for redundancy at the end of fixed term contracts and any associated payments for 113 (2021: 139) members of staff was £236,000 (2021: £348,000).

Salaries and wages, emoluments of the Vice-Chancellor and higher paid staff numbers are stated before salary sacrifice deductions.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**10. Staff costs (continued)****Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel.

The key management personnel are represented as the University Executive Board (UEB). The costs comprise the salary and benefits for the 14.9 (2021: 12.2) full time equivalent members of UEB. The positions are:

President and Vice-Chancellor  
 Senior Vice-President Academic  
 Vice-President Research and Enterprise  
 Vice-President Operations, previously Chief Operating Officer  
 Vice-President International and Engagement  
 Vice-President Education and Student Experience, previously Vice-President Education  
 Executive Director of Finance and Planning  
 Executive Director of Human Resources  
 Executive Director of Engagement & Advancement  
 Executive Director of Student Experience  
 Deans of Faculties

	<b>2022</b>	2021
	<b>£000</b>	£000
Key management personnel compensation	<b>3,059</b>	2,467

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**11. Other operating expenses**

	<b>Consolidated</b>		<b>University</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Non-capitalised equipment	<b>25,183</b>	23,487	<b>25,034</b>	23,414
Impairment of property value	-	2,566	-	2,566
Impairment of equipment	<b>75</b>	-	<b>75</b>	-
Impairment of intercompany debtors	-	-	-	796
Consumables and laboratory expenditure	<b>19,225</b>	18,826	<b>19,133</b>	18,776
Office expenses and professional fees	<b>50,047</b>	37,570	<b>48,341</b>	35,947
Travel costs	<b>7,379</b>	2,132	<b>7,239</b>	2,058
Repairs, refurbishment and scheduled maintenance	<b>20,276</b>	17,645	<b>18,983</b>	16,293
Heat, light, water and power	<b>10,292</b>	8,505	<b>10,221</b>	8,480
Books and periodicals	<b>6,258</b>	5,710	<b>6,252</b>	5,709
Bursaries, fellowships, scholarships and prizes	<b>22,749</b>	25,426	<b>22,729</b>	25,415
External agencies and staff secondments	<b>15,291</b>	12,444	<b>15,089</b>	12,346
Rents, rates and hire of facilities	<b>10,664</b>	9,700	<b>11,011</b>	9,683
Catering supplies	<b>1,611</b>	403	<b>1,530</b>	364
Conference fees	<b>1,548</b>	443	<b>1,556</b>	460
Grant to Students' Union	<b>3,535</b>	2,445	<b>3,535</b>	2,445
Other expenses	<b>12,765</b>	9,325	<b>15,378</b>	10,803
	<b>206,898</b>	176,627	<b>206,106</b>	175,555

Lay members and non University staff officers of the Council did not receive payment, apart from the reimbursement of expenses, for fulfilling their role as members of the governing body.

Total expenses paid to lay members of Council were £32,360 (2021: £2,770), representing reimbursement of travel and other expenses incurred in attending Council and related meetings, and representing the University in the UK and overseas.



## Notes to the Financial Statements for the year ended 31 July 2022

### 11. Other operating expenses (continued)

Other operating expenses include our external auditors remuneration:

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
Deloitte:				
In respect of the annual external audit	234	200	180	156
In respect of other services	17	114	6	114

Other services includes £2,300 (2021: £97,000) for external auditing of research grants where it is a funder requirement.

In addition, Deloitte completed the statutory audit of the University's pension scheme (PASNAS) at a cost of £23,000 (2021: £12,000) for the year ended 31 July 2022.

Other operating expenses include operating lease rentals as follows:

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
Land and buildings	2,750	3,551	2,971	3,376
Other	581	633	581	633

### 12. Interest and other finance costs

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
Loan interest	3,460	3,524	3,379	3,408
Bond interest	6,792	6,792	6,792	6,792
Finance lease interest	4,193	4,100	4,193	4,100
Exchange rate gain on currency loans	(45)	(205)	(44)	(205)
Exchange rate (gain)/loss on subsidiary	(807)	500	(807)	500
Increase in fair value of financial instrument	(53)	(357)	-	-
Net charge on pension schemes	3,513	3,377	3,513	3,377
	<b>17,053</b>	<b>17,731</b>	<b>17,026</b>	<b>17,972</b>

## Notes to the Financial Statements for the year ended 31 July 2022

### 13. Analysis of expenditure by activity

<b>Consolidated</b>	Staff costs £000	Depreciation and amortisation £000	Other operating expenses £000	Interest payable £000	<b>2022 Total £000</b>	2021 Total £000
Academic departments	167,449	2,337	30,544	-	<b>200,330</b>	186,360
Academic services	22,675	2,425	24,845	-	<b>49,945</b>	45,032
Research grants and contracts	53,563	3,562	19,995	-	<b>77,120</b>	82,001
Residences, catering and conferences	5,970	5,373	18,512	2,805	<b>32,660</b>	29,729
Premises	10,150	16,781	32,105	-	<b>59,036</b>	55,538
Administration and central services	30,881	737	15,040	-	<b>46,658</b>	42,892
General educational expenditure	9,709	-	48,459	-	<b>58,168</b>	47,263
Consultancies, trading and services rendered	21,541	207	11,249	27	<b>33,024</b>	31,391
Other activities	19,449	-	6,149	13,575	<b>39,173</b>	32,157
Other Operating Expenditure Total Excluding USS pension provision	341,387	31,422	206,898	16,407	<b>596,114</b>	552,363
Increase/(decrease) in USS pension provision	141,063	-	-	646	<b>141,709</b>	(6,196)
Total Other Operating Expenditure including USS pension provision	482,450	31,422	206,898	17,053	<b>737,823</b>	546,167

<b>University</b>	Staff costs £000	Depreciation and amortisation £000	Other operating expenses £000	Interest payable £000	<b>2022 Total £000</b>	2021 Total £000
Academic departments	166,325	2,306	30,313	-	<b>198,944</b>	185,433
Academic services	22,591	2,425	24,680	-	<b>49,696</b>	44,805
Research grants and contracts	53,563	3,559	19,421	-	<b>76,543</b>	81,652
Residences, catering and conferences	5,970	5,373	18,512	2,805	<b>32,660</b>	29,729
Premises	10,150	16,667	32,627	-	<b>59,444</b>	55,441
Administration and central services	30,183	440	14,569	-	<b>45,192</b>	42,075
General educational expenditure	9,449	-	48,026	-	<b>57,475</b>	46,758
Consultancies, trading and services rendered	20,881	171	11,688	-	<b>32,740</b>	29,782
Other activities	19,449	-	6,270	13,575	<b>39,294</b>	33,271
Other Operating Expenditure Total Excluding USS pension provision	338,561	30,941	206,106	16,380	<b>591,988</b>	548,946
Increase/(decrease) in USS pension provision	141,063	-	-	646	<b>141,709</b>	(6,196)
Total Other Operating Expenditure including USS pension provision	479,624	30,941	206,106	17,026	<b>733,697</b>	542,750

## Notes to the Financial Statements for the year ended 31 July 2022

### 14. Access and participation expenditure

	2022	2021
Consolidated and University	£000	£000
Access Investment	1,923	1,691
Financial Support	6,425	7,756
Disability Support (excluding expenditure included in the two categories above)	483	460
Research and Evaluation	195	137
	<b>9,026</b>	<b>10,044</b>

These costs are included within note 13 and include salaries of £1,833,793 (2021: £1,639,000).

The published access and participation plan can be found at [www.southampton.ac.uk/about/governance/access-agreement.page](http://www.southampton.ac.uk/about/governance/access-agreement.page)

### 15. Taxation

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
<b>Analysis of tax (credit)/charge:</b>				
UK Corporation Tax	(261)	266	-	-
Deferred Tax	(1,095)	898	-	-
	<b>(1,356)</b>	<b>1,164</b>	<b>-</b>	<b>-</b>

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
<b>Recognised in the Statement of Comprehensive Income:</b>				
<b>Current tax</b>				
Current tax (credit)/expense	(261)	266	-	-
<b>Current tax (credit)/expense</b>	<b>(261)</b>	<b>266</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>				
Origination and reversal of timing differences	(1,095)	898	-	-
<b>Deferred tax (credit)/expense</b>	<b>(1,095)</b>	<b>898</b>	<b>-</b>	<b>-</b>
<b>Total tax (credit)/expense</b>	<b>(1,356)</b>	<b>1,164</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements for the year ended 31 July 2022

### 16. Fixed assets

#### Consolidated

	Freehold land and buildings £000	Leasehold land and buildings £000	Assets in course of construction £000	Investment properties £000	Fixtures, fittings and equipment £000	Heritage assets £000	Total £000
<b>Cost or valuation</b>							
At 1 August 2021	738,842	164,969	31,801	40,958	167,410	6,035	1,150,015
Additions at cost	94	-	37,084	436	4,617	-	42,231
Transfers at cost	11,311	1,612	(27,622)	-	14,699	-	-
Gain on revaluation	-	-	-	2,843	-	-	2,843
Disposals at cost	(3,774)	-	-	-	(9,299)	-	(13,073)
Impairments and write-downs	-	-	(32)	-	-	-	(32)
<b>At 31 July 2022</b>	<b>746,473</b>	<b>166,581</b>	<b>41,231</b>	<b>44,237</b>	<b>177,427</b>	<b>6,035</b>	<b>1,181,984</b>
<b>Depreciation</b>							
At 1 August 2021	(184,728)	(71,404)	-	(231)	(146,387)	-	(402,750)
Charge for year	(17,895)	(3,366)	-	(3)	(10,158)	-	(31,422)
Eliminated on disposal	3,099	-	-	-	9,289	-	12,388
Impairments and write-downs	-	-	-	-	-	-	-
<b>At 31 July 2022</b>	<b>(199,524)</b>	<b>(74,770)</b>	<b>-</b>	<b>(234)</b>	<b>(147,256)</b>	<b>-</b>	<b>(421,784)</b>
<b>Net book value</b>							
<b>At 31 July 2022</b>	<b>546,949</b>	<b>91,811</b>	<b>42,231</b>	<b>44,003</b>	<b>30,171</b>	<b>6,035</b>	<b>760,200</b>
At 1 August 2021	554,114	93,565	31,801	40,727	21,023	6,035	747,265

## Notes to the Financial Statements for the year ended 31 July 2022

### 16. Fixed assets (continued)

#### University

	Freehold land and buildings £000	Leasehold land and buildings £000	Assets in course of construction £000	Fixtures, fittings and equipment £000	Heritage assets £000	Total £000
<b>Cost or valuation</b>						
At 1 August 2021	738,842	162,583	26,161	165,101	6,035	1,098,722
Additions at cost	94	-	31,659	3,017	-	34,770
Transfers at cost	11,311	1,612	(26,645)	13,722	-	-
Disposals at cost	(3,774)	-	-	(9,242)	-	(13,016)
Impairments and write-downs	-	-	(32)	-	-	(32)
<b>At 31 July 2022</b>	<b>746,473</b>	<b>164,195</b>	<b>31,143</b>	<b>172,598</b>	<b>6,035</b>	<b>1,120,444</b>
<b>Depreciation</b>						
At 1 August 2021	(184,728)	(71,129)	-	(144,399)	-	(400,256)
Charge for year	(17,895)	(3,373)	-	(9,673)	-	(30,941)
Eliminated on disposal	3,099	-	-	9,242	-	12,341
Impairments and write-downs	-	-	-	-	-	-
<b>At 31 July 2022</b>	<b>(199,524)</b>	<b>(74,502)</b>	<b>-</b>	<b>(144,830)</b>	<b>-</b>	<b>(418,856)</b>
<b>Net book value</b>						
<b>At 31 July 2022</b>	<b>546,949</b>	<b>89,693</b>	<b>31,143</b>	<b>27,768</b>	<b>6,035</b>	<b>701,588</b>
At 1 August 2021	554,114	91,454	26,161	20,702	6,035	698,466

At 31 July 2022, freehold land and buildings included £93,604,000 (2021: £93,604,000) in respect of land, which is not depreciated.

The figures for completed leasehold land and buildings include an asset held under a finance lease which has been capitalised. This is held at a cost of £47,655,000 (2021: £47,655,000), with accumulated depreciation of £7,466,000 (2021: £6,513,000) and a net book value of £40,189,000 (2021: £41,142,000).

Included in the balances for leasehold land and buildings is expenditure of £27,900,000 (2021: £27,900,000) funded by Office for Students and Research England (previously HEFCE and its predecessors), in respect of clinical land and buildings in National Health Service ownership, and £14,600,000 (2021: £14,600,000) for the National Oceanography Centre, Southampton, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.



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**Notes to the Financial Statements for the year ended 31 July 2022**


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**16. Fixed assets (continued)**

Impairments of £32,000 (2021: £2,566,000) have been recognised in the Statement of Comprehensive Income for the year within other operating expenditure. These comprise costs on assets requiring significant expenditure to restore them to an acceptable standard.

The investment properties and capitalised lease premiums have been valued effective 31 July 2022 by CBRE Limited, Chartered Surveyors. Valuations are conducted annually. The valuer is experienced in valuing property in comparable locations and of comparable nature, complexity and value as the Science Park. The report has been signed by the principal valuer and signatory and prior to submission was counter signed by a senior Director and CBRE RICS registered valuer. It has also been peer reviewed by an external CBRE RICS registered valuer and senior director, in line with the CBRE internal quality assurance processes.

The net historical cost of investment properties (including grants receivable in respect of assistance with construction of an Incubator Unit) at 31 July 2022 amounted to £33,593,173 (2021: £33,179,833), including interest capitalised of £445,032 (2021: £445,032). The investment properties are held for use in operating leases and all investment properties are freehold.

In addition to the above expenditure on fixed assets a further £51,472,000 has been committed by the University and its subsidiary undertakings (note 29).

**Heritage assets**

The University holds and conserves a significant number of rare books and manuscripts within the Special Collections Division of the Hartley Library. This includes over 6 million items in approximately 2,500 collections that have been obtained by the University and its predecessors since the 1860s. The University also maintains a significant number of paintings, drawings, sculptures, silverware and life science specimens. Items and collections obtained before 1 August 2010 have not been capitalised as the cost or valuation at the time of acquisition cannot be economically determined.

In August 2011, the University completed the acquisition of the Broadlands Archives, a significant collection of manuscripts dating from the sixteenth century to the present. Comprising more than 4,500 boxes of documents, the Broadlands Archives include correspondence of the Victorian Foreign Secretary and Prime Minister Lord Palmerston and approximately 250,000 papers and 50,000 photographs of Earl Mountbatten of Burma, including the foundation archives for the states of India and Pakistan. The collection also includes the diaries of the 19th-century social reformer and philanthropist, the 7th Earl of Shaftesbury and material regarding the Temple and Ashley estates in Hampshire.

An open market valuation of the Broadlands Archives was obtained in September 2012 from Bernard Quaritch Ltd, specialists in the valuation and sale of archives and manuscript collections. The valuer considered the separate collections that comprise the Broadlands Archives and took account of restrictions under the terms of associated grants and contracts in reaching an overall valuation of £6 million. The Archives have been capitalised at this value.

Further information regarding the Broadlands Archives and the other collections held within the Hartley Library, including access details, can be found on the Special Collections website at <http://www.southampton.ac.uk/archives>.

In 2017/18, the Honor Frost Archive (1940s to 2010) was donated to the University. The archive provides a comprehensive record of Honor Frost's archaeological work, together with series of correspondence, photographs and material relating to publications and research. The archive has been attributed a value of £35,000. There were no additions, disposals or revaluations of the heritage assets in 2021/22.

## Notes to the Financial Statements for the year ended 31 July 2022

### 17. Intangible assets

#### Consolidated and University

	Software £000	Software in progress £000	Total £000
<b>Cost or valuation</b>			
At 1 August 2021	15,894	229	16,123
Additions at cost	-	725	725
Disposals at cost	(10,006)	(44)	(10,050)
<b>At 31 July 2022</b>	<b>5,888</b>	<b>910</b>	<b>6,798</b>
<b>Amortisation</b>			
At 1 August 2021	(15,894)	-	(15,894)
Charge for year	-	-	-
Eliminated on disposal	10,006	-	10,006
<b>At 31 July 2022</b>	<b>(5,888)</b>	<b>-</b>	<b>(5,888)</b>
<b>Net book value</b>			
<b>At 31 July 2022</b>	<b>-</b>	<b>910</b>	<b>910</b>
At 1 August 2021	-	229	229

### 18. Non-current investments

#### Consolidated

	Subsidiary companies £000	Investments held by subsidiaries £000	Other fixed asset investments £000	Total £000
<b>At 1 August 2021</b>	-	7,176	1,131	8,307
Additions	-	-	2	2
Disposals	-	(4,674)	(779)	(5,453)
Market value gain	-	-	7,500	7,500
Impairment	-	-	(300)	(300)
<b>At 31 July 2022</b>	<b>-</b>	<b>2,502</b>	<b>7,554</b>	<b>10,056</b>

## Notes to the Financial Statements for the year ended 31 July 2022

### 18. Non-current investments (continued)

#### University

	Subsidiary companies	Investments held by subsidiaries	Other fixed asset investments	Total
	£000	£000	£000	£000
<b>At 1 August 2021</b>	38,909	-	1,131	40,040
Additions	1,315	-	2	1,317
Disposals	-	-	(779)	(779)
Market value gain	-	-	7,500	7,500
Impairment	-	-	(300)	(300)
<b>At 31 July 2022</b>	<b>40,224</b>	<b>-</b>	<b>7,554</b>	<b>47,778</b>

The University was a limited liability partner in Wyvern Asset Management Ltd, which offered venture capital to spin-out companies originating at the Universities of Bristol and Southampton. During the year, the University of Southampton disposed of the investment which had a value at the date of disposal of £779k. A loss on disposal of £777k has been recognised within the Statement of Comprehensive Income.

During the year, the University made a further investment in The University of Southampton Science Park Limited of £1.3m.

During the year, the University fully impaired its investment in Hampshire Community Bank Holding Limited of £300k which has been recognised within the Statement of Comprehensive Income.

Additional information on shareholdings where the University or its subsidiaries exercise control or significant influence or where shares are listed and the University maintains a holding above 10%:

Subsidiaries held by the University	Percentage holding	Nature of activity
ECS Partners Limited (ECSP Limited)	100.00	Consultancy
IT Innovation Limited	100.00	Dormant
IT Innovation Centre Limited	100.00	Dormant
Southampton Asset Management Limited (SAM Limited)	100.00	Investment company
USMC Sdn Bhd (Malaysia)	100.00	Education
University of Southampton Holdings Limited (USH Limited)	100.00	Investment company
The University of Southampton Science Park Limited (SSP Limited)	100.00	Science park management
University of Southampton Retirement Scheme Trustee Ltd	100.00	Dormant

All of the above subsidiary companies and investment companies are domiciled in England and Wales, apart from USMC Sdn Bhd which is domiciled in Malaysia.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**18. Non-current investments (continued)****Subsidiaries held by USH Limited**

Southampton Education Consulting (Beijing) Limited	100.00	Consultancy
Z21 Limited	100.00	Dormant

**Associate held by USH Limited**

Clantect Limited	33.00	Enterprise
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All of the above subsidiary companies, associate and investment companies are domiciled in England and Wales, apart from Southampton Education Consulting (Beijing) Limited, which is domiciled in China.

**19. Investment in associate****Consolidated**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>At 1 August</b>	<b>219</b>	127
Share of operating surplus/(loss)	<b>33</b>	92
<b>At 31 July</b>	<b>252</b>	219

University of Southampton Holdings Limited owns 33% of Clantect Ltd. It has a financial year end of 31 October. The consolidated Financial Statements of the University reflect a carrying value of £252,000 (2021: £219,000) equal to 33% of the net assets at 31 July 2022.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**20. Trade and other receivables**

	<b>Consolidated</b>		<b>University</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Amounts falling due within one year:				
Grants from Office for Students/Research England	<b>50</b>	19	<b>50</b>	19
Student debtors	<b>1,549</b>	2,437	<b>1,549</b>	2,437
Research grants and contracts	<b>33,022</b>	30,871	<b>33,022</b>	30,871
Trade and other receivables	<b>21,823</b>	24,005	<b>19,657</b>	22,047
Amounts due from group undertakings	-	-	<b>665</b>	926
Prepayments to group undertakings	-	-	<b>87</b>	112
Other prepayments	<b>10,444</b>	11,439	<b>9,690</b>	10,755
	<b>66,888</b>	68,771	<b>64,720</b>	67,167
Amounts falling due after more than one year:				
Prepayments	<b>1,927</b>	2,141	<b>1,655</b>	2,030
	<b>68,815</b>	70,912	<b>66,375</b>	69,197

30 day payment terms apply to amounts falling due within one year to group undertakings and to trade and other receivables.



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**Notes to the Financial Statements for the year ended 31 July 2022**


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**21. Current investments**

	<b>Consolidated and University</b>	
	<b>2022</b>	2021
	<b>£000</b>	£000
Cash on deposit	<b>124,009</b>	214,240
Investment in shares (at fair value)	<b>276,617</b>	259,114
	<b>400,626</b>	473,354

**22. Creditors: amounts falling due within one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans	<b>2,818</b>	2,211	<b>1,184</b>	1,196
Obligations under finance leases	<b>426</b>	395	<b>426</b>	395
Research grant income received in advance	<b>66,515</b>	66,388	<b>66,515</b>	66,388
Social security and other taxation	<b>17,135</b>	15,684	<b>17,105</b>	15,407
Amounts owed to group undertakings	-	-	<b>389</b>	170
Trade and other creditors	<b>19,433</b>	23,507	<b>16,998</b>	22,190
Accruals and deferred income	<b>91,670</b>	85,071	<b>89,107</b>	82,779
	<b>197,997</b>	193,256	<b>191,724</b>	188,525

30 day payment terms apply to group undertakings and to trade and other creditors.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**23. Creditors: amounts falling due after more than one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans	<b>58,156</b>	61,017	<b>58,156</b>	59,383
Public bond	<b>298,536</b>	298,494	<b>298,536</b>	298,494
Obligations under finance leases	<b>45,994</b>	46,420	<b>45,994</b>	46,420
Accruals and deferred income	<b>2,218</b>	3,091	<b>270</b>	1,120
Amounts owed to group undertakings	-	-	-	80
Derivatives	<b>12</b>	65	-	-
	<b>404,916</b>	409,087	<b>402,956</b>	405,497

**Loans are repayable as follows:**

	<b>Consolidated</b>		<b>University</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans:				
Between one and two years	<b>1,184</b>	2,830	<b>1,184</b>	1,196
Between two and five years	<b>2,502</b>	3,232	<b>2,502</b>	3,232
Over five years	<b>54,470</b>	54,955	<b>54,470</b>	54,955
Due after more than one year	<b>58,156</b>	61,017	<b>58,156</b>	59,383
Due within one year (note 22)	<b>2,818</b>	2,211	<b>1,184</b>	1,196
	<b>60,974</b>	63,228	<b>59,340</b>	60,579
Public bond:				
Over five years	<b>298,536</b>	298,494	<b>298,536</b>	298,494
	<b>298,536</b>	298,494	<b>298,536</b>	298,494

## Notes to the Financial Statements for the year ended 31 July 2022

### 23. Creditors: amounts falling due after more than one year (continued)

Obligations under finance leases:

	Consolidated		University	
	2022	2021	2022	2021
	£000	£000	£000	£000
Between one and two years	458	426	458	426
Between two and five years	1,601	1,486	1,601	1,486
Over five years	43,935	44,508	43,935	44,508
Due after more than one year	45,994	46,420	45,994	46,420
Due within one year (note 22)	426	395	426	395
	46,420	46,815	46,420	46,815

In April 2017 an unsecured fixed rate public bond was issued for £300 million over a 40 year term with a coupon rate of 2.25%. The bond was issued at 99.76% of the principal amount. It is listed on the London Stock Exchange. There are no capital repayments to be made over the term, with full repayment due in 2057. Interest is payable every six months.

The bond transaction costs of £980,000 and the bond discount of £708,000 are being amortised over the life of the bond and charged to interest and other finance costs in the Statement of Comprehensive Income.

#### Additional information on bank loans:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2022 £000	Balance outstanding 2021 £000
University:					
Barclays Bank	2006	2026	variable	2,453	3,208
Barclays Bank	2006	2036	fixed	6,887	7,371
Barclays Bank	2007	2037	fixed	50,000	50,000
				59,340	60,579
Subsidiaries:					
Santander	2015	2023	fixed	1,634	2,649
				60,974	63,228

The interest rates on the bank loan facilities are at fixed and variable rates. The fixed interest rates range from 5.57% to 5.95%, and the variable rate margin is 0.75% over Euribor.

Loans are secured against the general covenant of the University.

The subsidiary loan is secured by a fixed charge over the assets of the Company.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**24. Provisions****Consolidated**

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 31) £000	Maintenance Fund £000	Deferred tax £000	<b>Total Provisions £000</b>
<b>At 1 August 2021</b>	72,623	197,106	315	3,492	<b>273,536</b>
Reduction in provision to reflect deficit recovery agreement	145,283	-	-	-	<b>145,283</b>
Unwinding of the discount rate	646	2,867	-	-	<b>3,513</b>
Deficit contributions paid during the year	(4,219)	(30,000)	-	-	<b>(34,219)</b>
Annual net service cost	-	7,025	-	-	<b>7,025</b>
Actuarial gain	-	(161,795)	-	-	<b>(161,795)</b>
Utilised in year	-	-	(6)	(1,168)	<b>(1,174)</b>
Additions in year	-	-	161	73	<b>234</b>
<b>At 31 July 2022</b>	<b>214,333</b>	<b>15,203</b>	<b>470</b>	<b>2,397</b>	<b>232,403</b>

**University**

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 31) £000	<b>Total Provisions £000</b>
<b>At 1 August 2021</b>	72,623	197,106	<b>269,729</b>
Reduction in provision to reflect deficit recovery agreement	145,283	-	<b>145,283</b>
Unwinding of the discount rate	646	2,867	<b>3,513</b>
Deficit contributions paid during the year	(4,219)	(30,000)	<b>(34,219)</b>
Annual net service cost	-	7,025	<b>7,025</b>
Actuarial gain	-	(161,795)	<b>(161,795)</b>
<b>At 31 July 2022</b>	<b>214,333</b>	<b>15,203</b>	<b>229,536</b>

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**Notes to the Financial Statements for the year ended 31 July 2022**

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**24. Provisions (continued)****Obligation to fund deficit on USS pension**

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out and further information is provided in note 31.

As at 31 July 2022 the provision is £214.3 million, an increase of £141.7 million on 2020/21. The impact on the Statement of Comprehensive Income is to decrease the 2021/22 deficit by £141.7 million.

**Defined Benefit Obligations**

This relates to two defined benefit pension scheme deficits for PASNAS and HCC, to which the University pays contributions on behalf of some of its staff. This provision records the deficit that exists on PASNAS and HCC schemes as at 31 July 2022. The 2021/22 decrease in provision of £181.9m million is the aggregate of the PASNAS and HCC pension scheme obligations. See note 31 for further details.

**Maintenance Fund**

The maintenance fund (into which payments are made from landlord and tenants) provides funding for future maintenance of buildings, roadways and other common areas at the University of Southampton Science Park, and includes payments from tenants who have since left the Science Park. The fund is held by the University of Southampton Science Park Limited. Provisions are only made when there is a legally binding commitment arising from a past event. The provision receives additional contributions and is utilised on an ongoing basis as larger repairs are required to the investment properties.

**Deferred Tax**

The provision for deferred tax relates to tax liabilities arising from the revaluation of the University of Southampton Science Park, the revaluation of a financial instrument, and the revaluation of investments held by subsidiary companies at fair value. The requisite charge for deferred tax will be recognised when an investment property is sold.

## Notes to the Financial Statements for the year ended 31 July 2022

### 25. Endowment reserves

#### Consolidated and University

	Restricted Permanent £000	Unrestricted Permanent £000	Restricted Expendable £000	<b>2022 Total £000</b>	2021 Total £000
<b>At 1 August 2021</b>					
Capital	8,678	2,816	2,460	<b>13,954</b>	11,970
Accumulated income	795	-	138	<b>933</b>	903
	<u>9,473</u>	<u>2,816</u>	<u>2,598</u>	<u><b>14,887</b></u>	<u>12,873</u>
 New endowments	 2	 -	 -	 <b>2</b>	 36
 Investment income	 142	 49	 43	 <b>234</b>	 192
Expenditure	(78)	(49)	(47)	<b>(174)</b>	(168)
Net investment income/(expenditure)	64	-	(4)	<b>60</b>	24
 (Decrease)/increase in market value of investments	 (1,324)	 (429)	 (374)	 <b>(2,127)</b>	 1,954
 <b>At 31 July 2022</b>	 <b>8,215</b>	 <b>2,387</b>	 <b>2,220</b>	 <b>12,822</b>	 14,887
 <b>Represented by:</b>					
Capital	7,361	2,387	2,082	<b>11,830</b>	13,954
Accumulated income	854	-	138	<b>992</b>	933
	<u><b>8,215</b></u>	<u><b>2,387</b></u>	<u><b>2,220</b></u>	<u><b>12,822</b></u>	<u>14,887</u>
 <b>Analysis by type of purpose:</b>					
Chair/Lectureships	3,332	-	-	<b>3,332</b>	3,884
Scholarships and bursaries	1,951	-	620	<b>2,571</b>	2,991
Research support	-	-	1,117	<b>1,117</b>	1,287
Prize funds	500	-	148	<b>648</b>	732
Welfare/Hardship	649	-	37	<b>686</b>	773
General	1,783	2,387	298	<b>4,468</b>	5,220
	<u><b>8,215</b></u>	<u><b>2,387</b></u>	<u><b>2,220</b></u>	<u><b>12,822</b></u>	<u>14,887</u>
 <b>Analysis by asset:</b>					
Current and non-current asset investments				<b>11,824</b>	13,951
Cash and cash equivalents				<b>998</b>	936
				<u><b>12,822</b></u>	<u>14,887</u>



## Notes to the Financial Statements for the year ended 31 July 2022

### 26. Restricted reserves

Reserves with restrictions are as follows:

	Consolidated and University			
	Unspent Capital Grants £000	Donations /Other Restricted Funds £000	2022 Total £000	2021 Total £000
<b>Balances at 1 August 2021</b>	258	4,918	<b>5,176</b>	5,370
New grants	4,884	-	<b>4,884</b>	5,454
New donations/other restricted funds	-	6,615	<b>6,615</b>	5,763
Capital grants utilised	(5,142)	-	<b>(5,142)</b>	(5,934)
Expenditure	-	(6,976)	<b>(6,976)</b>	(5,477)
Total restricted comprehensive expenditure for the year	(258)	(361)	<b>(619)</b>	(194)
<b>Balances at 31 July 2022</b>	<b>-</b>	<b>4,557</b>	<b>4,557</b>	<b>5,176</b>

	Consolidated and University	
	2022 Total £000	2021 Total £000
Analysis of donations/other restricted funds by type of purpose:		
Research activities	<b>2,706</b>	3,087
Student support	<b>455</b>	305
Scholarships and bursaries	<b>93</b>	50
Outreach	<b>23</b>	50
Other	<b>1,280</b>	1,684
<b>Balances at 31 July 2022</b>	<b>4,557</b>	5,176

## Notes to the Financial Statements for the year ended 31 July 2022

### 27. Reconciliation of net debt

	Consolidated £000	University £000
<b>Net debt 1 August 2021</b>	<b>(298,861)</b>	<b>(312,879)</b>
Increase in cash and cash equivalents	102,877	109,891
Reduction in loans and finance lease amounts owed	2,605	1,590
Exchange rate loss on currency loans	44	44
Reduction in value of derivatives	53	-
Amortisation of discount and fees on Public bond	(42)	(42)
<b>Net debt 31 July 2022</b>	<b>(193,324)</b>	<b>(201,396)</b>
<b>Reduction in net debt</b>	<b>105,537</b>	<b>111,483</b>

	Consolidated		University	
	At 31 July 2022 £000	At 31 July 2021 £000	At 31 July 2022 £000	At 31 July 2021 £000
Analysis of net debt:				
Cash and cash equivalents	212,618	109,741	202,900	93,009
	<b>212,618</b>	109,741	<b>202,900</b>	93,009
Borrowings: amounts falling due within one year				
Unsecured loans	1,184	1,196	1,184	1,196
Secured loans	1,634	1,015	-	-
Obligations under finance leases	426	395	426	395
	<b>3,244</b>	2,606	<b>1,610</b>	1,591
Borrowings: amounts falling due after more than one year				
Obligations under finance lease	45,994	46,420	45,994	46,420
Unsecured loans	58,156	59,383	58,156	59,383
Secured loans	-	1,634	-	-
Public bond	298,536	298,494	298,536	298,494
Derivatives	12	65	-	-
	<b>402,698</b>	405,996	<b>402,686</b>	404,297
<b>Net debt</b>	<b>(193,324)</b>	(298,861)	<b>(201,396)</b>	(312,879)

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## Notes to the Financial Statements for the year ended 31 July 2022

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### 28. Related party transactions

Due to the nature of the University's operations and the composition of the University Council, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All such transactions are conducted at arm's length and in accordance with the University's Financial Regulations, Standing Orders on contracts and normal procurement procedures.

A Register of Interests is maintained for members of the University Council and associated committees. Members may not be present at any discussion in which they have a direct or indirect financial interest.

Written declarations have been obtained from all members of Council, senior officers of the University and directors of fully owned subsidiary companies, either listing transactions during the year ended 31 July 2022 between the University and third parties in which they or close family members held a position of influence, or stating that there were no relevant transactions during the period.

The declarations have been reviewed by the Executive Director, Finance and Planning. There were a number of related party transactions during the year ended 31 July 2022 significant enough to warrant disclosure in the Financial Statements.

Professor Mark E. Smith, the University President and Vice-Chancellor, is also a council member of the Engineering and Physical Sciences Research Council (EPSRC). The University received from the EPSRC £34,300,000 in the year to 31 July 2022 for research and training grants. Of this, £5,900,000 was disbursed to other research collaborators and the University received £6,800,000 from other Universities hosting EPSRC funded research but where the University was a collaborator.

Peter Hollins, a lay member of Council, was also chair of the University Hospital Southampton NHS Foundation Trust Board. The University received £20,500,000 in the year to 31 July 2022, the main elements being £6,900,000 contribution to joint salaries, £4,900,000 for research grants and the balance for normal operational activity reimbursements.

Professor Jane Falkingham was the Dean of the Faculty of Social Sciences until 31 December 2021 and is Vice President International. She is a member of the University Executive Board. She is a Council Member for the Economic and Social Research Council (ESRC). The University received £5,900,000 research grant income and doctoral training grants from the ESRC in the year to 31 July 2022. Of this, £1,300,000 was disbursed to other research collaborators and the University received £340,000 from other Universities hosting ESRC funded research but where the University was a collaborator.

Dame Judith MacGregor, a lay member of Council, is a Council Member of the Arts and Humanities Research Council (AHRC). In the year to 31 July 2022 the University received £1,100,000 grant income from the AHRC. Of this, £170,000 was disbursed to other research collaborators and the University received £90,000 from other Universities hosting AHRC funded research but where the University was a collaborator.

Oliver Murray and Ben Dolbear were members of Council (Class 5 membership) as representatives of the Students' Union. Oliver Murray (Ben Dolbear until June 2022) is President of the Students' Union which is a separate entity over which the University does not exercise control or significant influence over policy decisions. The Students' Union receives a grant from the University, an amount of £3,540,000 in 2020/21 (2021: £2,320,000), which is calculated annually according to a methodology agreed between the University and the Students' Union. All other transactions between the two parties are conducted on a commercial basis.

In July 2018 the University became a partner of the Alan Turing Institute, the national centre for data science. The University has agreed to make a grant of £3,600,000 to the Institute, of which a balance of £Nil is held under creditors as at 31 July 2022. The University received £436,000 grant income from the Institute in the year to 31 July 2022.

In accordance with the exemptions contained within FRS 102 Financial Reporting Standard Section 33 (Related Party Disclosures) no disclosure has been made for transactions between the University and wholly owned group undertakings. Transactions between the University and spin-out companies in which minority shareholdings are held are not generally disclosed as the University does not control or exercise any significant influence over the financial and operating policies of the companies.

## Notes to the Financial Statements for the year ended 31 July 2022

### 29. Capital and other commitments

Provision has not been made for the following capital and other commitments at 31 July 2022:

	<b>Consolidated</b>		<b>University</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Commitments contracted for	<b>51,472</b>	39,468	<b>44,242</b>	28,161
	<b>51,472</b>	39,468	<b>44,242</b>	28,161

### 30. Lease obligations

#### Total rentals payable under operating leases:

At 31 July 2022 the University was committed to making the following payments under non-cancellable operating leases:

#### Consolidated

	Land and buildings £000	Plant and machinery £000	<b>2022 Total £000</b>	2021 Total £000
Future minimum lease payments due:				
Not later than one year	2,584	411	<b>2,995</b>	3,331
Between one and five years	7,355	-	<b>7,355</b>	8,580
Over five years	17,333	-	<b>17,333</b>	15,219
	<b>27,272</b>	<b>411</b>	<b>27,863</b>	27,130

#### University

	Land and buildings £000	Plant and machinery £000	<b>2022 Total £000</b>	2021 Total £000
Future minimum lease payments due:				
Not later than one year	2,554	411	<b>2,965</b>	3,552
Between one and five years	7,195	-	<b>7,195</b>	8,779
Over five years	20,760	-	<b>20,760</b>	15,345
	<b>30,509</b>	<b>411</b>	<b>30,920</b>	27,676

Lease obligations have been calculated to show maximum obligations if lease was broken at the next tenant break option date.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**30. Lease obligations (continued)****Total rentals receivable under operating leases**

At 31 July 2022 the principal future minimum lease payments receivable under non-cancellable leases are as follows:

**Land and buildings:**

	<b>Consolidated</b>		<b>University</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Less than one year	<b>2,983</b>	6,416	<b>446</b>	3,972
Between one and five years	<b>8,512</b>	21,437	<b>1,596</b>	16,444
More than five years	<b>18,685</b>	55,355	<b>14,599</b>	48,897
	<hr/> <b>30,180</b> <hr/>	<hr/> 83,208 <hr/>	<hr/> <b>16,641</b> <hr/>	<hr/> 69,313 <hr/>

## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Southampton Pension and Assurance Scheme (PASNAS). The PASNAS scheme is a defined-benefit scheme. USS is a hybrid pension scheme, providing defined-benefits (for all members), as well as defined contribution benefits. PASNAS closed to new members from 1 January 2019. The University of Southampton Retirement Fund (USRF), a defined contribution scheme, commenced from 1 January 2019 for new employees.

The University also contributes to the National Health Service Pension Scheme (NHPS), the Teachers' Pension Scheme (TPS), the Medical Research Council Pension Scheme (MRCPS), Hampshire County Council (HCC), National Employment Savings Trust (NEST) and schemes relating to subsidiary companies.

Employer pension contributions for USS and PASNAS within this note are shown on the basis of the scheme contribution rate before any additional contributions under a salary sacrifice scheme.

The total pension scheme costs incurred in 2021/22 and 2020/21 for the consolidated group are summarised as follows:

	2021/22			2020/21		
	Employer contributions	Pension accounting adjustment **	Total Cost	Employer contributions	Pension accounting adjustment **	Total Cost
	£000	£000	£000	£000	£000	£000
USS *	37,192	-	37,192	35,245	-	35,245
PASNAS */***	4,500	7,036	11,536	5,124	8,337	13,461
USRF	2,221	-	2,221	1,483	-	1,483
NHPS	1,467	-	1,467	1,445	-	1,445
Other pension schemes	296	(11)	285	334	(10)	324
Total pension cost (note 10)	45,676	7,025	52,701	43,631	8,327	51,958

\*The figure for USS employer contributions excludes an amount of £84,000 (2021:£110,000) and the figure for PASNAS employer contributions excludes an amount of £64,000 (2021: £71,000) which are made on behalf of a third party at no cost to the University.

\*\* The pension accounting adjustment for PASNAS is the net current service cost as part of the movement in the actuarial valuation as at 31st July. The pension accounting adjustment on Other pension schemes is the balance after independent valuation of the HCC pension scheme.

\*\*\* Within the PASNAS scheme is an additional employer's contribution to contribute to the PASNAS deficit. Since January 2020 the total contribution is £160,000 per month.



## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

Table of Employer Contribution Rates 2021/22 and 2020/21:

	<b>21/22</b>	<b>20/21</b>
	<b>Rate %</b>	<b>Rate %</b>
USS	21.10 to September 2021	21.10
	21.40 to March 2022	
	21.60 from April 2022	
PASNAS*	13.85	13.85
USRF	10.00	10.00
TPS	23.68	16.48
NHPS	14.38	16.18
MRCPS	16.90	15.90
HCC (two separate schemes)	31.70	31.70
	38.40	38.40
NEST	3.00	3.00

Within the PASNAS scheme is an additional employer's contribution to contribute to the PASNAS deficit. Since January 2020 the total contribution is £160,000 per month.

Employer contributions in 2022/23 are expected to be:

	<b>Rate %</b>	<b>£000</b>
USS	21.60	37,192
PASNAS	13.85	4,675
USRF	10.00	2,728
TPS	16.48	8
NHPS	16.18	1,463
MRCPS	15.9	44
HCC	38.4	44
NEST	3.00	166
Total		<u>46,320</u>

\*Within the PASNAS scheme is an additional employer's contribution to contribute to the PASNAS deficit. Since January 2020 the total contribution is £160,000 per month.

The University has fully adopted the disclosure rules of FRS 102 Section 28 'Employee Benefits'. The notes that follow show the detailed valuations required by the standard. However, pension fund liabilities can be valued in a number of other ways, and the University will continue to support the schemes based on the principles of on-going operations, as advised by the scheme trustees and actuaries.

The actuaries' recommendations for contributions to USS, PASNAS and HCC are based on triennial valuations of the schemes' liabilities.

## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

In the intervening years, the actuaries review the progress of the schemes. The latest valuations of the schemes' assets and liabilities for which results are available are:

	USS	PASNAS	HCC
Date of valuation	31 March 2020	31 July 2018	31 March 2019
Market valuation of assets	£66,500 million	£225 million	£7,182 million
Past service liabilities	£80,600 million	£263 million	£7,260 million
Deficit of assets	(£14,100) million	(£38) million	(£78) million

The USS and HCC valuations reflect the total assets and liabilities of the schemes, not just the element attributable to the University.

### USS

#### Significant accounting policies

The University participates in Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

#### Critical accounting judgements

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

The total charged to the Consolidated Statement of Comprehensive Income for the employer's contributions excluding the FRS102 deficit provision was £ 37.1 million (2021: £35.2 million).

Deficit recovery contributions due within one year for the University are £12.0 million (2021: £3.3 million).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2020 ("the valuation date"), which was carried out using the projected unit method.

Since the University cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2020 valuation was the sixth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004,

## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Fixed Interest gilt yield curve plus: Pre-retirement – With anticipated benefit reform: 2.75% – Without anticipated benefit reform: 2.0% Post-retirement – 1.0%
Pension increase (CPI)	Current benefits: CPI assumption + 5bps (for both pre and post 2011 benefits) Increases capped at 2.5% (if applicable following anticipated benefit reform): CPI assumption – 35bps

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females.
Future improvements to mortality	CML <sub>2019</sub> with a smoothing parameter of 7.5, an initial addition of 0.5% pa and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.3% of salaries until the end of the recovery plan on 30 April 2038. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2022	2021
Discount rate	3.33%	0.89%
Average annual pensionable salary growth	3.70%	3.76%

The recovery plan in the 2020 actuarial valuation requires employers to contribute 6.3% deficit contribution until the end of the recovery plan on April 2038. The provision in Comprehensive Income was calculated using a discount rate of 3.33% and an estimate of the changes in staffing levels and pay increases.

This resulted in a £141 million increase of the provision to £214 million (2021: £73 million) as at 31 July 2022. Details of this provision are included in note 24 to the accounts.

As at 31 March 2020, USS had 204,753 active members and the University had 3,703 active members participating in the scheme at 31 July 2022.

The total employer contributions for the year were £37,192,000 (2021: £35,245,000) which includes £3,229,000 (2021: £2,929,000) of contributions outstanding at the Institutional Statement of Financial Position date, payable in August 2022.

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**31. Pension schemes (continued)****USRF**

The University of Southampton Retirement Fund (USRF) was opened on 1 January 2019 to new members after PASNAS was closed to new members from that date. The scheme is operated by Royal London Mutual Insurance Society Limited as a defined contribution scheme. The costs charged to the income and expenditure account represent the contributions payable to the scheme for the year. An additional employer's contribution of 5.1% is also paid to PASNAS towards the pension deficit.

The number of members of the scheme employed by the University as at 31 July 2022 was 710.

The total employer contributions for the year were £2,221,000 (2021: £1,483,000) which includes £218,000 (2021: £142,000) of contributions outstanding at the Institutional Statement of Financial Position date, payable in August 2022.

**NHPS/TPS/MRCPS**

The NHPS, TPS and MRCPS schemes are externally funded. Each institutions' share of the underlying assets and liabilities of these schemes cannot be identified and therefore contributions to these schemes are accounted for as if they were defined contribution schemes. As a result the costs charged to the income and expenditure account represent the contributions payable to the schemes for the year.

The number of members of these schemes employed by the University as at 31 July 2022 was TPS 1; NHPS 126 and MRCPS 8.

The total pension costs due for the University and contributions outstanding at the Institutional Statement of Financial Position date were:

	<b>Pension cost</b>		<b>Outstanding at 31 July</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
NHPS	<b>1,467</b>	1,445	<b>122</b>	137
TPS	<b>15</b>	15	<b>1</b>	1
MRCPS	<b>64</b>	64	<b>4</b>	4

**NEST**

From April 2013, the University introduced the NEST scheme to comply with the Pensions Act 2008. This gives all University workers access to a qualifying pension scheme.

The total pension cost for the year was £144,000 (2021: £123,000) which includes £14,000 (2021: £12,000) of contributions outstanding at the Institutional Statement of Financial Position date of 31 July 2022, payable in August 2022.

The number of members of this scheme as at 31 July 2022 was 1,886.

## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

#### PASNAS

The University operates a final salary defined benefit scheme for non-academic staff (PASNAS). The scheme is funded by contributions made in accordance with the recommendations of the scheme's actuaries. Following a consultation process, in May 2018 Council ratified a decision to close the scheme to new members as at 31 December 2018. All new eligible staff will be enrolled into a new defined contribution arrangement from 1 January 2019 (USRF).

The number of members of the scheme employed by the University as at 31 July 2022 was 1,055.

The total employer contributions for the year were £4,501,000 (2021: £5,124,000) which includes £380,000 (2021: £310,000) of contributions outstanding at the Institutional Statement of Financial Position date of 31 July 2022, payable in August 2022.

The last formal triennial actuarial valuation of the scheme was performed as at 31 July 2018 and indicated that the scheme's assets represented 85% of the technical provisions corresponding to a deficit of £38,508,000. An estimate has been made for Guaranteed Minimum Pension (GMP) Equalisation and for the McCloud\* judgement in the current valuation. A valuation of the scheme as at 31 July 2021 is underway and is expected to be concluded by the end of 2022.

\*McCloud judgement relates to the transitional protection offered to some members of public sector final salary schemes when the schemes were reformed. The transitional protection allowed those members who were within 10 years of normal pension age to remain in their final salary scheme instead of being moved to the new career average arrangement with its higher pension age. As some members would be better off in the new scheme rather than the old the McCloud judgement requires that there is no reduction in benefits accrued or are receiving if already retired.

The principal actuarial assumptions used to calculate scheme liabilities under FRS 102 are:

	31 July 2022	31 July 2021
Increase in salaries	3.10% pa	3.00% pa
Increase in pensions – pre 1 Oct 2010 (CPI)	3.10% pa	3.10% pa
Increase in pensions – post 1 Oct 2010 (CPI max 3.0%)	2.20% pa	2.50% pa
Increase in pensions – post 1 Oct 2010 (CPI max 2.5%)	2.00% pa	2.20% pa
Discount rate	3.40% pa	1.60% pa
Inflation (RPI)	3.40% pa	3.50% pa
Inflation (CPI)	3.10% pa	3.10% pa

The changes in the above financial assumptions, predominantly the increase in the discount rate, have had a positive impact on the overall scheme deficit of £152 million.

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Retiring today	Retiring in 20 years
Male	21.7	23.3
Female	24.3	26.0

## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

The asset allocation of the scheme's assets calculated at fair value is:

	Value 31 July 2022 £000	Value 31 July 2021 £000	Value 31 July 2020 £000
Gilts	116,611	73,644	39,346
Multi Asset Credit	45,507	-	35,643
Equities	56,883	130,294	83,848
Target return funds & cash	25,597	39,654	51,361
Property	39,818	39,654	34,916
Total	284,416	283,246	245,114
	2022 £000	2021 £000	
<b>Analysis of the amount shown in the Statement of Financial Position</b>			
Scheme assets	284,416	283,246	
Scheme liabilities	(299,619)	(480,352)	
Deficit in the scheme – net pension liability recorded within pension provisions (note 24)	(15,203)	(197,106)	
<b>Analysis of the amount charged to staff costs within operating surplus</b>			
Current service cost	(12,993)	(16,021)	
Past service cost	-	(75)	
Total operating charge	(12,993)	(16,096)	
<b>Analysis of the amount charged to interest payable within operating surplus</b>			
Expected return on scheme assets	4,750	3,415	
Interest cost	(7,619)	(6,209)	
Net finance cost	(2,869)	(2,794)	
<b>Analysis of other comprehensive income</b>			
(Losses)/Gains on assets	(30,991)	37,041	
Experience gains on liabilities	22,291	2,370	
Gains from changes to demographic assumptions	13,889	-	
Gains/(losses) from changes to financial assumptions	156,618	(22,018)	
Gain to other comprehensive income	161,807	17,393	



## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

	2022 £000	2021 £000	
<b>Movement in deficit during the year</b>			
Deficit in scheme at beginning of the year	(197,106)	(203,367)	
Movement in the year:			
Current service cost	(11,536)	(13,462)	
Contributions	34,501	5,124	
Net finance cost	(2,869)	(2,794)	
Gain recognised in other comprehensive income	161,807	17,393	
Deficit in scheme at end of year	(15,203)	(197,106)	
	2022 £000	2021 £000	
<b>Analysis of movement in fair value of fund assets</b>			
Assets at beginning of year	283,246	245,114	
Employer contributions	34,501	5,124	
Employee contributions	2,550	4,349	
Benefits paid (net of expenses)	(8,694)	(10,247)	
Administration costs	(946)	(1,550)	
Interest on assets	4,750	3,415	
(Loss)/return on scheme assets	(30,991)	37,041	
Assets at end of year	284,416	283,246	
	2022 £000	2021 £000	
<b>Analysis of movement in present value of liabilities</b>			
Liabilities at beginning of year	(480,352)	(448,481)	
Current service cost	(11,536)	(13,462)	
Past service cost	-	-	
Interest on scheme liabilities	(7,619)	(6,209)	
Employee contributions	(2,550)	(4,349)	
Benefits paid	9,640	11,797	
Actuarial experience gain on liabilities	22,291	2,370	
Changes in demographic assumptions	13,889	-	
Changes in assumptions underlying the present value of the scheme liabilities	156,618	(22,018)	
Liabilities at end of year	(299,619)	(480,352)	
	2022	2021	2020
<b>History of experience gains and losses</b>			
Experience (losses)/gains on assets in excess of interest (£000)	(30,991)	37,041	(3,998)
Percentage of scheme assets (loss)/gain	(10.9)%	13.1%	(1.6)%
Experience gains on liabilities (£000)	22,291	2,370	2,893
Percentage of scheme liabilities	7.4%	0.1%	0.1%

## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

#### HCC

HCC has been able to apportion a percentage of its Fund's assets and liabilities relating to the University and therefore the scheme has been treated as a defined benefit scheme in the accounts.

The principal actuarial assumptions used to calculate scheme liabilities under FRS 102 are:

	31 July 2022	31 July 2021
Increase in salaries	<b>3.7% pa</b>	3.6% pa
Increase in pensions	<b>2.7% pa</b>	2.6% pa
Discount rate	<b>3.5% pa</b>	1.7% pa
CPI inflation	<b>2.7% pa</b>	2.6% pa

The current mortality assumptions include sufficient allowance for future improvements in mortality rates and are further adjusted to reflect the actual mortality experience of the Fund. The assumed life expectations in years on retirement at age 65 are:

	Retiring today	Retiring in 20 years
Male	22.9	24.7
Female	25.4	27.1

The number of active members of this scheme employed by the University as at 31 July 2022 was 2.

The asset allocation of the scheme's assets calculated at fair value is:

	<b>Value 31 July 2022 £000</b>	Value 31 July 2021 £000	Value 31 July 2020 £000
Equities	<b>2,570</b>	2,713	2,208
Government bonds	<b>661</b>	801	835
Property	<b>362</b>	291	245
Multi Asset Credit	<b>398</b>	-	-
Cash	<b>36</b>	47	64
Other	<b>442</b>	834	662
<b>Total</b>	<b>4,469</b>	4,686	4,014

#### Analysis of the amount shown in the Statement of Financial Position

	<b>2022 £000</b>	2021 £000
Scheme assets	<b>4,469</b>	4,686
Scheme liabilities	<b>(2,960)</b>	(4,055)
Adjustment in respect of FRS 102 section 28.22	<b>(1,509)</b>	(631)
Deficit in the scheme – net pension liability recorded within pension provisions (note 24)	<b>-</b>	-

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**31. Pension schemes (continued)**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	<b>(52)</b>	(50)
Past service cost	-	-
Settlement costs	-	-
Total operating charge	<b>(52)</b>	(50)
	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Analysis of the amount charged to interest payable within operating surplus</b>		
Expected return on scheme assets	<b>79</b>	56
Interest on scheme liabilities	<b>(68)</b>	(57)
Net finance cost/(credit)	<b>11</b>	(1)
	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Analysis of other comprehensive income</b>		
(Loss)/gain on assets	<b>(229)</b>	653
Gain/(loss) on liabilities	<b>1,085</b>	47
Adjustment in respect of FRS 102 Section 28.22	<b>(868)</b>	(631)
Total amount recognised in other comprehensive income	<b>(12)</b>	69
	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	-	(78)
Movement in the year:		
Current service cost	<b>(52)</b>	(50)
Employer contributions	<b>63</b>	60
Net finance credit/(expense)	<b>1</b>	(1)
(Loss)/gain recognised in other comprehensive income	<b>(12)</b>	69
Deficit in scheme at end of year	-	-
	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Analysis of movement in fair value of Fund assets</b>		
Assets at beginning of year	<b>4,686</b>	4,014
Employer contributions	<b>63</b>	60
Employee contributions	<b>9</b>	9
Benefits paid	<b>(139)</b>	(106)
Interest on assets	<b>79</b>	56
Return on scheme assets	<b>(229)</b>	653
Assets at end of year	<b>4,469</b>	4,686

## Notes to the Financial Statements for the year ended 31 July 2022

### 31. Pension schemes (continued)

	2022 £000	2021 £000
<b>Analysis of movement in present value of liabilities</b>		
Liabilities at beginning of year	(4,055)	(4,092)
Current service cost	(52)	(50)
Interest on scheme liabilities	(68)	(57)
Employee contributions	(9)	(9)
Benefits paid	139	106
Actuarial experience gain on liabilities	1,085	47
Liabilities at end of year	(2,960)	(4,055)

Based on the present values of the Fund assets and Fund liabilities at the reporting date, the scheme had a surplus of £1,509,000 at 31 July 2022. In line with the guidance provided by section 28.22 of FRS 102, this surplus has not been recognised.

### 32. Financial instruments

The University's Treasury function monitors and manages the financial assets and liabilities relating to our operations and the financial risks that arise from these instruments. The identified risks - credit risk, liquidity risk and interest rate risk - are actively managed to limit the potential impact of any adverse events on our financial sustainability.

The carrying value of the consolidated and University financial assets and liabilities are summarised by category below:

	Note	Consolidated		University	
		2022 £000	2021 £000	2022 £000	2021 £000
<b>Financial assets:</b>					
<i>Measured at fair value through the Statement of Comprehensive Income</i>					
Investments in unit trusts	25	11,824	13,951	11,824	13,951
Other investments	21/25	264,793	245,163	264,793	245,163
Investment in ordinary shares	18	2,502	7,176	-	-
<i>Equity instruments measured at cost less impairment</i>					
Non-current asset investments	18	7,554	1,131	7,554	1,131
<i>Measured at undiscounted amount receivable</i>					
Trade and other receivables	20	23,422	26,461	22,008	25,541
		<b>310,095</b>	293,882	<b>306,179</b>	285,786

**Notes to the Financial Statements for the year ended 31 July 2022****32. Financial instruments (continued)****Financial liabilities:**

	Note	Consolidated		University	
		2022	2021	2022	2021
		£000	£000	£000	£000
Measured at fair value through the Statement of Comprehensive Income					
Derivative financial liabilities	23	12	65	-	-
Measured at amortised cost					
Loans payable	23	405,930	408,537	404,296	405,888
Measured at undiscounted amount payable					
Trade and other creditors	22	19,433	23,507	17,387	22,360
		425,375	432,109	421,683	428,248

The consolidated and University's income, expenses, gains and losses in respect of financial instruments are summarised below:

		Consolidated		University	
		2022	2021	2022	2021
	Note	£000	£000	£000	£000
<i>Interest income and (expense)</i>					
Total income for financial assets at amortised cost	8	6,008	6,140	5,986	6,121
Total interest expense for financial liabilities at amortised cost	12	(14,445)	(14,416)	(14,364)	(14,300)
		(8,437)	(8,276)	(8,378)	(8,179)
<i>Fair value gains and (losses)</i>					
On financial assets measured at fair value through the Statement of Comprehensive Income		(10,217)	10,782	(5,543)	7,816
On derivative financial liabilities	12	53	357	-	-
		(10,164)	11,139	(5,543)	7,816

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**33. Department for Education Bursaries****Consolidated and University**

	<b>At 1 August 2021 £000</b>	<b>Income received £000</b>	<b>Disbursements £000</b>	<b>Returned to Department for Education £000</b>	<b>At 31 July 2022 £000</b>
Student training bursaries	122	1,125	(1,059)	(142)	<b>46</b>
	122	1,125	(1,059)	(142)	<b>46</b>

The receipts and disbursements above are excluded from the Statement of Comprehensive Income as the funds are administered by the University on an agency basis on behalf of the Department for Education.



## Notes to the Financial Statements for the year ended 31 July 2022

### S1 Supplementary schedule for the U.S. Department of Education

As instructed by the Federal Student Aid - An Office of the U.S. Department of Education, the University's audited financial statements must include a supplementary schedule.

As required under 34 CFR §668.172 and Section 2 of Appendix A or B to Subpart L of Part 668, a proprietary, private non-profit, or foreign school must include a Financial Responsibility Supplemental Schedule (Supplemental Schedule) as part of any audited financial statements submissions to the Department on or after July 1, 2020.

The supplementary schedule is required to use nomenclature from United States Generally Accepted Accounting Practice (US GAAP). However, the recognition and measurement basis throughout this note is consistent with FRS102 and the Higher Education SORP. We have included the UK GAAP naming conventions (as included in the financial statements and notes) in the second column of the below table.

Primary Reserve Ratio			2022	2021
			£000	£000
Page	Line item/related disclosures	Expendable Net Assets		
32	Consolidated Statement of Financial Position - Income and expenditure reserve - unrestricted	Net assets without donor restrictions	<b>602,145</b>	515,020
32	Consolidated Statement of Financial Position - Income and expenditure reserve - endowment reserve and restricted reserve	Net assets with donor restrictions	<b>17,379</b>	20,063
69	Note 25 of the Financial Statements - Endowment reserves - Restricted Permanent	Net assets with donor restrictions: restricted in perpetuity	<b>(8,215)</b>	(9,473)
	Not Applicable	Annuities with donor restrictions	-	-
69	Note 25 of the Financial Statements - Endowment reserves - Restricted Expendable	Term endowments with donor restrictions	<b>(2,220)</b>	(2,598)
	Not Applicable	Life income funds with donor restrictions	-	-
60	Note 17 of the Financial Statements - Intangible assets - Software in progress	Intangible assets - Other intangible assets	<b>(910)</b>	(229)
	Not Applicable	Intangible assets - Goodwill	-	-
57	Note 16 of the Financial Statements - Fixed assets (excluding Leasehold, land and buildings)	Property, Plant and equipment, net (includes Construction in progress)	<b>(668,389)</b>	(653,700)
57	Note 16 of the Financial Statements - Fixed assets - Leasehold, land and buildings	Lease right-of-use of asset pre-implementation	<b>(88,188)</b>	(91,554)
32	Consolidated Statement of Financial Position - Pension provisions	Post-employment and pension liabilities	<b>229,536</b>	269,729
64,65	Notes 22 and 23 of the Financial Statements - Creditors: Bank loans, Public bond	Long-term debt - for long term purposes pre-implementation	<b>359,510</b>	361,722
	Not Applicable	Long-term debt - for long term purposes post-implementation	-	-
64,65	Notes 22 and 23 of the Financial Statements - Creditors: Obligations under finance leases	Lease right-of-use of asset liability pre-implementation"	<b>46,420</b>	46,815
	Not Applicable	Unsecured related party receivable	-	-
			<b>487,068</b>	455,795

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**Notes to the Financial Statements for the year ended 31 July 2022**


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**S1 Supplementary schedule for the U.S. Department of Education (continued)**

			<b>2022</b>	2021
			<b>£000</b>	£000
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Total Expenses and Losses:</b>		
30	Consolidated Statement of Comprehensive Income - Staff costs excluding movements in the USS deficit funding accrual	Total expenses without donor restrictions	<b>341,387</b>	329,112
30	Consolidated Statement of Comprehensive Income - Depreciation and amortisation, other operating expenses and Interest and other finance costs	Total expenses without donor restrictions	<b>255,373</b>	223,834
	Consolidated Statement of Comprehensive Income - Loss on investments	Investments, net of annual spending, loss	<b>10,217</b>	-
31	Consolidated Statement of Comprehensive Income - Actuarial loss in respect of pension schemes	Other components of net periodic pension costs	-	-
30	Consolidated Statement of Comprehensive Income - Loss on disposal of fixed assets	Sale of fixed assets, losses	<b>3,534</b>	-
30	Consolidated Statement of Comprehensive Income - Share of operating deficit in associate	Other non-operating losses	-	-
30	Consolidated Statement of Comprehensive Income - Loss on disposal of current asset investments	Other non-operating losses	-	-
	Not Applicable	Pension-related changes other than net periodic costs	-	-
			<b>610,511</b>	552,946

**Equity Ratio**

			<b>2022</b>	2021
			<b>£000</b>	£000
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Modified Net Assets</b>		
32	Consolidated Statement of Financial Position - Income and expenditure reserve - unrestricted	Net assets without donor restrictions	<b>602,145</b>	515,020
32	Consolidated Statement of Financial Position - Income and expenditure reserve - endowment reserve and restricted reserve	Net assets with donor restrictions	<b>17,379</b>	20,063
60	Note 17 of the Financial Statements - Intangible assets - Software in progress	Intangible assets - Other intangible assets	<b>(910)</b>	(229)
	Not Applicable	Intangible assets - Goodwill	-	-
	Not Applicable	Unsecured related party receivable	-	-
			<b>618,614</b>	534,854

## Notes to the Financial Statements for the year ended 31 July 2022

### S1 Supplementary schedule for the U.S. Department of Education (continued)

			2022 £000	2021 £000
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Modified Assets</b>		
32	Consolidated Statement of Financial Position - Non-current assets, Current assets	Total Assets	<b>1,454,840</b>	1,410,962
57	Note 16 of the Financial Statements - Fixed assets - Leasehold, land and buildings	Lease right-of-use of asset pre-implementation	<b>(88,188)</b>	(91,554)
60	Note 17 of the Financial Statements - Intangible assets - Software in progress	Intangible assets - Other intangible assets	<b>(910)</b>	(229)
	Not Applicable	Intangible assets - Goodwill	-	-
	Not Applicable	Unsecured related party receivable	-	-
			<b>1,365,742</b>	1,319,179
<b>Net Income Ratio</b>			<b>2022 £000</b>	<b>2021 £000</b>
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Change in Net Assets Without Donor Restrictions</b>		
31	Consolidated Statement of Comprehensive Income - Unrestricted comprehensive income for the year and non-controlling interest	Change in Net Assets Without Donor Restrictions	<b>87,125</b>	33,820
			<b>87,125</b>	33,820
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Total Revenue without Donor Restrictions and Gains without Donor Restrictions</b>	<b>2022 £000</b>	<b>2021 £000</b>
30	Consolidated Statement of Comprehensive Income - Total income	Total Operating Revenue and Other Additions	<b>672,831</b>	554,077
30	Consolidated Statement of Comprehensive Income - Gain on investments	Investments, net of annual spending, gain	-	10,782
31	Consolidated Statement of Comprehensive Income - Actuarial gain in respect of pension schemes	Other components of net periodic pension costs	<b>161,795</b>	17,462
30	Consolidated Statement of Comprehensive Income - Share of operating surplus in associate	Other non-operating gains	<b>33</b>	92
	Consolidated Statement of Comprehensive Income - Gain on disposal of current asset investments	Other non-operating gains	-	-
30	Consolidated Statement of Comprehensive Income - Gain on disposal of fixed assets	Sale of fixed assets, gains	-	558
	<b>Less restricted (income)/expenditure</b>	<b>Less restricted (income)/expenditure</b>		
31	Consolidated Statement of Comprehensive Income - Endowment comprehensive (income)/expenditure for the year and restricted comprehensive (income)/expenditure for the year	Change in Net Assets With Donor Restrictions	<b>2,684</b>	(1,820)
			<b>837,343</b>	581,151

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