



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

ATTENDANCE

GOVERNORS

ATTENDANCE AT BOARD MEETINGS %

Professor G Baldwin	Vice-Chancellor, Ex-officio Governor		100
Mr J Barfoot	Staff Governor		100
Mr S Bolton	Independent Governor		100
Mr P Boyd-Smith	Independent Governor	Until 31 July 2017	75
Mr P Cardy	Independent Governor	Until 31 July 2017	50
Mr J Cheshire OBE	Independent Governor, Chairman	Until 31 July 2017	75
Ms A Colley	Independent Governor		100
Mr P Cotton	Independent Governor, Chair Elect		100
Mr N Duncan	Co-opted External Governor	From 1 August 2016	75
Professor R Farwell CBE	Independent Governor		100
Ms J Glastonbury	Independent Governor	From 1 August 2016	100
Mr G Holland	Independent Governor		100
Councillor S Kaur	Co-opted External Governor		50
Mr O Khan	Staff Governor		100
Ms M Maddex	Student Governor		75
Ms L Samuels	Independent Governor	From 15 February 2017	100
Mr J Simpson	Independent Governor		100
Dr J Stopp	Independent Governor		75
Clerk to the Governors	Ms B Woolven		100

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WELCOME

FROM THE CHAIRMAN OF GOVERNORS
AND THE VICE-CHANCELLOR



We are delighted to introduce Southampton Solent University's operating and financial review for 2016/17, a year which has witnessed significant change and development within the Institution. It has once again been a successful year and effective cost control aligned with planned student recruitment enabled the achievement of 4.5% surplus as a percentage of turnover before the actuarial pension gain. The budgeted financial surplus was 5% before the pension adjustment.

As an Institution which is first and foremost a University we reinvest such surpluses in order to maintain and enhance the experience and opportunities offered to our students and to safeguard high quality delivery for the future. With the new learning and teaching building, the Spark, successfully delivered in 15/16 we have already witnessed a tremendous transformation of our East Park Terrace campus. In 2016/17 we continued improving the

estate with redevelopments across the city, including refurbishment of the Herbert Collins building, enhancement of the Towing Tank, the John Millais building and Reginald Mitchell building. The latter involved the development of new state of the art laboratories for the delivery of new programmes in nutrition and biomedical sciences. However, the most significant investment this year involved the move of facilities from our upper Warsash site to St Mary's Campus. This involved the refurbishment of a dedicated building creating high quality teaching rooms and a whole floor housing an engineering workshop. Work also continued on the planning for the new indoor sports complex, with the building work officially commencing at the end of the year. Most importantly improvements continued to be made in the academic performance of the University in the areas of student satisfaction, student achievement, international development, employability and research excellence.

The University continued to be a leading university for the development of student business start-ups and its employer engagement and business interaction was underpinned by the continuing success of its programme of continuing professional development. When comparing earning for Solent graduates against other institutions whose students had the same prior educational attainment, six of Solent's subjects ranked in the top five for their respective subjects, and all of the University's subjects ranked within the top 50% (according to data from the Longitudinal Education Outcomes, LEO). In addition we have been ranked the 12th best British university for boosting graduate earnings according to the Economist. Finally, we held steady in NSS as the sector dropped, scoring higher than most for student engagement and with five subject scores ranked in the top 10 in the UK.

In fulfilment of its mission the University continued to further increase the proportion of its recruitment from low participation neighbourhoods and state schools. The annual Office for Fair Access (OFFA) report highlights how Southampton Solent University is leading the way in supporting white males from disadvantaged backgrounds, showcasing the independent research commissioned by the University to look into the barriers and challenges faced by white males from socio-economically disadvantaged backgrounds in accessing higher education. International partnerships increased and once again we hosted a delegation of Presidents from Chinese Universities through the Chinese National Academy of Education Administration. The University's work with business and international partners along with a city centre presence and large numbers of students makes a considerable contribution to the local and regional economy.

The University continued to implement its strategic plan "Building an excellent university" making further changes to its operating structure. We went from a six to five school structure and all Schools had a successful year as demonstrated by the academic achievements. In addition, we further progressed our work to ensure the University's long term sustainability with a number of areas undergoing restructures in 2016/17. Most notably however, research

continued as an increasingly important element of the University and following the University undergoing an in-depth and rigorous process of scrutiny in 2016/17, we have been granted Research Degree Awarding Powers (RDAP) from 14 August 2017. The award is another milestone in our strategic development to build an excellent university and give us direct power to design, deliver and award research degrees.

Internal change was accompanied by external developments, most notably the further developments within the Higher Education sector. Once again we saw evidence of the impact of the removal of the student number cap with competition for students continuing to increase across the sector further underpinning the need to invest in developments as described above and to continue to put our students at the heart of all we do. To that end we further developed our student services and increased the level of central support provided.

Despite a most successful year, uncertainty remains as we continue to await the details of the Brexit negotiations and further developments within an already competitive market. We are however well placed, as a consequence of our strategy, to meet the emerging requirements with a focus on practice and application, or what we call "Real World Learning". We will continue to work with stakeholders, employers and most importantly our students to ensure that we are increasingly recognised nationally and internationally whilst continuing to fulfil our role as a University for the City and the Solent Region.



Phil Cotton
Chairman of the Board of Governors



Professor Graham Baldwin
Vice-Chancellor

FINANCIAL HIGHLIGHTS

RESULTS, CASH FLOWS, ASSETS AND RESERVES

	2017	2016
	<u>£000</u>	<u>£000</u>
Academic Fees and Support Grants	91,000	92,393
Funding Council Grants	9,129	9,686
Research Grants and Contracts	242	272
Other Operating Income	17,127	17,251
Endowment and Investment Income	131	224
Total income before endowments and donations	<u>117,629</u>	<u>119,826</u>
Donations and endowments	5	3
Total income	<u>117,634</u>	<u>119,829</u>
Surplus for the Year After Tax	<u>5,307</u>	<u>7,386</u>
Actuarial Gain/(loss) in respect of pension schemes	<u>10,730</u>	<u>(17,940)</u>
Net cash inflow from operating activities	<u>15,642</u>	<u>18,725</u>
Fixed Assets	133,331	128,273
Debtors	12,728	5,031
Current Investments	977	865
Cash	34,737	33,688
Creditors: amounts falling due within one year	(26,058)	(19,128)
Total Assets less Current Liabilities	<u>155,738</u>	<u>148,754</u>
Unrestricted Reserves	<u>128,278</u>	<u>119,260</u>
Total Reserves including Pension Liability	<u>73,112</u>	<u>57,075</u>
Other Key Statistics	<u>2016-17</u>	<u>2015-16</u>
Number of Higher Education Full-Time Equivalents	9,869	10,086
Total Number of Higher Education Students	11,062	11,286
Number of Employees	1,385	1,378

STRATEGIC REPORT

SCOPE OF THE FINANCIAL STATEMENTS

The Financial Statements comprise the consolidated results of the University, its fully owned trading subsidiary undertaking: Southampton Solent University Limited (SSUL) and the charity Sport Solent in the Community (SSIC). The results of the Solent Students' Union are not included as it is a separate unincorporated association in which the University has no financial interest and no control or significant influence over policy decisions.

The main activities of SSUL are to provide short courses, training and facilities, consultancy services, meals and accommodation for employees of other organisations using the company's facilities for their own training programmes, and miscellaneous commercial activities. SSIC is a registered charity with the aim of benefitting the local community through the use of sports.

FINANCIAL REVIEW

Financial Key Performance Indicators

The following Key Performance Indicators which derive from the University's Strategic Plan, Building an Excellent University for 2015-2020, relate to the University's financial position:

Performance Indicator	Criteria	Outcome for 2016-2017	Outcome for 2015-2016
Annual surplus (after tax and FRS 102 pension costs)	At least 6% of income over the period of the Plan	4.51%	6.16%
Net cash inflow from operating activities	At least 6% of income	13.30%	15.63%
Cash reserves	Available cash reserves of £6m	£34.7m	£33.7m

RESULTS FOR THE YEAR

The University's results are summarised in the Financial Highlights on page 6.

Total income decreased by £2.2 million (1.8%) to £117.6 million.

Funding body grants were lower by £0.6 million (6.2%) to £9.1 million, with the majority being received from the Higher Education Funding Council for England (HEFCE). The HEFCE recurrent grant for 2016-2017 totalled £6.8 million, representing a decrease of £0.7 million (9.4%) from 2015-2016, which was a result of the reduction in teaching grants. Student Opportunity funding, received for the additional costs associated with recruiting and teaching students from under-represented social groups and communities, was £4.2 million, down slightly from £4.5 million in 2015-2016.

Tuition fees also reduced by £1.4 million (1.5%) to £91 million, as a result of lower overseas student numbers and a decrease in short course income.

Both other operating income and investment income decreased by £0.1 million, with other operating income being reported at £17.1 million (0.7% reduction) and investment income at £0.1 million (down by 41.5%).

Overall total expenditure remained relatively unchanged at £112.6 million (2015-16, £112.5 million).

Staff costs increased by £4.4 million (7.2%) to £66.1 million, with the majority of the increase being attributable to a rise in FRS102 pension costs of £1.4 million and higher redundancy costs of £2.1 million compared to £1.3 million in 2015-16.

Other operating expenses decreased by £4.8 million (11.3%) to £37.4 million due to a reduction in spend to offset lower than budgeted tuition fees. Expenditure on building maintenance and equipment was £2.8 million lower in the year.

The surplus for 2016-2017 was £5.3 million, compared with the 2015-2016 surplus of £7.4 million and slightly lower than the approved budgeted surplus of £5.9 million. >>

INVESTMENTS AND CASH RESERVES

Overall investments and cash reserves have increased by £1.2 million, which is a result of the lower capital expenditure following the completion of the new academic teaching building development, the Spark.

The University has continued to invest its funds in short term, highly liquid investments that are readily convertible to known amounts of cash with a short maturity and insignificant risk of change in value.

CASH FLOW

The Cashflow Statement on page 41 shows that the University generated a net cash inflow from operating activities of £15.6 million, a decrease of £3.1 million from 2016. The factors contributing to the level of net cash inflow include:

- a surplus of £5.3 million was achieved in 2016-2017, compared to £7.4 million in the previous year.
- an increase in debtors this year of £7.7 million, compared to an increase last year of £0.1 million. This increase was due to accommodation income for 2017-18 being raised earlier than in previous years, resulting in trade receivables of £11.1 million (2015-16, £3.2 million).
- an increase in creditors this year of £6.9 million, primarily due to the timing of the accommodation invoices being raised.

LONG-TERM BORROWING FACILITIES

The University has a standard commercial loan with the Allied Irish Bank, secured on individual halls of residence. The amount outstanding as at 31 July 2017 is £14.3 million and will be repaid by July 2026.

The University also has a loan with the Bank of Scotland, secured on the Sir James Matthews building, to be repaid on a principal and interest basis in 2019. The amount outstanding as at 31 July 2017 is £1.5 million.

In addition to the above loans, the University has a finance lease with the Co-operative Bank. The amount

outstanding as at 31 July 2017 is £0.6 million and will be repaid in 2018.

The University also has a secured loan of £10 million with Lloyds Bank for the new teaching building, which is a 5 year committed facility with capital repayments structured over a 20 year profile. In 2016-2017, the £10 million working capital facility with the bank was renegotiated and replaced with a £30 million working capital revolving credit loan facility, although it was not utilised in the year.

POST BALANCE SHEET EVENTS

The Governors are not aware of any significant post balance sheet events.

FINANCIAL STRATEGY

The financial strategy sits alongside other service strategies and is inextricably woven through all strategies of the University. It has an enabling role to ensure that the appropriate resources are provided to support the University's strategic objectives and academic development.

The University will aim to:

- Achieve and maintain a historic cost surplus of at least 6% of income in line with the University's sustainability forecasts;
- Generate a net cash flow from operating activities of at least 6% of income;
- Maintain a minimum cash balance of £6 million;
- Minimise the use of working capital (i.e. debtors);
- Optimise investment returns of liquid assets, whilst safeguarding the assets;
- Optimise the cost of financing the student residences;
- Make available borrowing capability to develop the enabling infrastructure;
- Develop existing and new funding relationships.

The Chief Finance Officer, together with the finance senior management team, is responsible for the delivery of the strategy. A set of key performance indicators has been developed as part of the strategic plan process; the three financial key performance indicators are included on page 7.

TREASURY MANAGEMENT

Treasury management encompasses the management of the University's cash flows, banking, money, and capital market transactions and the effective control of the risk associated with those activities.

The policy of the University is to safeguard its assets whilst at the same time aiming to achieve the best possible return on its investment. The over-riding principle however must be to minimise risk rather than maximise return.

The financing and liquidity of the University and its exposure to financial risk are managed by the central Finance Service. The University's financial strategy sets out the minimum liquidity levels needed to ensure that financial and operational control is maintained. A rolling five year forecast is prepared each year, which incorporates a review of capital expenditure, cash generated and any future borrowing requirements.

The University's Treasury Management Policy is in line with the revised guidance contained in the CIFPA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition).

ACCOUNTING POLICIES

The University's Financial Statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 34 to 37.

In accordance with FRS102, The Financial Reporting Standard, the University has reviewed its accounting policies to ensure that they remain appropriate. The only revision made as a result of this was the clarification that building refurbishments are depreciated over 15 years.

PENSIONS

The University has three defined benefit pension schemes for staff, which are the Teachers' Pension Scheme (TPS), the Hampshire County Council Local Government Pension Scheme (HCCLGPS), and the Universities Superannuation Scheme.

The disclosure notes on pages 50 to 54 relate primarily to the HCCLGPS and unfunded obligations. The latest actuarial valuation of the fund took place as at 31 March 2016 and was updated by Aon Hewitt Limited, as actuaries appointed by Hampshire County Council, in order to assess the University's share of assets and liabilities of the scheme as at 31 July 2017.

The University's share of the deficit in the HCCLGPS has decreased by 10.8% to £55.5 million as at 31 July 2017 (2015-2016: £62.3 million). The liabilities, which are particularly sensitive to gilt yields, decreased as a result of bond rates improving by 0.2%. Assets also outperformed expectations.

LINKED CHARITIES

On 1 June 2010, HEFCE became the principal regulator of English higher education institutions (HEIs) that are exempt charities. This extends to those exempt charities that are administered by or on behalf of an exempt charity HEI and fall within paragraph 'w' of schedule 2 of the Charities Act 1993 (i.e. linked charities).

Reserves and financial results for Southampton Solent University's linked charities are disclosed in Note 19 Expendable Endowments Reserves.

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RISK AND RISK MANAGEMENT

The University has an established risk management policy which identifies management of risk as a responsibility of all management post holders, as appropriate to their level of accountability, led by the Vice-Chancellor. The Risk Management Group (RMG) has evolved an annual analysis process which identifies the top institutional risks as identified by the Vice Chancellor's management group and also the aggregated top risks prioritised by schools and service managers. This ensures there is consistency between those risks perceived by top managers and the management teams of schools and services. Should differences of view become apparent these can then be easily identified and investigated.

As a largely teaching orientated institution these processes revolve mainly around the planning, marketing, budgeting and student support measures necessary to recruit and retain students, enhance the student experience and protect income streams. Conventional business recovery, financial management, and health and safety action plans are also in place. The effects of the fast moving educational environment have been closely monitored, with schools and services updating their risks register every six months, ensuring that emerging risks are identified, reported and mitigated.

The Audit Committee (AC) of the Board of Governors is briefed at each of its meetings on the latest Vice-Chancellor's Group (VCG) risk analysis update and progress on the larger cycle of analysis, contingency and action planning. This provides the AC members with reassurance that executive action is underway and with an opportunity to seek clarification where appropriate. The final annual action plan is agreed with the University Senior Management Team as part of this process to ensure their ownership and then reviewed by Audit Committee. As Chair of RMG, the Chief Finance Officer provides a direct link with VCG in reviewing all levels of risk across the University.

Currently the top University risks reflect the uncertainty around the recruitment of home/EU students and Britain's exit from Europe. BREXIT could potentially mean a reduction in student numbers of approximately 800-900 (£7.4 million - £8.3 million of tuition fees) and a loss of research income.

CREDITOR PAYMENT POLICY

It is the University's policy to pay suppliers 30 days on receipt of invoice, unless special terms have been negotiated.

STRATEGIC PLAN

In March 2015 the Strategic Plan (2015-20) was approved by the Board of Governors and further shared across the University. The strategy builds on the ten years since we were granted University status. Greater competition, higher expectations from students and employers, and the need to adapt to an increasingly globalised world means we need to find innovative ways of responding to the opportunities and resourceful ways to overcome the challenges. Over the course of the strategy we intend to create an outstanding experience for students, deliver innovative and research informed learning and teaching, and build on the success of achieving research degree awarding powers. We aim to increase our international student numbers, maintain our recruitment and build on our commitment to social justice.

The University's Strategic Plan 2015-20 is set out below.

Southampton Solent University's Vision is to be:

- A vibrant and successful University that is known nationally and internationally for the excellence of our teaching and for our sector-leading integration of theory and practice;
- Research active and informed with areas of world leading activity underpinning key and distinctive curriculum areas in support of 'real world' learning;
- The 'applied' university for Southampton and the Solent region, with accelerating national and international influence enabled by imaginative partnerships at home and abroad;
- An inclusive university which is a catalyst for social justice, social mobility and economic prosperity, providing access to top-class education for all those qualified and able to benefit and offering an outstanding student experience, characterised by the highest quality engagement and intellectual challenge.

Southampton Solent University's Mission is:

- The pursuit of excellent university education that enables learners from all backgrounds to become enterprising citizens and responsible leaders, while also promoting economic and social prosperity for the communities we serve.

Southampton Solent University's Strategic Plan 2015-20 includes seven key priority areas:





- People Experience;
- Learning and Teaching;
- Research and Innovation;
- Student Achievement;
- Internationalisation;
- Recruitment;
- Reputation.

The University continues to progress its strategic plan and a series of sub-strategies. Our new Maritime Strategy in particular was shaped by the recent review of our provision in light of global shipping changes.

KEY PERFORMANCE INDICATORS

Generic indicator	KPI	Performance				
		2012-13	2013-14	2014-15	2015-16	2016-17
STUDENT DEMAND AND DIVERSITY The University had achieved success with regard to widening participation, achieving above benchmark recruitment from state schools, low participation neighbourhoods and lower socio-economic groups. Applications were down reflecting the increasingly competitive external environment, the only application growth across the sector was within higher tariff institutions. International fee income was down again reflecting increasing competition amongst other things. Work continues on developing partnerships but it is recognised there is a lead in time before this leads to student recruitment.	UCAS application	Yellow	Yellow	Green	Green	Yellow
	Enrolments (new and returning students)	Green	Yellow	Red	Red	Green
	International fees (£000s)	Green	Red	Green	Green	Red
	Students from low participation neighbourhoods	Yellow	Green	Green	Green	Green
STUDENT RETENTION, SATISFACTION AND ACHIEVEMENT The University maintained in its retention of students, outperforming the target set in the access agreement. Rates of student satisfaction were maintained and the University was closer to the benchmark and sector average than ever before. There was marked improvement in graduate employment and further study following continued and steady progress in previous years.	Retention (%)	Yellow	Yellow	Red	Yellow	Green
	Student satisfaction (%)	Yellow	Yellow	Yellow	Yellow	Yellow
	Good honors (%)	Green	Green	Green	Green	Green
	Employability	Yellow	Red	Yellow	Yellow	Green
RESEARCH AND ENTERPRISE OUTPUTS AND SUSTAINABILITY The number of business start-ups by Solent graduates continued to increase, consolidating Solent's position as one of the leading universities in the field. The reduction in income from knowledge exchange reflects the in-year income rather than the value of activity secured within the year which increased.	Income from research and from from research contracts	Yellow	Green	Green	Yellow	Green
	Income received from Knowledge exchange	Yellow	Green	Green	Yellow	Red
	Number of student start ups	Green	Green	Green	Green	Green

KEY

 GREEN Good performance is at or above expectations	 YELLOW Some concerns which may need addressing
 RED Serious concern- performance below expectations	 WHITE Traffic light coding inapplicable

Generic indicator	KPI	Performance				
		2012-13	2013-14	2014-15	2015-16	2016-17
FINANCIAL HEALTH AND SUSTAINABILITY The University continues to be financially stable as indicated by the financial health indicator being greater than 1.5.	Operating surplus (% EBITDA)					
	Margin for Sustainability and Investment MSI (%)					
	Net liquidity					
	Debtors at year end (as % of non-funded income)					
	Annualised debt servicing costs (as a % of income)					
	Staff costs as a % of income					
	Annual surplus as % of turnover					
	Free Cashflow (£,000)					
	Long Term Debt (as a % of Income)					
	Financial health, aggregate					
	EMPLOYEE ENGAGEMENT 72% of scores improved and as a result the employee engagement index improved by 4% in 2016, compared with the first staff survey in 2015. All questions under University leadership, My Development and My Manager improved. Most importantly: 76% of staff are aware of the strategic priorities (up 9%) and 62% of staff believe Solent is good at celebrating its successes (up 17%).	Employee Engagement				
ESTATES The opening of the new learning and teaching building the Spark, as well as the new facilities for the Warsash School of Maritime Science and Engineering at St Mary's Campus have added a substantial value to the University's estates as well as student experience.	Condition of the estate (% good or above)					
	Spend on infrastructure (3 year average % of IRV)					
	Carbon dioxide (CO2) emissions					

NOTES ON THE KEY PERFORMANCE INDICATORS

STUDENT RETENTION, SATISFACTION AND ACHIEVEMENT

Retention – these figures are derived from the national non-continuation PI which shows the proportion of students who started a course but did not continue into the next academic year. The KPIs are noted under the year in which they were published by HEFCE, so for example, the retention figure reported in 2016-17 shows the proportion of students who started in 2014-15 and who returned to study in 2015-16.

Employability – this indicator uses the national Employability Performance Indicator figure from the Destination of Leavers of Higher Education (DLHE) survey. This national survey gathers data on the destination of leavers each January. The 2016-17 KPI refers to students graduating in 2016.

RESEARCH AND INNOVATION OUTPUTS

Income received from innovation activity is calculated as per the HEIF methodology, using short course income (NCB) and other services rendered.

FINANCIAL HEALTH AND SUSTAINABILITY

Operating surplus (EBITDA) as a percentage of turnover. EBITDA stands for 'Earnings before interest, tax, depreciation and amortisation'.

Margin for Sustainability and Investment (MSI) is a mandatory KPI introduced by HEFCE. It is a measure of average cash generation over five years as a percentage of adjusted turnover.

Free Cashflow is a measure of financial performance representing the cash that an institution is able to generate after capital expenditure. The calculation is EBITDA (see above) less the change in debtors minus current creditors less capital expenditure.

Financial health aggregate is a calculation to show the financial sustainability of an institution by combining three measures which include the ability to cover future costs, meet financial liabilities and generate funds. This measure is used by the US Department of Education. Each component is weighted and capped to reduce the impact of one-off

or extreme results. The US state department considers that a score of 1.5 or greater indicates that an institution is financially "responsible" and requires no additional oversight.

ESTATES

Spend on infrastructure (percentage of IRV, three year average). IRV stands for Insurance Replacement Value.

Carbon dioxide emissions are measured in tonnes per student and staff (full-time equivalent).

The figures are derived from the HEFCE Capital Investment Framework 2 metrics which is normally made available to HEI's in October each year and therefore not available at time of reporting.

Please note the following changes for 2016-17 KPIs:

Good Honours – The University has previously reported on the percentage of 'good degrees', which showed the proportion of firsts and 2:1s as a percentage of all classified, unclassified and ordinary degrees. From 2017 onwards KPI reporting is changed to 'good honours', which shows the proportion of firsts and 2:1s as a percentage of all classified degrees only, i.e. unclassified and ordinary degrees are no longer included in the calculation. This change is being made to bring the indicator in line with sector practice. Good Honours data is reported in this document, replacing previously reported Good Degrees data.

Start-ups – data for 2014-15 and 2015-16 have been updated to reflect the year reported by the HE-BCI survey. The KPI relates to the number of graduates involved in start-up activities as returned by the University to HESA as part of the annual Higher Education Business and Community Interaction (HE-BCI) survey.

Estates - the reporting year has been brought forward for the estates measures, bringing these three KPI measures in line with availability of externally reported data. This change will remove the reliance on provisional data. Additionally, previously reported data for the estates KPI metrics have been updated within this document to bring it into line with externally reported data.

Enrolments – data updated for enrolments 2014 (14-15 entry) and 2015 (15-16 entry).

STATEMENT OF PUBLIC BENEFIT

Southampton Solent University is a Higher Education Corporation as set up under the Further and Higher Education Act 1992. The University is a Charity under Statute, also known as an 'exempt charity'. Following changes in charity legislation, from 1 June 2010 HEFCE became the 'principal regulator' for HEIs in England that are exempt charities.

The Governors, as trustees of an exempt charity, are aware of the guidance issued by the Charity Commission on public benefit. Given the activities of the University and the student population that it serves, the Governors consider that the University meets its statutory requirements in all respects.

The University's mission and vision (detailed on page 11) are translated into the University's current strategic plan, as set out in the University's 'Building an Excellent University 2015-2020'. It is this strategy which enables the University to fulfil its charitable objects.

EDUCATIONAL PURPOSE

Southampton Solent University is a vibrant and enterprising modern university which places the student experience and a commitment to preparing graduates for successful careers at the heart of its mission.

The University is a friendly, open, and inclusive place which offers excellence and distinctiveness. We are an engine of social mobility, performing well in the published HEFCE benchmarks for widening participation (see page 17).

We offer practical and professional education with distinctive courses uniquely tailored to industry needs. Our approach is creative, inclusive and student focused and we have strong international ties. We are one of the world's leading maritime education and training providers with a range of unique resources and facilities. We additionally have one of the UK's leading competitive sports programmes.

The University's undergraduate and postgraduate students are the prime beneficiaries of the University's activities and are directly engaged in learning or research. In the 2016/17 academic year, the University enrolled students from the UK, EU and overseas on full and part time programmes at all levels from HND and Foundation Degree to PhD. The

quality of the University's teaching and the positive student experience is reflected in its continuing success in the National Student Survey (NSS).

This links with our Mission to pursue excellent university education that enables learners from all backgrounds to become enterprising citizens and responsible leaders.


SUPPORTING ECONOMIC GROWTH

Our Mission also refers to promoting economic and social prosperity for the communities we serve and the University is characterised by close engagement with all such communities as well as by a broad curriculum for the professions, applied research, and innovative knowledge transfer activities. Based on a commitment to social justice and economic competitiveness for Southampton and its region, we continue to engage strongly with our civic community. We are fully engaged with the sub-regional growth agenda, networked across the main business organisations, active members of Southampton Connect we participate actively with the Solent Local Enterprise Partnership. We are also actively involved nationally as members of representative bodies and ensure that the benefits of university education are experienced on a national scale. International student recruitment significantly supports the UK economy and the recruitment to Southampton Solent University provides valuable benefits to the local economy.

The University's education development programmes for health service professionals (the majority of whom work in the local health economy) is an example of how the University provides a clear and distinct economic benefit to the region. Our relationship with University Hospital Southampton NHS Foundation Trust has developed into a major strategic alliance for (non-clinical) workforce development, involving foundation degrees, short courses and student internships. Seven other health trusts are also our official partners.

Southampton Solent University continued with its intern programme, where it recruited 19 of its own graduates to fairly paid positions for 12 months within the University and with the opportunity for further study. To this it added a programme to further support 36 unemployed graduates in getting paid work experience either within the University or in external organisations for 12 weeks. We continued to place great emphasis on student business start-ups providing the

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great emphasis on student business start-ups providing the necessary support to help students establish businesses and operate them successfully. Such Businesses are predominantly located in the South but are across a broad area supporting the South East generally as well as the City and Solent region. In the 2016 HE-BCI survey, the University returned 110 graduate business start-ups which resulted in a rise from 24th to 9th place in the league table. The University is one of the sectors main providers of Continuing Professional Development and this brings significant external business to the region with students coming from all over the world.

The University is working with key stakeholders, in various regional initiatives to articulate and promote the interests of the Solent maritime sector, in its widest sense. In addition, the University is working closely with the Hampshire Chamber of Commerce whose Southampton office is located at the University.

The University provides the local business community with a regular supply of highly qualified and skilled graduates who have developed knowledge and have been encouraged throughout their studies to create and maintain connections which are vital to the UK economy. For example in November 2016 we launched Solent's Graduate Talent Pool to further support our graduates, helping the set up businesses in the region to support digital and creative economies.

SUPPORTING THE LOCAL COMMUNITY

Building on the successful work of previous years the University continued to add value and benefit to the many voluntary and community groups working to address deprivation, hardship, and better social and healthcare provision in the region. The University has continued and further developed its work with disadvantaged groups in developing sport coaching and mentoring activities, health and well-being initiatives, and employment awareness-raising campaigns through partnership projects.

The University continues to be responsible for a wider community remit incorporating the Schools Sports Partnership, School Games Organisation and the Local

Authority Sports Development Unit which has been so successful that it has attracted interest from other universities with regard to its strategy and operation.

The involvement continues to attract favourable interest and attention from influential national organisations, including British University and Colleges Sport (BUCS). In terms of disability, the University has established Team Solent Sharks, a wheelchair rugby club that is open to the regional community.

Generally, the public engagement activities benefit the regional community by engaging young people, parents, teachers and advisers, whilst also directly contributing towards its widening participation agenda, and increasing the reputation of the University. A significant example of this work being Team Solent Kestrels, a community basketball partnership that draws from the wider Southampton district and is led by the University, with pathway from u12 boys and girls right through to National Division 1 Men and Women.

WIDENING PARTICIPATION

The University continues to deliver on its widening participation targets and milestones and remains committed to promoting social mobility, in line with its Strategic Plan 2015-2020.

The University was better than or equal to eight of the 15 benchmarks and was better than or equal to nine of the 12 location-adjusted benchmarks. Aside from the Disabled Student Allowance (DSA) indicators, the University was never more than 3 entrants worse than a benchmark. The University made year-on-year improvements in eight of the 15 widening participation indicators. Two key benchmarks that are monitored in our Access Agreement are attracting students from state schools and from low participation neighbourhoods, shown in the table over the page demonstrate that the University is exceeding not only the total UK sector averages but also the location adjusted figures.

HESA Data using the Polar 3 methodology 2010-2016

State School			Low Participation Neighbourhoods			
Year	% from group	Location adjusted	UK Average	% from group	Location adjusted	UK Average
2015-2016	97.7	95.6	89.9	15.4	13.8	11.3
2014-2015	97.1	95.6	89.8	14.8	13.0	11.4
2013-2014	96.3	95.3	89.7	14.3	12.2	10.9
2012-2013	97.1	95.1	89.3	14.7	12.8	10.9
2011-2012	96.2	94.8	88.9	11.5	11.6	10.2
2010-2011	95.4	94.6	88.7	13.1	11.5	10.5

The University engages with a wide range of schools, colleges, other partners and employers to promote further and higher education to disadvantaged groups. These initiatives and interventions help to raise the aspirations and confidence of young people to consider all the potential opportunities open to them. The University educates and counsels prospective applicants about the costs of higher education, the bursaries and scholarships available to them and the academic and pastoral support offered. This is done in person, via school counsellors and details are available on our website.

KEY ACTIVITY TO WIDENING PARTICIPATION

Our work with Primary Schools

- Solent Showcase** – Solent Showcase Gallery is situated in the heart of Southampton’s city centre and forms part of the cultural quarter. They offer seven different exhibitions annually which include a range of free, creative and bespoke education workshops, school visits, talks and community events to primary school children. Since September 2016 Solent Showcase has delivered ‘Small Faces’ as workshops to over 2,000 participants, as part of a wider community based programme of events and activities. The schools involved were Bitterne CE Primary School, Bitterne Park Secondary School, Foundry Lane Primary School, Lymington Junior School, Milford-on-Sea Primary School, Redbridge Primary School, Shirley Infant School and Wordsworth Primary School.

The University has also involved primary school children from key target schools in events such as ‘Ask the VC’ and a red carpet event for ‘Moviemakers’.

Our work with Secondary Schools

The University works closely with the Southampton Education Forum to ensure that resources are allocated effectively to those at greatest disadvantage. Via this group University staff engage with all secondary Head Teachers and College Principals in the city. Since September 2016, the University has representation on the SEF Steering Group and our academic staff have actively joined in on subject network meetings which has resulted in the provision of CPD activities for colleagues from schools and colleges on campus.

- STEM in a box** – The University’s ‘STEM in a box’ challenge invites schools to participate in fun and exciting activities, focused on developing knowledge and skills in science, technology, engineering and maths. This event takes place as part of National STEM week.

Our work with Parents, Carers, Teachers and Advisors

- Our work with Parents and Carers** – supporting a child through higher education, especially if they are the first member of the family to attend University, can be overwhelming. To help parents and carers through this process, the University’s student recruitment team continue to attend a wide range of parent focussed events at local schools and colleges.
- Teachers and Advisors** – Teachers play an important role in advising students about higher education. The University offers bespoke events that aim to give teachers a better understanding of the higher education sector so that they can offer appropriate support to their students. Working closely with UCAS, other local universities and our own network of local businesses and educators we provide information on higher education and career related topics at a series of events such as our Further Education Networking Festive Lunch and Higher Education Advisors’ Day.

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St Marys CoE Primary School explores higher education at Solent University.

Our work with Sports

- **Solent Sport** – The University continues to develop its sports outreach programme with over 50 student led academic projects being delivered in local community settings in any one academic year. The School of Sport, Health and Social Science is home to the co-curricular team which has responsibility for Coach Education, Student volunteering, Southampton Schools PE and the city's School Games programme. This variety of engagement, along with the student led projects brings together schools, National Governing Bodies (NGB's), sports associations, community clubs and leisure providers, as well as a skilled range of local coaches and volunteers (student and external) providing the community with high quality opportunities to take part in sport and physical activity. In 2016-17 the Coach Education Programme exceeded 750 signups across 69 short courses. This is an area that continues to evolve in line with industry.
- **Schools partnerships** – We currently engage with over 80% of the schools in Southampton and are now stretching our provision into neighbouring boroughs. To further develop and maintain these relationships we have formalised a collaborative working agreement which we are encouraging all existing and new schools that engage with us to sign.

Our Student Ambassadors

- **The Solent Student Ambassador scheme** employs approximately 120 students, a large proportion of whom are from WP backgrounds themselves, this is a paid role. Many of the University's outreach activities, as outlined in this Agreement, involve using current, undergraduate or postgraduate student ambassadors as positive role models to raise the educational and career aspirations of learners from primary through to post-16. By recruiting across all Schools, courses, ethnic groups and socio-economic backgrounds, we ensure the Ambassadors reflect the diverse population of the University, as well as the pupils we work with in schools and colleges.



Shirley Junior school takes to the red carpet at their Movie Makers premiere.

In addition, 36 ambassadors have been selected and trained to deliver activities for access and widening participation. Of these 21 are currently DBS checked.

- An intense training programme for Ambassadors exists, which is re-visited on an annual basis, with additional continuous professional development and specialist role training opportunities available to them all throughout the year. The scheme also allows the (DBS checked) Ambassadors to get involved in a range of challenging and rewarding projects, all of which help them develop transferable skills, gain valuable extra-curricular experience and enhance their CV; supporting their future careers. Opportunities include open days, school talks and workshops, Higher Education fairs, one-to-one support, careers fairs, residential events, subject specific academic taster sessions, administrative support, student panels, on campus events, study skills sessions, project work and research.
- Our 2016/17 Access Agreement sets out a clear strategic direction, balancing fee income against targeted investment on student support for retention and progression. In 2017-18 the University will continue to build upon this strategy, maintaining its commitment to access and participation and our commitment to support students who are the most financially disadvantaged and/or vulnerable. The focus continues to be placed upon bursaries and on extending financial support across the full student lifecycle to aid student success and retention.

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Introduction to University and Ask the Vice-Chancellor

- As part of our Introduction to the University day which introduces children and young people to the concept of university we offered over 400 children as young as 9 years old the opportunity to explore our campus, take part in fun creative and have the rare opportunity to put the University's Vice Chancellor to the test in a questions and answer session. These sessions helped dispel myths and misconceptions about university and raise aspirations for the future.

Passport Programme (Primary to Secondary School):

- Solent University understands that a smooth, positive and exciting transition from year 6 to year 7 is crucial to the start of each child's secondary education. The aim of The Passport Programme is for every pupil to move up to secondary school feeling excited, confident and cared for.
- Along with providing a bespoke supporting workbook for each child the Access and Widening Participation team worked with a target secondary and their feeder primary school to organise a range of activities for 40 pupils in the summer term which helped prepare them for this important transition.
- **Primary Programmers:**
As part of the university's commitment to encourage participation in STEM subjects and support the DfE Stem strategy this year we have offered a computer programming after-school club to primary aged pupils. Delivered by specialist Student Ambassadors each term the 1 hour a week coding club gave a cohort of 10-year olds from a local primary school the chance to learn how to stay safe online, create games, animations and websites whilst learning the key concepts of programming.
- **Mini Movie Makers:**
Everybody loves the movies and Southampton Solent

University invited children in year 5 from 2 local primary schools to become the next generation of movie makers.


Working in collaboration with our in-house talent agency, Solent Creatives, and students from our BA performance degrees we provided 180 pupils with drama workshops and opportunities to write and film their very own magazine style show. Pupils then had the chance to showcase their skills to their family and friends at a red carpet event held at our modern Spark building.

ENVIRONMENTAL AND SUSTAINABILITY STRATEGY
The University recognises that it has an important role to play in promoting sustainability and improving the quality of the environment for students, staff and the wider community.

To ensure progress is maintained, the University's Environmental Policy includes a commitment to continual improvement in environmental performance through the implementation of an accredited Environmental Management System (EMS) at all sites. This is being developed through the EcoCampus scheme, with EcoCampus Gold achieved in October 2016. When fully embedded, the EMS will enable the University to achieve accreditation to ISO14001 standard.

The University's Environmental and Sustainability Strategy provides a route-map of aspirations and targets, extending to all areas of environmental impact, including energy, waste, water, biodiversity, construction, travel, procurement and student, staff and community engagement.

Staff and students play an important role in environmental initiatives. Members of staff are encouraged to join the long-established Green Impact programme, with achievements being audited by student and staff volunteers before the annual awards. Students participate in the popular Student Switch Off campaign, with teams in the halls of residence competing for prizes for achieving energy



and waste reductions. For the past three years, the “Blackout” event has seen students and staff working together to minimise energy use by switching off all non-essential equipment over a weekend.

The Carbon Management Plan formally sets out the University’s approach to tackling its carbon emissions. The University has agreed a target of reducing CO2 emissions by 33% (below the 2005/06 baseline level) by the end of 2020. A wide range of energy-saving projects have been completed and work continues towards achieving this ambitious target.

Developments at East Park Terrace are providing further opportunities to achieve lower carbon emissions, by incorporating best sustainable practices in design and construction. The Building Research Establishment Environmental Assessment Method (BREEAM) is being used to inform the design of new buildings, with the “Excellent” rating already having been achieved on the Spark building.

The University is committed to maintaining and enhancing the biodiversity of its estate, recently working with the Hampshire and Isle of Wight Wildlife Trust to produce biodiversity audits of the East Park Terrace and Warsash campuses. Habitats and species were assessed and the resulting Biodiversity Action Plan provides recommendations on how the biodiversity value of University grounds may be improved. Opportunities for implementing the various recommendations are being assessed as developments proceed. A conservation management plan is in place for the University’s Timsbury Lake site, with progress monitored by ecological survey and assessment specialists.

EQUALITY, DIVERSITY AND INCLUSIVITY

Solent’s LGBT Network was formed in June 2013 with an action plan and objectives to raise awareness of the network amongst our people, establish links with relevant external groups, and organise a programme of

events. In 2016 and 2017 the network was instrumental in establishing and supporting ‘Southampton Pride’ and the University became one of the main official sponsors. The network also provides advice and support to any member of the University community looking to improve their understanding of LGBT issues or who wants to better support LGBT students or colleagues. The network coordinators will also be compiling the University’s submission to the 2017 ‘Stonewall’ Employers Workplace Index.

Also, in 2016 three diversity champions were announced including two senior University managers who are going to be assisting with the strategic priority of underpinning everything that we do by activities that will help to further deliver equality, diversity and inclusivity.

It can be seen from the above that in 2016/17 good progress was made in the cross-University priority adopted by the University’s Employee Equality Forum: progressing Solent’s position from its entry position in the 2014 Employers Workplace Index (‘Stonewall’) and preparation for the 2017 submission. Good progress was also made on the other two priorities in joint work by the HR Team and trade unions of analysing and reviewing the protected characteristics profile of the 2016 staff survey and steering the preparations for the 2017/18 equal pay review.

In addition to these three priorities, we also undertook an equality impact analysis to make sure that staffing changes flowing from the new workforce development plans did not impact disproportionately on any particular protected characteristic.

Looking forward into 2017/18, the University remains highly committed to equal and fair pay and will be continuing with its regular equal pay reviews. We have updated the methodology for these reviews so that they now also meet the new statutory requirements for gender pay gap reporting. We will be publishing the

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outcomes and our gender pay gap, which we've reduced in the time since our first review in 2012 and which importantly remains significantly below current national levels, in advance of the 2018 deadline.

For the 2017/18 academic year we shall be reviewing the way in which the current student and staff equality forums work. It is expected that these forums may join and be able to operate with a greater critical mass to share knowledge and expertise across and acts as a resource for the wider community both within and outside the University.

ESTATES

The University continues to invest in the estate to ensure that it remains fit for purpose and that its learning and teaching facilities support the academic curriculum and the University's pedagogic aims and objectives.

East Park Terrace

Following the completion of The Spark building in 2016, the University has continued with the redevelopment of the East Park Terrace campus by approving plans for a new £28m sports complex which will open in 2019 and replaces an ageing council leisure centre. The sports building will provide academic facilities for sports related degree programmes as well as providing dedicated facilities for elite athlete students and for recreational sport use by students, staff and the general public. It will support the University's ambition to increase its profile and standing in the British Universities and Colleges Sport (BUCS) league, and enable excellence for the teaching of sport, health and fitness related degree programmes.

Planning approval for the building has been granted and work started on site in July 2017. The new building will contain 2 large sports halls (each 4 badminton court size), seating for over 250 spectators, three fitness studios, a health and wellbeing gym, a strength and conditioning gym and high quality teaching facilities. The building will also include 67 underground car parking spaces and in line with the University's Environmental and Sustainability Strategy, is being designed to achieve a BREEAM Excellent standard.

Elsewhere on the East Park Terrace campus, a number of significant developments are being undertaken over the summer period to improve facilities, make more efficient use of the campus and support the development of new academic programmes. These include:

- Relocation of the School of Art and Design into the Herbert Collins Building, which provides new teaching facilities and staff accommodation.
- New teaching facilities in the Sir John Millais Building for the School of Media and Technology. This project releases accommodation in the Reginald Mitchell Building for refurbishment and for other academic use and allows the school to be co-located into one building
- Transfer of the resources centres in the Andrews and SJM buildings into the library.
- Creation of a Virtual Reality Laboratory, to be used as a cross-School facility
- New teaching facilities to support Nutrition degree programmes for the School of Health, Sport and Social Sciences

The projects are an essential part of ensuring the estate remains safe and a 'fresh' and welcoming environment to students, staff, and visitors, and makes a positive contribution to student recruitment and retention.

St Mary's Campus

In support of the University's Maritime Strategy and the transfer of Officer Cadet training from the Warsash Campus to Southampton, a new Cadet training facility is being developed at the St Mary's Campus, Southampton City College. This project comprises a £6.5m refurbishment of the Austen Building to provide dedicated engineering workshops, IT enabled classrooms and social space for the cadet students and will be opened in September 2017. The next stage is to move professional courses to the main campus to vacate the upper site at WMA. Planning for this is underway and funding is in place.

Warsash Campus

Plans are being drawn up for the redevelopment of the practical facilities on the Warsash 'lower site', which include refurbishment of the Fire School, development of a Helicopter Underwater Training Facility (HUET), new classroom facilities, changing rooms and social space and replacement of much of the accommodation. Work is expected to start on site in 2018 once planning approvals have been granted and funding is in place.

Halls of Residence

As part of the annual rolling programme of investment work in the Halls of Residence, Kimber Hall is currently undergoing a major refurbishment which entails replacement of the en-suite bathrooms and associated services infrastructure. This £6.5m project will ensure that the University's Halls of Residence remain an attractive option for students and positively support the student experience. The final stage of a kitchen modernisation programme will be completed this summer with 10 kitchens in DMA/Chantry being refurbished.

CONCLUSION

The year has seen considerable activity and has proven to be developmental and successful, despite the very challenging political and external environment. The University continues to be in a strong financial position and its estate and resource base continues to improve. The strategy provides an excellent platform for the future and although uncertainties exist there are many opportunities as well as challenges ahead. The student experience and student achievement continue to be the main priorities, these will be greatly supported by our growing research and international activity. An annual financial surplus was achieved and will again go to enabling current and future estates and resource plans.



Phil Cotton
Chairman of the Board of Governors



Professor Graham Baldwin
Vice-Chancellor

CORPORATE GOVERNANCE STATEMENT

The following statement is provided to enable readers of the Financial Statements of the University to obtain a better understanding of the governance and legal structure of the institution.

The University is committed to exhibiting best practice in all aspects of corporate governance and endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to higher education institutions (HEIs) which has been provided by the Committee of University Chairmen (CUC) in its Guide for Members of Governing Bodies in the UK. The University has put systems in place for identifying, evaluation and managing its significant risks. The processes are reviewed regularly by the University under the guidance of a Risk Management Group, which reports to the Audit Committee.

The institution is independent, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Instrument and Articles of Government, the latest version of which were approved by the Privy Council in June 2015.

The Articles require the institution to have a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board is the executive governing body, responsible for the finance, property, and human resource and employment policy of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction; and to appoint and determine the pay and conditions of service of the Vice-Chancellor, the Clerk to the Governors, and the holders of such other senior posts as the Board of Governors may determine.

The Board has adopted the Statement of Primary Responsibilities as set out by the CUC in its Higher Education Code of Governance 2014 Appendix 1, namely:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be - where possible and appropriate - benchmarked against other comparable institutions.
3. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To receive assurance that adequate provision has been made for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

The Board has a majority of independent members, chosen in line with strict criteria contained in the legislation. The Chairman of the Board is elected from the independent members. There is also provision for the appointment of co-opted members, some of whom are members of the staff of the institution, and for the appointment of a representative of the student body.

The Board of Governors adopted and published an Equality & Diversity policy in respect of its own membership in April 2015. During 2016-2017 the Board comprised a 60/40 ratio in male/female members, with 17% of members of non-white British ethnicity. On joining the Board, all members complete an equality and diversity declaration.

In accordance with the Articles of Government, the University has appointed a Clerk to the Board. The Clerk provides independent advice on matters of governance to all Board members.

Board members have no financial interest in the Corporation and receive no remuneration from the University in respect of their duties as Governors other than reimbursement of reasonable expenses for travelling and subsistence.

The University maintains a Register of Interests of members of the Board and senior officers. The register is publicly available on the University's website.

Although the Board of Governors meets at least four times each academic year, much of its detailed work is initially handled by its committees: Resources; Audit; Governance; Remuneration; and Student Liaison and Experience. The decisions of these committees are formally reported to the Board. All of these committees are formally constituted with terms of reference and, with the exception of the Student Liaison and Experience Committee, comprise mainly independent and co-opted members of the Board, other than co-opted student and staff members. An evaluation of the business conducted by the Board and each of its committees concluded that each Committee's terms of reference had been covered during the year.

RESOURCES COMMITTEE

The Resources Committee considers and keeps under review such strategic aspects of finance, estates and resource management as are required for the fulfilment of the Strategic Plan. These include: the recommendation to the Board of Governors of an annual budget, both revenue and capital; regular monitoring of management accounts and progress of the capital programme against approval; review and recommendation to the Board of Governors of Annual Financial Statements; advice to the Board of Governors on employment policy; approval of a framework for the pay and conditions of staff other than senior post-holders.

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AUDIT COMMITTEE

The Audit Committee's remit includes advising the Board of Governors on the appointment of both external and internal auditors, agreeing their respective audit fees, and any questions of resignation or dismissal of the auditors; it considers and agrees an audit plan each year and the scope for the internal auditors in the context of key risks faced by the University; and reviews both the internal and external auditors' respective recommendations for improvement of the University's systems of internal control, governance and risk management arrangements, together with management's responses and implementation plans. It considers arrangements that are in place to promote economy, efficiency and effectiveness, and for the management and quality assurance of data submitted to HEFCE and the other funding bodies; receives and considers reports from HEFCE as they affect the University's business, and monitors compliance with the regulatory requirements; oversees the institution's policy in fraud and irregularity, and on reporting serious incidents; and whistleblowing and ensures that all significant losses have been properly investigated and reported.

In 2010, Kingston City Group (KCG), representing a consortium of HEIs, was appointed as the University's internal auditors for an initial two year period. KCG's contract with the University now operates on a rolling basis with a notice period for termination of six months' on either side.

In April 2014, after a tendering process, the Committee re-appointed BDO as the University's external auditors for a further three year period, with a subsequent two year extension, BDO having served as the University's external audit provider since 2004. In March 2015, Kim Hayward took over from Paul Anthony as the University's Senior Statutory Auditor.

The membership of the Audit Committee during 2016-2017 is given below:

Name	Occupation	Qualification
Alison Colley	Solicitor, Real Employment Law Advice	LLB Law Degree
Jenny Hill	Director, RSM	BA (Hons) Business Studies; ACA
Nigel Duncan	Principal, Fareham College	MBA Educational management
John Simpson	Chief Executive Rockschool Limited, Director, Federation of Awarding Bodies	BA General Arts
Phil Cotton	Retired Senior Partner, and Chair of South Region, KPMG	BSocSc (Hons) FCA

Whilst senior executives attend the meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee meets with the external and internal auditors on their own prior to the start of the meeting which considers the University's Annual Financial Statements.

Following an annual self-evaluation of the work of the Audit Committee, members were satisfied that the Committee had discharged its duties in accordance with its terms of reference.

GOVERNANCE COMMITTEE

The Governance Committee keeps under review the membership of the Board of Governors and its Committees and makes recommendations to the Board for new, independent, and co-opted external members. It oversees the induction, training and development of the members of the Board; and ensures that the Board and its Committees evaluate their performance on a regular basis.

The Governance Committee also reviews the University's governing instruments on a regular basis, and considers the effectiveness of the arrangements to select and recruit the Chair and Vice-Chair of the Board, the Clerk to Governors, and the University Chancellor and Vice-Chancellor.

REMUNERATION COMMITTEE

The Remuneration Committee determines the annual remuneration of the University's Vice-Chancellor and senior post-holders, the scheme for remuneration of staff on management contracts, and individual severance arrangements.

STUDENT LIAISON AND EXPERIENCE COMMITTEE

The Student Liaison and Experience Committee operates as a channel of communication between the Board of Governors and the Students' Union. Its remit relates to the non-academic aspects of the student experience. It also receives termly and Student Union management accounts, and advises the Board on these, as appropriate. The Students' Union's annual accounts are presented to the Board of Governors.

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the institution. It is particularly concerned with general issues relating to the teaching and research work of the institution.

The Vice-Chancellor is the head of the institution who has a general responsibility to the Board of Governors for the organisation, direction and management of the University. Under the terms of the formal Memorandum of Assurance and Accountability (MAA) between the University and the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the designated officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons. He is required to advise the Board on the discharge of all its responsibilities under the MAA and its Audit Code of Practice and is required, jointly with the Board, to ensure that all such responsibilities are discharged. He is required to advise the Board if, at any time, any action or policy under consideration by the Board appears to him to be incompatible with the terms of the Memorandum of Assurance and Accountability. He is required to inform

an appropriate officer of the Funding Council should the Board decide nevertheless to proceed with such an action or policy.

As the head of the institution, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The deputies to the Vice-Chancellor and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the head of the institution. Professor Graham Baldwin was appointed by the Board of Governors in February 2014 and took up the post of Vice-Chancellor on 18 August 2014.

Approved by the Board of Governors on 22/11/2017
And signed on its behalf by:



Phil Cotton
Chairman of the Board of Governors



Professor Graham Baldwin
Vice-Chancellor

RESPONSIBILITIES OF THE UNIVERSITY'S BOARD OF GOVERNORS

In accordance with the Education Reform Act 1988 and the Instrument and Articles of Government, the Board of Governors is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited Financial Statements for each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University and to enable it to ensure that the Financial Statements are prepared in accordance with the Education Reform Act 1988; Statement of Recommended Practice: Accounting for Further and Higher Education (2015); Accounts Direction of the Higher Education Funding Council for England (HEFCE); Financial Reporting Standards FRS 102; and other relevant accounting standards.

In addition, within the terms and conditions of the Memorandum of Assurance and Accountability (MAA) which sets out the conditions of funding from HEFCE, the Board of Governors, through its designated office holder, 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.

FINANCIAL STATEMENTS

In causing the Financial Statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that it has adequate resources

to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

INTERNAL CONTROLS

As the Board of Governors of Southampton Solent University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Instrument and Articles and the Memorandum of Assurance and Accountability with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place throughout the year and up to the date of approval of the Financial Statements and accords with the HEFCE guidance.

The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control. The University has established the following processes:

- the Board of Governors annually monitors the delivery of the University's Strategic Plan. As part of its monitoring process, the Board approves the University's Annual Monitoring Statement and Financial Forecast, which are subsequently submitted to HEFCE;
- the Board of Governors has requested the Audit Committee to provide oversight of risk management. A Risk Management Group has been established and the Audit Committee receives a report at each of its

meetings on any movement in the ten major risks for the University identified for that year. Any matters of concern are reported to the Board of Governors;

- the Board of Governors has requested the Audit Committee to provide an opinion on the management and quality assurance of data provided to HEFCE, HESA, SLC and other public bodies. In order to provide the opinion, the Committee seeks and assesses information and evidence from management and auditors during the course of the year;
- the Board of Governors receives regular reports from the chair of the Audit Committee concerning internal control;
- the Audit Committee receives regular reports from Internal Audit which includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control together with recommendations for improvement;
- a regular process of meetings, workshops and discussions is used at both University level and cascaded through individual faculties and services to identify and keep up to date the record of risks facing the University;
- a programme of risk awareness training is ongoing;
- a system of key performance and risk indicators has been developed;
- the Board of Governors sets the policy where the University does not seek to recover the full cost of its activities. A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established;
- a University-wide risk register is maintained;
- reports are received from budget holders, department heads and project managers on internal control activities.

Our 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 University, who have responsibility for the development and maintenance of

the internal control framework, and comments made by the external auditors in their management letter and other reports.

Kingston City Group (KCG), a shared services Consortium of London and South East universities, has been appointed to serve as the University's internal auditor. The consortium operates to standards defined in the Audit Code of Practice published by HEFCE in July 2016. The internal auditor submits regular reports which include the internal auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control together with recommendations for improvement.

In July 2014, the University's internal auditors, Kingston City Group, carried out its regular audit of the effectiveness of the institution's governance arrangements and these were found to provide satisfactory assurance.

Through its Assurance Services, HEFCE visits higher education institutions every three to five years with the objective of evaluating each University's risk management, control and governance and its arrangements to achieve value for money. An auditor from HEFCE visited the University in March 2016. The following core aspects of operation were reviewed: risk management, control and governance; audit arrangements; and accountability. Subsequent to the visit, the Funding Council issued its Final Report in April 2016, which confirmed a satisfactory level of assurance in each of the areas that were assessed and advised HEFCE's overall conclusion that it was able to place reliance on the accountability information provided by Southampton Solent University.

The CUC's Higher Education Code of Governance 2014 states that: 'governing bodies must conduct a regular, full and robust review of their effectiveness and that of their committees, reviews must be conducted at least every four years with..... an annual summary of progress towards achieving any outstanding actions arising from the last effectiveness reviews.'

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The latest effectiveness review was completed in 2015 using Allan Schofield's framework which was launched by the Leadership Foundation for Higher Education (LFHE) in 2011. The main purpose of the review was to assess the quality of enabling factors required for effective governance, namely: commitment to the organisation and vision, structures and processes, effective membership, strategic development and performance measurement, communication and information, and future governance. It also sought feedback on the quality of working relationships and boardroom behaviour, and the outcomes of Board and committee proceedings.

The results were very positive and confirmed a high level of confidence in the current governance arrangements, good communication and relationships. Recommendations for continuing to improve board effectiveness were approved by the Board in November 2015 together with an action plan and this was published on the University's website. Completion of the Board-approved actions was reported to Governance Committee on 28 June 2016.

The Governors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the University's auditors are unaware; and each Governor has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of the information

Approved by the Board of Governors on and signed on its behalf by:



Phil Cotton
Chairman of the Board of Governors

22/11/2017

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT TO THE
GOVERNORS OF SOUTHAMPTON SOLENT
UNIVERSITY

Opinion

We have audited the financial statements of Southampton Solent University ("the University") and its subsidiaries (the 'Group') for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2017 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's and University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) "ISAs (UK)" and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the report of the Board of Governors other than the financial statements and our auditor's report thereon. The board are responsible for the other information. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we

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are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report has been prepared in accordance with applicable legal requirements.

Opinion on other matters required by the Higher Education Funding Council for England ("HEFCE") Audit Code of Practice

In our opinion, in all material respects:

- Funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- The requirements of the HEFCE's Accounts Direction have been met.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the University and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Governors

As explained more fully in the board members responsibilities statement set out on page 28–30, the board are 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 board members determine 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 board are responsible for assessing the Group 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 board either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University's Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

responsibility to anyone other than the University and the board members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.



Kim Hayward, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: *20 November, 2017*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017

Southampton Solent University Limited (SSUL) is a wholly owned subsidiary of the University and Sport Solent in the Community (SSIC) is deemed to be a subsidiary undertaking as the University appoints the trustees of the charity.

The consolidated Financial Statements do not include those of the Solent Students' Union as it is a separate unincorporated association in which the University has no financial interest and no control or significant influence over policy decisions.

INCOME RECOGNITION

All income from tuition fees, short-term deposits and other operating income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Fee income is stated gross of any expenditure which is not a discount. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from 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.

GRANT AND DONATIONS, INCLUDING CAPITAL AND RESEARCH

Grant funding including funding council block grant, research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year incurred.

BUILDING MAINTENANCE

Expenditure on building maintenance is charged to the Income and Expenditure Account in the year in which it is incurred. The University maintains a rolling ten-year long-term maintenance plan, which is reviewed on a regular basis. Only to the extent that the costs arise under dilapidation clauses within operating leases is a regular charge made to the Income and Expenditure Account on the basis that the dilapidating event is deemed to be the passage of time, subject to periodic valuation.

FIXED ASSETS

i. Inherited Assets – land and buildings

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University was transferred from Hampshire County Council with effect from 1 April 1989. These were not valued prior to transfer. On 31 July 1998 a valuation of the open market for existing use was made by Chesterton International

Limited, a firm of international property advisors, using the depreciated replacement cost basis.

The University will account for its property, plant and equipment using the cost method. Under the transitional arrangements of FRS102, a valuation of the University's inherited assets was carried out by BNP Paribas Real Estate as at 31 July 2014. This valuation is the deemed cost, subject to annual testing for indicators of impairment.

ii. **Assets acquired after incorporation**

Tangible asset additions whose cost of acquisition exceeds £10,000 are capitalised. Items costing less than this are written off in the year of purchase.

iii. **Assets under construction**

Assets under construction represent the costs of assets under development. As these assets become complete and operational they are transferred to the appropriate asset category and depreciated over their useful lives.

DEPRECIATION

Depreciation is provided on all tangible assets other than freehold or long leasehold land and assets under construction, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset systematically over its expected useful life, as follows:

Freehold buildings	– over 50 years
Long Leasehold buildings	– over the life of the lease up to 50 years. For leases longer than 50 years, over the greater of 50 years or 75% of the life of the lease.
Building refurbishment	– over 15 years
Computer equipment and software	– over 3 to 5 years
Other equipment	– over 5 to 15 years
Vehicles	– over 5 years
Vessels	– over 5 to 15 years

Stocks are mainly departmental and have limited realisable value. They are written off in the year, as their value is not material to the accounts of the University. Expenditure on consumables is charged fully to revenue in the year of purchase.

FINANCIAL INSTRUMENTS

i. **Financial assets**

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

ii. **Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

TAXATION

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and, is considered to pass the tests set out in Paragraph 1 Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471 and 478-488 of the CTA2010 (formerly s505 ICTA 1988) 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.

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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 tangible fixed assets is included in their cost.

PROVISIONS

A provision is recognised in the Financial Statements when a present legal or constructive obligation arising from past events exists, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

LEASED ASSETS

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the University and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the Balance Sheet.

The interest elements of the rental obligations are charged in the Income and Expenditure Account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the Income and Expenditure Account on a systematic basis.

PENSIONS

The University has 2 principal pension schemes for staff, the Teachers' Pension Scheme (TPS) and the Hampshire County Council Local Government Pension Scheme (HCCLGPS). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

The assets of the TPS are held in a separate trustee-administered fund. Because of the nature of the scheme, the scheme's assets are not hypothecated to individual institutions and scheme-wide contribution rates are 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 these scheme on a consistent and reasonable basis and therefore as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the schemes in respect of the accounting period.

The University is able to identify its share of assets and liabilities of the HCCLGPS.

In addition, a small number of staff are members of the Universities Superannuation Scheme (USS). Under FRS 102, deficit recovery plans for multi-employer pensions schemes, such as USS will need to be recognised as a liability on the Balance Sheet and unwound over time as the liability is discharged.

EMPLOYMENT BENEFITS

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


Redundancy costs paid to employees predominately represent cash redundancy payments, pension contributions and payments in lieu of notice which are charged to the Income and Expenditure Account when the redundancy is confirmed with an employee.

RESERVES

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

CASH FLOWS AND CASH EQUIVALENTS

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



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

FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the University have made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- The underlying assumptions in relation to the estimate of the present value of the obligation in respect of the

funding deficit plan for the USS pension scheme such as the salary inflation over the period of the funding deficit plan and the discount rate to be used.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY:

i Tangible fixed assets (see note 11)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

ii. Investments (see notes 12)

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments. In determining this amount, the Group applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

iii. Trade receivables (see note 13)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on the debtor balances based on the ageing of debts and historic results of known recoverability.

iv. Compensated absences accrual (see note 15)

An estimate is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured as the undiscounted salary cost of the future holiday entitlement as accrued at the balance sheet date.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 31 JULY 2017

	Notes	Consolidated		University	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
INCOME					
Tuition fees and education contracts	1	91,000	92,393	89,805	91,005
Funding body grants	2	9,129	9,686	9,129	9,686
Research grants and contracts	3	242	272	245	269
Other income	4	17,127	17,251	17,846	18,125
Investment income	5	131	224	131	224
Total income before endowments and donations		117,629	119,826	117,156	119,309
Donations and endowments	6	5	3	5	3
Total income		117,634	119,829	117,161	119,312
EXPENDITURE					
Staff costs	7	66,103	61,680	66,103	61,680
Other operating expenses		37,439	42,208	36,991	41,732
Depreciation	11	5,717	5,244	5,632	5,157
Interest and other finance costs	8	3,305	3,381	3,305	3,381
Total expenditure	9	112,564	112,513	112,031	111,950
Surplus before other gains		5,070	7,316	5,130	7,362
Gain on disposal of fixed assets		125	-	125	-
Gain on investments	19	112	70	112	70
Surplus before tax		5,307	7,386	5,367	7,432
Taxation	10	-	-	-	-
Surplus for the year		5,307	7,386	5,367	7,432
Actuarial Gain/(loss) in respect of pension schemes:	18	10,730	(17,940)	10,730	(17,940)
Total comprehensive income for the year		16,037	(10,554)	16,097	(10,508)
Represented by:					
Endowment comprehensive income for the year		112	70	112	70
Pension Reserve Gain/(Loss)		7,024	(20,246)	7,024	(20,246)
Restricted comprehensive income for the year		-	55	-	55
Unrestricted comprehensive income for the year		8,901	9,567	8,961	9,613
		16,037	(10,554)	16,097	(10,508)

STATEMENT OF CHANGES IN RESERVES

YEAR ENDED 31 JULY 2017

Consolidated	Endowment	Restricted	Pension	Unrestricted	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	811	191	(42,896)	109,523	67,629
Surplus/(deficit) from the I & E statement	70	55	(2,306)	9,567	7,386
Other comprehensive income	-	-	(17,940)	-	(17,940)
Release of restricted funds spent in year	(12)	(158)	-	170	-
Total comprehensive income	58	(103)	(20,246)	9,737	(10,554)
Balance at 1 August 2016	869	88	(63,142)	119,260	57,075
Surplus/(deficit) from the I & E statement	112	-	(3,706)	8,901	5,307
Other comprehensive income	-	-	10,730	-	10,730
Release of restricted funds spent in year	(37)	(80)	-	117	-
Total comprehensive income	75	(80)	7,024	9,018	16,037
Balance at 31 July 2017	944	8	(56,118)	128,278	73,112

University	Endowment	Restricted	Pension	Unrestricted	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	811	191	(42,896)	109,361	67,467
Surplus/(deficit) from the I & E statement	70	55	(2,306)	9,613	7,432
Other comprehensive income	-	-	(17,940)	-	(17,940)
Release of restricted funds spent in year	(12)	(158)	-	170	-
Total comprehensive income	58	(103)	(20,246)	9,783	(10,508)
Balance at 1 August 2016	869	88	(63,142)	119,144	56,959
Surplus/(deficit) from the I & E statement	112	-	(3,706)	8,961	5,367
Other comprehensive income	-	-	10,730	-	10,730
Release of restricted funds spent in year	(37)	(82)	-	119	-
Total comprehensive income	75	(82)	7,024	9,080	16,097
Balance at 31 July 2017	944	6	(56,118)	128,224	73,056

BALANCE SHEET AS AT 31 JULY

	Notes	Consolidated		University	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Non-current assets					
Fixed assets	11	133,331	128,273	130,658	125,512
Investments	12	23	25	2,723	2,725
		<u>133,354</u>	<u>128,298</u>	<u>133,381</u>	<u>128,237</u>
Current assets					
Trade and other receivables	13	12,728	5,031	13,264	5,727
Investments	14	977	865	977	865
Cash and cash equivalents		34,737	33,688	33,980	32,698
		<u>48,442</u>	<u>39,584</u>	<u>48,221</u>	<u>39,290</u>
Less creditors falling due within one year	15	(26,058)	(19,128)	(25,920)	(18,889)
Net current assets		<u>22,384</u>	<u>20,456</u>	<u>22,301</u>	<u>20,401</u>
Total assets less current liabilities		<u>155,738</u>	<u>148,754</u>	<u>155,682</u>	<u>148,638</u>
Creditors: due after more than one year	16	(23,893)	(26,378)	(23,893)	(26,378)
Provisions					
Pension provisions	18	(56,118)	(63,142)	(56,118)	(63,142)
Other provisions	18	(2,615)	(2,159)	(2,615)	(2,159)
TOTAL NET ASSETS		<u><u>73,112</u></u>	<u><u>57,075</u></u>	<u><u>73,056</u></u>	<u><u>56,959</u></u>
Restricted Reserves					
Pension Reserves		(56,118)	(63,142)	(56,118)	(63,142)
I & E reserve - endowment reserve	19	944	869	944	869
I & E reserve - restricted reserve	20	8	88	6	88
Unrestricted Reserves					
I & E reserve - unrestricted		128,278	119,260	128,224	119,144
TOTAL RESERVES		<u><u>73,112</u></u>	<u><u>57,075</u></u>	<u><u>73,056</u></u>	<u><u>56,959</u></u>

These Financial Statements were approved and authorised for issue by the Board of Governors on 22 November 2017.



Phil Cotton
Chairman of the Board of Governors



Professor Graham Baldwin
Vice-Chancellor

The Notes on pages 42 to 57 form part of these Financial Statements

CASH FLOW STATEMENT YEAR ENDED 31 JULY

	Notes	2017	2016
		£'000	£'000
Cash flow from operating activities			
Surplus for the year		5,307	7,386
Adjustment for non-cash items			
Depreciation	11	5,717	5,244
Gain on investments	19	(112)	(70)
Increase in debtors	13	(7,697)	(75)
Increase in creditors	15	6,678	1,649
Increase in pension cost less contribution payable	18	3,706	2,306
Increase in other provisions	18	456	589
Adjustment for investing or financing activities			
Investment income	5	(131)	(224)
Interest payable	8	1,843	1,920
Profit on the sale of fixed assets		(125)	-
Net cash inflow from operating activities		15,642	18,725
Cash flows from investing activities			
Proceeds from sales of fixed assets		575	-
Withdrawal of deposits		-	21
Investment income		131	224
Payments made to acquire fixed assets		(11,228)	(21,169)
New non-current asset investments		-	(25)
		(10,522)	(20,949)
Cash flows from financing activities			
Interest paid		(1,812)	(1,869)
Interest element of finance lease		(31)	(51)
Repayments of amounts borrowed		(1,679)	(1,597)
Capital element of finance lease		(549)	(528)
		(4,071)	(4,045)
Increase/(Decrease) in cash and cash equivalents in the year		1,049	(6,269)
Cash and cash equivalents at beginning of the year		33,688	39,957
Cash and cash equivalents at end of the year		34,737	33,688

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2016

1. TUITION FEES AND EDUCATIONAL CONTRACTS	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Full-time home and EU students	75,760	75,710	75,760	75,710
Full-time international students	4,811	5,556	4,811	5,556
Part-time students	2,120	2,063	2,120	2,063
Non credit bearing course fees	8,194	8,835	6,999	7,447
Other	76	200	76	200
Research Training Support Grant	39	29	39	29
	91,000	92,393	89,805	91,005

2. FUNDING BODY GRANTS	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Recurrent grant				
Higher Education Funding Council	6,776	7,480	6,776	7,480
Further Education Funding	291	-	291	-
Capital grant	873	658	873	658
Specific grants				
Special initiatives	1,189	1,548	1,189	1,548
	9,129	9,686	9,129	9,686

3. RESEARCH GRANTS AND CONTRACTS	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Research charities	33	-	33	-
Government (UK and overseas)	194	137	197	134
Industry and commerce	41	131	41	131
Other	(26)	4	(26)	4
	242	272	245	269

4. OTHER OPERATING INCOME

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Residences, catering and conferences	13,950	13,927	13,402	13,397
Other services rendered	642	396	515	332
Other income	2,535	2,928	3,929	4,396
	17,127	17,251	17,846	18,125

5. INVESTMENT INCOME

	Notes	Consolidated		University	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Investment income on endowments	19	-	1	-	1
Other investment income		131	223	131	223
		131	224	131	224

6. DONATIONS AND ENDOWMENTS

	Notes	Consolidated		University	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Donations with restrictions	19	-	2	-	2
Unrestricted donations		5	1	5	1
		5	3	5	3

7. STAFF COSTS

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Salaries	48,902	48,133	48,902	48,133
Social security costs	5,134	4,091	5,134	4,091
Other pension costs	7,751	7,298	7,751	7,298
Movement on pension provision	2,244	846	2,244	846
Redundancy costs	2,072	1,312	2,072	1,312
Total	66,103	61,680	66,103	61,680

	Consolidated		University	
	2017	2016	2017	2016
	£	£	£	£
Emoluments of the Vice-Chancellor:				
Salary	213,514	211,191	213,514	211,191
Performance-related pay	10,560	9,450	10,560	9,450
Total before pension contributions	224,074	220,641	224,074	220,641
Pension contributions (Teachers Superannuation Scheme)	35,187	34,390	35,187	34,390
Total	259,261	255,031	259,261	255,031

7. STAFF COSTS (CONTINUED)

	Consolidated		University	
	2017	2016	2017	2016
Remuneration of other higher paid staff, excluding employer's pension contributions	No.	No.	No.	No.
£100,000 to £109,999	5	1	5	1
£110,000 to £119,999	-	-	-	-
£120,000 to £129,999	-	3	-	3
£130,000 to £139,999	1	-	1	-
	6	4	6	4

	Consolidated		University	
	2017	2016	2017	2016
Average staff numbers by major category :	No.	No.	No.	No.
Academic Departments	704	713	704	713
Administration	410	390	410	390
Academic Services	191	195	191	195
Premises	51	47	51	47
Residences, Catering and Conferences	26	30	26	30
Research Grants and Contracts	3	3	3	3
	1,385	1,378	1,385	1,378

Compensation for loss of office payable to higher paid staff	£'000	£'000	£'000	£'000
Compensation payable recorded within staff costs	-	50	-	50

Compensation for loss of office payable to higher paid staff	No.	No.	No.	No.
Compensation payable recorded within staff costs	-	1	-	1

Key management personnel

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

	Restated		Restated	
	£'000	£'000	£'000	£'000
Emoluments	1,013	887	1,013	887

Management have revisited the definitions of key management personnel in the current year and have updated the employees who meet this criteria. As such prior year comparative figures have been restated to reflect this change.

Governors receive no remuneration in respect of their duties as Governors other than for the reimbursement of travel and subsistence expenses incurred in the course of those duties.

8. INTEREST AND OTHER FINANCIAL COSTS	Notes	Consolidated		University	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Loan interest		1,812	1,871	1,812	1,871
Finance lease interest		31	49	31	49
Net charge on pension scheme	18	1,462	1,461	1,462	1,461
		3,305	3,381	3,305	3,381

9. ANALYSIS OF TOTAL EXPENDITURE	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Other operating expenses include:				
External auditors in respect of audit services	48	45	43	40
External auditors in respect of non-audit services	71	21	67	18
Operating lease rentals				
Land and buildings	4,685	4,535	4,685	4,535
Other	178	183	178	183

10. TAXATION

No corporation tax charge (2016: no charge) arises on consolidation as a result of taxable profits in a subsidiary undertaking. Under the Education Reform Act 1998 the University obtained charitable status, consequently it is not liable to corporation tax on its income and gains. No deferred taxation has been provided in the accounts on the basis that future taxable profits of all subsidiary companies will be paid to the University by way of Deed of Covenant

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11. FIXED ASSETS

Consolidated	Freehold and Leasehold				
	Land	Building	Asset Under Construction	Equipment	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	22,365	119,687	2,624	19,452	164,128
Additions	-	-	8,413	2,815	11,228
Transfers	-	3,285	(3,285)	-	-
Disposals	(450)	(3)	-	-	(453)
At 31 July 2017	21,915	122,969	7,752	22,267	174,903
Depreciation					
At 1 August 2016	-	23,070	-	12,785	35,855
Charge for the year	-	3,123	-	2,594	5,717
Disposals	-	-	-	-	-
At 31 July 2017	-	26,193	-	15,379	41,572
Net Book Value at 31 July 2017	21,915	96,776	7,752	6,888	133,331
Net Book Value at 31 July 2016	22,365	96,617	2,624	6,667	128,273

University	Freehold and Leasehold				
	Land	Building	Asset Under Construction	Equipment	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	22,045	117,181	2,624	18,892	160,742
Additions	-	-	8,413	2,815	11,228
Transfers	-	3,285	(3,285)	-	-
Disposals	(450)	-	-	-	(450)
At 31 July 2017	21,595	120,466	7,752	21,707	171,520
Depreciation					
At 1 August 2016	-	22,793	-	12,437	35,230
Charge for the year	-	3,070	-	2,562	5,632
Disposals	-	-	-	-	-
At 31 July 2017	-	25,863	-	14,999	40,862
Net Book Value at 31 July 2017	21,595	94,603	7,752	6,708	130,658
Net Book Value at 31 July 2016	22,045	94,388	2,624	6,455	125,512

11. FIXED ASSETS CONTINUED

Leased assets included above:	Land	Buildings	Asset Under Construction	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 July 2017	712	3,158	-	-	3,870
Net Book Value at 31 July 2016	712	3,249	-	-	3,961

12. NON-CURRENT INVESTMENTS

Consolidated	Subsidiary companies	Other fixed assets investments	Total
	£'000	£'000	£'000
At 1 August 2016	-	25	25
Impairment	-	(2)	(2)
At 31 July 2017	-	23	23
University			
At 1 August 2016	2,700	25	2,725
Impairment	-	(2)	(2)
At 31 July 2017	2,700	23	2,723

The non-current investments have been valued at cost less impairment

Subsidiary Undertakings

The University owns 100% of the issued ordinary share capital of £2.7 million (2016: £2.7 million) of Southampton Solent University Limited, a company registered in England.

The main activities of this undertaking are to provide short courses, training and facilities, consultancy services, and meals and accommodation for employees of other organisations using the company's facilities for their own training programmes.

	Consolidated and University
	£'000
Other Fixed Asset Investments	
HCB Holding Ltd	23
A not for profit bank, aimed at supporting the local economy	23

13. TRADE AND OTHER RECEIVABLES

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grants receivables	85	70	85	70
Trade receivables	11,127	3,247	10,848	2,920
Other receivables	333	108	295	67
Prepayments and accrued income	1,183	1,606	1,183	1,606
Amounts due from subsidiary companies	-	-	853	1,064
	12,728	5,031	13,264	5,727

14. CURRENT INVESTMENTS

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Short term investment in COIF Charities Investment Funds	977	865	977	865
	977	865	977	865

The investments are publically traded and are valued at the year end at fair value through profit and loss. The investment re-invests all income. The unrealised gain was 2017 £112k (2016 £70k), see note 19.

15. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Secured loans	1,932	1,682	1,932	1,682
Unsecured loans	-	17	-	17
Obligations under finance leases	568	549	568	549
Trade payables	7,930	9,982	7,863	9,863
Social security and other taxation payable	1,328	1,338	1,328	1,338
Salaries and wages	2,622	2,666	2,622	2,666
Accruals and deferred income	11,276	2,384	11,276	2,378
Other payables	402	510	331	396
	26,058	19,128	25,920	18,889

16. CREDITORS : DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Obligations under finance lease	-	568	-	568
Secured loans	23,893	25,810	23,893	25,810
Unsecured loans	-	-	-	-
Total creditors due after more than one year	23,893	26,378	23,893	26,378
Analysis of finance lease:				
Due within one year or on demand (Note 15)	568	549	568	549
Due within one year	579	579	579	579
Due between one and two years	-	579	-	579
Due between two and five years	-	-	-	-
	579	1,158	579	1,158
less: finance charges allocated to future years	(11)	(41)	(11)	(41)
Total obligations under finance lease	568	1,117	568	1,117
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 15)	1,932	1,699	1,932	1,699
Due between one and two years	2,753	1,917	2,753	1,917
Due between two and five years	6,078	6,683	6,078	6,683
Due in five years or more	15,062	17,210	15,062	17,210
Due after more than one year	23,893	25,810	23,893	25,810
Total secured and unsecured loans	25,825	27,509	25,825	27,509
Secured loans repayable by 2035	25,825	27,492	25,825	27,492
Unsecured loans repayable by 2017	-	17	-	17
	25,825	27,509	25,825	27,509

Included in loans are the following:

Borrower	Lender	Interest rate %	Term	Amount	Amount	Amount	Amount
				£'000	£'000	£'000	£'000
University	Allied Irish Bank	8.11	2026	14,262	15,387	14,262	15,387
University	Lloyds Bank	3 Mth LIBOR + 1.50	2035	10,006	10,006	10,006	10,006
University	Bank of Scotland	4.30	2019	1,542	2,099	1,542	2,099
University	Lloyds Bank	0.35	2018	15	-	15	-
University	HEFCE	0.00	2017	-	17	-	17
				25,825	27,509	25,825	27,509

Allied Irish Bank hold security over Chantry, Deanery and David Moxon Annexe, for which the loan was used to purchase the freehold interest in the properties.

The Lloyds Bank and Bank of Scotland loans are secured by a first legal charge over the new academic teaching building (The Spark) and the St James Mathews building, for which they partially funded.

The second Lloyds Bank loan is an accrual of commitment interest on a loan facility that the University has not yet drawn on.

17. FINANCIAL INSTRUMENTS

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial assets that are debt instrument measured at amortised cost	46,282	37,113	45,208	35,755
Financial liabilities measured at amortised cost	(37,246)	(41,767)	(37,174)	(41,666)

Financial assets measured at amortised cost comprise cash, trade receivables, research grant receivables and other receivables.

Financial liabilities measured at amortised cost comprise secured loans, unsecured loans, finance leases, trade payables, salaries and wages, accruals and other payables.

18. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University

	National					Total
	USS Pension	HCC Pension	Min. Wage	Leasehold Dilapidation	Reorganisation	
	£'000	£'000	£'000	£'000	£'000	
At 1 August 2016	502	62,640	101	1,194	864	65,301
Utilised in year	-	-	-	-	(485)	(485)
Additions	-	-	-	66	936	1,002
Released in year	(234)	(6,790)	(61)	-	-	(7,085)
At 31 July 2017	268	55,850	40	1,260	1,315	58,733

National Minimum Wage

The national minimum wage provision represents underpayments in relation to students employed by the University up to 31 July 2011.

Leasehold Dilapidation provision

The leasehold dilapidation provision represents obligations under the leases of the existing properties to make good dilapidations prior to the expiry of each lease.

Reorganisation provision

The reorganisation provision represents obligations due to employees where restructuring agreements have been reached with employees under the Universities redundancy programme prior to the year end.

18. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Teachers' Pension Scheme

Under the definitions set out in Financial Reporting Standard 102, the Teacher's pension scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The employers' contribution rates for the University's academic staff was 14.1% of pensionable salaries from 1 August 2016 rising to 16.48% from October 2016.

The total pension contributions for the University in respect of current employees were:

	2017	2016
	£000	£000
Contributions to Teachers' Pension Scheme	3,352	3,297

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2004 to 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6 billion. The assumed real rate of return is 3% in excess of prices and 0.25% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

Hampshire County Council Local Government Pension Scheme

The Hampshire County Council Local Government Pension Scheme (HCCLGPS) is valued every three years by a professionally qualified independent actuary using the Projected Unit method, the rates of contribution being determined by the actuary. The latest published actuarial assessment of the HCCLGPS was at 31 March 2016. The contribution level was separated in April 2011 into two components, a forward contribution rate, and an additional contribution to address the fund deficit set at each triannual valuation.

The level of employers' contributions is set out below:

	From 1 April 2017	From 1 April 2016	From 1 April 2015
Contribution Rate	14.1%	13.1%	13.1%
Additional contributions to address fund shortfall	£1,314,600	£1,147,900	£1,055,100

The University also has unfunded obligations of £330k in respect of enhanced pension entitlements to staff who took early retirement under a reorganisation programme in 1993.

18. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not linked to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other universities' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102 (28), accounts for the scheme as if it were a defined contribution scheme.

The 31 March 2014 valuation identified a funding shortfall of £5.3bn. A deficit recover plan has been put in place raising the employers contribution from 16% to 18% from the 1st April 2016.

Under FRS 102 where there is a deficit recovery plan the University must recognise its liability:

	2016-17	2015-16
	£	£
Provision brought forward	502,078	445,718
Staff Costs	(106,000)	163,189
Interest Payable	12,050	10,697
Contributions	(140,458)	(117,526)
Provision carried forward	267,670	502,078

The University have 16 staff in the USS scheme and therefore it is deemed to be immaterial to the University's financial statements. No further disclosures are included.

FRS 102

Details in respect of the pension liabilities are provided in accordance with FRS 102. As noted earlier it is not possible to identify the University's share of the underlying assets and liabilities of the Teachers' Pension Scheme or USS and therefore the following disclosures relate to the HCCLGPS.

Date of last full actuarial valuation	31 March 2016
Expected employer contributions next year	£4.77m
Duration of Liabilities	22.3 years

The valuation used for FRS 102 disclosures has been based on the most recent actuarial valuation at 31 March 2016. The major assumptions used by the actuary for the purposes of FRS 102 were:

	31 July 2017	31 July 2016	31 July 2015
Discount Rate	2.6% pa	2.4% pa	3.6% pa
RPI Inflation	3.1% pa	2.9% pa	3.2% pa
CPI Inflation	2.0% pa	1.8% pa	2.1% pa
Rate of increase in salaries	3.5% pa	3.3% pa	3.6% pa
Rate of increase in pensions in payment	2.0% pa	1.8% pa	2.1% pa
Pension accounts revaluation rate	2.0% pa	1.8% pa	2.1% pa

Mortality Assumptions	At 31 July 2017	
	Retiring Today	Retiring in 20 years
Male	24.0	26.0
Female	27.0	29.3
	Value at 31 July 2017	Value at 31 July 2016
Asset Allocation		
Equities	61.2%	56.7%
Property	6.5%	7.4%
Government bonds	24.8%	26.3%
Corporate bonds	1.1%	1.8%
Cash	3.0%	5.2%
Other	3.4%	2.6%
Total	100.0%	100.0%
	Value at 31 July 2017	Value at 31 July 2016
Reconciliation to Balance Sheet		
	£000	£000
Funded Benefits		
Fair Value of Fund Assets	100,100	86,760
Present Value of Liabilities	(155,620)	(148,990)
Funded Net Pension Liability	(55,520)	(62,230)
Unfunded Benefits		
Present Value of Liabilities	(330)	(410)
Unfunded Net Pension Liability	(330)	(410)
Total Net Pension Liability	(55,850)	(62,640)
Amounts recognised in income statement	2017	2016
	£000	£000
Operating cost		
Current Service Cost (included in Other Pension Costs - Note 7)	6,850	4,720
Past Service Cost (included in Other Pension Costs - Note 7)	180	60
Financing cost		
Interest Cost (included in Pension Finance Costs - Note 8)	1,450	1,450
Pension expense recognised in profit and loss	8,480	6,230
Allowance for administration expenses included in Current service cost	70	60

18. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Amounts recognised in other comprehensive income	2017	2016
	£000	£000
Asset gains arising during the period	7,010	6,820
Liability gains/(losses) arising during the period	3,720	(24,760)
Total amount recognised in other comprehensive income	10,730	(17,940)

Changes to the present value of the defined benefit obligation	2017	2016
	£000	£000
Opening Value of Liabilities	149,400	116,660
Current Service Cost	6,850	4,720
Interest Cost	3,580	4,180
Contributions by Participants	1,630	1,570
Actuarial (gains)/losses	(3,720)	24,760
Net Benefits Paid Out	(1,970)	(2,550)
Past Service Cost	180	60
Closing Value of Liabilities	155,950	149,400

The closing liability includes £330,000 (2016: £410,000) in respect of unfunded benefits.

Changes to the fair value of assets	2017	2016
	£000	£000
Opening fair value of assets	86,760	74,210
Interest income on assets	2,130	2,730
Remeasurement gains on assets	7,010	6,820
Contributions by the employer	4,510	3,940
Contributions by participants	1,630	1,570
Net benefits paid out	(1,940)	(2,510)
Closing fair value of assets	100,100	86,760

Actual return on assets	2017	2016
	£000	£000
Interest income on assets	2,130	2,730
Gain on assets	7,010	6,820
Actual return on assets	9,140	9,550

19. EXPENDABLE ENDOWMENT RESERVE

	2017	2016
	<u>£'000</u>	<u>£'000</u>
Balances at 1 August 2016		
Capital	836	780
Accumulated income	33	31
	<u>869</u>	<u>811</u>
New endowments	-	2
Investment income	-	1
Expenditure	(37)	(15)
Increase in market value of Investments	112	70
At 31 July 2017	<u>944</u>	<u>869</u>
 Represented by:		
Capital	836	836
Accumulated income	108	33
	<u>944</u>	<u>869</u>
 Analysis by type of purpose:		
Research support	906	818
General	38	51
	<u>944</u>	<u>869</u>
 Analysis by asset		
Current and non-current asset investments	977	865
Cash & cash equivalents	-	9
Creditor	(33)	(5)
	<u>944</u>	<u>869</u>

All endowments are classified as restricted expendable endowments. The endowments are made up of four linked (paragraph w) charities with the aim of supporting research.

20. RESTRICTED RESERVES

Reserves with restrictions are as follows:

	Grants	Donations	2017	2016
	£'000	£'000	£'000	£'000
Balances at 1 August 2016	85	3	88	191
New grants	-	1	1	55
Grants utilised	(80)	(1)	(81)	(157)
Expenditure	-	-	-	(1)
	(80)	(1)	(81)	(158)
At 31 July 2017	5	3	8	88

Analysis of other restricted funds /donations by type of purpose:

Research support	6	86
Prize funds	2	2
	8	88

21. CAPITAL COMMITMENTS

	Consolidated		University	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Commitments contracted but not provided for	4,749	3,549	4,749	3,549

22. CONTINGENT LIABILITIES

At 31 July 2017 the Governors were not aware of any liabilities for which full provision has not been made.

23. LEASE OBLIGATIONS

Total rentals payable under operating leases:

	31 July 2017			31 July 2016
	Land and Buildings	Plant and Machinery	Total	Total
	£'000	£'000	£'000	£'000
Payable during the year	4,685	178	4,863	4,718
Future minimum lease payments due:				
Not later than 1 year	4,840	155	4,995	4,851
Later than 1 year and not later than 5 years	11,546	237	11,783	15,914
Later than 5 years	1,839	-	1,839	2,712
Total lease payments due	18,225	392	18,617	23,477

24. EVENTS AFTER THE REPORTING PERIOD

The Governors are not aware of any post balance sheet events.

25. SUBSIDIARY UNDERTAKINGS

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Status	Note
Southampton Solent University Ltd	Maritime based consultancy and training	100% owned	12
Sports Solent in the Community	Promoting physical education	Limited by guarantee	

26. RELATED PARTY TRANSACTIONS

Governors receive no remuneration in respect of their duties as Governors other than for the reimbursement of travel and subsistence expenses incurred in the course of those duties.

A total of £2,256 was paid to 5 Governors (2016 £3,664 paid to 9 Governors).

During the year ended 31 July 2017 the University had transactions with a number of organisations which fell within the definition of Related Parties under FRS 102. Transactions are disclosed where members of the Board of Governors and senior members of staff disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's financial statements and/or the other party. Due to the nature of the University's operations and the composition of the Board of Governors, being drawn largely from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

The University has taken advantage of the exemption within FRS102 and has not disclosed transactions with wholly owned subsidiary companies.

Southampton Solent University	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party	Grants and loans made to related party
	£000	£000	£000	£000	£000
Solent Students Union 2016-17					
Trade	2	4	-	-	-
Grant	-	-	-	43	470
Solent Students Union 2015-16					
Trade	5	10	-	4	-
Grant	-	-	-	31	427

The University has a close working relationship with Solent Students Union, which remains a separate entity. The SU president is a member of the University's Board of Governors.

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