

# Financial Statements

## 2022-2023





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**Consolidated Financial Statements for the year ended 31 July 2023**

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### **Treasurer**

Stephen Young

### **Executive Director, Finance and Planning (Interim)**

Julie Fielder

### **Bankers**

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Southampton City 9 Branch  
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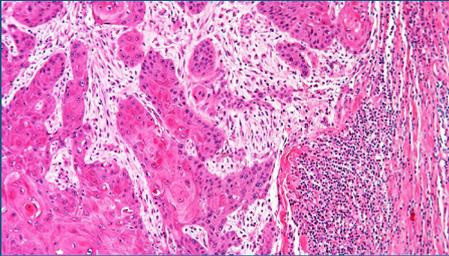
### **External Auditor**

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Abbey Street  
Reading  
RG1 3BD

### **Internal Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

# HIGHLIGHTS OF THE YEAR



### Helping the fight against cancer

Scientists from the University's Centre for Cancer Immunology have made a breakthrough in understanding why some cancers don't respond to immunotherapy treatment, bringing fresh hope that many more people could survive the disease.



### Graduation returns to City Centre

This year, our Southampton graduation ceremonies returned to the O2 Guildhall in the heart of the city for the first time since the 1960s. Over 5,000 students and their guests attended these truly memorable ceremonies in December 2022 and July 2023.



### Tackling climate change

The Government of the British Virgin Islands (BVI) have formalised an agreement with the University for a growing collaboration around research and educational activities that will help tackle environmental and societal challenges and raise local capacities in the BVI.



17<sup>th</sup>

in the Complete University Guide 2024



Top 100

Global University\*

\*QS World Rankings 2024



92%

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

\*\*Research Excellence Framework 2021



Credit: John A. Paice

### Investigating the universe

A team of astronomers led by the University have uncovered the largest cosmic explosion ever witnessed. The explosion, which took place nearly 8 billion light years away, is more than ten times brighter than any known supernova.



Credit: João Zilhão

### Understanding neanderthal life

A study led by the University has given an intriguing glimpse of the lifestyle of Neanderthals living in central Portugal almost 100 thousand years ago. Analysis of tooth enamel showed they were hunting larger animals across wider tracts of land than later humans in the area.



### Protecting vulnerable species

The University has received a Gold Accreditation from the British Hedgehog Preservation Society for our dedication to protecting hedgehogs. Activities have included creating hedgehog-friendly habitats and landscaping, and promoting hedgehog-friendly practices among staff and students.

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

## Strategic Report (continued)

### Summary – strategy overview

Over the course of the year the University of Southampton has continued to deliver high quality teaching, research, and knowledge exchange & enterprise, with a foundation of strong financial management. After the challenges of the previous year, the University has been back to pre-pandemic operations and the subsequent impact and growth in all areas has led to revenue being above £700m for the first time in its history.

We have continued to make strong progress on the delivery of the University strategy that was launched in early 2022. The strategy sets out a clear set of goals and ambitious targets for the University, focusing on excellence in the triple helix of education, research and knowledge exchange & enterprise.

Our continued focus on quality has seen the University continue to maintain high league table positions both nationally and internationally. The University was ranked 20th in the Guardian, with 9 subjects in the top 10. The University also maintained a top-20 position within the Complete University Guide and in The Times and Sunday Times Good University Guide, being ranked 17th in both. We remain within the top 100 in the global rankings being placed 81st in the Quacquarelli Symonds (QS) World University Rankings and 97th in the Times Higher Education World University Rankings. Strong league table performance is a good indicator of future student recruitment, especially internationally, and a testament to the continued hard work within our community to further improve student experience.

The University's outstanding research continues to address some of the most challenging issues facing society and to provide impactful results that help change the world for the better. In the 2021 Research Excellence Framework (REF) assessment 92% of the University's research was classed as 'world leading' (4\*) or 'internationally excellent' (3\*), placing the University in the top 10% of submitting institutions. A particular highlight this year was the announcement the University will lead a new consortium for the development of responsible artificial intelligence. This £31 million grant will bring together experts to develop a framework for trustworthy and secure applications of artificial intelligence that respond to the needs of society.

The University continues to perform strongly in the annual Knowledge Exchange Framework (KEF), run by Research England.

The KEF is an annual assessment of how English universities carry out knowledge exchange. We achieve at or above the average in all perspectives amongst our seventeen comparator universities (large, research-intensive and broad discipline).

The University continues to focus on teaching excellence and the experience of all students. The results of the 2023 National Student Survey were published in August and provide a strong guide to the experience that our final year students have had with us during their undergraduate studies. The University achieved an 80% positivity score for four of the seven themes within the survey, which was completed by 70% of eligible students. We have also recently been awarded a Silver rating in the Teaching Excellence Framework (TEF), recognising our very high quality provision across all student groups.

Widening Participation continues to be a key priority for the University, recognising the importance of ensuring those from all backgrounds are able to succeed in Higher Education. In the latest published data from 2021/22, 87% of our undergraduates were from a state school, and 8% were from low participation neighbourhoods. We have significantly increased our proportion of UK first-year undergraduate black and minority ethnic students from 11% in 2009/10 to 34% in 2021/22.

We continue to develop an estates programme of extensive refurbishment and replacement which will ensure we meet current and future needs, including our sustainability priorities. This year we have opened a new £14m Engineering Centre at the University of Southampton Science Park, which will provide sector-focussed, highly practical accommodation for companies and help to strengthen our partnerships with industry. We are also embarking on a major programme to significantly increase our residences capacity. Parallel to the investment in our physical infrastructure, we are developing a far-reaching and ambitious vision for our future digital provision to transform the experience of our staff, students and partners.

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

### Financial Highlights

<b>Total Income</b> <b>£730 million</b> (2021/22 £673m)	<b>Adjusted Surplus After Tax*</b> <b>£51 million</b> (2021/22 £64m)	<b>Total Net Assets</b> <b>£697 million</b> (2021/22 £620m)	<b>Cash &amp; Investments</b> <b>£661 million</b> (2021/22 £613m)	<b>Net Cash Inflow**</b> <b>£92 million</b> (2021/22 £89m)
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\*Result not including the increase/(decrease) in USS deficit funding accrual of £32m \*\* Net cash inflow from operating activities

## Review of the financial year

The University of Southampton and Subsidiary Undertakings achieved a surplus after tax of £83.0 million which compares to a deficit of £77.4 million for 2021/22. This result includes the movement in the Universities Superannuation Scheme (USS) accrual. Our adjusted surplus after tax excluding the movement in the USS deficit funding accrual accounted for within staff costs was £51.2 million in the year to 31 July 2023, compared to an adjusted surplus of £63.7 million for 2021/22.

In 2021/22 the University received a surrender premium of £17.5 million from one of its tenants to break a long-term lease. Excluding this one-off transaction the underlying adjusted surplus only decreased by £2.2m year-on-year despite the impact of higher staff pay increases and inflation in 2023. The high level of surplus is a very good result and whilst higher tuition fee income was a major contributor it also demonstrates strong financial management.

The net cash inflow from operating activities in 2022/23 was £92.5 million, an increase of £3.1 million on the prior year. This is a good outcome and above the strategic Key Performance Indicator (KPI) target of £70.0 million.

Total expenditure for the University, not including the increase in the USS deficit accrual, was £676.0 million, an increase of £79.2 million (13.3%) compared to the prior year. This included an increase of £22.8 million relating to staff costs due to a combination of growth to support higher student numbers and pay increases. Other operating expenditure increased by £49.8 million due to a range of factors including inflation, agents fees related to growing international student numbers, temporary staff and the post-pandemic recovery in travel.

The combined liability in respect of USS and the University's Pension and Assurance Scheme (PASNAS), decreased in the year, from a combined total liability of £229.5 million to £212.2 million as at the 31 July 2023. The USS element totaling £189.7 million relates to the recovery scheme that requires employers to contribute 6.3% deficit contributions until the end of the plan in April 2038. The latest indications from the March 2023 USS valuation, that is currently in progress, suggest that there has been a significant improvement in the financial position of the scheme since the last valuation and there is a possibility that the scheme will no longer be in deficit.

### Income

Total income increased by £57.2 million to £730.0 million, a record level for the University. The majority of the increase relates to tuition fee income, which was up £35.5 million, but there were also increases in research income of £7.8 million and higher investment proceeds of £7.6 million.

Total income from tuition fees and education contracts increased by £35.5 million (10.9%) from £326.1 million in 2021/22 to £361.6 million in 2022/23. The number of undergraduate and postgraduate international students increased on the prior year by 26.2%, from 7,372 full time equivalent (FTE) to 9,300 FTE. The gain in international fee income of £39.3 million (23.1%) does not fully reflect this growth as 2021/22 fees also included £16.1 million relating to students whose masters courses started in January 2021 rather than September 2020, in response to the pandemic. The University currently has no plans to repeat a January start date. The number of international students in 2018/19, before the start of the global pandemic, was 5,430 – illustrating the strong growth in this area by the University.

In 2022/23, our total student population increased from 22,616 FTE to 24,260 FTE, according to our most recent student enrolment data. The University strategy aims to deliver growth while maintaining quality in our student numbers over the next decade.

Research grants and contracts income increased by £7.8 million, from £114.7 million in 2021/22 to £122.5 million. The increase reflects the recovery of the research economy following the global pandemic, specifically the knock-on impact from delayed Funding Council award announcements over this period. Research income from EU sources decreased by £3.0 million (24.0%) in the year, reflecting delays in securing continued participation within the Horizon Europe programme. We are very pleased that The European Commission and the UK Government reached an agreement in principle on the association of the UK to Horizon Europe on 7 September 2023.

Other operating income reduced by £2.7 million (1.9%) to £137.4 million. The 2021/22 income included a one-off surrender premium of £17.5 million from a tenant to break a long-term lease. Excluding this there was an underlying increase of £14.8 million (10.6%), mostly relating to residences, catering, consultancy and trading income, where these activities have now recovered to pre-pandemic levels.

Investment income increased by £7.6 million from £6.0 million in 2021/22 to £13.6 million due to increased interest rates and bond yields on our deposits and investments.

Donations and endowment income grew by £0.6 million (19.8%) to £3.4 million. The University has invested significantly in a new large-scale donation initiative 'Campaign for Southampton', and increased levels of donation income are anticipated in the future.

### Strategic Report (continued)

#### Expenditure

Total expenditure reduced by £93.6 million from £737.8 million in 2021/22 to £644.2 million. Total expenditure, excluding the movement in the USS pension accrual, saw an increase of £79.2 million from £596.8 million in 2021/22 (not including the increase in USS accrual of £141.1 million) to £676.0 million (not including the decrease in USS accrual of £31.8 million).

Staff expenditure, excluding the movement in the USS pension accrual, increased by 6.7% from £341.4 million in 2021/22 to £364.2 million. Whilst salary and pension costs did increase during the year, additional resource expenditure was carefully controlled within the University's strategy for quality-focused growth.

The average headcount for staff in 2022/23 was 5,909, an increase of 355 FTE (6.4%) on that for 2021/22 of 5,554. In addition to an increase in the nationally negotiated pay scales of 3.0% from August 2022 the University applied an enhancement to our pay scales from 1 January 2023 that averaged roughly 3.0% pa to ensure we remain competitive in the sector, and an attractive place for colleagues to pursue a rewarding career. The University also opted to implement the pay increase that was due on 1 August 2023 in two stages, with staff on lower scales receiving an increase of £1,000 pa from 1 February 2023 and those on higher scales receiving an additional 2.0% pa from this date. These measures also reflect the University's response to the cost of living crisis. Around 50% of staff are entitled to annual pay scale increments of around 3%. From April 2022, the employers' contribution to the USS pension scheme increased from 21.4% to 21.6%.

Other operating expenses increased by £49.8 million (24.0%) to £256.7 million from the prior year level of £206.9 million. The increase includes £7.0 million relating to agents fees linked to growing numbers of international students. There was also a £4.7 million increase in travel costs as global activity recovers from the pandemic, £4.9 million relating to higher utility prices and an increase of £6.5 million in temporary and agency staff costs, in order to provide essential cover for staff vacancies and to support strategic projects.

#### Balance Sheet

Despite the continuing challenges of our pension deficits, our total net assets remain strong at £697.4 million, an increase of £77.9 million on the prior year (£619.5 million in 2021/22).

The University has significant funds to ensure the highest quality of our teaching and research facilities and we are developing an extensive estates programme. During the year to 31 July 2023, we acquired or constructed capital assets with a value of £54.1 million (£42.2 million in 2021/22). Included in this amount was

£11.0 million spent on a project to extend the Jubilee Sports Centre, which is due for completion next year.

The value of non-current asset investments reduced by £8.4 million in the year, to £1.7 million. This was principally due to the disposal of a minority investment during the year.

In April 2017, the University issued an unsecured fixed rate public bond of £300 million, over a 40-year term with a coupon rate of 2.25%. There are no capital repayments to be made over the term of the bond, with full repayment of £298.6 million due in 2057. An investment plan is in place to repay the bond in full at its term. The finance lease commitment relating to Mayflower Halls has decreased from £46.4 million to £46.0 million and our bank loans have decreased from £61.0 million to £58.2 million reflecting planned repayments. Further information on this and the rates payable are outlined in note 23 to the financial statements. Following the balance sheet date the University has repaid in full two bank loans that had a total outstanding balance of £56.4m as at 31 July 2023.

The University's net debt, as set out in note 27, moved from £193.3 million as at 31 July 2022 to £299.1 million as at 31 July 2023. This increase mainly relates to a reduced level of cash held by the University of £109.0 million. Over the course of 2023, our Investment Committee has implemented a new investment strategy which has resulted in further placement with investment funds. The net debt does not take into account the investment portfolio held as part of the University's treasury management strategy of £557.5 million. If this is taken into account, the overall position is adjusted net funds of £258.4 million, compared to £207.3 million at 31 July 2022.

The net pension liability of the University's PASNAS fund has increased to £22.5 million (2021/22 £15.2 million). The PASNAS scheme has an FRS102 revaluation annually and this year's increase in the net liability is due to lower than expected returns on assets and higher inflation, which has increased pensions in payment and deferment. These impacts have been partially offset by an increase in the discount rate from 3.4% to 5.2% due to the changing yield on high quality corporate bonds. A reconciliation of the movement in the scheme deficit can be found in note 24.

The 2020 USS pension scheme valuation required deficit contributions to increase to 6.3% until 31 March 2038. The accrual for these deficit contributions, as set out in note 24, has reduced from £214.3 million to £189.7 million, principally due to an increase in the discount rate from 3.3% to 5.5%, which is based on projected bond yields over the recovery period.

**Subsidiaries**

The University of Southampton Science Park supports the long-term strategy of the University by providing opportunities for our research to spin out into knowledge exchange and enterprise activities, which in turn allows for student work experience during studies and for student employment when they graduate. The Science Park also makes a notable contribution to the economic growth and prosperity of both our city and our region. The occupancy for the Science Park as at 31 July 2023 was 89.1% which is an increase from 86.3% as at 31 July 2022. Occupancy in the year has increased and now also includes the Engineering Centre which was 90% occupied as at 31 July 2023. Science Park turnover was £5.7 million (2021/22 £4.8 million) and there was a loss before taxation of £8.4 million (2021/22 loss of £2.5 million). This loss is due to a reduction

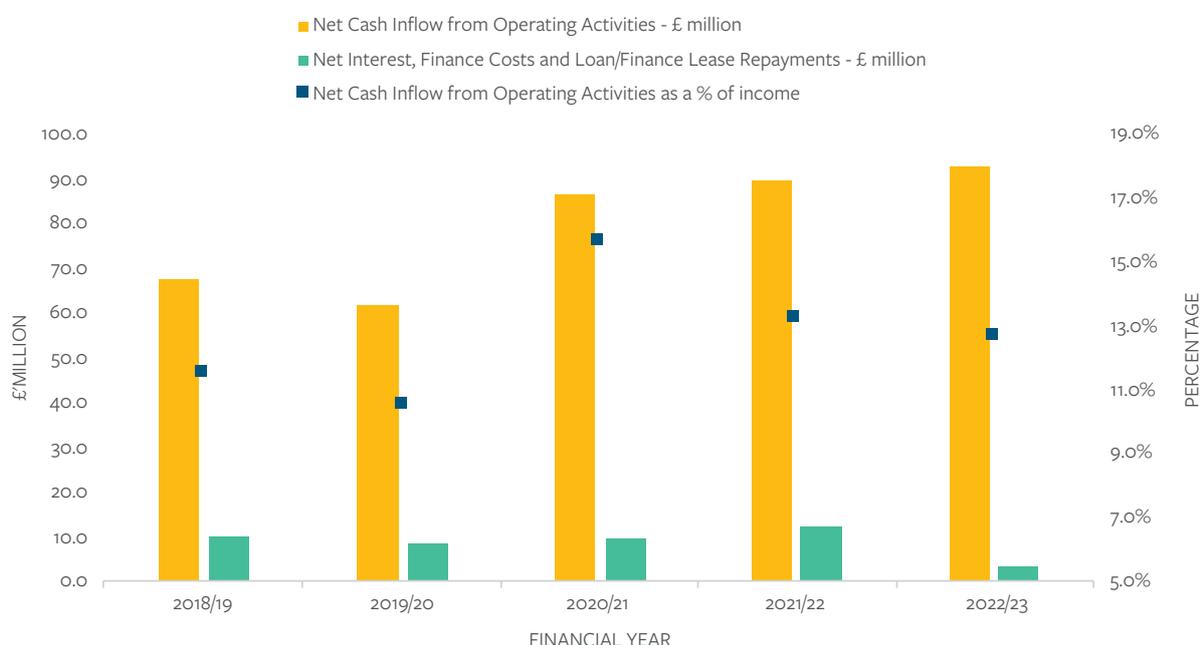
of £9.9m in the valuation of the Science Park property, predominantly due to yield movement as dictated by changes in the macro-economic environment. Excluding valuation changes and an impairment in the prior year, the Science Park made a profit before taxation of £1.4 million (2021/22 profit of £1.2 million).

The University’s campus in Malaysia (University of Southampton Malaysia (UoSM)) remains a pivotal part of its international strategy, offering programmes across the fields of Engineering, Business, and Computer Science. Operations have now fully re-located to a new 150,000 sq.ft. full-service campus situated in the vibrant EcoWorld community in Iskandar. The new campus is equipped with a myriad of open learning spaces, lecture halls, laboratories and studios that provide an exceptional educational experience.

**Key financial trend analysis**

**Net cash inflow from operating activities – 2018/19 to 2022/23**

The net cash inflow from operating activities is the amount of cash generated by the University and Subsidiary Undertakings before external financing costs and investment. The net cash inflow from operating activities in 2022/23 was £92.5 million, which is 12.7% of total income; this is an increase of £3.1 million on the prior year.

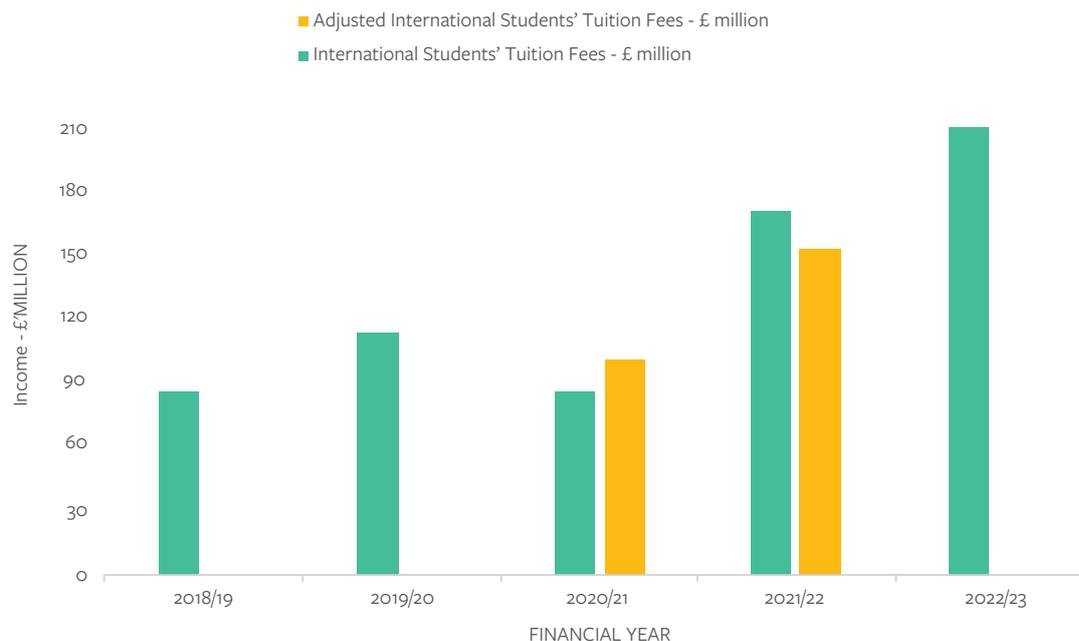


## Strategic Report (continued)

### International student tuition fee income - 2018/19 to 2022/23

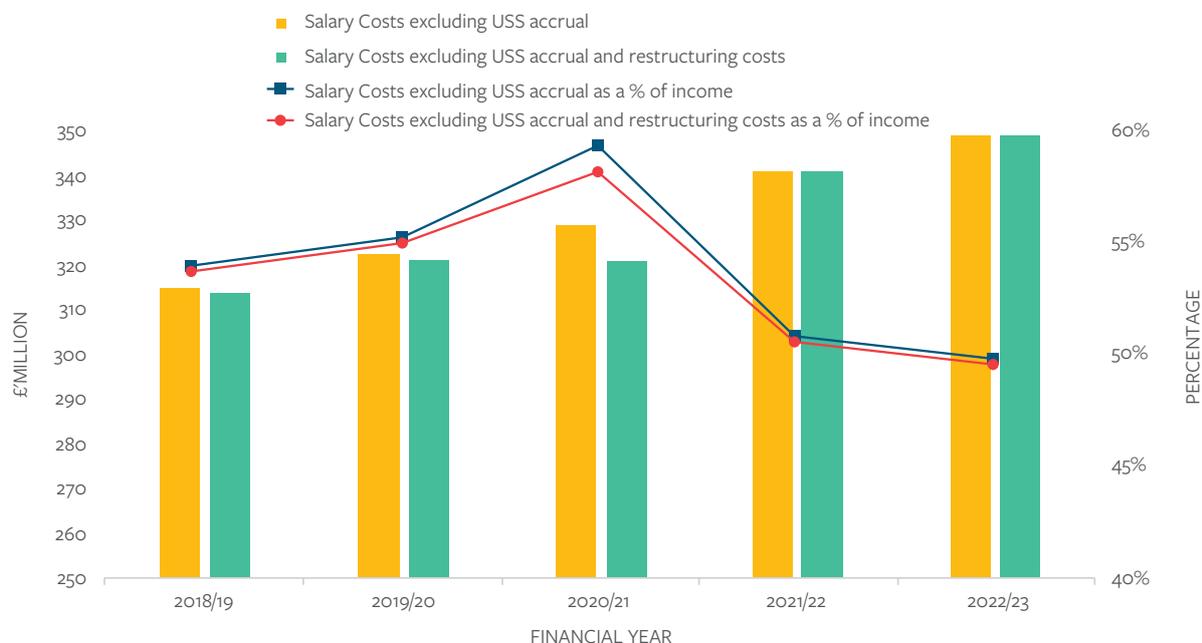
Tuition fee income from international students has increased by £39.3 million on the prior year to £209.7 million. The University attracts a high volume of applications from international students, a key reason for this being the institution's strong global reputation and top 100 ranking in the QS and THE league tables.

The adjustments in 2020/21 and 2021/22 smooth out the one-off £16.1m impact of postgraduate courses that started in January 2021 rather than September 2020, in response to the global pandemic.



### Salary costs as % of income – 2018/19 to 2022/23

Salary costs, as a proportion of income, were 49.9% in 2022/23 (excluding the impact of the USS accrual) which compares to 50.7% in 2021/22. Underlying staff costs (excluding the USS accrual) have increased by £22.8 million (6.7%) in 2022/23 (increased by £12.3 million in 2020/21). The ratio has reduced as income increased by a higher proportion (8.5%) over the year.



### Key Performance Indicators

The University assesses its performance against a number of key measures.

**Operating Cash Flow (OCF)** – This shows the cash that has been generated from operating activities that can be used to fund capital investment and service debt financing. Strong OCF is seen as essential for the long-term financial sustainability of the University.

**Net carbon emissions** – This is a critical metric for the University as we have a target of reaching net zero for scope 1 and 2 emissions by 2030 as discussed in more detail in the Creating a Sustainable Organisation section. Our net carbon emissions metric is calculated using the latest available data which is for the 21/22 and 20/21 academic years.

**League tables** – Home and international league tables are referred to by many potential students when considering where to study. Maintaining high league table standings is therefore important for the delivery of the University strategy for quality focussed growth.

	Unit	2023	2022
Operating cash flow	£m	92.5	89.4
Net carbon emissions	Tons / m2	18,191	21,234

#### League tables:

Guardian	UK Ranking	20	16
Complete University Guide	UK Ranking	17	13
The Times Good University Guide	UK Ranking	17	18
Quacquarelli Symonds (QS)	World Ranking	81	78
Times Higher Education (THE)	World Ranking	97	108

Strategic Report (continued)

Major Financial Risks

During the year, the University focused on delivering its strategy during a volatile period of global uncertainty and high inflation. There remained a focus on effective management of costs alongside investment in strategic priorities in order to deliver long-term sustainability.

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

A comprehensive financial risk assessment was considered by Council in setting the 2023/24 University budget. The major risk areas are summarised below:

Area:	Risk:	Response:
<b>Student income</b>	Actual student numbers for 2023/24 may fall below the business plan target, therefore reducing forecast income.	2023/24 recruitment was close to plan, achieved through the Confirmation and Clearing strategy and international admissions process.
	International students may be unable to commence study due to geopolitical uncertainty and instability.	The strategy has a large focus on the provision of a high quality student experience. The maintenance of a good reputation will support student recruitment.
	In 2017, student fees for home students were frozen at £9,250. This has allowed inflation to erode the value of the fee, which is now worth around £6,600 in today’s money. In their response to the Augar Review of Post 18 Education & Funding, the Government has stated that this cap will remain in place until at least 2024/25.	Working group established by the business continuity committee to consider the impacts of geopolitical instability on the University.  Forecasts assume that the maximum fee will remain at £9,250 throughout; sensitivity testing is done to model impact of fee change on University economy.
<b>Inflation</b>	Inflation is currently running at around 6%. Whilst costs are subject to inflationary pressure, some significant income sources, including home fees, are not inflation linked.	The forecasts allow for general inflation in line with Bank of England forecasts of CPI and use recent industry-specific projections for construction costs. A further review will be made during the final budget update this autumn.
	If pay increases were to exceed the forecast amount by 1% then the impact on the surplus would be a reduction of £3.2m pa and a 1% increase on non-staff costs would reduce the surplus by £1.8m pa.	
<b>Research grants and contracts income</b>	The University may fail to achieve the planned levels of external research funding.	Maximising research income is a key performance indicator. The Research Strategy will support delivery.  A number of specific investments in our research economy have been approved which should support growth.
<b>Staff costs</b>	There is a risk that national pay awards will increase above the assumptions included in the business plan.	Expenditure controls are in place to mitigate against higher than anticipated national pay awards.

Area:	Risk:	Response:
<b>Pension costs</b>	<p>The escalating cost and volatility of our pension schemes remains one of our highest risks to long-term sustainability.</p> <p>Following the 2020 USS valuation, employer's contributions increased to 21.6% from April 2022. The latest valuation of the scheme, as at March 2023, is currently underway.</p> <p>The PASNAS valuation as at July 2021 showed an increase in the scheme deficit to £56.5m.</p>	<p>The University is monitoring progress on the 2023 USS valuation and will support UUK work on stability and investment strategy.</p> <p>Early information suggests that there has been a significant improvement in the financial position of USS since the last valuation and there is a possibility that deficit contributions may no longer be required.</p> <p>The University made a £30m capital contribution to the PASNAS scheme in 2021/22 to help address the past service deficit. Changes to scheme benefits and an increase in employer's contributions from 13.85% to 15.6% came into effect from January 2023.</p> <p>The PASNAS scheme was closed to new members from 1 January 2019 and a new defined contribution scheme provided for new eligible staff.</p>
<b>International reputation</b>	<p>Reputational damage results in lower number of international students and an adverse impact to relationships with research and enterprise partners.</p>	<p>Development of international strategy with focus on core relationships and student experience.</p> <p>Continued focus on strong international league table results.</p>
<b>Investment income</b>	<p>Investment returns are subject to volatility and there is a risk that income could fall short of expectations or that market values could reduce.</p>	<p>A new investment policy has now been implemented, where variable approaches to risk and return will be taken, based on maturity profiles that are informed by cash flow projections.</p>
<b>Financial sustainability</b>	<p>Strong cash flow is required to generate sufficient funding for future capital investment.</p> <p>There is a risk of unexpected expenditure, including increased interest rates or costs.</p>	<p>The £300 million bond proceeds, existing cash reserves and the level of ongoing operating cash generation should be sufficient to fund the capital investment programme.</p> <p>The University tests business plans against a range of scenarios and manages expenditure through financial controls.</p>

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**Strategic Report (continued)**

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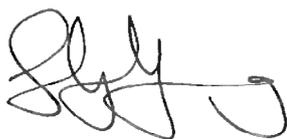
**Conclusion**

The University has again delivered a strong financial performance, with surplus being ahead of budget expectations. Sound financial management has allowed the University to emerge strongly following the disruption caused by the pandemic, and to be able to work towards delivery of the new University strategy with confidence, supported by significant cash reserves.

The University's reputation for excellence has been demonstrated by continued high league table placings within the top-20 nationally and top-100 globally and with the recent silver award within the Teaching Excellence Framework.

Over the year, the University has continued to make strong progress on delivering the ambitious strategic plan, with a focus on excellence across the triple-helix of education, research and knowledge exchange & enterprise. The extensive estates development programme will be essential to create the capacity for growth with excellence. The newly opened Engineering Centre at the University of Southampton Science Park will be a great asset to the University and local economy with a number of companies, including University spin-outs, having already taken up residence. Work is progressing well with a £34 million redevelopment of our Jubilee Sports Centre and the Teaching & Learning building in the heart of the city that we purchased in 2022 is now fully operational. Investment is vital in order to deliver world-class education, research and knowledge exchange & enterprise – and our strong cash position supports long-term strategic funding of the capital programme.

I would like to end by expressing a heartfelt thank you to all our staff, as the University's achievements are a true testament to their continued hard work and dedication.



Stephen Young

University Treasurer

## Introduction

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

The University of Southampton has a clear mission: to change the world for the better. We do that through our remarkable world-class research, education and knowledge exchange & enterprise, and by attracting exceptional students from across the globe, empowering and developing them to realise their full potential through their journeys of discovery and learning with us. A founding member of the Russell Group of research-intensive universities, the University has a reputation for excellence, which is reflected in our consistently high international league table rankings.

The University makes a strong contribution to public benefit. It is an exceptional place whose people achieve remarkable things, some examples of which are shared below.

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

### Research

Our University is leading a new consortium for the development of responsible artificial intelligence (AI), which has been awarded £31 million by UK Research and Innovation (UKRI). The project, known as Responsible AI UK (RAI UK), will bring together experts to create an international research and innovation ecosystem to develop trustworthy and secure AI that responds to the needs of society. RAI UK will bring together experts from diverse disciplines and cultures from across the world to address the most pressing AI challenges in key sectors and ensure we all benefit from the productivity gains it promises to deliver.

The National Institute for Health and Care Research (NIHR) announced that the University would host one of eight hubs of the newly-established Research Support Service (RSS) from 1 October 2023. The hub is a collaboration between fifteen universities, local authorities and clinical trials units. The collaboration has been awarded £16.5m over five years and will provide continuing support, advice and expertise to help researchers develop and deliver efficient and impactful clinical and applied health and care research.



RAI UK will be led by Professor Al Gopal Ramchurn, School of Electronics & Computer Science

The University’s longstanding partnership with University Hospital Southampton NHS Foundation Trust has received a major funding boost. The NIHR has announced £25 million for the Southampton Biomedical Research Centre (BRC) over the next five years. The Centre has been at the forefront of nutrition and respiratory research since 2008, with major breakthroughs in deliberate allergen exposure and lifelong prevention of fractures, improving treatments and guidance for patients across the UK. This latest significant investment will enable new themes for Data Health and Society; Microbiology, Immunology and Infection; and Perioperative and Critical Care.

Our Centre for Environmental Science (ES) celebrated its 50th birthday in April. During the last 50 years, the ES team has produced over 300 peer-reviewed research publications; been active in over 40 countries; and graduated over 2,000 students and 70 PhD researchers.

This summer, the University’s ‘Bringing research to life’ roadshow has visited a variety of regional events to help researchers develop effective ways of sharing their work with the public and engaging with new audiences. The roadshow aims to provide a research showcase to engage a wide variety of audiences and connect researchers across disciplines.



Professor Hendrik Ulbricht and his team from the School of Physics & Astronomy have emerged victorious in the prestigious European Space Agency (ESA) Payload Masters competition.

### Public Benefit (continued)

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By demonstrating the feasibility of levitated optomechanics for space applications, the team have opened up a whole new world of possibilities for the space industry and scientific research. The team's achievement will be featured in an upcoming space flight on Nyx, a modular and reusable orbital vehicle.

Professor Denise Baden of Southampton Business School has challenged traditional ideas about how news should be reported, inspiring initiatives by leading media organisations such as the BBC and The Guardian. The idea that positive stories do not have the same power as catastrophic or cautionary tales has long dominated the way news is reported. However, research by Professor Baden has shown that positive stories can inspire ethical behaviour and have a strong motivational effect on society.

Professor Gareth Thomas and Dr Chris Hanley from the University's Centre for Cancer Immunology have discovered that lung cancer patients with a high proportion of myofibroblast cells have double the risk of dying from lung cancer within four years compared to patients with fewer myofibroblasts in their tumors. This indicates that new treatments that can target this particular cell could improve survival rates.

#### Honours and awards

Professor Jane Falkingham, Vice President (Engagement and International) at the University has been awarded a CBE in the King's New Year Honours in recognition for her services to demographic research. Professor Falkingham's research lies at the interface between population studies and social policy with a focus on the social policy implications of population ageing and demographic change, and what this means for the distribution of social and economic welfare.

David Owen, Professor in Politics, has been elected as a Fellow of the British Academy, in recognition of his outstanding contribution to philosophy and politics. Professor Owen joined the University of Southampton in 1995. He has made significant contributions to post-Kantian social and political philosophy, to democratic theory, and to the political ethics of refugee protection and global migration governance.

Professor Graeme Day has been awarded the prestigious 2023 Royal Society of Chemistry Corday-Morgan Prize for his pioneering work. Professor Day's research focuses on developing computational methods for modeling the organic molecular solid state, with a key focus on predicting crystal structures from first principles. His research group applies these methods to a wide range of applications, including pharmaceutical solid form screening, NMR crystallography, and computer-guided discovery of functional materials.

Professor Nicola Symonds has been named this year as one of

the Top 50 Women in Engineering in the UK by the Women's Engineering Society. Professor Symonds is Director of nC2, an engineering consultancy at the University which provides services to industry, supporting safer and more efficient products. She is a leading expert in her field, a successful enterprise builder and a champion for women and girls in STEM (Science, Technology, Engineering and Mathematics).

#### Knowledge exchange & enterprise

The University of Southampton's outstanding business and public engagement has been recognised again with the release of the second Knowledge Exchange Framework (KEF2). We had particularly strong results in 'Intellectual Property and Commercialisation', 'Working with Business', 'Working with the Public and Third Sector' and 'Public and Community Engagement', achieving the highest possible rating for all. These results place our University at or above the average in all perspectives amongst our seventeen comparator (large, research-intensive and broad-discipline) English universities.

The Rt Hon. the Lord Willetts, formally opened a new regional centre for engineering excellence at the University of Southampton Science Park in September this year. The Engineering Centre is the latest addition to the Science Park's leading portfolio of accommodation for science and technology businesses. This new facility provides specialist laboratories, workshops, office spaces and collaboration zones, designed to support a range of industrial sectors including eco-hydraulics, electronics, transport research, aerospace, energy, unmanned systems and a number of hydraulic flumes. The Centre is also home to the Future Towns Innovation Hub, a joint industry-academic venture led by our University in partnership with the Enterprise M3 Local Enterprise Partnership and Research England.

SETSquared, of which the University is a member, has celebrated its 20th anniversary. This enterprise partnership between six universities has been independently estimated to have contributed £15.7bn to the UK economy from the companies it has supported. SETSquared provides support for student and researcher enterprises, start-ups, spinouts and scale-ups to develop, grow and attract investment.

A team from the School of Geography and Environmental Science led by Malcolm Hudson have worked with local industry, the City Council and the Environment Agency on a project to clear plastic pollution from the Itchen Estuary in Southampton, especially Chessel Bay, which provides an important reserve for migratory birds. Following a successful trial with specialised vacuum devices, the project has progressed to cleaning the whole bay this year, with around four tonnes of plastic having been removed so far. The focus is now shifting to a long-term pollution prevention plan. The aim is that with collaboration and cooperation from

businesses, water companies and the local community, the Itchen Estuary can be restored to its former glory.

University academics took part in the worldwide Pint of Science festival in May, an event that brings researchers to local pubs and cafes to share their scientific discoveries with the public. Our academics ran eleven events on topics ranging from immune systems to astrophysics.

## Delivering high quality education and student experience

### Education and student experience

The University has been awarded almost £1 million to support student mobility as part of this year's Turing Scheme, a UK Government run programme to provide funding for international opportunities in education. The funding amount is over double what we received last year and will enable a broad range of activities including year and semester abroad opportunities, work placements, internships and summer schools.

The University is investing £40 million in our sport and wellbeing facilities. An extension to the Jubilee Sports Centre, which is due for completion next year, will house five sports studios and a new gym. There are also plans to upgrade a number of all-weather pitches and install energy efficient lighting and for a remodelling of our water sports provision.

*"I am excited for when the Centre is completed as I know it will hugely enhance the student experience and is key to achieving our Sport Strategy goals to help more students live an active lifestyle."*

Casie Osborne, Vice President Sports at the University of Southampton Students' Union,

The School of Education's initial teacher training programmes have been recognised as outstanding by OfSTED. The report provides testimony to the high professional standards of our academic and professional service staff as well as our school partners and mentors. One of our students quoted in the report captured the ethos the School strives for: "The culture of teacher training is of kindness and care, as well as pushing us to be the best teachers we can be."



The awards ceremony for the first ever Student Experience Awards took place in June. This event recognises, rewards, and celebrates students who go above and beyond their academic studies to contribute to our cultures and values.

### Widening participation and outreach

The University has partnered with the Cowrie Scholarship Foundation (CSF), which aims to raise hundreds of thousands of pounds to provide scholarships for disadvantaged black British students. The Foundation's mission is to fund 100 disadvantaged black British students through leading UK universities. The University of Southampton is supporting CSF by providing a full scholarship for one student per year over a ten-year period to study an undergraduate programme of their choice. In addition, the University has launched the Black Futures Scheme offering full funding for postgraduate research programmes.

In the 2022/23 academic year and in recognition of the increasing impact of cost of living on our students the University of Southampton increased financial support by 100% offering over £1.1 million for students in financial difficulty through our Student Support Fund, the Technology Grant, our Health and Wellbeing Fund and a Commuter Fund. This funding allowed students to access essential equipment for their studies, covered medical and additional heating costs for students and ensured students were able to attend lectures and study sessions on campus. In total 2,089 payments were made to students across the academic year.

We returned to significant levels of face to face delivery on campus and in schools and colleges, both in the region and on a national basis, supplementing this with virtual delivery to provide support to a wider group of young people across the UK. In addition, we increased our activity with year 5 – 7 pupils in Southampton through the development of our Reading Buddies programme, working with hundreds of pupils across the city and contributing to an increased reading age for the majority of pupils who undertook the programme. This programme will continue to be expanded into the 2023/24 academic year.

## Building sustainable inclusive communities through partnership working

### Creating an inclusive University community

In February, Pascal Matthias took up post as the University's first Associate Vice-President for Equality, Diversity and Inclusion (EDI) and Social Justice. Reporting directly to the Vice-Chancellor, he is responsible for working with the University's senior leadership team to develop individual and collective leadership of EDI and to act as a driving force in establishing and promoting routes for minority voices to contribute to the achievement of our EDI ambitions.

### Public Benefit (continued)

In March, the annual Southampton Stonewall Lecture focused on 'LGBTQ in a Time of War: The Queer History of the Russian-Ukrainian Conflict' and was open to all staff and students. The annual Southampton Stonewall Lecture explores the rich heritage that is lesbian, gay, bisexual, transgender and queer (LGBTQ) history. It has been organised since 2012 by Professor Mark Cornwall from the History Department to showcase the latest cutting-edge historical research on this theme.



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

### Social impact

In June, the University ran a Social Mobility Festival to help raise awareness of social mobility issues. The festival was an opportunity to shine a light on topical social mobility matters and celebrate working class culture, with student and staff lived experiences at its core.

Research Impact Events in 2022/23, run by the Centre for Homelessness Research and Practice (CHRP), have provided space for researchers from the University to collaborate with practitioners and experts by experience to design and deliver real world impact from research. The first event, in Southampton, invited a wide range of people to explore what homelessness research might look like and how to increase its impact.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our workplace policies and procedures demonstrate

our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

### Community engagement

The second largest employer in the region, the University provides employment opportunities to over 6,000 people; and is home to more than 24,000 students from over 130 countries.

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

The University signed a new Civic Agreement in March with five local authority partners. This initiative, that is led by the University, aims to improve the quality of life for people in the city and surrounding areas by connecting communities through culture, education and enterprise. Vice-Chancellor Professor Mark E Smith said: "We support a huge range of activities in Southampton and Winchester as well as the wider region, from our substantial contribution to the arts and culture in the region, to outreach by our academics and support for local groups. Our research, education, alumni and outlook are global, but we are rooted in our community."

In April, the University was proud to act as Culture partner for the annual Southampton marathon. The University's John Hansard Gallery in the city centre served as the race headquarters and the route included a section that wound through the Highfield campus.

### Culture and events

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

During this year, JHG presented 13 exhibitions including their keynote exhibition *Tangled Hierarchy* curated by Jitish Kallat. *Tangled Hierarchy* centred on a collection of five humble yet remarkable used envelopes addressed to Mahatma Gandhi that came from the Mountbatten Archive at the University of Southampton. Following the huge success of *Tangled Hierarchy*

at JHG, it toured to India and was presented as part of the Kochi-Muziris Biennale 2022 in partnership with the Kiran Nadar Museum of Art.

In February 2023, JHG launched *Co-Creating Public Space*, a nationally significant project which invites communities from Southampton to work with artists to develop major art commissions. *Co-Creating Public Space*, which runs for two years, will see JHG and a range of city-wide partners working with local and international artists in partnership with community groups and organisations.

As part of *Co-Creating Public Space* and to coincide with Chinese New Year 2023, JHG hosted *Portraits In a Chinese Studio* by artist Grace Lau. Lau recreated a 19th-century Chinese portrait studio in a vacant shopping unit in the Marlands Shopping Centre, Southampton. Members of the public and passers-by were invited to sit for free photographic portraits. Over 17 days, 640 portraits were taken, engaging 1,478 participants.

In total, JHG welcomed 68,925 visitors to the building and reached an estimated audience in the public realm of over 1.5 million. Alongside their public exhibition programme, JHG welcomed 563 members of the public to 46 free family friendly Space to Create! workshops.



Space to Create!, John Hansard Gallery

Turner Sims Southampton (TS) is the University of Southampton's music venue, with big ambitions to build an inclusive world through the joy of live music. Its vision is communities connected locally and globally through the joy of live music. TS shares live music that connects, moves and inspires people through extraordinary experiences in the venue and beyond. TS delivered 114 live performances and 19 free events. A diverse and international range of classical, jazz, folk and global

music artists performed on its stage, alongside emerging talent from local community and student music societies.

TS presented four free School concerts, in partnership with Southampton Music Hub, giving 655 pupils from Southampton Schools access to live music. Artists included The Third Orchestra, South African pianist Nduduzo Makhathini and his band, RKDIA and Svaneborg Kardyb as part of JazzDanmark. The Complete Concert Project, in partnership with Hampshire Music Hub, involved 176 school pupils from two primary schools. The students participated in three workshops each, and experienced live Jazz performances both in school and at TS with musicians Alex Hitchcock, Joe Downward, Myele Manzana and Deschanel Gordon.

*'When it was finished, we were buzzing and must have clapped so hard that our hands nearly fell off.'*

Year 6 pupil attending a Schools Concert

In July, TS presented a free Summer Family Day, filling the venue and the grounds of Highfield Campus with music, performances and workshops. 19 artists took part and 1,200 people attended, many for the first time. A high proportion of local families came from SO16 and SO17 postcodes, achieving our ambition of reaching 'hyperlocal communities'.



Turner Sims Family Day

TS is building relationships with local communities. During 2022/23 it offered free tickets to charities and organisations who work with local people who may experience barriers to accessing live music and/or an arts venue. In partnership with local charity CLEAR, who support refugees and asylum seekers in Southampton, TS gave 50 people free tickets across two concerts.

### Public Benefit (continued)

In July, TS hosted 'Love Letters [with AI]', an event in which contemporary works were performed which had been created with LovelaceGPT, a new AI text generation model developed by a University of Southampton research team including composer Benjamin Oliver, literature professor Will May and AI expert Shoaib Jameel.



*Love Letters [with AI]: July 2023*

In addition to our cultural venues, the University is committed to supporting regional cultural development, as part of its Civic University Agreement.

Southampton Arts and Humanities Festival ran from 10th to 19th November 2022. This free public event is the University's annual celebration of humanities and the arts. A hybrid programme of online and in-person events was provided, exploring research performed at the University. The festival concluded with a

Hands-on Humanities day at the Avenue Campus. This family-friendly event included interactive activities, workshops, talks, exhibitions and live performances.

Since 2020, the University has led and hosted the Southampton Cultural Education Partnership (SCEP), a consortium of cultural and heritage organisations and individuals dedicated to nurturing creative education for all young people in the City. In 2022/23, SCEP delivered the Better Lives Through Culture project with four schools, 325 students, 49 teachers and 10 artists. The project, supported by funding from Artsworld and Arts Council England, resulted in four co-constructed schemes of work and a new cohort of trained creative mentors, with 130 pupils achieving Arts Award Discover.

The University also lead the Connecting Culture Research Project, with a large consortium of cultural organisations and child-focused services. The project explores how Southampton's thriving Cultural Quarter could enrich the lives of children and young people as a future creative hub. Following extensive consultation with local young people a free, inclusive festival was held in June called 'What's Next Southampton?'. The event, designed for children, young people and families encompassed music, art, theatre and fashion, and achieved very positive feedback. It involved 20 cultural partners and attracted over 2,500 visitors.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the University to publish information on trade union facility time annually and the table of data for the reporting period 1 April 2022 to 31 March 2023 can be found on our website at [www.southampton.ac.uk/hr/services/tus/index.page](http://www.southampton.ac.uk/hr/services/tus/index.page).

Our vision is that by 2030, sustainability will be a part of everything the University of Southampton does: our individual behaviours, how we work together, and how we make decisions for the future. This is critical to achieving our mission of changing the world for the better.

By 2030 we want to have achieved our target of net zero for Scope 1 and 2 emissions, have substantially reduced our Scope 3 emissions and have embedded sustainability into our teaching, learning, research, and professional services operations. Our Sustainability Strategic Plan focuses on six key goals:

→ **Goal 1**

Achieve net zero emissions for Scope 1 and Scope 2 by 2030

→ **Goal 2**

Measure our total emissions footprint and set targets for Scope 3 emissions reductions

→ **Goal 3**

Set a business travel emissions reduction target and implement an action plan

→ **Goal 4**

Ensure that sustainability is a part of every University education programme by 2025

→ **Goal 5**

Make sustainability a cornerstone of UoS' research and societal impact

→ **Goal 6**

Implement a sustainable and ethical investment policy

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

- We have developed a pathway towards significantly reducing our main sources of remaining Scope 1 emissions and are moving towards embedding carbon appraisal in all major development projects.
- Targets have been set for all Scope 3 emission reductions, including business travel which will be included in our future Travel Plan refresh, with the ultimate aim of achieving net zero by 2045.
- We launched a university-wide sustainability module that can be selected by students regardless of their degree.
- A new Sustainability and Resilience Institute has been established to catalyse a step change in our research activity and impact in this area.
- We have migrated our investments to align with our new treasury management policy which has a focus on sustainable and ethical investment in accordance with the Paris Aligned Investment Initiative and the Sustainable Finance Disclosure Regulation.

**Definitions:**

**Scope 1:** Direct emissions that the University controls, mainly from fuel combustion on site (e.g. operational vehicles, or gas boilers).

**Scope 2:** Indirect emissions from electricity, steam or hot water purchased and used by the University.

**Scope 3:** Indirect emissions from sources the University does not own or control. This includes emissions associated with travel, procurement, and waste and water.

### Corporate Governance

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#### Corporate Governance

The following corporate governance statement provides information about the University's governance, management and legal structure during the year ended 31 July 2023 and up to the date of signing of these Financial Statements.

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#### Legal status of the University

The University of Southampton is a chartered corporation established by Royal Charter in 1952.

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

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#### Governance

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

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

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

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

**Senate** is the University's main academic authority, and its responsibilities include (subject to Council approval where

necessary) the direction and regulation of education and examinations, the award of degrees, and the promotion of research.

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

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

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

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

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

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

**Estates & Infrastructure Committee** provides governance oversight and advice to Council concerning major capital and

associated projects, and on long term strategy for infrastructure and assets.

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

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

In September 2022 Halpin Partnership were commissioned to conduct an independent governance effectiveness review of the University Council. The review concluded that governance arrangements at the University were good, with some areas demonstrating leading edge practice. A number of recommendations and suggestions were made for further improvement, many of which the University is acting on.

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

<http://www.southampton.ac.uk/about/governance/council.page>

### President and Vice-Chancellor

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

### Statement of Internal Control

Council is responsible for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, whilst safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to understand and manage rather than eliminate the risk of failure to achieve

policies, aims and objectives; it can therefore provide only a reasonable, but not absolute, assurance against financial misstatement or loss.

The internal control system has been in place for the year ended 31 July 2023 and up to the date of approval of the financial statements, and accords with Office for Students guidance.

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

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

The system of internal control is supplemented by an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks and the likelihood and impact of those risks becoming a reality; and to manage them efficiently, effectively and economically.

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

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

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

## Corporate Governance (continued)

and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

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

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

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the 'Statement of Recommended Practice (SORP): Accounting for Further and Higher Education' and other relevant accounting and financial reporting standards. In addition, within the 'Terms and conditions of funding for higher education institutions' between the Office for Students and the Council of the University, Council, through the President and Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent; and

- applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Council has taken reasonable steps to:

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

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

### Members of the Council

There are five classes of Council membership.

Class 1: Officers

Class 2: Lay members appointed by the Council

Class 3: Academic members of staff

Class 4: Non-academic member of staff

Class 5: Representatives of the Students' Union

Membership for the period 1 August 2022 – 22 November 2023

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 22 Nov 2023	Attendance Aug 2022 – Jul 2023	Membership of other Committees of Council (including joint committees)
Mr P D Greenish	Class 1 Chair	August 2018	July 2024	7/7	The Chair of Council is, where they choose, an ex-officio member of all Council committees with the exception of the Audit Committee.
Dame J Macgregor	Class 1 Vice-Chair	August 2018	July 2024	7/7	Remuneration Committee Nominations Committee Pensions Committee

## Corporate Governance (continued)

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 22 Nov 2023	Attendance Aug 2022 – Jul 2023	Membership of other Committees of Council (including joint committees)
Mr S Young	Class 1 Treasurer	August 2021	July 2024	4/7	Remuneration Committee Finance Committee Pensions Committee Investments Committee
Professor M E Smith	Class 1 President and Vice-Chancellor	October 2019		7/7	The President & Vice Chancellor is, where they choose, an ex-officio member of all Council committees with the exception of the Audit Committee. In addition, the President & Vice Chancellor is not a member of the Remuneration Committee.
Professor P Wright	Class 1 Senior Vice President	August 2021		7/7	Nominations Committee Estates & Infrastructure Committee
Ms F Barnes	Class 2	November 2016	July 2025	7/7	Finance Committee Nominations Committee Investments Committee
Mr W Shannon	Class 2	July 2015	July 2024	2/7	Finance Committee Estates & Infrastructure Committee
Dr A Vincent	Class 2	August 2017	July 2026	2/7	Remuneration Committee
Ms H Pawlby	Class 2	August 2017	July 2026	6/7	Estates & Infrastructure Committee
Dame M Atkins	Class 2	March 2019	July 2025	6/7	Estates & Infrastructure Committee
Baroness S Verma	Class 2	August 2021	December 2022	0/3	
Mr A Thakur	Class 2	August 2021	July 2024	7/7	Audit Committee
Mr R Gledhill	Class 2	August 2022	July 2025	7/7	Audit Committee
Ms J Douglas-Todd	Class 2	August 2022	July 2025	6/7	Remuneration Committee
Lord Willetts	Class 2	August 2023	July 2026	0/0	
Professor J Holloway	Class 3	August 2018	July 2024	7/7	Nominations Committee
Dr V Cardo	Class 3	October 2020	July 2026	7/7	
Professor m.c. Schraefel	Class 3	August 2021	July 2024	7/7	
Dr K Vithana	Class 3	August 2021	July 2024	7/7	
Mr A Whitmore	Class 4	August 2020	December 2022	3/3	Estates & Infrastructure Committee
Mr B Siran	Class 4	May 2023	July 2026	1/1	Estates & Infrastructure Committee
Mr O Murray	Class 5	July 2022	June 2023	6/6	Nominations Committee Estates & Infrastructure Committee
Mr E Brooker	Class 5	July 2023	June 2024	1/1	Nominations Committee Estates & Infrastructure Committee

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Report on the audit of the financial statements

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## 1. Opinion

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

- **give a true and fair view of the state of the Group's and University's affairs as at 31 July 2023 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.**

We have audited the financial statements which comprise:

- the consolidated and University statement of comprehensive income and expenditure;
- the consolidated and University statement of changes in reserves;
- the consolidated and University balance sheet;
- the consolidated statement of cash flows;
- the statement of accounting policies;
- the related notes 1 to 34; and
- supplementary schedule for the US Department of Education, being required by reference to University of Southampton accepting students under the US Department of Education student financial assistance programs.

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

## 2. Basis for opinion

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

We are independent of the Group and the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the University.

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

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


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**3. Summary of our audit approach**

<b>Key audit matters</b>	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> <li>Accounting for major capital projects; and</li> <li>Valuation of the Universities Superannuation Scheme (USS) deficit.</li> </ul>
<b>Materiality</b>	The materiality that we used for the Group financial statements was £11.9m which was determined on the basis of 1.65% of total income.
<b>Scoping</b>	Our full scope audit covered 99% of group income, 91% of group net assets and 100% of group surplus before tax.
<b>Significant changes in our approach</b>	There are no significant changes in our audit approach this year.

**4. Conclusions relating to going concern**

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

Our evaluation of the Council's assessment of the Group's and University's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the forecasting process through enquiries with management and inspection of the forecasts;
- evaluating the reasonableness of the detailed assumptions underpinning the Group's forecasts taking into consideration the current economic environment;
- evaluating the University's financial position including the size and liquidity of its investment portfolio;
- assessing forecasting accuracy including the historical accuracy of forecasts against previous performance and comparing post year end performance to forecast;
- evaluating the forecast loan covenant compliance and the amount of headroom thereon; and
- assessing the appropriateness of the associated disclosures in the financial statements.

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

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

**5. Key audit matters**

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

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

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

5.1. Accounting for major capital projects 

**Key audit matter description**

The Group recognised a total of £42.7m (2022: £37m) of additions to assets under construction in the year ended 31 July 2023, as disclosed in note 16 to the financial statements. These additions predominantly relate to new academic facilities and infrastructure improvements.

Judgement is applied in determining whether expenditure is capital in nature under the definitions of capital spend within FRS 102 or should be expensed. This judgement gives rise to the potential for manipulation and bias, which could result in a material misstatement in the financial statements. Therefore, we consider this to be a risk of material misstatement due to fraud.

Details of the accounting policies applied are set out in the statement of accounting policies note 1j.

**How the scope of our audit responded to the key audit matter**

To address the risk that accounting for major capital projects is not appropriate, our procedures included:

- Obtaining an understanding of management's process and the relevant controls over the capitalisation of major capital projects that may impact the classification and validity of additions;
- Assessing the appropriateness of management's accounting policy and the application of that policy;
- Held discussions with Management to gain a thorough understanding of projects with significant expenditure in the year, and the current status of key projects; and
- Testing a sample of additions to assets under construction to supporting documentation and physical verification and assessing management's judgement that these specific additions represented capital items.

**Key observations**

Based on the work performed, we are satisfied that accounting for major capital projects is appropriate.

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

**Key audit matter description**

The audit of the pension scheme obligations requires the assessment of significant estimates made by the University and takes a significant amount of audit effort. For these reasons we identified this area as a key audit matter.

The USS scheme is a multi-employer scheme with a large deficit in the 2020 valuation, the most recent valuation in effect at the balance sheet date. The latest recovery plan includes deficit contributions, which must be accounted for similarly to an onerous contract, with a liability recognised for the net present value of the future deficit payments. The pension obligation for the USS pension deficit recovery plan (note 24) has decreased from £214m at 31 July 2022 to £189.7m at 31 July 2023.

Consistent with the previous year, the macroeconomic environment makes the provision sensitive to changes in assumptions, and there continues to be a greater degree of uncertainty associated to key assumptions, in particular the pay rise, staff number growth and discount rate assumptions due to the current high levels of inflation and resultant cost of living crisis. We have therefore identified these assumptions as a significant audit risk of material misstatement due to potential error. The provision is estimated by the University based on the guidance and models provided by the British Universities Finance Directors' Group (BUFDG).

Details of the accounting policies applied are set out in the statement of accounting policies note 1g; the valuation of the pension scheme liabilities are a key source of estimation uncertainty as set out in note 2. The valuation of the USS deficit is discussed in the strategic report on page 6 and is defined as a major financial risk on page 11.

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

<b>How the scope of our audit responded to the key audit matter</b>	<p>To address the risk that the pension scheme liabilities are inappropriately valued, our procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of management's process and the relevant controls over the determination of the significant assumptions used in calculating the liability for the USS scheme;</li> <li>• Performing detailed sensitivity analysis to assess the impact of key assumptions;</li> <li>• With the involvement of our actuarial specialists, we assessed the actuarial assumptions adopted by the Group in valuing the USS deficit contributions;</li> <li>• In respect of the USS model, testing the mechanical accuracy of the model applied and evaluating the methodology and rationale for the adjustments made to the model to reflect the University's specific circumstances;</li> <li>• Specific to the significant risk identified on the assumptions in the USS pension obligation model, assessing the reasonableness of management's estimates, including examining the accuracy of past estimates, considering the consistency of these estimates with other forecasts, plans within the University and the latest pay negotiation outcomes, and performing benchmarking procedures comparing management's estimate to external inflation forecasts; and</li> <li>• Considering the appropriateness of the Group's disclosures, in particular with reference to the requirements relating to estimation uncertainty.</li> </ul>
<b>Key observations</b>	Based on the work performed we are satisfied that the valuation of the USS deficit is reasonable.

## 6. Our application of materiality

### 6.1. Materiality

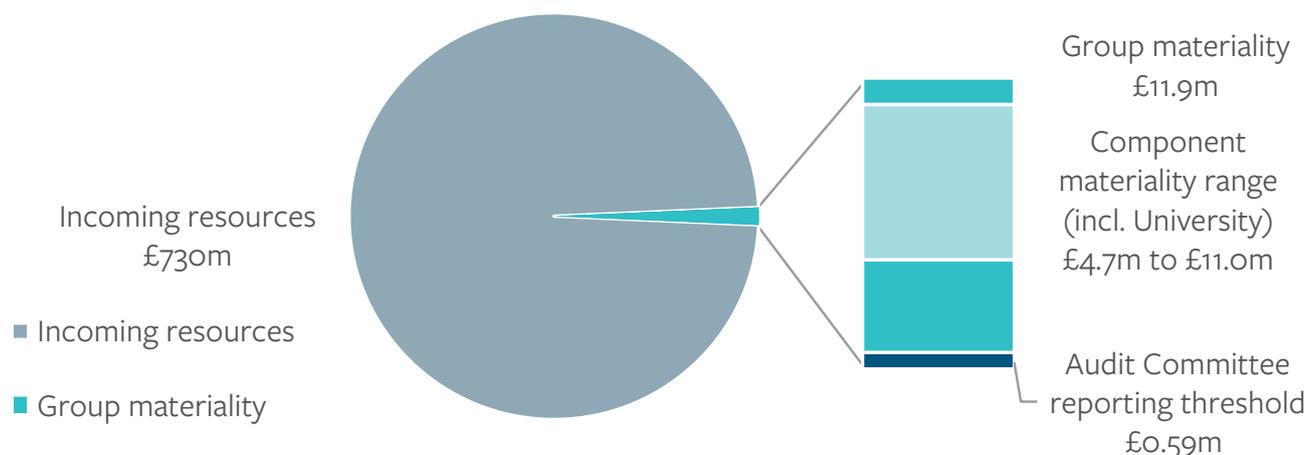
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

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

	Group financial statements	University financial statements
<b>Materiality</b>	£11.9m (2022: £11.0m)	£11.0m (2022: £10m)
<b>Basis for determining materiality</b>	1.65% of total income (2022: 1.65% of total income)	University materiality equates to 1.65% of total income (2022: 1.65% of total income), which represents 95.0% of Group materiality (2022: 94.3%)
<b>Rationale for the benchmark applied</b>	We continue to use total income as the benchmark for determining materiality as we deem this reflects the underlying performance of the Group and University and is a key metric for users of the financial statements.	

The amounts disclosed in note 10, Expenditure on access and participation activities, has been audited to a lower materiality of £0.59m (2022: 0.55m). This is due to the importance of this information to the regulator, the Office for Students, as a key user of the financial statements. This lower materiality was determined on the basis of 5% (2022: 5%) of the total expenditure £9.4m disclosed in note 14 (2022: £9.0m). No other account balances, classes of transactions or disclosures have been audited to a materiality lower than that for the financial statements as a whole.

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



**6.2 Performance materiality**

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

	Group financial statements	University financial statements
<b>Performance materiality</b>	65% (2022: 65%) of Group materiality	65% (2022: 65%) of University materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> <li>● risk assessment procedures, including our assessment of the quality of the control environment;</li> <li>● management’s willingness to investigate and correct misstatements identified in the audit;</li> <li>● the nature, volume and size of misstatements corrected and/or uncorrected in the previous audit;</li> <li>● lack of any significant changes in the entity and sector; and</li> <li>● the level of turnover of management and key accounting personnel.</li> </ul>	

**6.3. Error reporting threshold**

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.59m (2022: £0.55m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

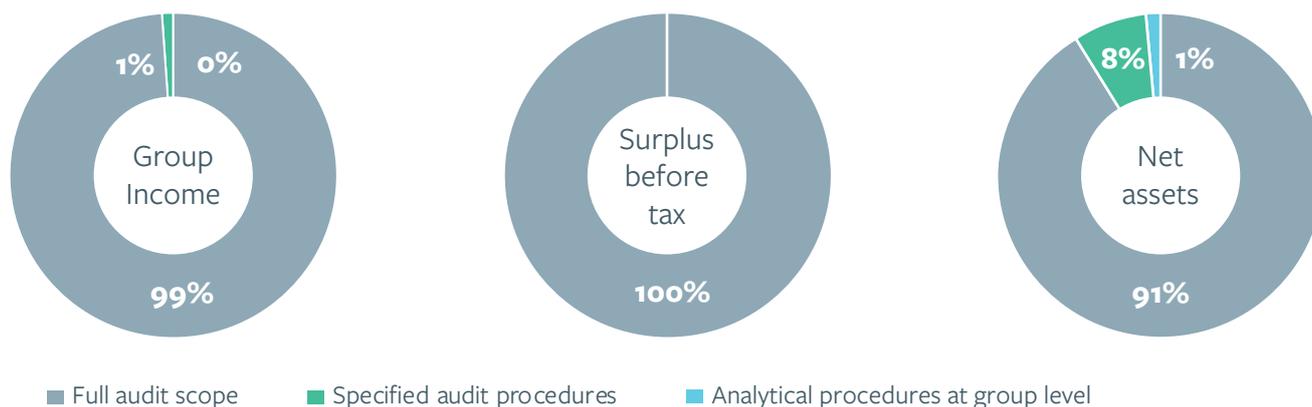
**7.1. Identification and scoping of components**

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risk of material misstatement at the Group level. The university has eight subsidiary companies which form part of the consolidation, including subsidiaries based in Malaysia and Singapore. All subsidiaries are wholly owned by the university. All audit work on subsidiaries was performed directly by the group engagement team. At the Group level, we also tested the consolidation process. A full scope audit was performed on the University covering 99% of the Group’s total income (2022: 99%), 91% of the Group’s total net assets (2022: 91%) and 100% of the surplus before tax (2022: 96% of the deficit before tax) by the Group audit team. There have been no significant changes in our scoping compared to prior year.

The scope of our audit is summarised in the table below.

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

Component	Component Materiality	Scope
University of Southampton	£11.0m (2022: £10.0m)	Full scope audit.
University of Southampton Science Park	£4.7m (2022: £4.2m)	Audit of account balances, specifically the investment properties and non-current liabilities (borrowings).
Other non-dormant subsidiaries	n/a (2022: n/a)	Analytical procedures at group level.



**7.2. Our consideration of the control environment**

We have identified two key IT systems relevant to the audit: Agresso, which is the entity’s general ledger system and Banner, which is the entity’s student system. We involved our IT specialists to obtain an understanding of the IT environment and general IT controls within the underlying systems.

Our controls approach focussed on obtaining an understanding of relevant controls relating to accounting for major capital projects, the USS estimates, student fee income and financial reporting.

We did not rely on the controls and note the Audit Committee’s discussion of the controls environment in their report commencing page 21.

**7.3. Our consideration of climate-related risks**

In planning our audit, we have considered management’s sustainability strategy as outlined on page 19 and the potential impact of future plans on the Group’s financial statements.

As part of our audit, we have held discussions with management to understand and evaluate their process for assessing the impact of climate change on the Group and its financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact and is developing a formal risk assessment.

We have read the disclosures made in relation to climate change in the other information within the Annual Report on page 19 to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

**8. Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Council is responsible for the other information contained within the annual report.

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

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

**We have nothing to report in this regard.**

### **9. Responsibilities of the Council**

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

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

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

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

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

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

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

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

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

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: accounting for major capital projects. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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


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We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Higher Education Act, Office for Students Regulatory Advice 9: Accounts Direction and the relevant provisions of the code of financial regulations relating to the supplemental schedule.

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

**11.2. Audit response to risks identified**

As a result of performing the above, we identified accounting for major capital projects as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

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

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

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**Report on other legal and regulatory requirements**


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

In our opinion, in all material respects:

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

**13. Matters on which we are required to report by exception**
**13.1. Matters required under the OfS Accounts Direction**

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

- the provider's grant and fee income, as disclosed in the note 3a to the accounts, has been materially misstated; or
- the provider's expenditure on access and participation activities for the financial year, as disclosed in note 10 to the accounts, has been materially misstated.

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

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

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**14. Other matters which we are required to address**

**14.1. Auditor tenure**

Following the recommendation of the Audit Committee, we were re-appointed by the Council in December 2022 to audit the financial statements for the year ending 31 July 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 July 2018 to 31 July 2023.

**14.2. Consistency of the audit report with the additional report to the Audit Committee**

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

**15. Use of our report**

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



Claire Siviter FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom  
7 December 2023

## Consolidated and University Statement of Comprehensive Income year ended 31 July 2023

	Notes	Consolidated		University	
		2023	2022	2023	2022
		£000	£000	£000	£000
<b>Income</b>					
Tuition fees and education contracts	3/5	<b>361,632</b>	326,114	<b>358,940</b>	323,753
Funding body grants	4/5	<b>91,494</b>	83,021	<b>91,494</b>	83,021
Research grants and contracts	6	<b>122,529</b>	114,715	<b>122,135</b>	113,982
Other income	7	<b>137,350</b>	140,094	<b>132,863</b>	137,217
Investment income	8	<b>13,591</b>	6,008	<b>13,500</b>	5,986
Donations and endowments	9	<b>3,448</b>	2,879	<b>3,448</b>	2,879
<b>Total income</b>		<b>730,044</b>	672,831	<b>722,380</b>	666,838
<b>Expenditure</b>					
Staff costs excluding movements in the USS deficit funding accrual	10	<b>364,200</b>	341,387	<b>360,865</b>	338,561
(Decrease)/increase in the USS deficit funding accrual accounted for within staffing costs	10	<b>(31,781)</b>	141,063	<b>(31,781)</b>	141,063
Staff costs	10	<b>332,419</b>	482,450	<b>329,084</b>	479,624
Other operating expenses	11/13	<b>256,653</b>	206,898	<b>248,000</b>	206,106
Depreciation and amortisation	13	<b>32,020</b>	31,422	<b>31,142</b>	30,941
Interest and other finance costs	12	<b>23,134</b>	17,053	<b>23,109</b>	17,026
<b>Total expenditure</b>		<b>644,226</b>	737,823	<b>631,335</b>	733,697
<b>Surplus/(deficit) before other gains/losses</b>		<b>85,818</b>	(64,992)	<b>91,045</b>	(66,859)
Loss on investments		<b>(3,362)</b>	(10,217)	<b>(2,508)</b>	(5,543)
Loss on disposal of fixed assets		<b>(1,110)</b>	(3,534)	<b>(1,110)</b>	(3,524)
Share of operating (loss)/surplus in associate		<b>(122)</b>	33	-	-
<b>Surplus/(deficit) before tax</b>		<b>81,224</b>	(78,710)	<b>87,427</b>	(75,926)
Taxation	15	<b>1,727</b>	1,356	-	-
<b>Surplus/(deficit) for the year after tax</b>		<b>82,951</b>	(77,354)	<b>87,427</b>	(75,926)
Surplus/(deficit) attributable to the University		<b>82,951</b>	(77,354)	<b>87,427</b>	(75,926)

## University of Southampton and Subsidiary Undertakings

### Consolidated and University Statement of Comprehensive Income year ended 31 July 2023 (continued)

	Notes	Consolidated		University	
		2023	2022	2023	2022
		£000	£000	£000	£000
<b>Surplus/(deficit) for the year after tax</b>		<b>82,951</b>	(77,354)	<b>87,427</b>	(75,926)
<b>Other comprehensive income</b>					
Actuarial (loss)/gain in respect of pension schemes	31	<b>(5,080)</b>	161,795	<b>(5,080)</b>	161,795
<b>Total comprehensive income for the year</b>		<b>77,871</b>	84,441	<b>82,347</b>	85,869
<b>Represented by :</b>					
Endowment expenditure for the year		<b>(913)</b>	(2,065)	<b>(913)</b>	(2,065)
Restricted comprehensive expenditure for the year		<b>(315)</b>	(619)	<b>(315)</b>	(619)
Unrestricted comprehensive income for the year		<b>79,099</b>	87,125	<b>83,575</b>	88,553
		<b>77,871</b>	84,441	<b>82,347</b>	85,869

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

## Consolidated and University Statement of Financial Position as at 31 July 2023

	Notes	Consolidated		University	
		As at	As at	As at	As at
		31 July 2023	31 July 2022	31 July 2023	31 July 2022
		£000	£000	£000	£000
<b>Non-current assets</b>					
Fixed assets	16	<b>766,955</b>	754,165	<b>708,784</b>	695,553
Heritage assets	16	<b>6,035</b>	6,035	<b>6,035</b>	6,035
Intangible assets	17	<b>1,826</b>	910	<b>1,826</b>	910
Investments	18	<b>1,710</b>	10,056	<b>45,406</b>	47,778
Share of net assets of associate	19	<b>130</b>	252	-	-
		<b>776,656</b>	771,418	<b>762,051</b>	750,276
<b>Current assets</b>					
Stock		<b>1,455</b>	1,363	<b>1,449</b>	1,345
Trade and other receivables	20	<b>72,030</b>	68,815	<b>70,153</b>	66,375
Investments	21	<b>557,501</b>	400,626	<b>557,501</b>	400,626
Cash and cash equivalents		<b>103,668</b>	212,618	<b>96,154</b>	202,900
		<b>734,654</b>	683,422	<b>725,257</b>	671,246
<b>Creditors: amounts falling due within one year</b>	22	<b>(196,540)</b>	(197,997)	<b>(193,617)</b>	(191,724)
<b>Net current assets</b>		<b>538,114</b>	485,425	<b>531,640</b>	479,522
<b>Total assets less current liabilities</b>		<b>1,314,770</b>	1,256,843	<b>1,293,691</b>	1,229,798
<b>Creditors: amounts falling due after more than one year</b>	23	<b>(403,888)</b>	(404,916)	<b>(401,828)</b>	(402,956)
<b>Provisions</b>					
Pension provisions	24	<b>(212,210)</b>	(229,536)	<b>(212,210)</b>	(229,536)
Other provisions	24	<b>(1,277)</b>	(2,867)	-	-
<b>Total net assets</b>		<b>697,395</b>	619,524	<b>679,653</b>	597,306
Represented by :					
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	25	<b>11,909</b>	12,822	<b>11,909</b>	12,822
Income and expenditure reserve - restricted reserve	26	<b>4,242</b>	4,557	<b>4,242</b>	4,557
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		<b>681,244</b>	602,145	<b>663,502</b>	579,927
<b>Total reserves</b>		<b>697,395</b>	619,524	<b>679,653</b>	597,306

The financial statements were approved by the Council on 22 November 2023, and signed on its behalf by:



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



**Philip Greenish**  
Chair of Council



**Julie Fielder**  
Executive Director, Finance and Planning (Interim)

**Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2023**

**Consolidated**

**Income and Expenditure Reserve**

	Notes	Endowment £000	Restricted £000	Unrestricted £000	Total £000	Non- Controlling Interest £000	Attributable to the University £000
<b>Balance at 1 August 2021</b>		<b>14,887</b>	<b>5,176</b>	<b>515,020</b>	<b>535,083</b>	<b>1,500</b>	<b>533,583</b>
Deficit from the Statement of Comprehensive Income		(2,065)	(619)	(74,670)	(77,354)	-	(77,354)
Other comprehensive income	31	-	-	161,795	161,795	-	161,795
Transfer of non-controlling interest		-	-	-	-	(1,500)	1,500
<b>Total comprehensive (expenditure) / income for the year</b>		<b>(2,065)</b>	<b>(619)</b>	<b>87,125</b>	<b>84,441</b>	<b>(1,500)</b>	<b>85,941</b>
<b>Balance at 1 August 2022</b>		<b>12,822</b>	<b>4,557</b>	<b>602,145</b>	<b>619,524</b>	<b>-</b>	<b>619,524</b>
(Deficit)/surplus from the Statement of Comprehensive Income		(913)	(315)	84,179	82,951	-	82,951
Other comprehensive expenditure	31	-	-	(5,080)	(5,080)	-	(5,080)
<b>Total comprehensive (expenditure) / income for the year</b>		<b>(913)</b>	<b>(315)</b>	<b>79,099</b>	<b>77,871</b>	<b>-</b>	<b>77,871</b>
<b>Balance at 31 July 2023</b>		<b>11,909</b>	<b>4,242</b>	<b>681,244</b>	<b>697,395</b>	<b>-</b>	<b>697,395</b>

## Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2023 (continued)

## University

	Notes	Income and Expenditure Reserve			
		Endowment	Restricted	Unrestricted	Total
		£000	£000	£000	£000
<b>Balance at 1 August 2021</b>		<b>14,887</b>	<b>5,176</b>	<b>491,374</b>	<b>511,437</b>
Deficit from the Statement of Comprehensive Income		(2,065)	(619)	(73,242)	(75,926)
Other comprehensive income	31	-	-	161,795	161,795
<b>Total comprehensive (expenditure)/income for the year</b>		<b>(2,065)</b>	<b>(619)</b>	<b>88,553</b>	<b>85,869</b>
<b>Balance at 1 August 2022</b>		<b>12,822</b>	<b>4,557</b>	<b>579,927</b>	<b>597,306</b>
(Deficit)/surplus from the Statement of Comprehensive Income		(913)	(315)	88,655	87,427
Other comprehensive income	31	-	-	(5,080)	(5,080)
<b>Total comprehensive (expenditure)/income for the year</b>		<b>(913)</b>	<b>(315)</b>	<b>83,575</b>	<b>82,347</b>
<b>Balance at 31 July 2023</b>		<b>11,909</b>	<b>4,242</b>	<b>663,502</b>	<b>679,653</b>

**Consolidated Statement of Cash Flows for the year ended 31 July 2023**

	31 July 2023	31 July 2022
	£000	£000
<b>Cash flow from operating activities before tax</b>		
Surplus/(deficit) before taxation	81,224	(78,710)
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	32,020	31,422
Loss on investments	3,362	9,917
Impairment of investments	-	300
Impairment of fixed assets	293	32
Increase in stock	(92)	(428)
(Increase)/decrease in trade and other receivables	(2,771)	2,131
Increase in creditors	647	512
(Decrease)/increase in pension provision	(22,406)	121,602
Decrease in other provisions	(1,590)	(940)
Exchange rate (gain)/loss on loans	(1,029)	852
Loss/(gain) on revaluation of investment property	7,948	(2,843)
Gain on financial instruments	(12)	(53)
Share of operating deficit/(surplus) in associate	122	(33)
<b>Adjustment for investing or financing activities</b>		
Investment income	(13,591)	(6,008)
New endowments	-	(2)
Capital grant income	(8,439)	(4,884)
Interest payable	14,591	14,444
Loss on the disposal/write down of fixed assets	460	729
<b>Net cash inflow from operating activities before taxation</b>	<b>90,737</b>	88,040
<b>Taxation</b>	<b>1,727</b>	1,356
<b>Net cash inflow from operating activities after taxation</b>	<b>92,464</b>	89,396

## Consolidated Statement of Cash Flows for the year ended 31 July 2023 (continued)

	31 July 2023	31 July 2022
	£000	£000
<b>Cash flows from investing activities</b>		
Capital grants receipts	8,489	4,979
Payments made to acquire tangible assets	(54,035)	(39,571)
Payments on intangible assets	(917)	(725)
Proceeds from disposal of tangible assets	554	-
Proceeds from disposal of fixed asset investments	7,541	-
Net (investment)/divestment in current investments	(159,434)	60,762
Investment income	13,097	5,879
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(184,705)</b>	<b>31,324</b>
<b>Cash flows from financing activities</b>		
Interest paid	(14,549)	(14,397)
New endowments	-	2
Repayment of amounts borrowed	(1,734)	(3,053)
Capital element of finance lease repayments	(426)	(395)
<b>Net cash outflow from financing activities</b>	<b>(16,709)</b>	<b>(17,843)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>	<b>(108,950)</b>	<b>102,877</b>
Cash and cash equivalents at beginning of the year	212,618	109,741
Cash and cash equivalents at end of the year	103,668	212,618
<b>(Decrease)/increase in cash and cash equivalents in the year</b>	<b>(108,950)</b>	<b>102,877</b>

#### 1. Statement of principal accounting policies

##### a. General

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

##### b. Going concern

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future. The University's net debt, as set out in note 27, moved from £193.3 million net debt as at 31 July 2022 to £299.1 million as at 31 July 2023. However, the net debt does not take into account the investment portfolio held as part of the University's treasury management strategy of £557.5 million. If this is taken into account, the overall position is adjusted net funds of £258.4 million, compared to £207.3 million at 31 July 2022. The University has sufficient liquidity for its continuing operations and therefore the going concern basis has been used in the preparation of the financial statements.

##### c. Basis of accounting

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

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

The University has taken the exemption permitted under FRS 102 to not produce a cash flow statement for the University. A group cash flow statement is provided on page 38.

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

##### d. Basis of consolidation

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

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

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

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

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

##### e. Income recognition

###### *Grant funding*

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

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

###### *Tuition fees*

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

Notes to the Financial Statements for the year ended 31 July 2023

*Provision of goods or services*

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

*Donations and endowments*

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

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

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

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

*Capital grants*

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

*Interest*

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

*Agency income*

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

**f. Accounting for retirement benefits**

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

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

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

*Defined benefit schemes*

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

### Notes to the Financial Statements for the year ended 31 July 2023

benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit schemes net of scheme assets.

The net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

#### *Defined contribution schemes*

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

#### **g. Employment benefits**

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

#### **h. Leases**

##### *Finance leases*

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

Leased assets acquired by way of a finance lease and the associated lease liability are stated at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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

##### *Operating leases*

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

#### **i. Foreign currency**

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

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

#### **j. Fixed assets**

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

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

##### *Depreciation*

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

Freehold buildings:	50 years
Leasehold land and buildings:	50 years
Fixtures, fittings and equipment:	3 - 40 years

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

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

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

## Notes to the Financial Statements for the year ended 31 July 2023

*Impairment*

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

*Investment properties*

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

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

**k. Heritage assets**

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

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

Income received to support the purchase of heritage assets is recognised when the University is entitled to the income.

The University holds a number of heritage assets obtained before 1 August 2010 that are not capitalised as the historical cost or valuation at the time of acquisition cannot be determined in a cost beneficial manner.

**l. Intangible assets**

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

Intangible assets purchased by the University and costing less than £25,000 per individual items or group of related items is written off in the year of acquisition. The capitalisation

thresholds for subsidiary undertakings are set at appropriate levels that do not exceed £25,000.

*Amortisation*

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

Software: 3 - 8 years

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

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

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

*Impairment*

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

**m. Gifts in kind**

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

**n. Investment**

All investments are initially recognised at cost and subsequently measured at fair value at each reporting date, with movements recognised in the Statement of Comprehensive Income. For non-trading investments where fair value cannot be reliably measured, they will be measured at cost less impairment.

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

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

### Notes to the Financial Statements for the year ended 31 July 2023

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

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

#### **o. Stock**

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

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

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Deposit investments are deemed to be cash equivalents if they have a maturity of three months or less from the date of acquisition.

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

#### **q. Financial instruments**

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

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

#### *Investments*

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publically traded or their fair value is reliably measurable) are measured at fair value through the Statement of Comprehensive

Income. Where fair value cannot be measured reliably, investments are measured at cost less impairment. In the University's Statement of Financial Position, investments in subsidiaries are measured at cost less impairment.

#### *Loans*

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

#### *Public bonds*

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

#### *Derivatives*

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

#### *Short-term debtors and creditors*

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

#### *Interest rate swaps*

Under FRS102 interest rate swaps are measured at fair value through the Statement of Comprehensive Income. This value has been calculated by the bank from propriety models.

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**Notes to the Financial Statements for the year ended 31 July 2023**

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**r. Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

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

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

**s. Taxation**

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

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

The University's subsidiaries are liable to Corporation Tax in the same way as other commercial organisations. However, the overall taxation liability of the group is minimised through using the Gift Aid scheme.

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

**t. Reserves**

Reserves are classified as restricted or unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

## 2. Significant estimates and judgements

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

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

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

### USS pension provision

The University has a contractual commitment to fund past deficits arising within the Universities Superannuation Scheme (USS), and under FRS 102 (Section 28) this obligation is recognised as a liability on the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income.

The recovery plan in the 2020 actuarial valuation requires employers to contribute 6.2% of salaries towards repairing the deficit until March 2024 and then 6.3% of salaries towards repairing the deficit over the period from April 2024 to March 2038. The provision in the Statement of Comprehensive Income was calculated using a discount rate of 5.49% and an estimate of the changes in staffing levels and pay increases.

This resulted in a £24.6 million decrease of the provision to £189.7 million (2022: £214.3 million) as at 31 July 2023. Details of the movements in the provision are included in note 24 to the accounts.

Estimates:

#### Discount Rate

The discount rate used in the calculation of the provision is 5.49%. This has been determined by reference to average market yields at the reporting date on high quality corporate bonds (bond rating AA) whose term covers the remaining duration of the recovery plan.

The following sensitivity analysis outlines the potential impact on the existing carried forward liability of £189.7m of a change to the discount rate:

- A 1% increase in the discount rate would increase the credit to the Statement of Comprehensive Income by £13.4 million and decrease the 2022/23 provision by £13.4 million to a total provision of £176.3 million.
- A 1% decrease in the discount rate would decrease the credit to the Statement of Comprehensive Income by £14.9 million and increase the 2022/23 provision by £14.9 million to a total provision of £204.6 million.
- A decrease in the discount rate in line with the prior year of 3.33% would decrease the credit to the Statement of Comprehensive Income by £34.2 million and increase the 2022/23 provision by £34.2 million to a total provision of £223.9 million.

#### Staffing Levels and Pay Increases

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

Based on the inputs used to determine the current provision, the following sensitivity analysis outlines the potential impact on the existing carried forward liability of £189.7 million (assuming the same discount rate of 5.49% and deficit recovery period to 31 March 2038 and additional employer's deficit contributions of 6.2% to March 2024 and 6.3% from April 2024 to March 2038):

#### Pay increases

- an increase of 1% per annum in the pay increase assumptions would decrease the credit to the Statement of Comprehensive Income by £14.9 million and increase the 2022/23 provision by £14.9 million to a total provision of £204.6 million.
- a decrease of 1% per annum in the pay increase assumptions would increase the credit to the Statement of Comprehensive Income by £13.7 million and decrease the 2022/23 provision by £13.7 million to a total provision of £176.0 million.

#### Staffing levels

- an increase of 1% per annum in the staffing level assumptions would decrease the credit to the Statement of Comprehensive Income by £14.4 million and increase the 2022/23 provision by £14.4 million to a total provision of £204.1 million.
- a decrease of 1% per annum in the staffing level assumptions would increase the credit to the Statement of Comprehensive Income by £13.2 million and decrease the 2022/23 provision by £13.2 million to a total provision of £176.5 million.

## Notes to the Financial Statements for the year ended 31 July 2023

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

Estimates:

The University contributes to two defined benefit pension schemes for which a provision is recorded in the Statement of Financial Position; these are University of Southampton Pension and Assurance Scheme (PASNAS) and Hampshire County Council (HCC).

The recognised pension deficit liability is based on the valuation provided by professionally qualified independent actuaries which is based on a number of assumptions. These include the future cash flows of the Schemes, a discount rate of 5.2% (which is based on average AA rated UK corporate bond rates that reflect the duration of our liability), a 3.1% increase in pensionable salaries going forward and proposed price inflation of 3.4% (which is based on the Retail Price Index). Further details on these assumptions can be found in note 31.

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

Management reviews the assumptions made to derive the provisions recorded within the Statement of Financial Position to ensure that they are reasonable and has performed the following sensitivity analysis:

- an increase of 0.5% in the discount rate would decrease the debit to the Statement of Comprehensive Income by £17.0 million and decrease the 2022/23 provision from £22.5 million to £5.5 million.
- a decrease of 0.5% in the discount rate would increase the debit to the Statement of Comprehensive Income by £19.3 million and increase the 2022/23 provision from £22.5 million to £41.8 million.
- an increase of 0.5% per annum in the salary increase assumptions would increase the debit to the Statement of Comprehensive Income by £4.8 million and increase the 2022/23 provision from £22.5 million to £27.3 million.
- a decrease of 0.5% per annum in the salary increase assumptions would decrease the debit to the Statement of Comprehensive Income by £4.3 million and decrease the 2022/23 provision from £22.5 million to £18.2 million.
- an increase of 0.5% per annum in the inflation assumptions would increase the debit to the Statement of Comprehensive Income by £13.1 million and increase the 2022/23 provision from £22.5 million to £35.6 million.
- a decrease of 0.5% per annum in the inflation assumptions would decrease the debit to the Statement of Comprehensive Income by £13.1 million and decrease the 2022/23 provision from £22.5 million to £9.4 million.

Notes to the Financial Statements for the year ended 31 July 2023

**3. Tuition fees and education contracts**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Full-time home students	<b>120,670</b>	127,072	<b>120,670</b>	127,072
Full-time international students	<b>209,401</b>	169,964	<b>206,709</b>	167,603
Part-time home students	<b>4,377</b>	2,705	<b>4,377</b>	2,705
Part-time international students	<b>315</b>	420	<b>315</b>	420
Research training support grants	<b>18,682</b>	17,702	<b>18,682</b>	17,702
Special and short course fees	<b>8,187</b>	8,251	<b>8,187</b>	8,251
	<b>361,632</b>	326,114	<b>358,940</b>	323,753

EU-domiciled students who registered with the University prior to Brexit are classed as home students. Post Brexit, EU-domiciled students are classed as international students.

Included in the above is £4,778,000 (2022: £3,960,000) of NHS Teaching Contract income in respect of full and part-time students.

Other income from health authorities is disclosed under note 7.

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

Fee income is stated net of waivers and discounts.

**4. Funding body grants**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Recurrent grants:</b>				
Office for Students and Research England	<b>72,516</b>	69,610	<b>72,516</b>	69,610
<b>Specific grants:</b>				
Office for Students and Research England	<b>10,539</b>	8,527	<b>10,539</b>	8,527
<b>Capital grants</b>	<b>8,439</b>	4,884	<b>8,439</b>	4,884
	<b>91,494</b>	83,021	<b>91,494</b>	83,021

In accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 our finance policies (see page 40e. Grant funding) state that income received in advance of any performance related conditions being met is recognised as deferred income within creditors on the Statement of Financial Position (see note 22) and released as income once the performance conditions are met. Specific Government Grant income of £378,000 (2022: £403,000) and Government Capital grants of £Nil (2022: £20,000) have been received but have not been included in the Statement of Comprehensive Income as performance conditions had not been met as at 31st July.

## Notes to the Financial Statements for the year ended 31 July 2023

## 5. Details of grant and fee income

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

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Recurrent Grants</b>				
Office for Students	<b>19,848</b>	18,706	<b>19,848</b>	18,706
Research England - Quality-related research (QR)	<b>52,668</b>	50,904	<b>52,668</b>	50,904
NHS Teaching Contract	<b>4,778</b>	3,960	<b>4,778</b>	3,960
<b>Specific Grants</b>				
Higher Education Academic Subject Centres (NCOP)	<b>696</b>	791	<b>696</b>	791
Higher Education Innovation Fund	<b>6,428</b>	4,845	<b>6,428</b>	4,845
Research QR Policy Support Fund	<b>953</b>	937	<b>953</b>	937
Enhancing Research Culture	<b>700</b>	698	<b>700</b>	698
Participatory Research	<b>150</b>	150	<b>150</b>	150
Talent and Research Stabilisation Fund	<b>550</b>	-	<b>550</b>	-
Hardship Funding	<b>19</b>	6	<b>19</b>	6
Capital grants	<b>8,439</b>	4,884	<b>8,439</b>	4,884
Grant income from other bodies	<b>1,043</b>	1,100	<b>1,043</b>	1,100
Fee income for taught awards	<b>319,539</b>	286,251	<b>316,847</b>	283,890
Fee income for research awards	<b>29,128</b>	27,652	<b>29,128</b>	27,652
Fee income from non-qualifying courses	<b>8,187</b>	8,251	<b>8,187</b>	8,251
Total grant and fee income	<b>453,126</b>	409,135	<b>450,434</b>	406,774

Fee income is stated net of waivers and discounts.

Notes to the Financial Statements for the year ended 31 July 2023

6. Research grants and contracts

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Income</b>				
UK Research Councils	<b>55,333</b>	48,830	<b>55,333</b>	48,830
UK based charities	<b>12,186</b>	13,064	<b>12,186</b>	13,064
UK Central/Local Government, health authorities and hospitals	<b>26,105</b>	23,096	<b>26,105</b>	23,096
UK industry, commerce and public corporations	<b>6,199</b>	5,644	<b>5,880</b>	5,042
EU Government bodies	<b>9,831</b>	12,948	<b>9,831</b>	12,948
EU other sources	<b>3,082</b>	2,969	<b>3,076</b>	2,939
Other overseas sources	<b>8,906</b>	7,382	<b>8,851</b>	7,300
Other sources	<b>887</b>	782	<b>873</b>	763
	<b>122,529</b>	114,715	<b>122,135</b>	113,982

In accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 our finance policies (see page 40e. Grant funding) state that income received in advance of any performance related conditions being met is recognised as deferred income within creditors on the Statement of Financial Position (see note 22) and released as income once the performance conditions are met. Research grant income of £69.3 million (2022: £66.5 million) has been received but has not been recognised in income as it had not been spent as at 31st July as required in the performance conditions. Of the total deferred income £6.8 million (2022: £10.7 million) relates to government funded research grants.

7. Other income

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Residences, catering and conferences	<b>44,380</b>	38,672	<b>44,380</b>	38,672
Consultancies, trading and services rendered	<b>48,280</b>	42,474	<b>45,863</b>	40,172
Health authorities	<b>13,672</b>	13,221	<b>13,672</b>	13,221
Other income	<b>31,018</b>	45,727	<b>28,948</b>	45,152
	<b>137,350</b>	140,094	<b>132,863</b>	137,217

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

## Notes to the Financial Statements for the year ended 31 July 2023

**8. Investment income**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Investment income on endowments	201	234	201	234
Other investment income	13,390	5,774	13,299	5,752
	<b>13,591</b>	<b>6,008</b>	<b>13,500</b>	<b>5,986</b>

**9. Donations and endowments**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
New endowments	-	2	-	2
Donations with restrictions	2,887	2,361	2,887	2,361
Unrestricted donations	561	516	561	516
	<b>3,448</b>	<b>2,879</b>	<b>3,448</b>	<b>2,879</b>

**10. Staff costs**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Staff costs:</b>				
Salaries and wages	280,751	263,140	277,849	260,706
Social Security costs	28,853	24,773	28,705	24,636
Pension costs excluding movement in USS pension provision	54,129	52,956	53,844	52,701
Severance and early retirement	467	518	467	518
	<b>364,200</b>	<b>341,387</b>	<b>360,865</b>	<b>338,561</b>
(Decrease)/increase in USS pension provision	<b>(31,781)</b>	141,063	<b>(31,781)</b>	141,063
Total cost including USS pension provision	<b>332,419</b>	<b>482,450</b>	<b>329,084</b>	<b>479,624</b>

Notes to the Financial Statements for the year ended 31 July 2023

10. Staff costs (continued)

	Consolidated		University	
	2023 Number	2022 Number	2023 Number	2022 Number
<b>Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:</b>				
Education, research and enterprise	<b>2,639</b>	2,558	<b>2,620</b>	2,529
Management, specialist and administrative	<b>2,483</b>	2,230	<b>2,429</b>	2,182
Technical and experimental	<b>361</b>	361	<b>358</b>	358
Community and operational	<b>426</b>	405	<b>419</b>	397
	<b>5,909</b>	5,554	<b>5,826</b>	5,466

**Emoluments of the President and Vice-Chancellor**

**Professor Mark E Smith CBE**

	2023 £000	2022 £000
Salary	<b>316</b>	295
Purchase of additional holiday	<b>(7)</b>	(6)
	<b>309</b>	289
Supplement in lieu of pension	<b>23</b>	21
Taxable benefits	<b>8</b>	4
Non-Taxable Benefits	<b>7</b>	3
	<b>347</b>	317
USS employer contributions	<b>18</b>	18
USS Scheme deficit recovery charge	<b>15</b>	12
	<b>380</b>	347

**Salary**

During the year, Professor Mark E Smith was paid salary of £316,225 (2022: £294,775 which included an additional one off bonus payment of £600 as paid to all members of staff). Professor Mark E Smith elected to purchase additional holiday during the year, resulting in deductions from his salary of £7,270 (2022: £5,906). Professor Mark E Smith is a member of the Universities Superannuation Scheme (USS) with the USS Voluntary Salary Cap in place, limiting the accrual of pension benefits to part of his salary. He received a supplement in lieu of pension of £23,123 (2022: £20,917) in respect of the non-pensionable part of his salary. The University made the required employer pension contributions of £32,757 (2022: £29,878) during the year, including the required scheme deficit recovery charge.

## Notes to the Financial Statements for the year ended 31 July 2023

## 10. Staff costs (continued)

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

	2023		2022	
	Basic Pay	Total Remuneration	Basic Pay	Total Remuneration
Professor Mark E Smith	9.7	10.4	9.4	9.6
Median salary (for reference)	£32,458	£36,536	£31,406	£35,982

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

	2023		2022	
	Basic Pay	Total Remuneration	Basic Pay	Total Remuneration
Professor Mark E Smith	8.2	8.3	8.1	8.2
Median salary (for reference)	£38,626	£45,864	£36,396	£42,250

## Taxable benefits

In common with other senior post holders, the University provided Professor Mark E Smith with single membership of a healthcare scheme to help ensure his availability for work, at a cost of £871 for the period from 1 August 2022 to 31 July 2023 (2022: £925).

For the better performance of his official duties, and as required by contract, Professor Mark E Smith lived at the Vice-Chancellor's official residence in Southampton whilst serving as President and Vice-Chancellor. The residence is used regularly for University meetings and official functions. These living arrangements incurred a taxable benefit of £6,810 in 2023 (2022: £3,410) and a non-taxable benefit of £6,985 based on market rental prices (2022: £3,425).

Notes to the Financial Statements for the year ended 31 July 2023

10. Staff costs (continued)

Higher Paid Staff

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

	2023		2022	
	Headcount	All Staff FTE	Headcount	All Staff FTE
£100,000 - £104,999	48	39.3	46	33.2
£105,000 - £109,999	50	40.2	37	24.1
£110,000 - £114,999	37	25.2	16	9.7
£115,000 - £119,999	48	28.0	36	20.1
£120,000 - £124,999	11	9.8	3	3.0
£125,000 - £129,999	3	3.0	1	1.0
£130,000 - £134,999	5	2.5	7	7.1
£135,000 - £139,999	5	3.7	2	1.3
£140,000 - £144,999	1	0.8	1	0.8
£145,000 - £149,999	1	1.0	1	0.9
£150,000 - £154,999	1	0.8	1	1.0
£155,000 - £159,999	-	-	1	1.0
£160,000 - £164,999	1	1.0	-	-
£165,000 - £169,999	1	1.0	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	-	-	-	-
£180,000 - £184,999	1	0.5	-	-
£185,000 - £189,999	2	1.8	-	-
£190,000 - £194,999	-	-	-	-
£195,000 - £199,999	1	0.3	1	0.3
none between £200,000 and £289,999	-	-	-	-
£290,000 - £294,999	-	-	1	1.0
none between £295,000 and £314,999	-	-	-	-
£315,000 - £319,999	1	1.0	-	-
Total	217	159.9	154	104.5

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

Compensation for loss of office

Aggregate payments for voluntary severance for 20 (2022: 19) members of staff was £467,000 (2022: £518,000).

Aggregate payments for redundancy at the end of fixed term contracts and any associated payments for 108 (2022: 113) members of staff was £280,000 (2022: £236,000)

Notes to the Financial Statements for the year ended 31 July 2023

**10. Staff costs (continued)**

**Key management personnel**

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

The key management personnel are represented as the University Executive Board (UEB). The costs comprise the salary and benefits for the 17.0 (2022: 14.9) full time equivalent members of UEB. The positions are:

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

	<b>2023</b>	2022
	<b>£000</b>	£000
Key management personnel compensation	<b>3,430</b>	3,059

Notes to the Financial Statements for the year ended 31 July 2023

11. Other operating expenses

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Non-capitalised equipment	<b>29,274</b>	25,183	<b>29,075</b>	25,034
Loss on revaluation of investment properties	<b>7,948</b>	-	-	-
Impairment of property value	<b>190</b>	-	<b>190</b>	-
Impairment of equipment	<b>94</b>	75	<b>94</b>	75
Consumables and laboratory expenditure	<b>21,459</b>	19,225	<b>21,412</b>	19,133
Office expenses and professional fees	<b>56,809</b>	50,047	<b>54,865</b>	48,341
Travel costs	<b>12,056</b>	7,379	<b>11,845</b>	7,239
Repairs, refurbishment and scheduled maintenance	<b>27,249</b>	20,276	<b>26,163</b>	18,983
Heat, light, water and power	<b>15,189</b>	10,292	<b>15,268</b>	10,221
Books and periodicals	<b>6,482</b>	6,258	<b>6,475</b>	6,252
Bursaries, fellowships, scholarships and prizes	<b>23,611</b>	22,749	<b>23,577</b>	22,729
External agencies and staff secondments	<b>21,832</b>	15,291	<b>21,651</b>	15,089
Rents, rates and hire of facilities	<b>10,650</b>	10,664	<b>10,720</b>	11,011
Catering supplies	<b>2,304</b>	1,611	<b>2,134</b>	1,530
Conference fees	<b>2,948</b>	1,548	<b>2,966</b>	1,556
Grant to Students' Union	<b>3,144</b>	3,535	<b>3,144</b>	3,535
Other expenses	<b>15,414</b>	12,765	<b>18,421</b>	15,378
	<b>256,653</b>	206,898	<b>248,000</b>	206,106

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

Total expenses paid to or on behalf of lay members of Council were £16,448 (2022: £32,360), representing travel and other expenses incurred in attending Council and related meetings, and representing the University in the UK and overseas.

## Notes to the Financial Statements for the year ended 31 July 2023

**11. Other operating expenses (continued)**

Other operating expenses include our external auditors remuneration:

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Deloitte:				
In respect of the annual external audit	<b>340</b>	234	<b>258</b>	180
In respect of other services	<b>7</b>	17	<b>7</b>	6

Other services includes £6,900 (2022: £2,300) for external auditing of research grants where it is a funder requirement and Teachers Bursaries. In addition, Deloitte completed the statutory audit of the University's pension scheme (PASNAS) for the year ended 31 July 2022 at a cost of £23,000. These costs were not incurred for the year ended 31 July 2023.

Other operating expenses include operating lease rentals as follows:

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Land and buildings	<b>2,756</b>	2,750	<b>2,905</b>	2,971
Other	<b>411</b>	581	<b>411</b>	581

**12. Interest and other finance costs**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Loan interest	<b>3,438</b>	3,460	<b>3,401</b>	3,379
Bond interest	<b>6,792</b>	6,792	<b>6,792</b>	6,792
Finance lease interest	<b>4,361</b>	4,193	<b>4,361</b>	4,193
Exchange rate loss/(gain) on currency loans	<b>72</b>	(45)	<b>72</b>	(44)
Exchange rate loss/(gain) on subsidiary loan	<b>957</b>	(807)	<b>957</b>	(807)
Increase in fair value of financial instrument	<b>(12)</b>	(53)	-	-
Net charge on pension schemes	<b>7,526</b>	3,513	<b>7,526</b>	3,513
	<b>23,134</b>	17,053	<b>23,109</b>	17,026

Notes to the Financial Statements for the year ended 31 July 2023

13. Analysis of expenditure by activity

Consolidated	Depreciation	Other	Interest payable	2023 Total	2022 Total
	Staff costs	and amortisation			
	£000	£000	£000	£000	£000
Academic departments	187,512	3,009	34,604	-	200,330
Academic services	26,166	1,246	27,441	-	49,945
Research grants and contracts	54,610	3,590	25,294	-	77,120
Residences, catering and conferences	7,317	6,373	22,800	2,805	32,660
Premises	11,734	16,545	41,484	-	59,036
Administration and central services	36,047	796	16,497	-	46,658
General educational expenditure	12,329	-	58,291	-	58,168
Consultancies, trading and services rendered	25,374	461	24,914	25	33,024
Other activities	3,111	-	5,328	13,167	39,173
Total expenditure excluding USS pension provision	364,200	32,020	256,653	15,997	596,114
(Decrease)/increase in USS pension provision	(31,781)	-	-	7,137	141,709
<b>Total expenditure including USS pension provision</b>	<b>332,419</b>	<b>32,020</b>	<b>256,653</b>	<b>23,134</b>	<b>737,823</b>

University	Depreciation	Other	Interest payable	2023 Total	2022 Total
	Staff costs	and amortisation			
	£000	£000	£000	£000	£000
Academic departments	186,019	2,935	34,381	-	198,944
Academic services	26,057	1,246	27,247	-	49,696
Research grants and contracts	54,610	3,588	24,959	-	76,543
Residences, catering and conferences	7,317	6,373	22,800	2,805	32,660
Premises	11,734	16,405	42,277	-	59,444
Administration and central services	35,321	412	15,914	-	45,192
General educational expenditure	12,092	-	57,745	-	57,475
Consultancies, trading and services rendered	24,604	183	13,836	-	32,740
Other activities	3,111	-	8,841	13,167	39,294
Total expenditure excluding USS pension provision	360,865	31,142	248,000	15,972	591,988
(Decrease)/increase in USS pension provision	(31,781)	-	-	7,137	141,709
<b>Total expenditure including USS pension provision</b>	<b>329,084</b>	<b>31,142</b>	<b>248,000</b>	<b>23,109</b>	<b>733,697</b>



Notes to the Financial Statements for the year ended 31 July 2023

16. Fixed assets

Consolidated

	Freehold land and buildings	Leasehold land and buildings	Assets in course of construction	Investment properties	Fixtures, fittings and equipment	Heritage assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
At 1 August 2022	746,473	166,581	41,231	44,237	177,427	6,035	1,181,984
Additions at cost	1,665	1,648	42,701	528	7,523	-	54,065
Transfers at cost	20,255	16,153	(45,184)	3,034	5,742	-	-
Gain on revaluation	-	-	-	(7,948)	-	-	(7,948)
Disposals at cost	(1,869)	(122)	-	-	(12,481)	-	(14,472)
Impairments and write-downs	(179)	-	(11)	-	(103)	-	(293)
<b>At 31 July 2023</b>	<b>766,345</b>	<b>184,260</b>	<b>38,737</b>	<b>39,851</b>	<b>178,108</b>	<b>6,035</b>	<b>1,213,336</b>
<b>Depreciation</b>							
At 1 August 2022	(199,524)	(74,770)	-	(234)	(147,256)	-	(421,784)
Charge for year	(18,484)	(3,686)	-	(3)	(9,847)	-	(32,020)
Eliminated on disposal	916	52	-	-	12,481	-	13,449
Impairments and write-downs	-	-	-	-	9	-	9
<b>At 31 July 2023</b>	<b>(217,092)</b>	<b>(78,404)</b>	<b>-</b>	<b>(237)</b>	<b>(144,613)</b>	<b>-</b>	<b>(440,346)</b>
<b>Net book value</b>							
<b>At 31 July 2023</b>	<b>549,253</b>	<b>105,856</b>	<b>38,737</b>	<b>39,614</b>	<b>33,495</b>	<b>6,035</b>	<b>772,990</b>
At 1 August 2022	546,949	91,811	41,231	44,003	30,171	6,035	760,200

## Notes to the Financial Statements for the year ended 31 July 2023

## 16. Fixed assets (continued)

## University

	Freehold land and buildings £000	Leasehold land and buildings £000	Assets in course of construction £000	Fixtures, fittings and equipment £000	Heritage assets £000	Total £000
<b>Cost or valuation</b>						
At 1 August 2022	746,473	164,195	31,143	172,598	6,035	1,120,444
Additions at cost	1,665	1,648	35,244	7,122	-	45,679
Transfers at cost	20,255	7,079	(33,076)	5,742	-	-
Disposals at cost	(1,869)	(122)	-	(12,481)	-	(14,472)
Impairments and write-downs	(179)	-	(11)	(103)	-	(293)
<b>At 31 July 2023</b>	<b>766,345</b>	<b>172,800</b>	<b>33,300</b>	<b>172,878</b>	<b>6,035</b>	<b>1,151,358</b>
<b>Depreciation</b>						
At 1 August 2022	(199,524)	(74,502)	-	(144,830)	-	(418,856)
Charge for year	(18,484)	(3,477)	-	(9,180)	-	(31,141)
Eliminated on disposal	916	52	-	12,481	-	13,449
Impairments and write-downs	-	-	-	9	-	9
<b>At 31 July 2023</b>	<b>(217,092)</b>	<b>(77,927)</b>	<b>-</b>	<b>(141,520)</b>	<b>-</b>	<b>(436,539)</b>
<b>Net book value</b>						
<b>At 31 July 2023</b>	<b>549,253</b>	<b>94,873</b>	<b>33,300</b>	<b>31,358</b>	<b>6,035</b>	<b>714,819</b>
At 1 August 2022	546,949	89,693	31,143	27,768	6,035	701,588

At 31 July 2023, freehold land and buildings included £94,713,000 (2022: £93,604,000) in respect of land, which is not depreciated. The figures for completed leasehold land and buildings include an asset held under a finance lease which has been capitalised. This is held at a cost of £47,812,000 (2022: £47,655,000), with accumulated depreciation of £8,576,000 (2022: £7,466,000) and a net book value of £39,236,000 (2022: £40,189,000).

Included in the balances for leasehold land and buildings is expenditure of £27,900,000 (2022: £27,900,000) funded by Office for Students and Research England (previously HEFCE and its predecessors) in respect of clinical land and buildings in National Health Service ownership, and £14,600,000 (2022: £14,600,000) for the National Oceanography Centre, Southampton, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.

## **16. Fixed assets (continued)**

Impairments of £284,000 (2022: £32,000) have been recognised in the Statement of Comprehensive Income for the year within Other Operating Expenses. Impairments for the year ending 31 July 2023 comprise costs of £293,000 less £9,000 previously depreciated for 11 assets capitalised in prior periods which, on review, should have been charged to Other Operating Expenses.

The investment properties and capitalised lease premiums have been valued effective 31 July 2023 by CBRE Limited, Chartered Surveyors. Valuations are conducted annually. The valuer is experienced in valuing property in comparable locations and comparable nature, complexity and value as the Science Park. The report has been signed by the principal valuer and signatory and prior to submission was counter signed by a senior Director and CBRE RICS registered valuer. It has also been peer reviewed by an external CBRE RICS registered valuer and senior director, in line with the CBRE internal quality assurance processes.

The net historical cost of investment properties (including grants receivable in respect of assistance with construction of an Incubator Unit) at 31 July 2023 amounted to £46,229,245 (2022: £33,593,173), including interest capitalised of £445,032 (2022: £445,032). The investment properties are held for use in operating leases and all investment properties are freehold.

In addition to the above expenditure on fixed assets a further £27,000,000 has been committed by the University and its subsidiary undertakings.

### **Heritage assets**

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

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

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

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

In 2017/18, the Honor Frost Archive (1940s to 2010) was donated to the University. The archive provides a comprehensive record of Honor Frost's archaeological work, together with series of correspondence, photographs and material relating to publications and research. The archive has been attributed a value of £35,000. There were no additions, disposals or revaluations of the heritage assets in 2022/23.

## Notes to the Financial Statements for the year ended 31 July 2023

## 17. Intangible assets

## Consolidated and University

	Software £000	Software in progress £000	Total £000
<b>Cost or valuation</b>			
At 1 August 2022	5,888	910	6,798
Additions at cost	64	853	917
<b>At 31 July 2023</b>	<b>5,952</b>	<b>1,763</b>	<b>7,715</b>
<b>Amortisation</b>			
At 1 August 2022	(5,888)	-	(5,888)
Charge for year	(1)	-	(1)
<b>At 31 July 2023</b>	<b>(5,889)</b>	<b>-</b>	<b>(5,889)</b>
<b>Net book value</b>			
<b>At 31 July 2023</b>	<b>63</b>	<b>1,763</b>	<b>1,826</b>
At 1 August 2022	-	910	910

## 18. Non-current investments

## Consolidated

	Subsidiary companies £000	Investments held by subsidiaries £000	Other fixed asset investments £000	Total £000
<b>Cost or valuation</b>				
At 1 August 2022	-	2,502	7,554	10,056
Additions	-	360	10	370
Disposals	-	(1,216)	(7,500)	(8,716)
<b>At 31 July 2023</b>	<b>-</b>	<b>1,646</b>	<b>64</b>	<b>1,710</b>

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

**University**

	Subsidiary companies	Investments held by subsidiaries	Other fixed asset investments	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 August 2022	40,224	-	7,554	47,778
Additions	5,118	-	10	5,128
Disposals	-	-	(7,500)	(7,500)
<b>At 31 July 2023</b>	<b>45,342</b>	<b>-</b>	<b>64</b>	<b>45,406</b>

During the year, the University made a further investment in The University of Southampton Science Park Limited of £5.1m.

During the year, the University disposed of one of its other fixed asset minority investments. A loss on disposal of £41,000 has been recognised within the Statement of Comprehensive Income.

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

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

## Notes to the Financial Statements for the year ended 31 July 2023

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

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

**Associate held by USH Limited**

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

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

	<b>2023</b>	2022
	<b>£000</b>	£000
At 1 August	<b>252</b>	219
Share of operating surplus/(loss)	<b>(122)</b>	33
<b>At 31 July</b>	<b>130</b>	252

University of Southampton Holdings Limited owns 33% of Clantect Ltd. It has a financial year end of 31 October. The consolidated Financial Statements of the University reflect a carrying value of £130,000 (2022: £252,000) equal to 33% of the net assets at 31 July 2023.

Notes to the Financial Statements for the year ended 31 July 2023

20. Trade and other receivables

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Amounts falling due within one year:				
Grants from Office for Students/Research England	166	50	166	50
Student debtors	1,627	1,549	1,627	1,549
Research grants and contracts	37,366	33,022	37,366	33,022
Trade and other receivables	19,971	21,823	18,340	19,657
Amounts due from group undertakings	-	-	656	665
Prepayments to group undertakings	-	-	190	87
Other prepayments	11,369	10,444	10,531	9,690
	<b>70,499</b>	66,888	<b>68,876</b>	64,720
Amounts falling due after more than one year:				
Prepayments	1,531	1,927	1,277	1,655
	<b>72,030</b>	68,815	<b>70,153</b>	66,375

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

## Notes to the Financial Statements for the year ended 31 July 2023

**21. Current investments**

	<b>Consolidated and University</b>	
	<b>2023</b>	2022
	<b>£000</b>	£000
Cash on deposit	<b>25,000</b>	124,009
Investment in shares (at fair value)	<b>532,501</b>	276,617
	<b>557,501</b>	400,626

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans	<b>1,200</b>	2,818	<b>1,200</b>	1,184
Obligations under finance leases	<b>458</b>	426	<b>458</b>	426
Research grant income received in advance	<b>69,256</b>	66,515	<b>69,256</b>	66,515
Social security and other taxation	<b>15,468</b>	17,135	<b>15,439</b>	17,105
Amounts owed to group undertakings	<b>-</b>	-	<b>493</b>	389
Trade and other creditors	<b>18,574</b>	19,433	<b>16,942</b>	16,998
Accruals and deferred income	<b>91,584</b>	91,670	<b>89,829</b>	89,107
	<b>196,540</b>	197,997	<b>193,617</b>	191,724

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

Notes to the Financial Statements for the year ended 31 July 2023

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

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Bank loans	<b>56,996</b>	58,156	<b>56,996</b>	58,156
Public bond	<b>298,578</b>	298,536	<b>298,578</b>	298,536
Obligations under finance leases	<b>45,536</b>	45,994	<b>45,536</b>	45,994
Accruals and deferred income	<b>2,778</b>	2,218	<b>718</b>	270
Derivatives	-	12	-	-
	<b>403,888</b>	404,916	<b>401,828</b>	402,956

**Loans are repayable as follows:**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Bank loans:				
Between one and two years	<b>1,200</b>	1,184	<b>1,200</b>	1,184
Between two and five years	<b>1,808</b>	2,502	<b>1,808</b>	2,502
Over five years	<b>53,988</b>	54,470	<b>53,988</b>	54,470
Due after more than one year	<b>56,996</b>	58,156	<b>56,996</b>	58,156
Due within one year (note 22)	<b>1,200</b>	2,818	<b>1,200</b>	1,184
	<b>58,196</b>	60,974	<b>58,196</b>	59,340
Public bond:				
Over five years	<b>298,578</b>	298,536	<b>298,578</b>	298,536
	<b>298,578</b>	298,536	<b>298,578</b>	298,536

## Notes to the Financial Statements for the year ended 31 July 2023

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

Obligations under finance leases:

	Consolidated		University	
	2023 £000	2022 £000	2023 £000	2022 £000
Between one and two years	494	458	494	458
Between two and five years	1,725	1,601	1,725	1,601
Over five years	43,317	43,935	43,317	43,935
Due after more than one year	<b>45,536</b>	45,994	<b>45,536</b>	45,994
Due within one year (note 22)	458	426	458	426
	<b>45,994</b>	46,420	<b>45,994</b>	46,420

In April 2017 the University issued an unsecured fixed rate public bond for £300 million over a 40 year term with a coupon rate of 2.25%.

The bond was issued at 99.76% of the principal amount. It is listed on the London Stock Exchange. There are no capital repayments to be made over the term, with full repayment due in 2057. Interest is payable every six months. The bond transaction costs of £980,000 and the bond discount of £708,000 are being amortised over the life of the bond and charged to interest and other finance costs in the Statement of Comprehensive Income.

**Additional information on bank loans:**

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2023 £000	Balance outstanding 2022 £000
University:					
Barclays Bank	2006	2026	variable	1,792	2,453
Barclays Bank	2006	2036	fixed	6,404	6,887
Barclays Bank	2007	2037	fixed	50,000	50,000
				<b>58,196</b>	59,340
Subsidiaries:					
Santander	2015	2023	fixed	-	1,634
				<b>58,196</b>	60,974

The interest rates on the bank loan facilities are at fixed and variable rates. The fixed interest rates range from 5.57% to 5.95%, and the variable rate margin is 0.75% over Euribor. Loans are secured against the general covenant of the University. The subsidiary loan was secured by a fixed charge over the assets of the company.

Notes to the Financial Statements for the year ended 31 July 2023

24. Provisions

Consolidated

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 31) £000	Maintenance Fund £000	Deferred tax £000	<b>Total Provisions £000</b>
At 1 August 2022	214,333	15,203	470	2,397	<b>232,403</b>
Unwinding of the discount rate	7,137	389	-	-	<b>7,526</b>
Deficit contributions paid during the year	(12,022)	-	-	-	<b>(12,022)</b>
Reduction in provision to reflect deficit recovery agreement	(19,758)	-	-	-	<b>(19,758)</b>
Annual net service cost	-	1,848	-	-	<b>1,848</b>
Actuarial loss	-	5,080	-	-	<b>5,080</b>
Utilised in year	-	-	(98)	(1,795)	<b>(1,893)</b>
Additions in year	-	-	236	67	<b>303</b>
<b>At 31 July 2023</b>	<b>189,690</b>	<b>22,520</b>	<b>608</b>	<b>669</b>	<b>213,487</b>

University

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 31) £000	<b>Total Provisions £000</b>
At 1 August 2022	214,333	15,203	<b>229,536</b>
Unwinding of the discount rate	7,137	389	<b>7,526</b>
Deficit contributions paid during the year	(12,022)	-	<b>(12,022)</b>
Reduction in provision to reflect deficit recovery agreement	(19,758)	-	<b>(19,758)</b>
Annual net service cost	-	1,848	<b>1,848</b>
Actuarial gain	-	5,080	<b>5,080</b>
<b>At 31 July 2023</b>	<b>189,690</b>	<b>22,520</b>	<b>212,210</b>

## 24. Provisions (continued)

### Obligation to fund deficit on USS pension

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

As at 31 July 2023 the provision is £189.7 million, a decrease of £24.6 million on 2021/22. The impact on the Statement of Comprehensive Income is to increase the 2022/23 surplus by £24.6 million.

### Defined Benefit Obligations

This relates to two defined benefit pension scheme deficits for PASNAS and HCC, to which the University pays contributions on behalf of some of its staff. This provision records the deficit that exists on PASNAS and HCC schemes as at 31 July 2023. The 2022/23 increase in provision of £7.3 million is the aggregate of the PASNAS and HCC pension scheme obligations. See note 31 for further details.

### Maintenance Fund

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

### Deferred Tax

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

Notes to the Financial Statements for the year ended 31 July 2023

25. Endowment reserves

Consolidated and University

	Restricted Permanent £000	Unrestricted Permanent £000	Restricted Expendable £000	<b>2023 Total £000</b>	2022 Total £000
At 1 August					
Capital	7,361	2,387	2,082	<b>11,830</b>	13,954
Accumulated income	854	-	138	<b>992</b>	933
	<u>8,215</u>	<u>2,387</u>	<u>2,220</u>	<u><b>12,822</b></u>	<u>14,887</u>
New endowments	-	-	-	-	2
Investment income	123	42	36	<b>201</b>	234
Expenditure	(97)	(42)	(114)	<b>(253)</b>	(174)
Net investment income/(expenditure)	26	-	(78)	<b>(52)</b>	60
Decrease in market value of investments	(536)	(174)	(151)	<b>(861)</b>	(2,127)
<b>At 31 July</b>	<b><u>7,705</u></b>	<b><u>2,213</u></b>	<b><u>1,991</u></b>	<b><u>11,909</u></b>	<u>12,822</u>
<b>Represented by:</b>					
Capital	6,825	2,213	1,866	<b>10,904</b>	11,830
Accumulated income	880	-	125	<b>1,005</b>	992
	<b><u>7,705</u></b>	<b><u>2,213</u></b>	<b><u>1,991</u></b>	<b><u>11,909</u></b>	<u>12,822</u>
<b>Analysis by type of purpose:</b>					
Chairs/Lectureships	3,107	-	-	<b>3,107</b>	3,332
Scholarships and bursaries	1,821	-	577	<b>2,398</b>	2,571
Research support	-	-	1,057	<b>1,057</b>	1,117
Prize funds	476	-	116	<b>592</b>	648
Welfare/Hardship	613	-	35	<b>648</b>	686
General	1,688	2,213	206	<b>4,107</b>	4,468
	<b><u>7,705</u></b>	<b><u>2,213</u></b>	<b><u>1,991</u></b>	<b><u>11,909</u></b>	<u>12,822</u>
<b>Analysis by asset:</b>					
Current and non-current asset investments				-	11,824
Cash and cash equivalents				<b>11,909</b>	998
				<b><u>11,909</u></b>	<u>12,822</u>

## Notes to the Financial Statements for the year ended 31 July 2023

**26. Restricted reserves**

Reserves with restrictions are as follows:

	<b>Consolidated and University</b>			
	Unspent capital grants £000	Donations / other restricted funds £000	<b>2023 Total £000</b>	2022 Total £000
Balances at 1 August	-	4,557	<b>4,557</b>	5,176
New grants	8,439	-	<b>8,439</b>	4,884
New donations/other restricted funds	-	7,891	<b>7,891</b>	6,615
Capital grants utilised	(8,439)	-	<b>(8,439)</b>	(5,142)
Expenditure	-	(8,206)	<b>(8,206)</b>	(6,976)
Total restricted comprehensive expenditure for the year	-	(315)	<b>(315)</b>	(619)
<b>Balances at 31 July</b>	<b>-</b>	<b>4,242</b>	<b>4,242</b>	4,557

	<b>Consolidated and University</b>	
	<b>2023 Total £000</b>	2022 Total £000
Analysis of donations/other restricted funds by type of purpose:		
Research activities	<b>2,508</b>	2,706
Student support	<b>329</b>	455
Scholarships and bursaries	<b>83</b>	93
Outreach	<b>7</b>	23
Other	<b>1,315</b>	1,280
<b>Balances at 31 July</b>	<b>4,242</b>	4,557

Notes to the Financial Statements for the year ended 31 July 2023

27. Reconciliation of net debt

	Consolidated £000	University £000
Net debt 1 August 2022	(193,324)	(201,396)
Decrease in cash and cash equivalents	(108,950)	(106,746)
Reduction in loans and finance lease amounts owed	3,276	1,642
Exchange rate loss on currency loans	(72)	(72)
Reduction in value of derivatives	12	-
Amortisation of discount and fees on public bond	(42)	(42)
<b>Net debt 31 July 2023</b>	<b>(299,100)</b>	<b>(306,614)</b>
<b>Increase in net debt</b>	<b>(105,776)</b>	<b>(105,218)</b>

	Consolidated		University	
Analysis of net debt:	At 31 July 2023 £000	At 31 July 2022 £000	At 31 July 2023 £000	At 31 July 2022 £000
Cash and cash equivalents	<b>103,668</b>	212,618	<b>96,154</b>	202,900
	<b>103,668</b>	212,618	<b>96,154</b>	202,900
Borrowings: amounts falling due within one year				
Unsecured loans	<b>(1,200)</b>	(1,184)	<b>(1,200)</b>	(1,184)
Secured loans	-	(1,634)	-	-
Obligations under finance leases	<b>(458)</b>	(426)	<b>(458)</b>	(426)
	<b>(1,658)</b>	(3,244)	<b>(1,658)</b>	(1,610)
Borrowings: amounts falling due after more than one year				
Obligations under finance lease	<b>(45,536)</b>	(45,994)	<b>(45,536)</b>	(45,994)
Unsecured loans	<b>(56,996)</b>	(58,156)	<b>(56,996)</b>	(58,156)
Public bond	<b>(298,578)</b>	(298,536)	<b>(298,578)</b>	(298,536)
Derivatives	-	(12)	-	-
	<b>(401,110)</b>	(402,698)	<b>(401,110)</b>	(402,686)
<b>Net debt</b>	<b>(299,100)</b>	(193,324)	<b>(306,614)</b>	(201,396)

## Notes to the Financial Statements for the year ended 31 July 2023

**28. Related party transactions**

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

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

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

Written declarations have been obtained from all members of Council, senior officers of the University and directors of fully owned subsidiary companies, either listing transactions during the year ended 31 July 2023 between the University and third parties in which they or close family members held a position of influence, or stating that there were no relevant transactions during the period.

The declarations have been reviewed by the Executive Director, Finance and Planning. There were a number of related party transactions during the year ended 31 July 2023 significant enough to warrant disclosure in the Financial Statements.

Related party	Income		Expenditure		Balance due to the University		Balance due by the University	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000	£000	£000
Alan Turing Institute <sup>1</sup>	<b>220</b>	436	<b>225</b>	300	<b>66</b>	-	-	-
Southampton University Students' Union <sup>2</sup>	-	-	<b>3,142</b>	3,540	-	-	-	-

<sup>1</sup> In July 2018 the University became a partner of the Alan Turing Institute, the national centre for data science. The University has agreed to make a grant income to the Institute and received grant income from the Institute as detailed above.

<sup>2</sup> Ed Brooker and Oliver Murray were members of Council (Class 5 membership) as representatives of the Southampton University Students' Union. Ed Brooker (Oliver Murray until June 2023) is President of the Students' Union which is a separate entity over which the University does not exercise control or significant influence over policy decisions. The Students' Union receives a grant from the University as detailed above, which is calculated annually according to a methodology agreed between the University and the Students' Union. All other transactions between the two parties are conducted on a commercial basis.

Notes to the Financial Statements for the year ended 31 July 2023

**29. Capital and other commitments**

Provision has not been made for the following capital and other commitments at 31 July 2023:

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Commitments contracted for	<b>64,265</b>	51,472	<b>64,159</b>	44,242
	<b>64,265</b>	51,472	<b>64,159</b>	44,242

**30. Lease obligations**

**Total rentals payable under operating leases:**

At 31 July 2023 the University was committed to making the following payments under non-cancellable operating leases:

**Consolidated**

	Land and buildings	Plant and machinery	2023 Total	2022 Total
	£000	£000	£000	£000
Future minimum lease payments due:				
Not later than one year	2,756	383	<b>3,139</b>	2,995
Between one and five years	6,429	-	<b>6,429</b>	7,355
Over five years	15,830	-	<b>15,830</b>	17,333
	<b>25,015</b>	<b>383</b>	<b>25,398</b>	27,683

**University**

	Land and buildings	Plant and machinery	2023 Total	2022 Total
	£000	£000	£000	£000
Future minimum lease payments due:				
Not later than one year	3,320	383	<b>3,703</b>	2,965
Between one and five years	9,406	-	<b>9,406</b>	7,195
Over five years	28,670	-	<b>28,670</b>	20,760
	<b>41,396</b>	<b>383</b>	<b>41,779</b>	30,920

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

## Notes to the Financial Statements for the year ended 31 July 2023

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

At 31 July 2023 the principal future minimum lease payments receivable under non-cancellable leases are as follows:

**Land and buildings:**

	Consolidated		University	
	2023	2022	2023	2022
	£000	£000	£000	£000
Less than one year	<b>3,112</b>	2,983	<b>419</b>	446
Between one and five years	<b>6,878</b>	8,512	<b>1,344</b>	1,596
More than five years	<b>19,003</b>	18,685	<b>14,314</b>	14,599
	<b>28,993</b>	30,180	<b>16,077</b>	16,641

Notes to the Financial Statements for the year ended 31 July 2023

31. Pension schemes

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

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

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

The total pension scheme costs incurred in 2022/23 and 2021/22 for the consolidated group are summarised as follows:

	2022/23			2021/22		
	Employer contributions	Pension accounting adjustment**	Total cost	Employer contributions	Pension accounting adjustment**	Total cost
	£000	£000	£000	£000	£000	£000
USS *	41,882	-	41,882	37,192	-	37,192
PASNAS*/***	4,750	1,859	6,609	4,500	7,036	11,536
USRF	3,465	-	3,465	2,221	-	2,221
NHPS	1,547	-	1,547	1,467	-	1,467
Other pension schemes	352	(11)	341	296	(11)	285
Total pension cost (note 10)	51,996	1,848	53,844	45,676	7,025	52,701

\* The figure for USS employer contributions excludes an amount of £76,000 (2022: £84,000) and the figure for PASNAS employer contributions excludes an amount of £54,000 (2022: £64,000) which are made on behalf of a third party at no cost to the University.

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

\*\*\*Within PASNAS is an additional employer's contribution to contribute to the PASNAS deficit. From January 2020 to December 2022 the total contribution is £160,000 per month. From January 2023, this reduced to £44,667 per month.

## Notes to the Financial Statements for the year ended 31 July 2023

**31. Pension schemes (continued)**

Table of Employer contribution rates 2022/23 and 2021/22:

	<b>22/23</b>	21/22
	<b>Rate %</b>	Rate %
USS	21.60	21.10 to September 2021 21.40 to March 2022 21.60 from April 2022
PASNAS*	13.85	13.85
USRF*	10.00	10.00
TPS	23.68	23.68
NHPS	14.38	14.38
MRCPS	16.90	16.90
HCC	38.40 up to April 2023 0.00 from May 2023	38.40
NEST	3.00	3.00

Employer contributions in 2023/24 are expected to be:

	<b>Rate %</b>	<b>£000</b>
USS	21.60	48,431
PASNAS*	13.85	4,061
USRF*	10.00	3,420
TPS	23.68	9
NHPS	14.38	1,726
MRCPS	16.90	48
HCC	0.00	-
NEST	3.00	189
Total		<u>57,884</u>

\* Within PASNAS is an additional employer's contribution to contribute to the PASNAS deficit. From January 2020 to December 2022 the total contribution is £160,000 per month. From January 2023, this reduced to £44,667 per month.

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

### 31. Pension schemes (continued)

The actuaries' recommendations for contributions to USS, PASNAS and HCC are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. The latest valuations of the schemes' assets and liabilities for which results are available are:

	<b>USS</b>	<b>PASNAS</b>	<b>HCC</b>
Date of valuation	<b>31 March 2020</b>	<b>31 July 2021</b>	<b>31 March 2022</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Market valuation of assets	66,500	283	9,629
Past service liabilities	(80,600)	(338)	(8,991)
Deficit of assets	(14,100)	(55)	638

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

#### USS

##### Significant accounting policies

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

##### Critical accounting judgements

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

The total charged to the Consolidated Statement of Comprehensive Income and Expenditure for the employers contributions excluding the FRS102 deficit provision was £41.9 million (2022: £37.1 million).

Deficit recovery contributions due within one year for the institution are £14.0 million (2022: £12.0 million).

The latest available complete actuarial valuation of the Scheme is at 31 March 2020 ("the valuation date"), which was carried out using the projected unit method. A valuation as at 31 March 2023 is underway but not yet complete.

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

## Notes to the Financial Statements for the year ended 31 July 2023

**31. Pension schemes (continued)**

The 2020 valuation was the sixth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles ([uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles](http://uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles)).

CPI assumption	"Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040"
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	"Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a."

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

Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females.
Future improvements to mortality	CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	<b>2023</b>	2022
Males currently aged 65 years	24.0	23.9
Females currently aged 65 years	25.6	25.5
Males currently aged 45 years	26.0	25.9
Females currently aged 45 years	27.4	27.3

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.3% of salaries until the end of the recovery plan on 30 April 2038. The 2023 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	<b>2023</b>	2022
Discount rate	5.49%	3.33%
Average annual pensionable salary (reduction)/growth	3.75%	3.70%

The provision in Comprehensive Income and Expenditure was calculated using a discount rate of 5.49% and an estimate of the changes in staffing levels and pay increases.

This resulted in a £24.6 million decrease of the provision to £189.7 million (2022: £214.3 million) as at 31 July 2023. Details of this provision are included in note 24 to the accounts.

Notes to the Financial Statements for the year ended 31 July 2023

**31. Pension schemes (continued)**

A further full valuation as at 31 March 2023 is currently underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant are also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2024. However it is generally anticipated that there will be an elimination of the deficit position with early indications that the valuation is expected to show a surplus of £7.4bn.

As at 31 March 2020, USS had 204,753 active members and the University had 4,295 active members participating in the scheme at 31 July 2023.

The total employer contributions for the year were £41,882,000 (2022: £37,192,000) which includes £3,720,000 (2022: £3,229,000) of contributions outstanding at the Statement of Financial Position date, payable in August 2023.

**USRF**

The University of Southampton Retirement Fund (USRF) was opened on 1 January 2019 to new members after PASNAS was closed to new members from that date. The scheme is operated by Royal London Mutual Insurance Society Limited as a defined contribution scheme. The costs charged to the income and expenditure account represent the contributions payable to the scheme for the year. From 1 of January 2020 to 31 December 2022, an additional employers' contribution of 5.1% was paid towards the deficit reduction. This has reduced to 1.25% from January 2023 following the completion of the 2021 PASNAS valuation.

The number of members of the scheme employed by the University as at 31 July 2023 was 1,043.

The total employer contributions for the year were £3,465,000 (2022: £2,221,000) which includes £289,000 (2022: £218,000) of contributions outstanding at the Statement of Financial Position date, payable in August 2023.

**NHPS/TPS/MRCPS**

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

The number of members of these schemes employed by the University as at 31 July 2023 was:

- NHPS - 128 members
- TPS - 1 member
- MRCPS - 8 members

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

	Pension cost		Outstanding at 31 July	
	2023	2022	2023	2022
	£000	£000	£000	£000
NHPS	<b>1,547</b>	1,467	<b>144</b>	122
TPS	<b>9</b>	15	<b>1</b>	1
MRCPS	<b>47</b>	64	<b>4</b>	4

## Notes to the Financial Statements for the year ended 31 July 2023

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

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

The total pension cost for the year was £160,000 (2022: £144,000) which includes £16,000 (2022: £14,000) of contributions outstanding at the Institutional Statement of Financial Position date of 31 July 2023, payable in August 2023.

The number of members of this scheme as at 31 July 2023 was 2,366.

**PASNAS**

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

The number of members of the scheme employed by the University as at 31 July 2023 was 941.

The total employer contributions for the year were £4,750,000 (2022: £4,500,000) which includes £338,000 (2022: £380,000) of contributions outstanding at the Institutional Statement of Financial Position date of 31 July 2023, payable in August 2023.

The last formal triennial actuarial valuation of the scheme was performed as at 31 July 2021 and indicated that the scheme's assets represented 83% of the technical provisions corresponding to a deficit of £56,492,000. An estimate has been made for Guaranteed Minimum Pension (GMP) Equalisation and for the McCloud\* judgement in the current valuation.

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

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

	<b>31 July 2023</b>	31 July 2022
Increase in salaries	3.10% pa	3.10% pa
Increase in pensions – pre 1 Oct 2010 (CPI)	3.10% pa	3.10% pa
Increase in pensions – post 1 Oct 2010 (CPI max 3.0%)	2.20% pa	2.20% pa
Increase in pensions – post 1 Oct 2010 (CPI max 2.5%)	2.00% pa	2.00% pa
Discount rate	5.20% pa	3.40% pa
Inflation (RPI)	3.40% pa	3.40% pa
Inflation (CPI)	3.10% pa	3.10% pa

The change in the discount rate has led to an increase on the overall scheme deficit of £7.3 million to £22.5m.

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

	Retiring today	Retiring in 20 years
Male	21.5	23.1
Female	24.1	25.8

Notes to the Financial Statements for the year ended 31 July 2023

**31. Pension schemes (continued)**

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

	<b>Value 31 July 2023</b>	Value 31 July 2022	Value 31 July 2021
	<b>£000</b>	£000	£000
Gilts	<b>54,293</b>	116,611	73,644
Multi asset credit	<b>37,588</b>	45,507	-
Equities	<b>56,382</b>	56,883	130,294
Target return funds & cash	<b>25,058</b>	25,597	39,654
Property	<b>35,500</b>	39,818	39,654
<b>Total</b>	<b>208,821</b>	284,416	283,246
		<b>2023</b>	2022
		<b>£000</b>	£000
<b>Analysis of the amount shown in the Institution Statement of Financial Position</b>			
Scheme assets		<b>208,821</b>	284,416
Scheme liabilities		<b>(231,340)</b>	(299,619)
Deficit in the scheme – net pension liability recorded within pension provisions (note 24)		<b>(22,519)</b>	(15,203)
		<b>2023</b>	2022
		<b>£000</b>	£000
<b>Analysis of the amount charged to staff costs within operating surplus</b>			
Current service cost		<b>6,367</b>	(12,993)
Past service cost		-	-
Total operating credit/(charge)		<b>6,367</b>	(12,993)
		<b>2023</b>	2022
		<b>£000</b>	£000
<b>Analysis of the amount charged to interest payable within operating surplus</b>			
Expected return on scheme assets		<b>(9,578)</b>	4,750
Interest income/(cost)		<b>10,020</b>	(7,619)
Net finance income/(cost)		<b>442</b>	(2,869)
		<b>2023</b>	2022
		<b>£000</b>	£000
<b>Analysis of other comprehensive income</b>			
Losses on assets		<b>(79,711)</b>	(30,991)
Experience (losses)/gains on liabilities		<b>(12,019)</b>	22,291
Gains from changes to demographic assumptions		<b>1,572</b>	13,889
Gains from changes to financial assumptions		<b>85,142</b>	156,618
(Losses)/gains to other comprehensive income		<b>(5,016)</b>	161,807

## Notes to the Financial Statements for the year ended 31 July 2023

**31. Pension schemes (continued)**

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	<b>(15,203)</b>	(197,106)
Movement in the year:		
Current service cost	<b>(6,608)</b>	(11,536)
Contributions	<b>4,750</b>	34,501
Net finance cost	<b>(442)</b>	(2,869)
(Loss)/gain recognised in other comprehensive income	<b>(5,016)</b>	161,807
Deficit in scheme at end of year	<b>(22,519)</b>	(15,203)
	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of movement in fair value of fund assets</b>		
Assets at beginning of year	<b>284,416</b>	283,246
Employer contributions	<b>4,750</b>	34,501
Employee contributions	<b>1,274</b>	2,550
Benefits paid (net of expenses)	<b>(10,121)</b>	(8,694)
Administration costs	<b>(1,365)</b>	(946)
Interest on assets	<b>9,578</b>	4,750
Loss on scheme assets	<b>(79,711)</b>	(30,991)
Assets at end of year	<b>208,821</b>	284,416
	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of movement in present value of liabilities</b>		
Liabilities at beginning of year	<b>(299,619)</b>	(480,352)
Current service cost	<b>(6,608)</b>	(11,536)
Past service cost		-
Interest on scheme liabilities	<b>(10,020)</b>	(7,619)
Employee contributions	<b>(1,274)</b>	(2,550)
Benefits paid	<b>11,486</b>	9,640
Actuarial experience (loss)/gain on liabilities	<b>(12,019)</b>	22,291
Changes in demographic assumptions	<b>1,572</b>	13,889
Changes in assumptions underlying the present value of the scheme liabilities	<b>85,142</b>	156,618
Liabilities at end of year	<b>(231,340)</b>	(299,619)

Notes to the Financial Statements for the year ended 31 July 2023

31. Pension schemes (continued)

	2023	2022	2021
<b>History of experience gains and losses</b>			
Experience (losses)/gains on assets in excess of interest (£000)	<b>(79,711)</b>	(30,991)	37,041
Percentage of scheme assets (loss)/gain	<b>(38.17%)</b>	(10.90%)	13.10%
Experience (losses)/gains on liabilities (£000)	<b>(12,019)</b>	22,291	2,370
Percentage of scheme liabilities	<b>5.20%</b>	7.40%	0.10%

**HCC**

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

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

	31 July 2023	31 July 2022
Increase in salaries	<b>4.05% pa</b>	3.70% pa
Increase in pensions	<b>3.05% pa</b>	2.70% pa
Discount rate	<b>5.10% pa</b>	3.50% pa
CPI inflation	<b>3.05% pa</b>	2.70% pa

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

	Retiring today	Retiring in 20 years
Male	22.1	22.6
Female	24.7	25.7

The number of active members of this scheme employed by the University as at 31 July 2023 was 2.

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

	31 July 2023	31 July 2022
	£000	£000
Equities	<b>2,546</b>	2,994
Bonds	<b>1,381</b>	1,073
Property	<b>259</b>	358
Cash	<b>129</b>	44
Total	<b>4,315</b>	4,469

## Notes to the Financial Statements for the year ended 31 July 2023

**31. Pension schemes (continued)**

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of the amount shown in the Institution Statement of Financial Position</b>		
Scheme assets	<b>4,315</b>	4,469
Scheme liabilities	<b>(3,123)</b>	(2,960)
Adjustment in respect of FRS 102 section 28.22	<b>(1,192)</b>	(1,509)
Deficit in the scheme – net pension liability recorded within pension provisions (note 24)	-	-
	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	<b>(45)</b>	(52)
Past service cost	-	-
Total operating charge	<b>(45)</b>	(52)
	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of the amount charged to interest payable within operating surplus</b>		
Expected return on scheme assets	<b>154</b>	79
Interest cost	<b>(101)</b>	(68)
Net finance cost	<b>53</b>	11
	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of other comprehensive income</b>		
Losses on assets	<b>(199)</b>	(229)
Experience (losses)/gains on liabilities	<b>(182)</b>	1,085
Adjustment in respect of FRS 102 section 28.22	<b>317</b>	(868)
Loss to other comprehensive income	<b>(64)</b>	(12)
	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	-	-
Movement in the year:		
Current service cost	<b>(45)</b>	(52)
Employer contributions	<b>56</b>	63
Net finance credit	<b>53</b>	1
Loss recognised in other comprehensive income	<b>(64)</b>	(12)
Deficit in scheme at end of year	-	-

Notes to the Financial Statements for the year ended 31 July 2023

31. Pension schemes (continued)

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of movement in fair value of fund assets</b>		
Assets at beginning of year	<b>4,469</b>	4,686
Employer contributions	<b>56</b>	63
Employee contributions	<b>9</b>	9
Benefits paid (net of expenses)	<b>(174)</b>	(139)
Interest on assets	<b>154</b>	79
Loss on scheme assets	<b>(199)</b>	(229)
Assets at end of year	<b>4,315</b>	4,469
	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Analysis of movement in present value of liabilities</b>		
Liabilities at beginning of year	<b>(2,960)</b>	(4,055)
Current service cost	<b>(45)</b>	(52)
Interest on scheme liabilities	<b>(101)</b>	(68)
Employee contributions	<b>(9)</b>	(9)
Benefits paid	<b>174</b>	139
Actuarial experience (loss)/gain on liabilities	<b>(182)</b>	1,085
Liabilities at end of year	<b>(3,123)</b>	(2,960)

Based on the present values of the fund assets and fund liabilities at the reporting date, the scheme had a surplus of £1,192,000 at 31 July 2023. In line with the guidance provided by section 28.22 of FRS 102, this surplus has not been recognised.

## Notes to the Financial Statements for the year ended 31 July 2023

**32. Financial instruments**

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

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

	Note	Consolidated		University	
		2023 £000	2022 £000	2023 £000	2022 £000
<b>Financial assets:</b>					
<i>Measured at fair value through the Statement of Comprehensive Income</i>					
Investment in ordinary shares	18	<b>1,646</b>	2,502	-	-
Investments in unit trusts	25	-	11,824	-	11,824
Other investments	21/25	<b>532,501</b>	264,793	<b>532,501</b>	264,793
		<b>534,147</b>	279,119	<b>532,501</b>	276,617
<i>Equity instruments measured at cost less impairment</i>					
Non-current asset investments	18	<b>64</b>	7,554	<b>64</b>	7,554
<i>Measured at undiscounted amount receivable</i>					
Trade and other receivables	20	<b>21,764</b>	23,422	<b>20,979</b>	22,008
		<b>555,975</b>	310,095	<b>553,544</b>	306,179

Notes to the Financial Statements for the year ended 31 July 2023

32. Financial instruments (continued)

Financial liabilities:

	Note	Consolidated		University	
		2023	2022	2023	2022
		£000	£000	£000	£000
<i>Measured at fair value through the Statement of Comprehensive Income</i>					
Derivative financial liabilities	23	-	12	-	-
<i>Measured at amortised cost</i>					
Loans payable	23	<b>402,768</b>	405,930	<b>402,768</b>	404,296
<i>Measured at undiscounted amount payable</i>					
Trade and other creditors	22	<b>18,574</b>	19,433	<b>17,435</b>	17,387
		<b>421,342</b>	425,375	<b>420,203</b>	421,683

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

	Note	Consolidated		University	
		2023	2022	2023	2022
		£000	£000	£000	£000
<i>Interest income and (expense)</i>					
Total interest income for financial assets at amortised cost	8	<b>13,591</b>	6,008	<b>13,500</b>	5,986
Total interest expense for financial liabilities at amortised cost	12	<b>(14,591)</b>	(14,445)	<b>(14,554)</b>	(14,364)
		<b>(1,000)</b>	(8,437)	<b>(1,054)</b>	(8,378)
<i>Fair value gains and (losses)</i>					
On financial assets measured at fair value through the Statement of Comprehensive Income		<b>(3,362)</b>	(10,217)	<b>(2,508)</b>	(5,543)
On derivative financial liabilities	12	<b>12</b>	53	-	-
		<b>(3,350)</b>	(10,164)	<b>(2,508)</b>	(5,543)

Notes to the Financial Statements for the year ended 31 July 2023

**33. Department for Education bursaries**

	Consolidated and University				At 31 July 2023 £000
	At 1 August 2022 £000	Income received £000	Disbursements £000	Returned to Department for Education £000	
Student training bursaries	46	663	(575)	(98)	<b>36</b>
	<b>46</b>	<b>663</b>	<b>(575)</b>	<b>(98)</b>	<b>36</b>

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

**34. Subsequent events**

On 29 September 2023, the University repaid two fixed bank loans with Barclays Bank in full in advance of the final repayment date disclosed in note 23. The combined amount outstanding of the two bank loans at the date of repayment was £56,283,000. The total amount repayable by the University was £58,539,000 which includes early breakage costs and interest due totalling £2,256,000.

Notes to the Financial Statements for the year ended 31 July 2023

**S1 US Department of Education Financial Responsibility Supplemental Schedule**

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

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

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

<b>Primary Reserve Ratio</b>			<b>2023</b>	2022
			<b>£000</b>	£000
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Expendable Net Assets</b>		
35	Consolidated Statement of Financial Position - Income and expenditure reserve - unrestricted	Net assets without donor restrictions	<b>681,244</b>	602,145
35	Consolidated Statement of Financial Position - Income and expenditure reserve - endowment reserve and restricted reserve	Net assets with donor restrictions	<b>16,151</b>	17,379
72	Note 25 of the Financial Statements - Endowment reserves - Restricted Permanent	Net assets with donor restrictions: restricted in perpetuity	<b>(7,705)</b>	(8,215)
-	Not Applicable	Annuities with donor restrictions	-	-
72	Note 25 of the Financial Statements - Endowment reserves - Restricted Expendable	Term endowments with donor restrictions	<b>(1,991)</b>	(2,220)
-	Not Applicable	Life income funds with donor restrictions	-	-
63	Note 17 of the Financial Statements - Intangible assets - Software in progress	Intangible assets - Other intangible assets	<b>(1,826)</b>	(910)
-	Not Applicable	Intangible assets - Goodwill	-	-
60	Note 16 of the Financial Statements - Fixed assets (excluding Leasehold, land and buildings)	Property, Plant and equipment, net (includes Construction in progress)	<b>(667,134)</b>	(668,389)
60	Note 16 of the Financial Statements - Fixed assets - Leasehold, land and buildings	Lease right-of-use of asset pre-implementation	<b>(84,432)</b>	(88,188)
35	Consolidated Statement of Financial Position - Pension provisions	Post-employment and pension liabilities	<b>212,210</b>	229,536
67,68	Notes 22 and 23 of the Financial Statements - Creditors: Bank loans, Public bond	Long-term debt - for long term purposes pre-implementation	<b>356,774</b>	359,510
-	Not Applicable	Long-term debt - for long term purposes post-implementation	-	-
67,68	Notes 22 and 23 of the Financial Statements - Creditors: Obligations under finance leases	Lease right-of-use of asset liability pre-implementation"	<b>45,994</b>	46,420
-	Not Applicable	Unsecured related party receivable	-	-
			<b>549,285</b>	487,068

## Notes to the Financial Statements for the year ended 31 July 2023

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

			<b>2023</b>	2022
			<b>£000</b>	£000
		<b>Total Expenses and Losses:</b>		
33	Consolidated Statement of Comprehensive Income - Staff costs excluding movements in the USS deficit funding accrual	Total expenses without donor restrictions	<b>364,200</b>	341,387
33	Consolidated Statement of Comprehensive Income - Depreciation and amortisation, other operating expenses and Interest and other finance costs	Total expenses without donor restrictions	<b>311,807</b>	255,373
33	Consolidated Statement of Comprehensive Income - Loss on investments	Investments, net of annual spending, loss	<b>3,362</b>	10,217
33	Consolidated Statement of Comprehensive Income - Actuarial loss in respect of pension schemes	Other components of net periodic pension costs	<b>5,080</b>	-
33	Consolidated Statement of Comprehensive Income - Loss on disposal of fixed assets	Sale of fixed assets, losses	<b>1,110</b>	3,534
33	Consolidated Statement of Comprehensive Income - Share of operating deficit in associate	Other non-operating losses	<b>122</b>	-
33	Consolidated Statement of Comprehensive Income - Loss on disposal of current asset investments	Other non-operating losses	-	-
-	Not Applicable	Pension-related changes other than net periodic costs	-	-
			<b>685,681</b>	610,511
<b>Equity Ratio</b>			<b>2023</b>	2022
			<b>£000</b>	£000
		<b>Modified Net Assets</b>		
35	Consolidated Statement of Financial Position - Income and expenditure reserve - unrestricted	Net assets without donor restrictions	<b>681,244</b>	602,145
35	Consolidated Statement of Financial Position - Income and expenditure reserve - endowment reserve and restricted reserve	Net assets with donor restrictions	<b>16,151</b>	17,379
63	Note 15 of the Financial Statements - Intangible assets - Software in progress	Intangible assets - Other intangible assets	<b>(1,826)</b>	(910)
-	Not Applicable	Intangible assets - Goodwill	-	-
-	Not Applicable	Unsecured related party receivable	-	-
			<b>695,569</b>	618,614

Notes to the Financial Statements for the year ended 31 July 2023

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

			<b>2023</b>	2022
			<b>£000</b>	£000
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Modified Assets</b>		
35	Consolidated Statement of Financial Position - Non-current assets, Current assets	Total Assets	<b>1,511,310</b>	1,454,840
60	Note 16 of the Financial Statements - Fixed assets - Leasehold, land and buildings	Lease right-of-use of asset pre- implementation	<b>(84,432)</b>	(88,188)
63	Note 15 of the Financial Statements - Intangible assets - Software in progress	Intangible assets - Other intangible assets	<b>(1,826)</b>	(910)
-	Not Applicable	Intangible assets - Goodwill	-	-
-	Not Applicable	Unsecured related party receivable	-	-
			<b>1,425,052</b>	1,365,742
	<b>Net Income Ratio</b>		<b>2023</b>	2022
			<b>£000</b>	£000
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Change in Net Assets Without Donor Restrictions</b>		
34	Consolidated Statement of Comprehensive Income - Unrestricted comprehensive income for the year and non-controlling interest	Change in Net Assets Without Donor Restrictions	<b>79,099</b>	87,125
			<b>79,099</b>	87,125
			<b>2023</b>	2022
			<b>£000</b>	£000
<b>Page</b>	<b>Line item/related disclosures</b>	<b>Total Revenue without Donor Restrictions and Gains without Donor Restrictions</b>		
33	Consolidated Statement of Comprehensive Income - Total income	Total Operating Revenue and Other Additions	<b>730,044</b>	672,831
33	Consolidated Statement of Comprehensive Income - Gain on investments	Investments, net of annual spending, gain	-	-
33	Consolidated Statement of Comprehensive Income - Actuarial gain in respect of pension schemes	Other components of net periodic pension costs	-	161,795
33	Consolidated Statement of Comprehensive Income - Share of operating surplus in associate	Other non-operating gains	-	33
33	Consolidated Statement of Comprehensive Income - Gain on disposal of current asset investments	Other non-operating gains	-	-
33	Consolidated Statement of Comprehensive Income - Gain on disposal of fixed assets	Sale of fixed assets, gains	-	-
	<b>Less restricted (income)/expenditure</b>	<b>Less restricted (income)/ expenditure</b>		
34	Consolidated Statement of Comprehensive Income - Endowment comprehensive (income)/expenditure for the year and restricted comprehensive (income)/expenditure for the year	Change in Net Assets With Donor Restrictions	<b>1,228</b>	2,684
			<b>731,272</b>	837,343

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