

UNIVERSITY OF SUSSEX

**FINANCIAL  
STATEMENTS  
2018-2019**

**US**

UNIVERSITY  
OF SUSSEX

# Principal officers

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Her Majesty The Queen

**CHANCELLOR**

Sanjeev Bhaskar OBE  
BA (Hatfield)

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Dame Denise Holt DCMG  
BA (Bris), LLD (Bris)

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Adrienne Fresko CBE  
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**VICE-CHANCELLOR AND PRESIDENT**

Professor Adam Tickell  
BA (Manc), PhD (Manc), FAcSS

**PROVOST**

Professor Saul Becker  
BA (Nott), MA (Nott), CQSW (Nott), PhD (Nott), FRSA, RSW, FAcSS

**CHIEF OPERATING OFFICER AND UNIVERSITY SECRETARY**

Dr Tim Westlake  
BSc (Card), MSc (Card), PhD (Card)

**PRO-VICE-CHANCELLOR**

Professor Kelly Coate  
BSc (Northwestern), MA (Middx), PhD (UCL), PFHEA

**PRO-VICE-CHANCELLOR**

Professor Stephen Shute  
LLB (Kingston), BCL, MA (Oxon), PhD (Birm)

**DIRECTOR OF FINANCE**

Allan Spencer  
MA (Oxon), ACA

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# Strategic Report

The University of Sussex has challenged convention since our foundation in 1961. From the campus' Modernist architecture on the edge of a rural national park, to our progressive academics and creative professional services staff, to the inspiring students who choose to learn and live here, to the very tone of the institution and the nature of its conversations, through to the expressions of radicalism, critical thinking and, at times, dissent.

Sussex students receive an education that allows them to realise the futures that they want. They are able to embrace opportunities and challenges and make meaningful contributions in their own way. Our teaching is strengthened by internationally regarded research that challenges conventional discourse and offers inspiring and creative ways to solve global issues.

The University is an independent corporate body established by Royal Charter. It is an exempt Charity under the Charities Act 2011 and its objects, powers and framework of governance are set out in the Corporate Governance and Public Benefit statement on pages 13-21.

## ACCOUNTS

The Financial Statements for the Group comprise the consolidated results of the University and its subsidiary undertakings, which engage in activities that for legal, commercial or taxation reasons are more appropriately performed through a separate and subsidiary legal entities. The principal trading subsidiaries consolidated in the accounts are Sussex Innovation Centre Management Limited, manager/operator of the Sussex Innovation Centre, and Sussex Estates and Facilities LLP, the University's facilities management partner.

The University has a 20% interest in East Slope Residences Student Accommodation LLP in Partnership with Balfour Beatty Investments Ltd for the purpose of constructing and servicing Student Accommodation.

In addition, the University has an equal share in the Brighton and Sussex Medical School (BSMS), which is accounted for as a jointly controlled operation.

The consolidated accounts are prepared and presented under Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice (SORP) 2015. SORP 2019 will become effective from the next financial year. The strategic report is drawn up in accordance with the Financial Reporting Council's (FRC) Guidance on Strategic Reporting.

## STRATEGY

The University's Council approved the Sussex 2025 strategy and associated Key Performance Indicators (KPIs) in 2018. The strategy recognises four key dimensions to success: Learn to Transform, Research with Impact, Engage for Change and Build on Strengths. Each dimension has a set of approved KPIs (with associated targets), targeted action plans and agreed programmes of transformative change. Significant progress has already been made.

- Overall student satisfaction (as measured through the National Student Survey) climbed two percentage points to 84%, which is above the sector average but short of the University's ambitions;
- Measured against the University's ambition to increase the proportion of its students from low participation neighbourhoods we improved by 1.3 percentage points to 8.2%;
- Our research performance continues to improve – income for the year grew by 3% (vs. 2017/18) to £38m and the % of our publications that were internationally co-authored grew to 53.3%;
- Environmental sustainability remains a priority for Sussex – despite growing our overall student numbers by 7% YoY to 18,400 our CO<sub>2</sub> emissions reduced by 4% to 14,600 tonnes over the same period; and
- The comprehensive loss of £22m is reported for the year as a result of a £44m pension adjustment due to provisions relating to the USS pension scheme. Good underlying performance however generated a £43m operating cash surplus towards the essential investment into the University's infrastructure identified within the strategy.

# Strategic Report (continued)

## SUSSEX 2025

The 2018–19 academic year is the first year of the University's new strategic framework – Sussex 2025 – which was launched on 9 July 2018. The strategy was formulated through consulting with a wide number of staff, students, our Students' Union and alumni was instrumental in developing the new Framework, which sets out our vision, values and the aspirations that will guide our direction of travel to 2025. It will shape everything the University does for the next six years.

Many staff were involved in webinars, meetings, workshops or open forums and provided specific feedback, during the consultation phase, on the key pillars of the Framework and our values.

The new framework is based on:

- delivering an education and learning experience that has a transformative effect, and making students partners in shaping the University's future
- focusing on delivering the highest quality of research with real world impact, understanding and helping to solve the grand issues of our time
- being widely known and respected as an engaged university – interacting purposefully with people, organisations and communities to bring benefits to individuals and societies worldwide
- re-engineering our processes, structures and governance to be more confident and agile in delivering the University's priorities, with special focus on Human Resources, IT, Finance and Estates.

Over the new plan period, strategic investment will support the University to achieve its goals.

Through reinvestment, diversification and efficient delivery we will aim to enable ambitious investment into our education offering, research facilities, infrastructure, people and estate.

Students will benefit from investment in new digital learning technologies and increased exposure to real research groups, centres, networks and initiatives. An increased focus on the student experience and wellbeing will instigate investment in services across our campus, health and support systems.

We will support the formation and development of interdisciplinary research programmes, groups and networks that are based on recognised and emerging areas of excellence and that are designed to respond to global challenges.

Find out more at: [www.sussex.ac.uk/strategy](http://www.sussex.ac.uk/strategy)

## HIGHER EDUCATION CONTEXT

There is greater competition in the sector, however, Sussex is currently performing well against these headwinds.

The sector faces a number of regulatory challenges, both specifically in regard to Higher Education and those emanating from broader external factors, including uncertainty arising from the United Kingdom exiting the European Union.

Based on the data from 1 December 2018, 8.6% of students and 22.2% of academic staff come from non-UK EU member states. The University has been working closely with the sector body, Universities UK, to ensure we strongly represent our views to Government. The institution has also been working to identify ways to ensure a diverse student recruitment approach, alongside initiatives to secure continued student/staff exchange and research opportunities within European Union countries. In addition, around 20% of our research grants and contracts income is derived from European Government funding and as part of our research strategy, we continue to seek diversification of funding mechanisms.

## UNIVERSITY RANKINGS

Council monitors the University's performance in published league tables and has set a target of being in the top 20 UK institutions.

The University was ranked 27th in the UK by the *Times Higher Education Table of Tables 2019*, which is reached through combining the results of the three main UK university league tables. Sussex was ranked 32nd in the UK by *The Complete University Guide 2020*.

In the *Times Higher Education World University Rankings 2019–20* the University was ranked 146th in the world, exceeding our target of 150th. In the *QS World Rankings 2019*, Sussex has been rated number one in the world for development studies and highly rated for research.

In *The Which? University Guide*, 85% rated the rich political scene at Sussex. In the 2014 Research Excellence Framework (REF), over 75% of research activity at Sussex was categorised as world leading or internationally excellent in terms of originality, significance and rigour.

# Strategic Report (continued)

## FINANCIAL REVIEW

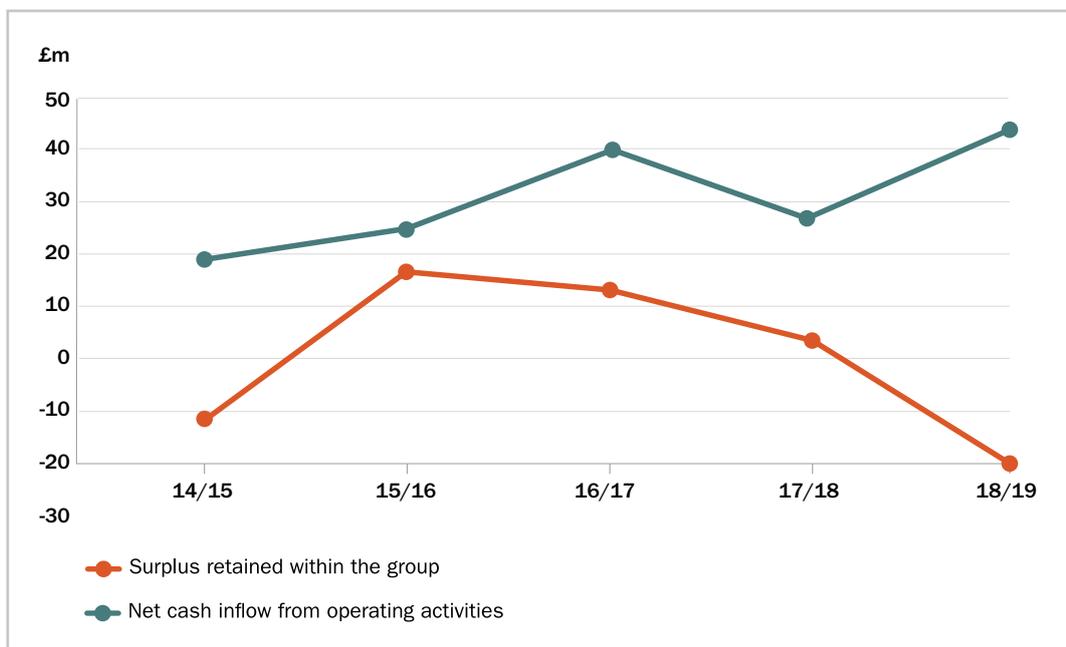
The Group consolidated income and expenditure (including our share of joint venture income and expenditure, since the Brighton and Sussex Medical School is a core part of our academic activities) and surplus retained in the Group for the year ended 31 July 2019 and the previous two years are summarised as follows:

	2018/19 £m	2017/18 £m	2016/17 £m
Income	323.7	297.3	287.3
Expenditure	342.7	293.7	270.9
(Deficit)/Surplus for the year	(19.0)	4.6	13.3
<b>Represented by:</b>			
Non-Controlling Interest	0.8	0.8	0.8
Surplus retained within the Group	(19.8)	3.8	12.6

The University recorded a deficit in 2018/19 of £19.8m or 6.1% of income compared to £3.8m for 2017/18. The 2018/19 result is after an adjustment to recognise the University's increased funding obligations to the Universities Superannuation Scheme (USS) following the March 2017 valuation, which generated an expense of £43.7m. The underlying surplus before this adjustment is £23.9m, which represents 7.4% of income.

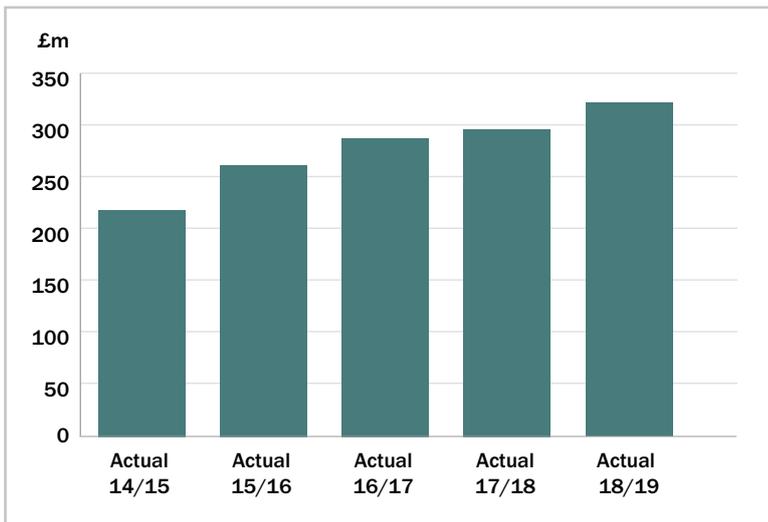
Operating cashflow performance remains a reliable indicator of performance. Actual surpluses and net operating cash are shown below demonstrating that cash performance has been positive and consistently so in contrast to accounting surpluses, which are subject to one-off non-cash expenditure as a result of the technical accounting treatment of pensions. The University recorded positive net operating cash of £43m in 2018/19 (£26m in 2017/18) and expects continuing positive cash generation in the future.

## SURPLUS AND NET OPERATING CASH



## Strategic Report (continued)

### TURNOVER



### INCOME

The University's total income in 2018/19 was £323.7m, an increase of 8.8% compared to the previous year (£297.3m). Tuition fees are the most significant element, making up 59% of total income.

Research contract income increased to £38.0m. Other income increased by £6.3m, or 12%, with a strong contribution from the first year of occupancy of our New East Slope residences.

## Strategic Report (continued)

Strong performance in student recruitment saw tuition income rise by 10% as the number of students FTE grew by 7% to 18,400 from 17,120 in 2017/18, driven by a new intake of students of 8,697 which was 9% higher than the previous year. Growth was seen in Home and EU and international students, with a recovery in the University's postgraduate intake which had dipped in 2017/18.

The recurrent grants that the University receives from the Office for Students and Research England and Department of Education, increased by £1.0m, or 4%, to £28.5m largely driven by the increase in student numbers.

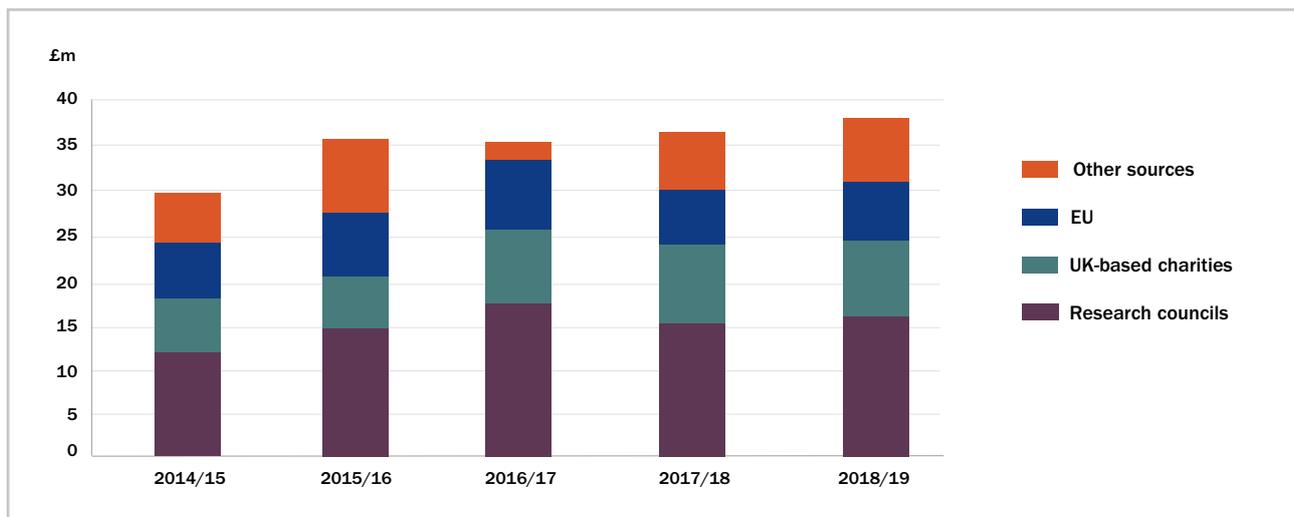
Research grants and contracts income increased by 3% to £38.0m.

At Sussex, growth experienced in income from research grants and contracts is consistent with the investment in teaching and research staff during the 2013-18 plan period. A number of significant awards were received in the year including £3.4m for Digital Futures at Work Research Centre from the Economic and Social research council, £1.7m Experimental Particle Physics from the Science and Technology facilities council, and Cognitive and neural processes underpinning how we perceive, comprehend and remember events from the European Union.

Income from Research Council grants increased by 4% to £16.3m, representing 43% of research grants and contracts turnover while research income from European Government sources increased by 3% to £6.4m, being 17% of research income. The significance of European-funded research to the University presents a challenge in the medium term as Government redefines the UK's relationship with Europe. A considered response will emerge as we work on the next strategic plan, although in the short term, we continue with our aim to grow research turnover at a rate comparable to – or above – our benchmark group.

The University's 'Other Income' increased to £58.6m in 2018/19, a rise of 12%, which is primarily due to the larger student population and its impact on income generated by student housing rents, catering and other services.

### RESEARCH INCOME



# Strategic Report (continued)

In 2018/19 the University secured just over £6.1m in new philanthropic income – compared to £5.1m the previous year – and received a total of £5.2m cash in year. Major research programmes and initiatives funded through donations and endowments include the Andrew and Virginia Rudd Centre for Adoption Research and Practice, and the SPRU Deep Transitions programme. Income from donations vary from year to year.

## REVENUE EXPENDITURE

The University's cost base includes total staff costs of £201m, which this year includes recognizing a £43m charge for the University's increased recovery plan liabilities in the Universities Superannuation Scheme (USS) following the adoption of the March 2017 scheme valuation.

The underlying staff costs before the pension adjustment have increased 6.5% this year to £157m, commensurate with the cost of growing average staff numbers by 2%, attracting and recruiting new staff, and pay increases of 1.8% for cost of living inflation on average across all staff groups, plus incremental progressions and USS pension employer contributions rising.

The University continues to invest heavily in scholarships and bursaries to support its widening access strategy and meet obligations under its Access and Participation Plan. Financial commitments associated with the First-Generation Scholars programme and other initiatives to improve participation from under-privileged and non-traditional entrants has continued to be an important area of investment. This year we have also continued to develop our next generation Student Record System, and have spent £4.7m on the maintenance and refurbishment of our campus. Overall, other operating expenditure has been managed within the same budget as last year's expenditure of £114m.

## CAPITAL INVESTMENT

The University is based at its campus in Falmer and during the year spent £11.3m as part of ongoing investment in our strategic capital programme. Significant projects progressed during 2018/19 include various upgrades to the infrastructure of our campus including the electrical, water and heating supplies, and a new floodlit 3G pitch in our sports facilities.

## FINANCING, CASHFLOW AND LIQUIDITY

The University manages its liquidity by holding sufficient current asset investments, cash and cash equivalents to meet its financial obligations as they become due, while ensuring that the cost of finance is kept to a minimum. The terms under which liquidity is managed are set out in treasury management policy informed by published CIPFA guidance and approved by Council annually.

A formal policy on borrowing and financing was approved by Council in 2009 was revised, when Council agreed a new borrowing limit of £200m in March 2017. HEFCE permission to increase borrowings was received.

The University took out a £40m long-term non-amortising interest-only facility with Barclays Bank plc – which was fully drawn by 2009/10 – and £50m of amortising term funding from Lloyds Bank plc. Around half of these borrowings were arranged on an interest-only non-amortising basis. Council gave its approval for a private placement of £100m in April 2017. The private placement for £100m was entered into in September 2017. The private placement has been arranged so that no more than £50m of long-term non-amortising debt matures in any five year period from 2039 onwards.

The University has a long record of generating net operating cash surpluses. A net operating cash inflow of £43.5m (£26.2m in 2017/18) was achieved, which funded the year's capital investment. Taking the balance sheet items "Investments" and "Cash and cash equivalents" together (as current asset investments are mainly short fixed-term deposits) the University's available funds have increased by £23m this year.

The University holds £118m in current asset investments, which include £13m of investments held in support of restricted endowment reserves. The remaining £105m is held in cash deposits with maturities of less than 12 months. At its meeting in Spring 2016, Council approved a new Socially Responsible Investment policy and the University has appointed an appropriate investment manager to manage its non-cash investments in accordance with this policy.

## Strategic Report (continued)

The University entered into contracts with Balfour Beatty Investments Limited ('BBI') in March 2017 in connection with development of student residences on the University's Falmer campus. The contracts grant a 54-year lease to a special purpose vehicle, East Slope Residences Student Accommodation LLP ('ESRSA LLP'), owned by BBI and a University subsidiary. ESRSA LLP is building 2,217 new bedspaces, and will provide back to the University the core and shell of a new Student Centre, a car park and new campus road. The arrangement gives the University nomination rights on the student bedspaces, on an annual basis, a year in advance. Student rents will be set by reference to parameters set by the agreements. First delivery of bedspaces completed in Autumn 2018. The arrangements are treated as a Service Concession under accounting conventions and results in an annual liability and asset at each balance sheet date for any rooms nominated (and thus guaranteed for rent payment). During the initial four-year construction period the University is required to nominate at least 75% of the available rooms each December for the following academic year. This commits the University to pay for these rooms. It is anticipated that student rents received will fully fund this obligation. The University is entitled to participate in certain increases in rent income in ESRSA LLP and accounts for this gainshare on an accrual basis.

### PENSIONS

The University participates in three major pension arrangements that carry different accounting treatments under financial reporting standard FRS102. Details are set out in the notes to the accounts.

A total pension provision of £82.8m is recognised on the consolidated balance sheet made up of £64.9m in respect of the Universities Superannuation Scheme (USS) and £17.8m in respect of the University of Sussex Pension and Assurance Scheme (USPAS). The University of Sussex Pension and Savings Scheme (USPSS) is a defined contribution scheme and, as such, there is no future obligation or asset recognisable on the balance sheet. The University accounts for the cash contributions it makes into USPSS in the year these are incurred but, under the USPAS scheme, the accrued cost of the scheme obligation is recognised.

The USS, under FRS102, is a defined benefit multi-employer scheme and, as such, is accounted for as a defined contribution scheme whereby the annual cost is charged to Income and Expenditure. However, the University provides for an obligation that is the net present value of future payments that will be made into the scheme under the deficit recovery plan. The total provision for this obligation is £64.9m under the USS recovery plan which was agreed following the triennial valuation at 31 March 2017. Under the plan, the University will pay 5.0% of pensionable payroll for 15 years ending in June 2034, which in cash terms is around £4.7m

per annum, rising to £6.0m. The obligation under the recovery plan is a significant increase from the previous year's assessment.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. This means that, all other things being equal, and subject to calculation at 31 July 2020 with the appropriate salary roll forecast and discount rate, a reduction in provision of some £25m will be recognised resulting in a corresponding increase in accounting surplus in the Statement of Comprehensive Income.

The provision of £17.8m recognised in relation to USPAS is the net pension obligation in respect of the scheme assets and future pension obligations, the "net pension obligation". The net pension obligation in accounting terms has increased by £2.6m as a result of a lower discount rate and making allowance for Guaranteed Minimum Pension equalisation. The net pension obligation is subject to actuarial assumptions at the balance sheet date (31 July) so may change year to year.

It is important to note however, the practical implications of the deficit in terms of cash commitments. The actuarial valuation of USPAS at 31 March 2018 was completed in Spring 2019. The University agreed a Recovery Plan with the Trustees (which has since been accepted by The Pension Regulator), which includes paying the Technical Provisions deficit at 31 March 2018 over a period of seven years from April 2019 to February 2025, through increased employer cash contributions of around £4.1m per annum rising in line with inflation.

The University opened a new defined contribution scheme – University of Sussex Pension and Savings Scheme – with life and health assurance benefits when the USPAS scheme was closed to new entrants on 1 April 2009. As a defined contribution scheme with life and health assurance benefits, the annual cost of this scheme is recognised in the Income and Expenditure Account and there is no risk of costs to the University changing retrospectively once a year is complete.

### RESERVES

Consolidated reserves have reduced by £23m to £350m at the balance sheet date 31 July 2019 compared to £373m in 2018, reflecting the deficit for the year.

# Strategic Report (continued)

## TRADE UNION FACILITY TIME

The number of University employees who were union officials in the year to 31 March 2019 was 27 (FTE 24.8). All of these employees spent 50% or less of their time working on facility time. The percentage of the University's total pay bill spent on paying union officials for facility time was 0.09%. The percentage of time spent on paid trade union activities as a percentage of total paid facility time hours was 0%.

## FUTURE OUTLOOK

As noted above, the University has agreed a new strategic framework for the period until 2025.

This strategic framework is supported by 16 key performance indicators/targets by which success in delivering the framework and its key supporting strategies will be measured. These aim to promote excellence of delivery and to secure the sustainability of the University. Achieving these 16 key performance indicators will require continued development of our curriculum, enhancing the student experience, enhancing our research reputation and grant capture, continuing our success in the recruitment of students from low-participation neighbourhoods and reducing our CO<sub>2</sub> emissions.

The principal financial key performance indicator is to achieve a surplus before exceptional items of 7% of income by 2019/20, increasing to 10% of income by 2024/25. These targets have been set in order to provide the cash resources required to deliver the new strategy, including investment in the capital programme (across both our physical estate and our information technology provision), investment in new academic initiatives and as some protection against the significant risks the higher education sector is currently facing that are outlined further below. Delivering this level of surplus will be challenging.

The University is putting in place prudent measures which, along with our strong track record of recruiting students, we believe contribute to a financial outlook that is sustainable despite the presence of risks and uncertainties.

The terms of the UK's withdrawal from the European Union are still uncertain at the time of writing, and it is not clear when information that will allow the higher education sector to assess the impact of any agreement on its operations will be known. The significant risks highlighted for the last two years relate to the long term future funding and recruitment of students from EU countries, the recruitment and retention of high quality staff and research collaboration and funding – these risks remain for 2019–20. We continue to ensure that we are aware of the current situation and possible outcomes, have taken and continue to take positive action in order to provide reassurance to staff and students and continue to work with Universities UK to ensure that our voice is heard

during the negotiations and as the Government develops future policy and funding arrangements.

In addition, the UK economic outlook for the next few years is also uncertain, with no consensus on the impact of Brexit or other world trading policy developments on the UK or global economy. The University's financial targets are set to provide the space for the institution to adapt in a strategic way to any economic downturn, and to provide investment for initiatives to allow the University to take advantage of the opportunities that will also arise.

We do not anticipate that there are unlikely to be any significant changes in tuition fees for Home undergraduate students for the foreseeable future.

The result is that the University does not expect its most significant income source to rise with inflation in the coming years. However, there is pressure on the institution's cost base from rises in staff pay and pension costs. Discussions continue to try to mitigate the impact of future growth in employers' and employees' contributions to the USS scheme. It is likely that there will be further pressure on pay in the future, as inflation continues to run ahead of the Government's targets and employee pension contributions rise.

The University is continually seeking to offer better value for money to students and to the taxpayer. We are currently focusing on increasing core and non-core income, reviewing costs across the University and making investments in the student experience. These include the launch of a full review and update of our pedagogy, with a focus on teaching innovation and the start of an investment programme in a number of high value but relatively low cost investments in technology enhanced learning and student engagement technologies. We have also commenced work on the core and shell of a new Student Centre to be opened in 2021.

The significant growth in students and staff over the past five years now means that the continued expansion of our operations is constrained by the space available to accommodate new initiatives. In order to address this, a number of major capital projects are in progress or are being planned. We are developing Estates and IT roadmaps to set out our intended priorities through to 2025.

Plans are already in place to fit out the new Student Centre that will bring many of our student-facing services together to enhance the services provided; work is expected to begin on this project in 2019/20.

We also continue to review our student residential accommodation provision. A new Residences Strategy is being developed and we are planning new accommodation, which will be designed and constructed in partnership with a third party. In addition, the University continues to invest in smaller schemes to improve both efficiency in the use of space and the quality of accommodation for students and staff.

## Strategic Report (continued)

Council remains confident in the future financial position of the University although we recognise that difficult choices will need to be made in the coming years in order to meet our long term organisational objectives.



**Dame Denise Holt**  
Chair of Council



**Professor Adam Tickell**  
Vice-Chancellor



Willington

East Slope Reception  
Sports Centre

NEWS

# Corporate Governance

The University is committed to best practice in all aspects of corporate governance.

This statement describes the manner in which the University actively applies the principles set out in the Committee of University Chairs (CUC) Governance Code of Practice and the Office for Students' Public Interest Governance Principles. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

## SUMMARY OF THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

The University is an independent corporate body whose legal status derives from a Royal Charter. Its objects, powers and framework of governance are set out in the Charter and supporting Statutes.

The Charter and Statutes establish three separate bodies – Council, Senate and Court (known as the Sussex Annual Forum) – each with clearly defined functions and responsibilities to manage and oversee the University's activities.

### CHARTER AND STATUTE BODIES

**Council** is the governing body of the University, responsible for setting the general strategic direction of the institution, for ensuring proper accountability, and for managing its finances, property and investments and the general business of the University.

Council is made up of independent, professional services, academic and student members appointed or elected under the Statutes and Regulations of the University. The majority are independent, non-staff, non-student members. The roles of Chair and Vice-Chair of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor. Council has a membership of 25. These are: the Vice-Chancellor; Provost; up to 15 independent members appointed by Council; three members of Senate; two other members of the academic staff; one member of professional services staff, the President of the Students' Union and the Research Postgraduate School representative sitting on Senate. Council meets at least three times a year and during 2018–19 had seven committees and one joint committee with the University of Brighton.

The matters specially reserved to Council for decision are determined:

1. by Council's own decision as set out in the Regulations;
2. under the Office for Students transitional arrangements during the period from 1 April 2018 to 31 July 2019;
3. under the Office for Students transitional arrangements (from 1 April 2018);
4. under the Terms and Conditions of Research England Grant (from 1 April 2018);
5. under the Terms and Conditions for Higher Education Institutions published by the Office for Students (from 1 April 2018).

Council holds the responsibility for the ongoing strategic direction of the University, the monitoring of institutional effectiveness and the approval of major developments. It receives regular reports from the senior executives on the day-to-day operations of the University and its subsidiary companies. During 2018/19 a Chair and Vice-Chair were in place who were appointed from amongst the independent members. The University is fully compliant with the key recommendations of the Committee of University Chairs (CUC) Code of Governance and the Office for Students' Public Interest Governance Principles.

In September 2018, the University was formally entered in the Register for English higher education providers held by the Office for Students.

# Corporate Governance (continued)

## MEMBERSHIP OF COUNCIL

Independent members of Council are appointed for three-year terms, which can be extended twice making a total permissible period on Council of nine years. Members of Council are also trustees of the University as an exempt charity under the meaning of the Charities Act 2011. Those members listed below were members of Council during 2018–19 or have joined Council between the year-end and the date of the financial statements being signed.

Name	Status	Start date on council	Term	Current term end date
Sharmila Nebhrajani	Independent	1 August 2011	3	Resigned 1 December 2018
Andy Bryant	Independent	1 August 2012	3	31 July 2021
Adrienne Fresko CBE	Independent	1 August 2013	3	31 July 2022
Professor Sir Peter Knight	Independent	1 August 2013	3	31 July 2022
Martin McCann	Independent	1 August 2013	3	31 July 2022
Kirstin Baker CBE	Independent	1 August 2014	2	31 July 2020
Katie Ghose	Independent	24 Sept 2015	2	31 July 2021
Jane Parsons	Independent	1 August 2016	2	31 July 2022
Dame Denise Holt	Independent	1 August 2017	1	31 July 2020
Mark Devlin	Independent	1 October 2017	1	31 July 2020
Rosemary Martin	Independent	1 October 2017	1	Resigned 31 July 2019
Professor Stephen Caddick	Independent	21 March 2018	1	20 March 2021
Tony Bullman	Independent	1 August 2018	1	31 July 2021
David Curley	Independent	1 August 2018	1	31 July 2021
Aleema Shivji	Independent	15 November 2018	1	14 November 2021
Professor Adam Tickell	Ex-officio (Vice-Chancellor)	1 Sept 2016		
Professor Saul Becker	Ex-officio (Provost)	11 Sept 2017		
Frida Gustafsson	Ex-officio (President of the Students' Union)	17 June 2017		14 June 2019 (Tenure ended)
Filip Vasilijevic	Ex-officio (President of the Students' Union)	15 June 2019		31 July 2020
Jack Stockdale	Ex-officio (Research post-graduate student on Senate)	1 Jan 2018		31 Dec 2018 (Tenure ended)
Nadia Buyse	Ex-officio (Research post-graduate student on Senate)	1 Jan 2019		31 Dec 2019
Professor Steve McGuire	Elected by Senate	1 Jan 2016		31 Dec 2021
Professor Kate O'Riordan	Elected by Senate	29 Sept 2017		31 July 2020
Mark Fisher	Elected by Senate	16 October 2017		31 July 2020
Fran Barnard	Elected by Professional Service staff	1 August 2017		31 July 2020
Professor Heather Keating	Elected by academic staff	1 August 2016		31 July 2019 (Tenure ended)
Professor Mario Novelli	Elected by academic staff	1 August 2018		31 July 2021
Professor Gerhard Wolf	Elected by academic staff	1 August 2019		31 July 2022

## Corporate Governance (continued)

### ATTENDANCE AT COUNCIL

Regulation 4 sets out the criteria for removal of Council members. Any member, other than an ex-officio member, who fails to attend three ordinary meetings of Council in a row will be deemed to have resigned from Council unless Council considers that there are exceptional circumstances. Attendance during 2018–19 at ordinary sessions of Council is as set out below. Please note that there were three full meetings of Council during the 2018–19 academic year. Additionally there were three teleconferences held to discuss the University’s institutional response to UUK consultations regarding the USS pension’s position.

	22-Oct – 2018 (Telecon)	27-Nov – 2018	1-Mar – 2019 (Telecon)	20-Mar – 2019	30-May – 2019 (Telecon)	26-June – 2019
Dame Denise Holt	✓	✓	✓	✓	✓	✓
Kirstin Baker CBE	✓	✓	✓	✓	A	✓
Fran Barnard	A	✓	✓	✓	✓	✓
Professor Saul Becker	✓	A	✓	✓	A	✓
Andy Bryant	A	✓	A	✓	✓	✓
Tony Bullman	✓	✓	✓	A	✓	✓
Nadia Buyse (term started 1.1.19)	N/A	N/A	A	✓	A	✓
Professor Stephen Caddick	✓	✓	✓	✓	✓	✓
David Curley	✓	✓	✓	✓	✓	✓
Mark Devlin	A	✓	✓	✓	✓	✓
Mark Fisher	✓	✓	✓	✓	✓	✓
Adrienne Fresko CBE	✓	✓	✓	✓	A	✓
Frida Gustafsson (term ended 15.6.19)	A	A	A	✓	A	N/A
Katie Ghose	✓	A	✓	✓	A	✓
Professor Heather Keating (term ended 31.7.19)	A	✓	✓	✓	A	✓
Professor Sir Peter Knight	A	A	✓	✓	✓	A
Rosemary Martin (term ended 31.7.19)	✓	A	✓	A	✓	✓
Martin McCann	A	✓	✓	✓	✓	✓
Professor Steven McGuire	A	✓	✓	✓	✓	✓
Professor Mario Novelli	A	✓	✓	✓	✓	✓
Professor Kate O’Riordan	A	✓	✓	✓	✓	A
Jane Parsons	✓	✓	✓	✓	✓	✓
Aleema Shivji (term started 15.11.18)	N/A	✓	✓	✓	A	✓
Jack Stockdale (term ended 31.12.18)	A	✓	N/A	N/A	N/A	N/A
Professor Adam Tickell	✓	✓	✓	✓	✓	✓
Filip Vasilijevic (term started 16.6.19)	N/A	N/A	N/A	N/A	N/A	✓
Sharmila Nebhrajani	A	A	N/A	N/A	N/A	N/A

## Corporate Governance (continued)

**Senate** is the main academic body of the University and draws its membership entirely from the staff and students of the University. Its principal role is to direct and regulate the teaching and research of the University. It oversees quality assurance and standards of education provided by the University.

**Court** (Sussex Annual Forum) is an annual meeting to promote the research, teaching and interests of the University to the local area, enhance relationships with businesses to strengthen placement opportunities and provide an opportunity for networking.

### COMMITTEES OF COUNCIL

A new Committee structure was implemented from 1 August 2018 and was in place through the 2018/19 year and to-date.

### COMMITTEE STRUCTURE IN OPERATION FROM AUGUST 2018

**Audit and Risk Committee (ARC)** provides oversight of the University's risk management, control and governance arrangements. It ensures that mechanisms exist for economy, efficiency and effectiveness in the University's activities and advises Council on the University's internal and external audit arrangements and on all Financial Reporting matters. Its membership comprises a Chair with appropriate financial, accounting or audit qualifications and experience appointed by Council from amongst the independent members, plus four independent members of Council who are not members of the Strategic Performance and Resources Committee, and a staff member of Council. It may co-opt up to two other independent members from outside of Council with financial, accounting or audit experience. Although Senior Executives attend meetings of the Audit and Risk Committee as necessary, they are not members. The Chair has full and direct access to both internal and external auditors throughout the year. In 2018/19 ARC met four times.

**Strategic Performance and Resources Committee (SPRC)** has responsibility for shaping and recommending to Council a robust strategic process for the development of long-term strategy within the University as well as shaping key enabling strategies; scrutiny of financial planning and budgeting; and scrutiny of the overall performance of the University in line with its strategy and financial plans. It is chaired by an independent member of Council and its membership includes at least four other independent members of Council, the Vice-Chancellor, the President of the Students' Union and two staff members of Council. In 2018/19 SPRC met five times.

**Capital Programmes Committee** was set up in August 2018 to provide oversight and assurance of those significant projects above the threshold requiring Council approval. Its membership comprises a Chair who is an independent member of Council and member of SPRC, two other independent members of Council, a co-opted independent member, professional services representative on Council, an academic member of Council and the Vice-Chancellor. In 2018/19 CPC met three times.

The University has two separate Remuneration Committees, **Remuneration Committee (A)** and **Remuneration Committee (B)**. Remuneration Committee (A) is solely to determine, review and report on the remuneration of the Vice-Chancellor.

Remuneration Committee (B) determines the principles and strategy for the reward of all staff excluding the Vice-Chancellor. It also determines the remuneration of the Provost, Pro-Vice-Chancellors, Chief Operating Officer and Secretary and the framework for the remuneration of the broader University Leadership Team and Professoriate. Both Committees are chaired by an independent member of Council who is not chair of any other committee.

The membership of both Committees includes the Chair of Council, the Chair of Strategic Performance and Resources Committee and the Chair of Audit and Risk Committee. The Vice-Chancellor is not a member of either Remuneration Committee and only attends meetings of Remuneration Committee (B) regarding staff pay. In 2018/19 Remuneration Committee A met once, and Remuneration Committee B met three times.

**Brighton and Sussex Medical School Joint Board** remained in place with changes to its remit and membership agreed by the Universities of both Sussex and Brighton in December 2017. The Joint Board is responsible to the Board of Governors of the University of Brighton and Council of the University of Sussex for, amongst other matters, determining the strategic objectives for the Medical School and monitoring performance against these, as well oversight of the academic activities of the School and the administration of students via the Board's sub-committees, and oversight of an annual revenue and capital budget in the context of a five-year plan.

### SUB-COMMITTEES REPORTING TO THE UNIVERSITY EXECUTIVE GROUP

Human Resources Committee (which in May 2019 replaced the People and Organisational Development Committee), Health, Safety and Environment Committee and Equality and Diversity Committee were management committees reporting to the University Executive Group during 2018/19.

# Corporate Governance (continued)

## VICE-CHANCELLOR

The Vice-Chancellor, appointed by Council after consultation with Senate, exercises management supervision of the University. Under the Terms and Conditions for Higher Education Institutions published by the Office for Students and the Terms and Conditions of Research England Grant (which has superseded the HEFCE guidance) the Vice-Chancellor is the Accountable Officer of the University.

## REGISTER OF INTERESTS

A Register of Members' Interests is maintained by the Chief Operating Officer and Secretary, which includes details of independent members of Council, and of senior officers and members of staff who have significant financial authority or access to privileged information.

## STATEMENT OF PUBLIC BENEFIT

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and members of Council are also trustees. Under the provisions of the Charities Act 2011, charities are required to demonstrate explicitly how they provide public benefit. Under the Act, the Office for Students (since 1 April 2018), is the principal regulator of English higher education institutions that are exempt charities and thus for the University of Sussex. The University's Council, in setting and reviewing institutional objectives and activities, has taken into consideration the Charity Commission's guidance on the reporting of public benefit requiring: that there must be clearly identifiable benefits related to the aims of the charity; that the benefits must be to the public or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay fees; that people in poverty must not be excluded from the opportunity to benefit.

## AIMS AND OBJECTIVES

The objects of the University as set out in its Royal Charter are 'to advance learning and knowledge by teaching and research, and to enable students to obtain the advantages of University education'. These align closely with two of the charitable purposes of advancement of education and the advancement of science. The University brings a wide range of public benefits to individual students and to society as a whole through the quality of education provided and the quality of students who leave the institution and enter work and/or undertake community-based activities as well as through the dissemination and practical application of our research.

Sussex is recognised for its contribution to global academy and human knowledge and striving to sustain its distinctive academic endeavour. Internationalism is embedded in the intellectual and social life of Sussex with students and staff from a diverse and numerous range of nations contributing to the experience of all those studying and working here. Our students benefit from high quality inspirational teaching led by research of lasting academic value and impact for the benefit and enrichment of society. Our students and staff are key to the intellectual capital of one of the UK's most enterprising cities, Brighton & Hove, where the University is recognised as a major asset for economic growth and key contributor to the region's cultural resources and cosmopolitan life. Research at Sussex impacts on daily lives in a wide spectrum of activities, informing public policy and bringing new technologies for the benefit of society. The campus sits at the centre of the University's research, teaching and learning activities providing fit-for-purpose IT, research facilities, libraries, learning and social spaces, which provide the appropriate infrastructure to sustain and grow the impact of our academic endeavour, both globally and regionally.

## BENEFICIARIES AND ACTIVITIES THAT GENERATE PUBLIC BENEFIT

The prime beneficiaries of teaching at Sussex are the University's undergraduate and postgraduate students. Public benefit is delivered through the quality education that students engage in at Sussex, allowing them to undertake jobs and careers in their subject, or in areas where the skills and intellectual rigour of their training have direct relevance. Many go on to share their learning and knowledge with others, some through formal teaching careers and others through social and workplace interchange. Graduates make a major contribution to society through wealth generation and their cultural and economic impact on society.

Our research is contributing new knowledge, ideas and solutions, which is leading to real change in the world and making a difference to people's lives. Our technology transfer and spin outs are helping companies and organisations grow and attract new investment.

Our research influences policy at international, regional and national levels.

The prime beneficiaries of research at Sussex, which covers a broad spectrum of disciplines and outputs, ranges from individuals and organisations benefiting from new medical and technological advances, to those benefiting more indirectly from cultural and societal, economic and commercial, environmental and political improvements secured through better knowledge and understanding, including informing public policy in areas such as criminal justice, industry and innovation and environmental and climate change-related policies.

## Corporate Governance (continued)

We work in partnership with a range of external stakeholders to undertake research focused on key global challenges. The breadth of multidisciplinary research at Sussex is represented through the many distinctive areas of knowledge that grow and develop within each of our academic schools of study, departments and research centres. Our series of impact case studies celebrates the benefits of our research both nationally and internationally:

[sussex.ac.uk/research](https://sussex.ac.uk/research)

### Recent projects that have benefited society:

#### Shining a light on the impact of pesticides on bees

Professor Dave Goulson's research into the impact of pesticides on bumblebees has led governments to take action to better protect flying insects. Bumblebees are excellent pollinators of many crops, such as blueberries, tomatoes, aubergines and kiwis, and wild plants.

In 2012 Goulson, Professor of Biology at the University of Sussex, and his research group exposed 75 bumblebee nests to neonicotinoids, neurotoxic insecticides which are the most widely used insecticides in the world. They found that the pesticides had a devastating impact on the queen bumble bees. Recent research he co-authored found flying insect numbers in nature reserves across Germany had fallen by three-quarters in 27 years.

Goulson's research was widely covered in the media and was cited by the UK's former environment secretary, Michael Gove, as key to his rationale for supporting an EU ban on the use of neonicotinoids, reversing the UK governments' previous position. Gove has said that the UK Government will keep those restrictions in place after leaving the EU. Last year the EU completely banned the outdoor use of neonicotinoids and two other pesticides on all field crops.

#### Building the world's first global map of podoconiosis

Dr Kebede Deribe, an epidemiologist at the Brighton and Sussex Medical School, has been leading efforts to create a global map of podoconiosis (podo), a neglected tropical disease only formally identified less than thirty years ago. People with podo have painful, swollen and deformed feet and legs and are often ostracised by their communities.

There are around 4 million people living with podo around the world, mainly in tropical countries. But these are just estimates. The Global Atlas will help fill crucial gaps in knowledge and provide public health officials and policy makers with vital information needed to treat patients and to plan its elimination.

Deribe and his team have already mapped three African countries – Ethiopia, Cameroon and Rwanda – and collected data from several others. The map of podo in Ethiopia was used by the Ethiopian Ministry of Health to develop a national master plan for neglected tropical diseases for 2016–2020 and used in long-term health plans, such as their health sector transformation plan.

In April 2018 an independent report by Oxford Economics found that the University makes a contribution of £343m to the regional economy across Brighton & Hove, East Sussex and West Sussex, and supports 5,180 jobs in the region. The University also supports the generation of £74.9m in tax revenues from its own activities and those of students and visitors. The report also highlighted the University's significant social impact driven by world-leading research, highly skilled graduates and civic-minded staff, as well as a strong commitment to social mobility and business innovation.

## TARGETS AND ACHIEVEMENTS

In 2018 Council approved the new Strategic Framework to 2025 and a revised set of University level key performance indicators and targets as part of its long-term strategic plan, against which strategic and charitable objectives are measured. The results and evidence of progress are considered by Strategic Performance and Resources Committee at each meeting, with a full annual update to Council. Additionally Council has approved University level strategies for each of the four pillars of the Strategic Framework: Learn to Transform; Research with Impact; Engage for Change; Build on Strengths, each with a set of supporting actions and milestones.

We stay well ranked in league tables at home and abroad. According to the 2019 National Student Survey, 84% of Sussex students are satisfied with their overall experience. In the last Research Excellence Framework (REF) exercise undertaken in 2014, over 75% of research activity at Sussex was categorised as world leading or internationally excellent in terms of originality, significance and rigour.

## REMOVING BARRIERS TO PUBLIC BENEFIT

The University endeavours to remove all barriers to the delivery of benefit from our education and research. Sussex recruits students from many countries worldwide and provides foundation and English language courses, in collaboration with respected partners, to ensure an accessible route to our full degree programmes, and to support taster programmes, such as summer schools. Sussex endeavours to provide affordable student accommodation on the campus estate and in the surrounding area, which is operated by the University and its partners to ensure that Sussex is a safe and accessible destination for study.

Sussex has undertaken many initiatives to remove barriers to education presented by the cost of study and maintenance. We have a number of scholarship schemes available to students at different levels of study, open in many cases to home and international students, and ensuring that access to our education programmes is available to students demonstrating academic excellence, irrespective of nationality or background.

## Corporate Governance (continued)

An important part of our policy and strategy for widening access to support those from disadvantaged backgrounds has been to agree a comprehensive range of financial and pastoral support measures, from pre-arrival to after graduation, for students from low-income households, in addition to the provision of student support for all Sussex students which is available via the Student Life Centre and Student Support Unit. Interventions include HE awareness-raising through close work with selected schools, and support for job seeking and work placements. The development of a range of postgraduate taught scholarships has been a priority, and has led to the development of the Sussex Graduate Scholarships, Chancellor's Masters Scholarships and the Sussex Country Scholarships (for students coming to Sussex from India, Malaysia, Nigeria, Pakistan and Vietnam).

The University also seeks to use a considerable part of access agreement funding to offer First Generation Scholars employment on its student ambassador programme, an initiative that also offers significant development opportunities working with pupils in local schools.

The University also ensures that those students who come from the most disadvantaged backgrounds also get full support to enter the workplace or continue to study after graduation.

We work to ensure that capital investments address accessibility issues for students with special requirements, including purpose-built flats designed for those with limited mobility. The Student Life Centre at Sussex provides support, counselling services and study advice.

In the case of research, Sussex delivers public benefit through its engagement across a broad range of disciplines spanning the sciences, social sciences, arts and humanities. Funding is drawn from a variety of sources including research block grant, grants and contracts from Government, charities and industrial sponsors as well as philanthropic gifts from individual and corporate benefactors, all of which contribute to sustain the strong culture and tradition of scholarship and research-led teaching that is central to the University.

### INCIDENTAL PRIVATE BENEFITS

The University is aware that certain activities may confer private benefit on employees (other than their core employment remuneration), especially in relation to consultancy. The University therefore has in place strict contractual policies to ensure that the public interest and wider public benefit are protected by requiring that rewards to individual staff are paid out of additional income over and above the full economic cost of the University's activity, which is the first call on revenues generated in such activity. Income is shared between the University and the academic consultant beyond this limit and is such that private benefit conferred is incidental to the public benefit of our education and research mission.

### AVOIDING DETRIMENT IN OUR ACTIVITIES

The University's activities promote public benefit by their nature. Care is taken that our research work is informed by the application of due diligence and where appropriate, ethical review, which are undertaken at proposal stage. We also have a number of staff and student policies that require pre-assessments to be made on ethical grounds before commencing work. We also have policies relating to the acceptance of donations.

### FUTURE ACTIVITIES TO ENHANCE PUBLIC BENEFIT

Under the current rules applying to Home/EU undergraduates entering University the burden of funding is placed on the student through a combination of up-front tuition fees and student loans. At Sussex this section of the student body makes up approximately 64% of the student population. Government policy on funding for higher education has led to a reduction in direct grant funding and increased student fees. This presents a significant challenge for universities to avoid a perceived price barrier that might restrict access by potential student beneficiaries from low-income households. The University works with applicants and their parents and sponsors to ensure that they understand the financial impact of the fee regime, which includes loan funding for tuition fees in full, and the benefits of a higher education experience, which continues to be compelling in terms of the direct and indirect benefit to graduates.

The University is fully committed to developing access and progress routes for students from all backgrounds. Our 2019-20 OfS Access and Participation Plan includes a commitment to re-investing fee income, equating to £12.1m in 2019-20 (or 33% of the additional fee income over the basic £6,165 fee), in an extensive programme of widening participation activities. The programme covers engagement with local and regional educational providers through collaborative initiatives to promote fair access to higher education and social mobility. Decisions on whether to offer a student a place at Sussex are made independently of an assessment of whether a student is eligible for a scholarship or other support, so that all applicants who meet our academic or other professional criteria are offered a place.

In addition to the support provided through our financial awards, students are provided with a range of transition, retention and employability support options to help their progression through pre-entry, academic and study skills development, work placement, careers advice and ongoing careers and employability support post-graduation, or assistance with access to postgraduate study.

# Corporate Governance (continued)

## STATEMENT ON INTERNAL CONTROL

### SCOPE OF RESPONSIBILITY

Council, as the governing body of the University, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Terms and Conditions for Higher Education Institutions published by the Office for Students and the Terms and Conditions of Research England Grant.

### THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system is based on an ongoing process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

### REVIEW OF EFFECTIVENESS

Council's review of the effectiveness of the system of internal control is informed by the work of internal auditors, not employed by the University, who operate to the standards set out under Annex C of the Terms and Conditions for Higher Education Institutions to July 2019 published by the Office for Students. It is also informed by the Audit and Risk Committee, which has oversight of internal audit and reports annually to Council for its approval of the effectiveness of risk management and the system of internal control; by the work of the Senior Executives and the risk owners within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors.

## CAPACITY TO HANDLE RISK

As the governing body, Council has responsibility for the University's risk management framework and for reviewing the effectiveness of the system of internal control. For this purpose, the Audit and Risk Committee oversees and provides assurance on the operation of the internal control systems and risk management framework. (In October and November 2019 the Audit and Risk Committee reviewed the University's risk tolerance and appetite statement to ensure that it remains relevant and appropriate to the current environment.) The University Executive Group, which meets to receive and consider reports on recommendations for action or decision to Council, coordinates the management of risk within the University's Schools and Professional Service Divisions and ensures that the risk register is kept up-to-date and that appropriate business continuity and disaster recovery plans are in place. It is supported for this purpose by internal audit. Risk management within Schools and Divisions is supplemented by risk assessments and monitoring by project managers for cross-organisational projects.

## THE RISK AND CONTROL FRAMEWORK

The following processes have been established:

- Council meets at least three times through the year to consider the plans and strategic direction of the University.
- Council requires regular reports from Senior Officers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- Council receives periodic reports from the Chair of the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness, and receives copies of the minutes of all Audit and Risk Committee meetings.
- The Audit and Risk Committee meets four times a year and receives regular reports from internal audit, internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, including the risk register, together with recommendations for improvement. The internal control framework and audit programme approved by Audit and Risk Committee is based on assessment of risk including an evaluation of the likelihood and impact of risks which could crystallise. The Committee also receives an Annual Report from the Director of Finance on compliance with the Financial Regulations and other key financial control policies and procedures. The risk management framework considers business, operational, compliance and financial risk. It operates at multiple levels with significant risks and/or themes being escalated to the Institutional Risk Register. Reports are provided to Audit and Risk Committee, which assures itself from reports and representations received and the work of the internal auditors that a comprehensive system of risk management is operational throughout the year.

## Corporate Governance (continued)

- Audit and Risk Committee regularly reviews the University's risk tolerance and appetite statement to ensure that it remains relevant and appropriate in reflection of the current University and sector context.
- Risk management has been embedded at School and support unit level by ensuring that Heads of School and Directors of Professional Service Divisions, together with their management teams, undertake a detailed review of the risks facing each School or Division – risks are reviewed in each cycle of business with this review informing the Institutional Risk Register (and status of risks contained therein).
- The Institutional Risk Register is reviewed by University Executive Group monthly prior to submission to Audit and Risk Committee, members of UEG use their knowledge of the University and the external environment to validate the Register.
- A suite of key performance indicators has been developed to enable Council's Strategic Performance and Resources Committee to monitor progress towards the achievement of strategic objectives, and risk management considerations are addressed specifically on all major projects and decision-making papers through the committee structure.
- Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2019 and, up to the date of approval of the financial statements, was informed by the Audit and Risk Committee, the work of the internal auditors and the senior managers in the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in its management letter and other reports. Council is of the view that there is an ongoing process for ensuring the effectiveness of the system of internal controls and for identifying, evaluating and managing the University's significant risks and that it has been in place for the year ended 31 July 2019 and up to the date of approval of the *Financial Statements*.

# Responsibilities of the University's Council

**In accordance with the University's Charter of Incorporation, Council is responsible for the administration and management of the affairs of the University and is required to present audited Financial Statements for each financial year.**

Council is responsible for ensuring the proper maintenance of accounting records and the preparation of Financial Statements that give a true and fair view of the state of affairs of the University in accordance with the University's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions dated June 2014, other relevant accounting and financial reporting standards and within the Terms and Conditions for Higher Education Institutions agreed between the OfS and the University's Council.

Council, through its senior officers and the Strategic Performance and Resources and Audit and Risk Committees, is required to ensure that in the preparation of accounting statements:

- Suitable accounting policies are selected and applied consistently.
- Judgements and estimates are made that are reasonable and prudent.
- Applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

Council has taken reasonable steps, through its senior officers and Audit and Risk Committee to:

- Ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with OfS and any other conditions which OfS may from time to time prescribe.
- Ensure that funds from the National College for Teaching and Leadership – and Department for Education (DfE) from 1 April 2018 – are used only for the purposes for which they have been given and in accordance with the Funding Agreement with the DfE and any other conditions which the DfE may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the University and to prevent and detect fraud and other irregularities.
- Secure the economical, efficient and effective management of the University's resources and expenditure.

Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.



# Independent Auditor's Report to the Council of the University of Sussex

## OPINION

We have audited the financial statements of University of Sussex ("the University") and its subsidiaries (the 'Group') for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including *Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's and University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

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

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

## OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Council are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report and Statement of Corporate Governance and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and Statement of Corporate Governance of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Statement of Corporate Governance of the Council have been prepared in accordance with applicable legal requirements.

## FINANCIAL STATEMENTS 2018-19

### OPINION ON OTHER MATTERS REQUIRED BY THE OFFICE FOR STUDENTS ("OFS") AND RESEARCH ENGLAND

In our opinion, in all material respects:

- funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them.
- the requirements of the OfS's accounts direction have been met.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

### RESPONSIBILITIES OF COUNCIL

As explained more fully in the Responsibilities of the University's Council Statement set out on page 22, 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

### USE OF OUR REPORT

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



**James Aston (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor  
Gatwick

United Kingdom

Date: 28 November 2019

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

# Statement of Comprehensive Income

		YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
		CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	NOTES	£'000	£'000	£'000	RESTATED £'000
<b>INCOME</b>					
Tuition fees and education contracts	1.1	191,456	191,456	174,606	174,606
Funding body grants	1.2	32,481	32,352	30,722	30,669
Research grants and contracts	1.3	38,033	38,033	36,756	36,756
Other income	1.4	56,199	55,488	51,183	49,751
Investment income	1.5	2,386	2,386	1,134	1,134
Total income before endowments and donations		320,555	319,715	294,401	292,916
Donations and endowments	1.6	3,095	3,095	2,947	2,947
<b>TOTAL INCOME</b>		<b>323,650</b>	<b>322,810</b>	<b>297,348</b>	<b>295,863</b>
<b>EXPENDITURE</b>					
Staff costs before pension adjustment	2.1	157,145	149,276	147,532	139,800
Pension adjustment	2.1	43,745	43,745	-	-
Total staff costs		200,890	193,021	147,532	139,800
Other operating expenses	2.3	114,262	122,142	114,467	122,143
Write down of discontinued capital project		-	-	6,833	6,833
Depreciation	3.0	20,316	20,066	16,674	16,435
Interest and other finance costs	2.2	8,714	8,525	8,208	8,016
<b>TOTAL EXPENDITURE</b>		<b>344,182</b>	<b>343,754</b>	<b>293,714</b>	<b>293,227</b>
<b>(DEFICIT)/SURPLUS BEFORE OTHER GAINS/(LOSSES)</b>		<b>(20,532)</b>	<b>(20,944)</b>	<b>3,634</b>	<b>2,636</b>
Loss on disposal of fixed assets		-	-	(26)	(24)
Gain on investments		1,613	1,613	781	781
Share of operating surplus in associate		34	-	168	-
<b>(DEFICIT)/SURPLUS BEFORE TAX</b>		<b>(18,885)</b>	<b>(19,331)</b>	<b>4,557</b>	<b>3,393</b>
Taxation		(85)	(85)	(5)	(5)
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>(18,970)</b>	<b>(19,416)</b>	<b>4,552</b>	<b>3,388</b>
Actuarial (loss)/gain in respect of pension schemes	17	(3,470)	(3,470)	8,132	8,132
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b>(22,440)</b>	<b>(22,886)</b>	<b>12,684</b>	<b>11,520</b>
Represented by:					
Endowment comprehensive income for the year	11	2,008	2,008	607	607
Unrestricted comprehensive (loss)/income for the year		(25,298)	(24,894)	11,283	10,913
Non-controlling interest		850	-	794	-
		(22,440)	(22,886)	12,684	11,520
<b>(DEFICIT)/SURPLUS FOR THE YEAR ATTRIBUTABLE TO:</b>					
Non-controlling interest		850	-	794	-
University		(19,820)	(19,416)	3,758	3,388

All items of income and expenditure relate to continuing activities

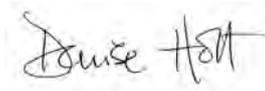
# Balance Sheet

	NOTES	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
		CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
		£'000	£'000	£'000	£'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets	3	436,987	432,858	444,196	439,841
Investments	5	6,668	874	6,646	885
		443,655	433,732	450,842	440,726
<b>CURRENT ASSETS</b>					
Stock		54	51	54	51
Trade and other receivables	6	30,596	42,880	29,298	41,390
Investments	7	117,827	117,827	175,398	175,398
Cash and cash equivalents		109,088	102,872	28,581	23,400
		257,565	263,630	233,331	240,239
Creditors: amounts falling due within one year	8	(74,518)	(69,780)	(72,775)	(69,252)
<b>NET CURRENT ASSETS</b>		183,047	193,850	160,556	170,987
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		626,702	627,582	611,398	611,713
<b>DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	6	12,647	12,647	12,647	12,647
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9	(206,493)	(205,609)	(213,747)	(212,646)
<b>PROVISIONS</b>					
Pension provisions	10	(82,757)	(82,757)	(36,752)	(36,752)
Other provisions	10	(49)	(49)	(262)	(262)
<b>TOTAL NET ASSETS</b>		350,050	351,814	373,284	374,700
<b>RESTRICTED RESERVES</b>					
Income and expenditure reserve – endowment reserve	11	13,606	13,606	11,598	11,598
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve – unrestricted		333,427	337,843	358,725	362,737
Capital Reserve		1,802	-	1,802	-
Revaluation reserve		365	365	365	365
		349,200	351,814	372,490	374,700
Non-controlling interest		850	-	794	-
<b>TOTAL RESERVES</b>		350,050	351,814	373,284	374,700

The financial statements were approved and authorised for issue by the Governing Body on 27 November 2019 and were signed on its behalf on that date by:



Professor Adam Tickell, Vice-Chancellor



Dame Denise Holt, Chair of Council



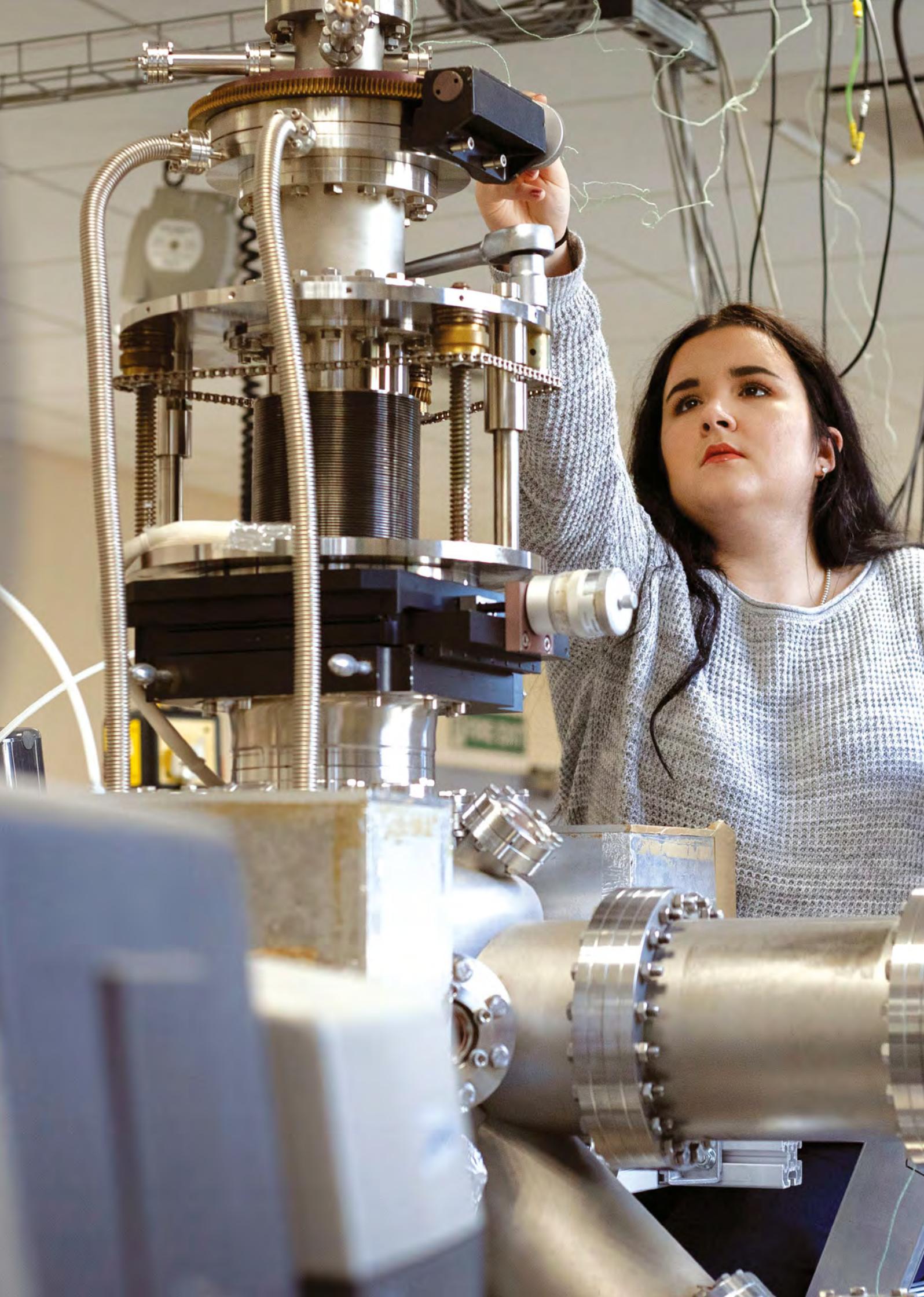
Allan Spencer, Director of Finance

# Consolidated Cash Flow Statement

	NOTES	YEAR ENDED 31 JULY 2019 £'000	YEAR ENDED 31 JULY 2018 £'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Deficit)/Surplus for the year		(18,970)	4,552
<b>ADJUSTMENT FOR NON-CASH ITEMS</b>			
Depreciation	3	20,316	16,674
Gain on investments	5	(1,613)	(781)
Decrease in stock		-	18
(Increase)/decrease in debtors	6	(1,362)	6,006
Increase/(decrease) in creditors	8	339	(6,950)
Increase/(decrease) in pension provision		42,535	(1,894)
Decrease in other provisions	10	(213)	(1,026)
Share of operating surplus in associate		(33)	(168)
<b>ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES</b>			
Investment income	1.5	(2,386)	(1,134)
Interest payable	2.2	8,713	8,208
Operating lease income		(357)	(329)
Endowment income	11	(867)	(664)
Write down of the discontinued capital project		-	6,833
Loss on disposal of fixed assets		-	26
Capital grant income		(2,651)	(2,568)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>43,451</b>	<b>26,803</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital grant receipts		2,651	2,568
Withdrawal of deposits	7	59,195	-
Investment income received	1.5	2,450	945
Payments made to acquire fixed assets	3	(11,305)	(19,278)
New short term deposits	7	-	(110,113)
		<b>52,991</b>	<b>(125,878)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(7,425)	(5,726)
Interest element of finance lease		(351)	(371)
East Slope Fees and Enabling works		(1,686)	(2,736)
Endowment cash received		867	664
Distribution to non-controlling interest		(794)	(782)
New unsecured loans		-	100,000
Repayments of amounts borrowed	8	(2,217)	(2,096)
Capital element of Service Concession		(3,769)	-
Capital element of finance lease	8	(560)	(484)
		<b>(15,935)</b>	<b>(88,469)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>		<b>80,507</b>	<b>(10,606)</b>
Cash and cash equivalents at beginning of the year		28,581	39,187
Cash and cash equivalents at end of the year		109,088	28,581

# Consolidated and University Statement of Changes in Reserves

	Income and Expenditure account		Capital Reserve	Revaluation Reserve	Total excluding non-controlling interest	Non controlling interest	Total
	Endowment	Unrestricted					
	£'000	£'000					
<b>CONSOLIDATED</b>							
<b>BALANCE AT 1 AUGUST 2017</b>	<b>10,991</b>	<b>347,442</b>	<b>1,802</b>	<b>365</b>	<b>360,600</b>	<b>782</b>	<b>361,382</b>
Distribution of Non Controlling Interest				-		(782)	(782)
	10,991	347,442	1,802	365	360,600	-	360,600
Surplus from the statement of comprehensive income	1,552	2,206	-	-	3,758	794	4,552
Other comprehensive income	-	8,132	-	-	8,132	-	8,132
Release of restricted funds spent in year	(945)	945	-	-	-	-	-
Total comprehensive income for the year	607	11,283	-	-	11,890	794	12,684
<b>BALANCE AT 1 AUGUST 2018</b>	<b>11,598</b>	<b>358,725</b>	<b>1,802</b>	<b>365</b>	<b>372,490</b>	<b>794</b>	<b>373,284</b>
Distribution of Non Controlling Interest						(794)	(794)
	11,598	358,725	1,802	365	372,490	-	372,490
Deficit from the statement of comprehensive income	2,510	(22,330)	-	-	(19,820)	850	(18,970)
Other comprehensive loss	-	(3,470)	-	-	(3,470)	-	(3,470)
Release of restricted funds spent in year	(502)	502	-	-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>2,008</b>	<b>(25,298)</b>	<b>-</b>	<b>-</b>	<b>(23,290)</b>	<b>850</b>	<b>(22,440)</b>
<b>BALANCE AT 31 JULY 2019</b>	<b>13,606</b>	<b>333,427</b>	<b>1,802</b>	<b>365</b>	<b>349,200</b>	<b>850</b>	<b>350,050</b>
<b>UNIVERSITY</b>							
<b>BALANCE AT 1 AUGUST 2017</b>	<b>10,991</b>	<b>351,824</b>	<b>-</b>	<b>365</b>	<b>363,180</b>	<b>-</b>	<b>363,180</b>
Surplus from the statement of comprehensive income	1,552	1,836	-	-	3,388	-	3,388
Other comprehensive income	-	8,132	-	-	8,132	-	8,132
Release of restricted funds spent in year	(945)	945	-	-	-	-	-
Total comprehensive income for the year	607	10,913	-	-	11,520	-	11,520
<b>BALANCE AT 1 AUGUST 2018</b>	<b>11,598</b>	<b>362,737</b>	<b>-</b>	<b>365</b>	<b>374,700</b>	<b>-</b>	<b>374,700</b>
Deficit from the statement of comprehensive income	2,510	(21,926)	-	-	(19,416)	-	(19,416)
Other comprehensive loss	-	(3,470)	-	-	(3,470)	-	(3,470)
Release of restricted funds spent in year	(502)	502	-	-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>2,008</b>	<b>(24,894)</b>	<b>-</b>	<b>-</b>	<b>(22,886)</b>	<b>-</b>	<b>(22,886)</b>
<b>BALANCE AT 31 JULY 2019</b>	<b>13,606</b>	<b>337,843</b>	<b>-</b>	<b>365</b>	<b>351,814</b>	<b>-</b>	<b>351,814</b>



# Statement of Principal Accounting Policies and Estimation Techniques

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2014, with Financial Reporting Standards FRS102 and the OfS accounts direction 2017/18, which remains in force. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102.

In preparing the separate financial statements of the University, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the University.

## 2. BASIS OF ACCOUNTING

The consolidated financial statements include the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2019. These are Sussex Innovation Centre Development Limited, Sussex UH Limited, Sussex Estates and Facilities LLP, Sussex Innovation Centre Management Limited, Sussex UH ESR Holding Limited and Sussex UH ESR Intermediate Limited.

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

## 3. INCOME RECOGNITION

**Grant funding** including funding council block grant, 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 have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

**Tuition fee** income is credited to the income and expenditure account in the year in which students are studying. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

**Capital grants** are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

**Sale of goods and services receipts** are credited to the income and expenditure account at the time of supply to the customers or when the terms of the contract have been satisfied.

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

**Donations and endowments** are non-exchange transactions without performance related conditions.

Donations and endowments with donor-imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

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

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

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

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

# Statement of Principal Accounting Policies and Estimation Techniques (continued)

## AGENCY ARRANGEMENTS

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

## 4. EMPLOYMENT BENEFITS

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

## 5. FINANCE LEASES

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. 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.

## 6. SERVICE CONCESSION ARRANGEMENTS

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

## 7. OPERATING LEASES

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

## 8. TAXATION

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

## 9. ACCOUNTING FOR RETIREMENT BENEFITS

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Sussex Pension and Assurance Scheme (USPAS). The schemes are defined benefit schemes, which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to University at members 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.

# Statement of Principal Accounting Policies and Estimation Techniques (continued)

## DEFINED CONTRIBUTION PLAN

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

## DEFINED BENEFIT PLAN

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary, using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## 10. FOREIGN CURRENCY

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit for the financial year.

## 11. FIXED ASSETS

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Land and buildings that had been revalued to fair value on or prior to the date of transition to the 2014 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

No depreciation is charged on assets in the course of construction and a full charge for the year is made for assets brought into use during the year. No charge for depreciation is made in the year in which an asset is disposed of.

## LAND AND BUILDINGS

Freehold land is not depreciated; freehold buildings are depreciated over their expected useful economic life of 50 years and improvements to buildings over 20 years. Leasehold land with an unexpired term of more than 50 years is not amortised. Leasehold land with an unexpired term of 50 years or less and leasehold buildings are amortised over the term of the lease up to a maximum of 50 years.

## INFRASTRUCTURE

Campus Infrastructure assets are depreciated over a useful economic life of 10 years.

## EQUIPMENT

Equipment, including computers and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

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

- general equipment – 5 years
- equipment acquired for specific research projects – 3 years
- structural equipment – 10 years.

Where buildings and equipment are acquired with the aid of specific grants, the assets are capitalised and depreciated in accordance with the policy set out above, with the related grant credited to income in accordance with the performance model for capital grants.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

## BORROWING COSTS

Borrowing costs are recognised as expenditure in the period in which they are incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset, where they are capitalised.

# Statement of Principal Accounting Policies and Estimation Techniques (continued)

## 12. FINANCIAL INSTRUMENTS

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

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

## 13. STOCKS

Stock is held at the lower of cost and net realisable value.

## 14. REPAIRS AND MAINTENANCE

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred.

## 15. CASH AND CASH EQUIVALENTS

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within three months 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. They include term deposits, government securities and loan stock held as part of the treasury management activities. They exclude any such assets held as endowment asset investments.

## 16. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when:

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

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

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

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

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

## 17. ACCOUNTING FOR JOINT VENTURES

The University accounts for its share of transactions from its jointly controlled operation, in the Brighton and Sussex Medical School, in the Consolidated Statement of Comprehensive Income and the Balance Sheet.

## 18. INTRA-GROUP TRANSACTIONS

Gains or losses on any intra-group transactions are eliminated in full, on consolidation. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity.

## 19. RESERVES

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

# Statement of Principal Accounting Policies and Estimation Techniques (continued)

## 20. SIGNIFICANT ESTIMATES AND JUDGEMENTS EXERCISED IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- Determine whether leases entered into by the University either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.
- Determine whether there are indicators of impairment of the University's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- The critical underlying assumptions in relation to the estimate of the University of Sussex Pension and Assurance Scheme defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- The underlying assumptions in relation to the estimate of the present value of the obligation in respect of the funding deficit plan for the USS pension scheme such as the salary inflation over the period of the funding deficit plan and the discount rate to be used.
- The determination as basic financial instruments of loan agreements that contain compensation clauses.

Other key sources of estimation uncertainty:

- Tangible fixed assets (note 3) are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Trade debtors (note 6): the estimate for receivables relates to the recoverability of the balances outstanding at year-end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.



# Notes to the Financial Statements

## NOTE 1 INCOME

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
<b>1.1 TUITION FEES AND EDUCATION CONTRACTS</b>				
Full-time home and EU students	115,605	115,605	104,838	104,838
Full-time international students	70,842	70,842	64,822	64,822
Part-time students	1,872	1,872	1,817	1,817
Research Training Support Grant	136	136	102	102
Short courses	3,001	3,001	3,027	3,027
	<b>191,456</b>	<b>191,456</b>	<b>174,606</b>	<b>174,606</b>
<b>1.2 FUNDING BODY GRANTS</b>				
<b>RECURRENT GRANTS:</b>				
Teaching OFS, UKRI	8,105	8,105	8,112	8,112
Research OFS, UKRI	14,453	14,453	14,591	14,591
Department for Education	3,330	3,330	2,257	2,257
Capital Grants	2,651	2,651	2,568	2,546
<b>SPECIFIC GRANTS:</b>				
Higher Education Innovation Fund	3,714	3,714	3,073	3,073
Other grants	228	99	121	90
	<b>32,481</b>	<b>32,352</b>	<b>30,722</b>	<b>30,669</b>
<b>1.3 RESEARCH GRANTS AND CONTRACTS</b>				
Research councils	16,277	16,277	15,596	15,596
UK-based charities	8,495	8,495	8,213	8,213
European Commission	6,388	6,388	6,192	6,192
Other grants and contracts	6,873	6,873	6,755	6,755
	<b>38,033</b>	<b>38,033</b>	<b>36,756</b>	<b>36,756</b>
<b>1.4 OTHER INCOME</b>				
Residences, catering and other operations	40,679	41,163	37,849	36,838
Other services rendered	6,033	4,838	5,470	4,335
General academic services	1,030	1,030	803	803
NHS Income	4,784	4,784	4,622	4,622
Staff and student services	699	699	746	673
Central administrative	533	533	718	718
Other income	2,441	2,441	975	1,762
	<b>56,199</b>	<b>55,488</b>	<b>51,183</b>	<b>49,751</b>
<b>1.5 INVESTMENT INCOME</b>				
Investment income on endowments	19	19	96	96
Other Investment Income	2,367	2,367	1,038	1,038
	<b>2,386</b>	<b>2,386</b>	<b>1,134</b>	<b>1,134</b>
<b>1.6 DONATIONS AND ENDOWMENTS</b>				
New endowments	867	867	664	664
Donations with restrictions	2,228	2,228	2,283	2,283
	<b>3,095</b>	<b>3,095</b>	<b>2,947</b>	<b>2,947</b>

## FINANCIAL STATEMENTS 2018-19

### NOTE 2 EXPENDITURE

#### 2.1 STAFF COSTS

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
Salaries	122,691	115,791	115,217	108,442
Social security costs	13,235	12,685	12,588	12,047
Other pension costs	21,219	20,800	19,727	19,311
Staff costs before pension adjustment	157,145	149,276	147,532	139,800
Pension adjustment	43,745	43,745	-	-
Total Staff Costs	200,890	193,021	147,532	139,800

The Pension adjustment arises on adopting the USS March 2017 valuation. This is further explained in note 17.

	YEAR ENDED 31 JULY 2019 £'000	YEAR ENDED 31 JULY 2018 £'000
<b>EMOLUMENTS OF THE VICE-CHANCELLOR PROFESSOR ADAM TICKELL:</b>		
Salary	300	294
Non-taxable benefits:		
Death in service and incapacity benefits	6	7
Total Remuneration	306	301

The University does not make any pension contributions on behalf of the Vice-Chancellor. There are no other payments to the Vice-Chancellor, nor is there any accommodation provided.

The Vice Chancellor's salary is 8.27 times the median pay of staff.

The Vice Chancellor's remuneration is 7.34 times the median remuneration of staff.

In the above pay ratio calculations we have excluded atypical staff and agency workers because we do not have a robust process to calculate the full time equivalent basis for these categories of staff.

The Vice Chancellor's total remuneration for 2018/19 was £306k per annum. The salary of £294k in 2017/18 increased by the award of 2% cost of living uplift for the year 2018/19 (which applied to all staff) implemented from 1st August 2018, taking his salary to £300k per annum for 2018/19.

The remuneration of the Vice-Chancellor reflects the complex and uncertain environment in which the University operates, both within the UK and the wider global context, and through which he must steward the University to fulfil its strategic ambitions. In terms of scale and complexity, the University has a student population of circa 18,000; nearly 3,000 staff; and an annual turnover of over £320 million. The Vice Chancellor has led the University's response to the challenges facing the University, which comprise, but are not limited to: successfully growing home and international student numbers in a competitive environment to ensure a strong financial base, given that approximately 60% of institutional income comes from tuition fees; investing in IT and Estates to ensure an exceptional student and staff experience; attracting and retaining talented staff across all its activities; addressing the potential impact of Brexit and taking action to mitigate the effects in the highest risk areas; navigating the complexities of an evolving international landscape by focusing on further developing our international partnerships, revitalising our international summer school and expanding our online distance learning provision; preparing for success in REF2021; and targeting TEF Gold accreditation and successful delivery of KEF goals.

Remuneration Committee (A) was satisfied that the Vice Chancellor's increased remuneration was appropriate given the benchmarking information and the performance of the Vice-Chancellor over the year. The review included consideration of the Vice-Chancellor's salary history, how his remuneration compared to that of Vice-Chancellors in institutions of comparable size and complexity and benchmarking of pay data in respect of Heads of Institution provided by the Committee of University Chairs (CUC), the Universities and Colleges Employers Association and the Higher Education Statistics Agency.

## FINANCIAL STATEMENTS 2018-19

### NOTE 2 EXPENDITURE (CONTINUED)

The table below shows the number of staff with a basic salary above £100,000 per annum, broken down into bands of £5,000.

	NUMBER 2019	NUMBER 2018
£100,000 to £104,999	20	16
£105,000 to £109,999	11	9
£110,000 to £114,999	3	4
£115,000 to £119,999	4	4
£120,000 to £124,999	5	8
£125,000 to £129,999	6	5
£130,000 to £134,999	6	3
£135,000 to £139,999	-	2
£140,000 to £144,999	5	2
£145,000 to £149,999	-	1
£160,000 to £164,999	-	2
£165,000 to £169,999	1	-
£170,000 to £174,999	1	-
£175,000 to £179,999	1	1
£220,000 to £224,999	-	1
£290,000 to £294,999	-	1
£295,000 to £299,999	1	-
	<b>64</b>	<b>59</b>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented as the University Executive Group (UEG). The total remuneration paid to key management personnel was £1,078k in 2019 (£1,105k in 2018) excluding the remuneration of the Vice-Chancellor, which is detailed above.

No payments to senior staff in lieu of notice were made to senior post-holders during the year (2018: £Nil).

The total amount of severance payments in the year was £258,168 which was paid across 44 Individuals (2018: £252,810 across 50 individuals). This figure includes payments for severance, redundancy and loss of office.

The average number of persons (including senior post holders) employed by the University during the year, expressed as full-time equivalents was:

	NUMBER 2019	NUMBER 2018
Academic	1,425	1,396
Technical	131	135
Management & specialist	1,166	1,121
Other	205	229
	<b>2,927</b>	<b>2,881</b>

#### TRUSTEE EXPENSES

The University's council members are the trustees for charitable law purposes.

The total expenses paid to or on behalf of 6 council members was £3,276 (2018: £6,122 to 12 council members).

The University had no linked charities during the year including the period up to signing the financial statements.

FINANCIAL STATEMENTS 2018-19

NOTE 2 EXPENDITURE (CONTINUED)

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
<b>2.2 INTEREST AND OTHER FINANCE COSTS</b>				
Loans wholly repayable within five years	-	-	2	-
Loans not wholly repayable within five years	7,424	7,235	6,712	6,522
Finance leases	351	351	371	371
Net interest on pension liabilities	939	939	1,123	1,123
	<b>8,714</b>	<b>8,525</b>	<b>8,208</b>	<b>8,016</b>

**2.3 OTHER OPERATING EXPENDITURE**

Academic fees and charges	12,439	12,439	11,747	11,747
Administrative and office costs	1,356	1,301	1,152	1,199
Foreign exchange gain	(150)	(150)	(9)	(9)
External auditors remuneration for annual accounts audit	105	70	174	140
Books and periodicals	1,869	1,869	1,910	1,910
Management fees	3,505	3,505	3,273	3,298
Consultancy fees	9,704	9,662	18,032	18,009
Consumables and equipment	17,347	17,303	13,740	13,719
Marketing and publicity	3,468	3,442	3,539	3,477
Facilities costs	10,202	18,643	8,517	16,575
Rent, rates and insurance	5,986	5,981	5,695	5,691
Lease rentals	1,962	1,800	1,884	1,800
Scholarships, bursaries and prizes	21,483	21,483	22,162	22,162
Students union grant	1,225	1,225	1,108	1,108
Subscriptions, fees and charges	9,649	9,618	9,293	9,248
Training, travel and employment costs	8,343	8,244	7,606	7,475
Utilities and services	5,769	5,707	4,644	4,594
	<b>114,262</b>	<b>122,142</b>	<b>114,467</b>	<b>122,143</b>

FINANCIAL STATEMENTS 2018-19

NOTE 3 FIXED ASSETS

CONSOLIDATED

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Infrastructure £'000	Service Concession £'000	Fixtures Fittings and Equipment £'000	Assets in the Course of construction £'000	Total £'000
<b>COST AND VALUATION</b>							
At 1 August 2018	52,361	413,280	637	11,306	43,755	4,385	525,724
Additions	12	308	188	1,802	2,268	8,529	13,107
Transfers	-	216	49	-	163	(428)	-
Disposals	-	-	-	-	(1)	-	(1)
<b>At 31 July 2019</b>	<b>52,373</b>	<b>413,804</b>	<b>874</b>	<b>13,108</b>	<b>46,185</b>	<b>12,486</b>	<b>538,830</b>
<b>DEPRECIATION</b>							
At 1 August 2018	5,478	42,834	64	-	33,152	-	81,528
Depreciation charge	986	12,002	79	3,769	3,480	-	20,316
Disposals	-	-	-	-	(1)	-	(1)
<b>At 31 July 2019</b>	<b>6,464</b>	<b>54,836</b>	<b>143</b>	<b>3,769</b>	<b>36,631</b>	<b>-</b>	<b>101,843</b>
<b>NET BOOK VALUE</b>							
<b>At 31 July 2019</b>	<b>45,909</b>	<b>358,968</b>	<b>731</b>	<b>9,339</b>	<b>9,554</b>	<b>12,486</b>	<b>436,987</b>
At 31 July 2018	46,883	370,446	573	11,306	10,603	4,385	444,196

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Infrastructure £'000	Service Concession £'000	Fixtures Fittings and Equipment £'000	Assets in the Course of construction £'000	Total £'000
<b>UNIVERSITY</b>							
<b>COST AND VALUATION</b>							
At 1 August 2018	46,555	414,828	637	11,306	41,309	4,385	519,020
Additions	12	308	188	1,802	2,244	8,529	13,083
Transfers	-	216	49	-	163	(428)	-
Disposals	-	-	-	-	-	-	-
<b>At 31 July 2019</b>	<b>46,567</b>	<b>46,567</b>	<b>874</b>	<b>13,108</b>	<b>43,716</b>	<b>12,486</b>	<b>532,103</b>
<b>DEPRECIATION</b>							
At 1 August 2018	3,379	44,174	64	-	31,562	-	79,179
Depreciation charge	987	11,788	79	3,769	3,443	-	20,066
Disposals	-	-	-	-	-	-	-
<b>At 31 July 2019</b>	<b>4,366</b>	<b>55,962</b>	<b>143</b>	<b>3,769</b>	<b>35,005</b>	<b>-</b>	<b>99,245</b>
<b>NET BOOK VALUE</b>							
<b>At 31 July 2019</b>	<b>42,201</b>	<b>359,390</b>	<b>731</b>	<b>9,339</b>	<b>8,711</b>	<b>12,486</b>	<b>432,858</b>
At 31 July 2018	43,176	370,654	573	11,306	9,747	4,385	439,841

**FINANCIAL STATEMENTS 2018-19**

**NOTE 3 FIXED ASSETS (CONTINUED)**

At 31 July 2019 freehold land and buildings included £11.5m (2018: £11.5m) in respect of freehold land which is not depreciated.

The net book value of tangible fixed assets includes an amount of £305.9m (2018: £303.6m) of buildings held under finance leases. The depreciation charge on these assets for the year was £11.0m (2018: £11.0m)

**THE TOTAL VALUE OF MINIMUM LEASE PAYMENTS FOR BUILDINGS HELD UNDER FINANCE LEASE IS AS FOLLOWS:**

<b>CONSOLIDATED AND UNIVERSITY</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Due in less than one year	875	875
Due between two and five years	2,139	2,139
Due in five years or more	220	220
	<b>3,234</b>	<b>3,234</b>

None of the borrowing costs associated with tangible fixed assets have been capitalised

**NOTE 4 SERVICE CONCESSION ARRANGEMENTS**

The University has one service concession arrangement with East Slope Residences Student Accommodation LLP (ESRSA) for the provision of student residential accommodation services.

On 31 March 2017 the University entered into a 54 year contract with ESRSA for the provision of residential accommodation services, providing accommodation for 2,117 students. The assets and liabilities relating to this contract are recognised on the University's Balance Sheet to the extent that the University is required to fulfil nomination commitments at each 31 July. At the end of the contract term the buildings will revert back to the University. During the initial 4 year construction period the University is required to nominate at least 75% of the available rooms each December for the following academic year. This commits the University to pay for these rooms. It is anticipated that student rents received will fully fund this obligation.

The University is entitled to participate in certain increases in rent income in ESRSA and accounts for this gainshare on an accrual basis.

**SERVICE CONCESSION ARRANGEMENT ASSETS**

The asset value of the service concession in the Balance Sheet as at 31 July 2019 is £9.3m (31 July 2018: £11.3m).

**SERVICE CONCESSION ARRANGEMENT LIABILITIES**

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2019 were £9.3m (2018 £11.3m), representing the present value of lease obligations for the following two academic years.

**FUTURE COMMITMENTS**

**THE FOLLOWING TABLE ANALYSES THE UNIVERSITY'S FUTURE COMMITMENTS IN RELATION TO SERVICE CONCESSION ARRANGEMENTS:**

	<b>PAYABLE WITHIN ONE YEAR £'000</b>	<b>PAYABLE IN BETWEEN ONE AND TWO YEARS £'000</b>	<b>PAYABLE IN BETWEEN TWO AND FIVE YEARS £'000</b>	<b>PAYABLE IN MORE THAN FIVE YEARS £'000</b>
Liability repayments	4,767	4,572	-	-
Finance charge	9	2	-	-
	<b>4,776</b>	<b>4,574</b>	<b>-</b>	<b>-</b>

FINANCIAL STATEMENTS 2018-19

NOTE 5 NON-CURRENT INVESTMENTS

CONSOLIDATED

	ASSOCIATE COMPANIES £'000	SUBSIDIARY COMPANIES £'000	OTHER FIXED ASSETS INVESTMENTS £'000	TOTAL £'000
<b>At 1 August 2018</b>	5,923	-	723	<b>6,646</b>
Share of Comprehensive Income	33	-	-	<b>33</b>
Gain/(Loss) in value	-	-	(11)	<b>(11)</b>
<b>At 31 July 2019</b>	<b>5,956</b>	<b>-</b>	<b>712</b>	<b>6,668</b>

UNIVERSITY

	£'000	£'000	£'000	£'000
<b>At 1 August 2018</b>	-	162	723	<b>885</b>
Gain/(Loss) in value	-	-	(11)	<b>(11)</b>
<b>At 31 July 2019</b>	<b>-</b>	<b>162</b>	<b>712</b>	<b>874</b>

The non-current investments have been valued at market value where available, otherwise at cost less impairment. The investment in the associate company relates to the introduction of additional share capital to enable it to fund the extension to its facilities plus the groups's share in the associates comprehensive income. Included in Consolidated Associate Companies is an amount of £5.745m relating to subordinated debt due from an associate entity East Slope Residencies Student Accommodation LLP.

OTHER NON-CURRENT INVESTMENTS CONSIST OF:

	CONSOLIDATED AND UNIVERSITY	
	31 JULY 2019	31 JULY 2018
	£'000	£'000
<b>Listed Securities</b>		
Mercantile Investment Trust	243	261
Legal & General Industrial Property Investment Fund		
Feeder Unit Trust	198	180
Feedback PLC	181	193
	<b>622</b>	<b>634</b>
<b>Unlisted Shares</b>		
CVCP Properties	36	36
The New Statesman	1	1
Interanalysis Ltd	50	50
InCrowd	2	2
	<b>89</b>	<b>89</b>
<b>Total</b>	<b>711</b>	<b>723</b>

## FINANCIAL STATEMENTS 2018-19

### NOTE 5 NON-CURRENT INVESTMENTS (CONTINUED)

	Share Class	Number	Ordinary Holding	University Value at cost 2019 £	University Value at cost 2018 £	Nature of Activity
Sussex Innovation Centre Management Ltd	Ord	200	100%	161,616	161,616	Property Management
Sussex Innovation Centre Development Centre	Pref	2,235	-	437	437	
Sussex UH Ltd	Ord	100	100%	100	100	Property Development
Sussex UH Ltd	Pref	1,800,000	-	2	2	
Sussex UH Ltd	Ord	100	100%	100	100	Holding Company
USPAS Trustee Ltd	Ord	100	100%	100	100	Pension Corporate Trustee
East Slope Housing Ltd	Ord	2	100%	2	2	Inactive
Sussex EF Ltd	Ord	100	100%	100	100	Inactive
Sussex UH ESR Holdco Ltd	Ord	1	100%	1	1	Holding Company
Sussex UH ESR Intermediate Ltd	Ord	1	100%	1	1	Holding Company
Interanalysis Ltd	Ord	20	20%	50,000	50,000	Software Technology
Feedback Plc	Ord	9,400,000	3.8%	43,338	43,338	Medical Imaging
CVCP Properties Plc	Ord	36,582	<1%	36,582	36,582	Investment Property
The New Statesman Ltd	Ord	1,626	<1%	1,626	1,626	Media Publication
Enterprise Therapeutics Ltd	Ord	12,371	<1%	-	-	Drug Development

Note that any listed investments are held at fair value.

The University is a member of Professional H.E Services Ltd, a company limited by guarantee.

Sussex UH Ltd is a member of Sussex Estates and Facilities LLP, a partnership between the University and Interserve PLC, providing estates and facilities services. Sussex UH Ltd has a 65% interest in the Partnership.

Sussex UH ESR Intermediate Ltd is a member of East Slope Residences Student Accommodation LLP a partnership between the University and Balfour Beatty Investments Ltd, for the purpose of constructing and servicing student accommodation. Sussex UH ESR Intermediate Ltd has a 20% interest in the partnership.

### NOTE 6 TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
<b>Amounts falling due within one year:</b>				
Debtors and prepayments	30,596	31,060	19,018	18,388
Research debtors	-	-	10,280	10,280
Amounts due from subsidiary companies	-	11,820	-	12,722
	<b>30,596</b>	<b>42,880</b>	<b>29,298</b>	<b>41,390</b>

Amounts due from subsidiary companies comprise Deed of Covenant payments £1,768k, Intercompany balances £2,352k and Intercompany Loans £7,700k.

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
<b>Amounts falling due after more than one year:</b>				
Debtors	12,647	12,647	12,647	12,647
	<b>12,647</b>	<b>12,647</b>	<b>12,647</b>	<b>12,647</b>

Amounts falling due after more than one year comprise £12,647k relating to East Slope Development Lease Premium.

FINANCIAL STATEMENTS 2018-19

NOTE 7 CURRENT INVESTMENTS

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Short term investment in shares	12,805	12,805	11,181	11,181
Short term deposits	105,022	105,022	164,217	164,217
	<b>117,827</b>	<b>117,827</b>	<b>175,398</b>	<b>175,398</b>

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

At 31 July 2019 the average interest rate of these fixed deposits was 0.83% per annum and the remaining average period for which the interest rate is fixed on these deposits was 220 days. The fair value of these deposits was not materially different from the book value.

NOTE 8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Mortgages and other loans	2,269	2,081	2,725	2,548
Service Concession Arrangement	4,767	4,767	3,959	3,959
Obligations under finance leases	649	649	560	560
Research Creditor	481	481	12,493	12,493
Creditors and Accruals	66,352	58,135	53,038	46,895
Amounts due to Subsidiaries	-	3,667	-	2,797
	<b>74,518</b>	<b>69,780</b>	<b>72,775</b>	<b>69,252</b>

FINANCIAL STATEMENTS 2018-19

NOTE 9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	YEAR ENDED 31 JULY 2019		YEAR ENDED 31 JULY 2018	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Service Concession Arrangement	4,572	4,572	7,347	7,347
Obligations under finance lease	1,161	1,161	1,810	1,810
Unsecured loans	179,034	178,566	180,795	180,139
Creditors and Accruals	21,726	21,310	23,795	23,350
	<b>206,493</b>	<b>205,609</b>	<b>213,747</b>	<b>212,646</b>

University Creditors and Accruals falling due after more than one year represents East Slope lease premium of £21,310k to be amortised over the remaining 53 years of the lease. In addition a further £495k related to deferred capital grants is included in the Consolidated figures

Analysis of loans:

Due within one year or on demand	2,269	2,081	2,725	2,548
Due between one and two years	2,350	2,150	2,296	2,108
Due between two and five years	7,137	6,869	7,142	6,674
Due in five years or more	169,547	169,547	171,357	171,357
Due after more than one year	179,034	178,566	180,795	180,139
Total secured and unsecured loans	181,303	180,647	183,520	182,687

Included in loans are the following:

LENDER	AMOUNT OUTSTANDING AT 31 JULY 2019 £'000	TERM	INTEREST RATE %	BORROWER
Lloyds	40,647	to 2034	5.815	University
Barclays	40,000	to 2039	5.85	University
Private Placement Loan Series A	50,000	to 2044	2.76	University
Private Placement Loan Series B	18,000	to 2049	2.78	University
Private Placement Loan Series C	32,000	to 2049	2.84	University
	180,647			
Barclays	656	to 2022	6.21	Sussex Innovation Centre Development Co Ltd.
Total	181,303			

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### NOTE 10 PROVISIONS FOR LIABILITIES

#### CONSOLIDATED AND UNIVERSITY

	Obligation to fund deficit on USS Pension £'000	Defined benefit obligations £'000	Total pensions provisions £'000	Other £'000	Total £'000
Opening balance at 1 August 2018	(21,842)	(14,910)	(36,752)	(262)	(37,014)
Utilised in year	-	-	-	213	213
Additions in 2018/19	(43,076)	(2,929)	(46,005)	-	(46,005)
<b>At 31 July 2019</b>	<b>(64,918)</b>	<b>(17,839)</b>	<b>(82,757)</b>	<b>(49)</b>	<b>(82,806)</b>

A provision is made for specific ongoing building maintenance works the University is obliged to make.

### NOTE 11 ENDOWMENT RESERVES

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2019 Total £'000	2018 Total £'000
<b>Opening balance at 1 August 2018</b>					
Capital 1 August 2018	4,714	55	6,049	10,818	10,217
Accumulated income	760	20	-	780	774
	5,474	75	6,049	11,598	10,991
New endowments	34	-	833	867	664
Investment income	19	-	-	19	96
Expenditure	(48)	-	(454)	(502)	(945)
	5	-	379	384	(185)
Increase in market value of investments	711	10	903	1,624	792
<b>At 31 July 2019</b>	<b>6,190</b>	<b>85</b>	<b>7,331</b>	<b>13,606</b>	<b>11,598</b>
<b>Represented by:</b>					
Capital	5,425	65	7,331	12,821	10,818
Accumulated income	765	20	-	785	780
	6,190	85	7,331	13,606	11,598
<b>Analysis by type of purpose:</b>					
Lectureships	155	-	-	155	114
Scholarships and bursaries	1,476	-	833	2,309	2,046
Research support	2,611	-	923	3,534	2,873
Prize funds	732	-	43	775	687
General	1,216	85	5,532	6,833	5,878
	6,190	85	7,331	13,606	11,598
<b>Analysis by asset</b>					
Fixed assets				-	-
Current and non-current asset investments				12,805	11,181
Cash and cash equivalents				801	417
				13,606	11,598

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NOTE 12 INVESTMENT IN JOINT VENTURE

BACKGROUND

The Brighton & Sussex Medical School (BSMS) is an equal partnership between the Universities of Sussex and Brighton. However, it is agreed that the University of Sussex will be allocated 75% of the income and expenditure relating to Oncology Research. All income received in respect of BSMS is held in JV accounts managed by the University of Sussex. Expenditure incurred by each university of the BSMS is reimbursed from the JV accounts.

ACCOUNTING ARRANGEMENTS

The income and expenditure of the BSMS for the year ended 31 July 2019 is reflected in the audited Financial Statements of both universities. Each university has included its share of the gross net assets and liabilities of the joint venture and its share of the gross assets and liabilities of the joint venture and its share of the turnover and surplus.

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR TO 31 JULY 2019

	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2019 £'000	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2018 £'000
<b>INCOME</b>		
OfS Grant	2,957	2,891
NHS funds	5,390	5,244
Academic fees	4,293	3,512
Research grants and contracts	1,315	1,086
Other	541	379
<b>Total income</b>	<b>14,496</b>	<b>13,112</b>
<b>EXPENDITURE</b>		
Staff costs	8,212	7,311
Depreciation	187	220
Other operating expenses	6,833	5,558
<b>Total expenditure</b>	<b>15,232</b>	<b>13,089</b>
(Deficit)/Surplus on continuing operations	(736)	23
Surplus brought forward for the year	7,733	7,710
<b>Surplus retained for the year</b>	<b>6,997</b>	<b>7,733</b>

BALANCE SHEET AS AT 31 JULY 2019

	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2019 £'000	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2018 £'000
<b>Fixed Assets</b>	<b>998</b>	<b>1,057</b>
<b>Current Assets</b>		
Debtors	814	1,445
Cash at banks and in hand	9,900	9,792
<b>Current Liabilities</b>		
Creditors	(4,715)	(4,561)
Net current assets	5,999	6,676
<b>Total net assets</b>	<b>6,997</b>	<b>7,733</b>
<b>Represented by:</b>	<b>6,997</b>	<b>7,733</b>
<b>Income and expenditure account</b>	<b>6,997</b>	<b>7,733</b>

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**NOTE 13 CAPITAL AND OTHER COMMITMENTS**

Provision has not been made for the following capital commitments at 31 July 2019:

	YEAR ENDED 31 JULY 2019 £'000	YEAR ENDED 31 JULY 2018 £'000
Commitments contracted for	5,306	3,909
Authorised, approved but not contracted for	7,677	13,904
	<b>12,983</b>	<b>17,813</b>

**NOTE 14 OPERATING LEASE COMMITMENTS**

The University entered into an operating lease in September 2007 on a new student residence comprising 450 rooms. The lease has a minimum term of 20 years with annual rents of £1.9m.

	YEAR ENDED 31 JULY 2019 CONSOLIDATED		YEAR ENDED 31 JULY 2018 CONSOLIDATED
	Land and Buildings £'000	Total £'000	Total £'000
Annual rentals under operating leases payable			
In 1 year	2,090	2,090	1,960
Two to Five years	9,093	9,093	7,839
Five or more	7,664	7,664	7,839
<b>Total lease payments due</b>	<b>18,847</b>	<b>18,847</b>	<b>17,638</b>

**NOTE 15 DEPARTMENT FOR EDUCATION TRAINING BURSARIES**

	YEAR ENDED 31 JULY 2019 CONSOLIDATED £'000	YEAR ENDED 31 JULY 2018 CONSOLIDATED £'000
Balance owed to DfE at 1 August 2018	417	123
DfE Grants	6,153	5,219
Disbursement to students	(6,144)	(4,821)
Other Disbursements	(70)	(104)
Balance owed to DfE at 31 July 2019	<b>356</b>	<b>417</b>

The University holds training bursaries in its capacity as paying agent for the Department for Education (DfE). Grants and related disbursements from the funds are excluded from the Consolidated Income & Expenditure Account.

**FINANCIAL STATEMENTS 2018-19**

**NOTE 16 RELATED PARTY TRANSACTIONS**

To capture information on related party transactions the University maintains a register of interests of Council members and senior officers.

Due to the nature of the University's operations and the composition of the University's 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 the Council has an interest. The University's Financial Regulations, systems of internal control and policies, including purchasing are designed to ensure that all the University's transactions are conducted with propriety on an arms length basis.

For the 12 month period to 31 July 2019 Related party transactions in respect of the following relationships took place and were either complete or outstanding:

- (i) Professor Adam Tickell, the University's Vice Chancellor, who is a trustee of the Institute of Development Studies (IDS). The University receives and pays amounts in respect of tuition income and payroll on behalf of IDS.
- (ii) F Gustafsson, who was a member of Council until 14th June 2019 and President of the University of Sussex Student Union, to which the University provides a grant.
- (iii) Sussex Estates & Facilities LLP is a 65% subsidiary of Sussex UH Ltd and supplies facilities management services to the University.
- (iv) Professor Stephen Caddick, who is a member of Council, is a Professor of Chemistry at University College London, to which the University received research funding and transacts for subcontractors and a director of the Wellcome Trust which provides research grants to the University.
- (v) K Baker CBE, who is a member of Council, is a non-executive director of Brighton and Sussex Universities Hospital Trust (BSUH) to which the University recharges salary costs.
- (vi) S Nebhrajani, who was a member of Council until 1st December 2018, is the Chair of the Human Tissue Authority, to which the University pays licence fees.
- (vii) J Page, who is Director of the Sussex Centre for Language Studies, is a non-remunerated director of the charity Lewes Community Screen, to which the University paid studio hire fees.
- (viii) Professor Jonathan Bacon, who is Head of the School of Engineering and Informatics, is a governor and director of Hurstpierpoint College, to which the University paid student placement fees.
- (ix) L McDermott, who is Creative Director of the Attenborough Centre, is a trustee of the charity Blast Theory, to which the University paid commission fees.
- (x) J Harvell, who is Director of Library Services and University Librarian, is the Chair of Trustees for the Mass Observation Archive. The University recharges the archive salary costs and purchases research services.
- (xi) East Slope Residences Student Accommodation LLP is a partnership between the University and Balfour Beatty for the purpose of constructing and servicing student accommodation. Sussex UH ESR Intermediate Ltd has a 20% interest in the partnership.
- (xii) C. Brodie ceased to serve on the Council on 31st July 2018. He is a non-executive Chariman of the Student Loans Company and Chair of the Universities and Colleges Admission Service in the UK.

**SUMMARY OF RELATED PARTY TRANSACTIONS**

	INCOME		EXPENDITURE		DEBTORS		CREDITORS	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Student Loans Company	-	90,275	-	16	-	-	-	-
Sussex Estates and Facilities	5	-	31,531	35,367	2	1	3,243	-
University of Sussex Students Union	170	147	1,371	1,356	-	-	30	11
Institute of Development Studies	135	957	129	184	2	-	-	-
Brighton and Sussex Universities Hospital Trust (BSUH)	1,533	4,964	736	528	2,050	1,968	560	750
Human Tissue Authority	-	-	13	9	-	-	-	-
University College London	77	72	302	48	-	-	4	-
UCAS (The Universities and Colleges Admissions Service in the UK)	-	-	158	135	-	-	-	-
Wellcome Trust	9	4,537	44	18	9	-	8	-
East Slope Residences Student Accomodation LLP	-	-	-	-	5,745	-	-	-
Mass Observation Archives	252	-	10	-	16	-	-	-
Lewes Community Screen	-	-	1	-	-	-	-	-
Hurstpierpoint College	55	-	1	-	-	-	-	-
Blast Theory	-	-	12	-	-	-	-	-

**FINANCIAL STATEMENTS 2018-19**

**NOTE 17 PENSION SCHEMES**

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Sussex Pension and Assurance Scheme (USPAS) and the University of Sussex Pension and Savings Scheme (USPSS). The USS and USPAS schemes are defined benefit schemes, which are valued every three years by actuaries using the projected unit method. The rates of contribution payable are determined by the trustees on the advice of the actuaries. Both schemes provide benefits based on final pensionable salary. In 2012 the University opened its "Group Stakeholder" defined contribution scheme, which is the primary pension scheme for new support staff.

	<b>FORECAST</b>	<b>ACTUAL</b>	<b>ACTUAL</b>
	<b>YEAR ENDED</b>	<b>YEAR ENDED</b>	<b>YEAR ENDED</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contributions to USS	18,931	16,456	15,265
Contributions to USPAS	4,254	4,201	3,781
Contributions to USPSS	1,299	1,283	86
Other contributions	574	567	497
	<b>25,058</b>	<b>22,507</b>	<b>19,629</b>

**(I) THE UNIVERSITIES SUPERANNUATION SCHEME (USS)**

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

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 the income and expenditure account in accordance with section 28 of FRS 102. Council is satisfied that the 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 funding plan in existence at the date of approving the financial statements.

**FINANCIAL STATEMENTS 2018-19**

**NOTE 17 PENSION SCHEMES (CONTINUED)**

**USS PENSION COSTS**

The total cost charged to the profit and loss account is £58.949m (2018: £15.265m).

The latest available full actuarial valuation of the Retirement Income Builder section of the scheme was at 31 March 2017 (“the valuation date”), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was 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 scheme as a whole.

The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme’s technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	<b>2019</b>	<b>2018</b>
<b>DISCOUNT RATE</b>	<b>2.44%</b>	2.64%
<b>PENSIONABLE SALARY GROWTH</b>	N/A	N/A
<b>PENSION INCREASES (CPI)</b>	<b>2.11%</b>	2.02%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme’s experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	<b>PRE-RETIREMENT</b>	<b>POST RETIREMENT</b>
<b>MALE MEMBERS’ MORTALITY</b>	71% of AMCO0 (duration 0)	96.5% of SAPS S1NMA “light”
<b>FEMALE MEMBERS’ MORTALITY</b>	112% of AFC00 (duration 0)	101.3% of RFV00

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2016 projections with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females were also adopted. The current life expectancies on retirement at age 65 are:

	<b>2019</b>	<b>2018</b>
<b>MALES CURRENTLY AGED 65 (YEARS)</b>	<b>24.6</b>	24.5
<b>FEMALES CURRENTLY AGED 65 (YEARS)</b>	<b>26.1</b>	26.0
<b>MALES CURRENTLY AGED 45 (YEARS)</b>	<b>26.6</b>	26.5
<b>FEMALES CURRENTLY AGED 45 (YEARS)</b>	<b>27.9</b>	27.8

	<b>2019</b>	<b>2018</b>
<b>SCHEME ASSETS</b>	<b>£67.4bn</b>	£63.6bn
<b>TOTAL SCHEME LIABILITIES</b>	<b>£79.2bn</b>	£72.0bn
<b>FRS 102 TOTAL SCHEME DEFICIT</b>	<b>£11.8bn</b>	£8.4bn
<b>FRS 102 TOTAL FUNDING LEVEL</b>	<b>85%</b>	88%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £21.8 million to £64.9 million as set out in note 10. £43.7 million of this increase is attributable to the change in the deficit contributions contractual commitment.

**POST BALANCE SHEET EVENT**

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £39 million, a decrease of £26 million from the current year end provision and a lower pension adjustment on the face of the Statement of Comprehensive Income of £18 million.

**FINANCIAL STATEMENTS 2018-19**

**NOTE 17 PENSION SCHEMES (CONTINUED)**

**(II) UNIVERSITY OF SUSSEX PENSION AND ASSURANCE SCHEME (USPAS)**

The University operates a UK-registered trust-based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at retirement (or date of leaving if earlier). The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

There are three categories of pension scheme members:

- Active members: currently employed by the University
- Deferred members: members of the Scheme who have not yet retired
- Pensioner members: members of the Scheme now in receipt of a Scheme pension.

The results of the most recent formal actuarial valuation as at 31 March 2015 have been updated to 31 July 2019 by a qualified independent actuary.

**ASSUMPTIONS**

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	AT 31 JULY 2019 %PA	AT 31 JULY 2018 %PA
PRICE INFLATION (RPI)	3.30%	3.20%
PRICE INFLATION (CPI)	2.30%	2.20%
RATE OF INCREASE IN SALARIES 2018-19	2.00%	2.00%
RATE OF INCREASE IN SALARIES 2019-20	1.50%	1.50%
RATE OF INCREASE IN SALARIES THEREAFTER	2.30%	2.20%
<b>RATE OF INCREASE OF PENSIONS IN PAYMENT FOR USPAS MEMBERS:</b>		
POST 88 GMP	2.10%	2.00%
PRE 09 PENSION	2.30%	2.20%
POST 09 PENSION	2.10%	2.00%
<b>RATE OF INCREASE FOR DEFERRED PENSIONERS (NON GMP):</b>		
PRE 09 LEAVERS	2.30%	2.20%
POST 09 LEAVERS	2.30%	3.20%
DISCOUNT RATE	2.00%	2.60%

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.

	MALE		FEMALE	
	PENSIONER	NON-PENSIONER (CURRENTLY AGED 45)	PENSIONER	NON-PENSIONER (CURRENTLY AGED 45)
At 31 July 2019	21.8	23.1	24.0	25.5
At 31 July 2018	21.9	23.3	23.8	25.4

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NOTE 17 PENSION SCHEMES (CONTINUED)

SCHEME ASSETS AND EXPECTED RATE OF RETURN FOR USPAS

The expected return on assets has been derived using the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

The assets in the scheme were:

	FAIR VALUE AS AT		
	AT 31 JULY 2019 £M	AT 31 JULY 2018 £M	AT 31 JULY 2017 £M
EQUITIES	69,174	67,135	62,106
GOVERNMENT BONDS	26,281	36,268	23,860
CORPORATE BONDS	40,256	23,703	34,830
ANNUITIES	163	238	256
CASH	214	472	161
<b>TOTAL</b>	<b>136,088</b>	<b>127,816</b>	<b>121,213</b>

The weighted average expected long-term rates of return were:

	FAIR VALUE AS AT		
	AT 31 JULY 2019 %PA	AT 31 JULY 2018 %PA	AT 31 JULY 2017 %PA
	3.5	3.5	3.5

	YEAR ENDED 31 JULY 2019 £'000	YEAR ENDED 31 JULY 2018 £'000
	<b>ANALYSIS OF THE AMOUNT SHOWN IN THE BALANCE SHEET FOR USPAS:</b>	
Scheme assets	136,088	127,816
Scheme liabilities	(153,927)	(143,011)
<b>DEFICIT IN THE SCHEME - NET PENSION LIABILITY RECORDED WITHIN PENSION PROVISIONS</b>	<b>(17,839)</b>	<b>(15,195)</b>
Current service cost	(1,287)	(1,304)
Past service costs	(1,386)	-
Total operating charge:	(2,673)	(1,304)
<b>ANALYSIS OF THE AMOUNT CHARGED TO INTEREST PAYABLE/CREDITED TO OTHER FINANCE INCOME FOR USPAS PENSIONS</b>		
Interest cost	3,311	3,101
Expected return on assets	5,879	5,186
Interest on net deficit	(3,673)	(3,606)
<b>NET CHARGE TO OTHER FINANCE INCOME</b>	<b>5,517</b>	<b>4,681</b>
<b>TOTAL PROFIT AND LOSS CHARGE BEFORE DEDUCTION FOR TAX ANALYSIS OF OTHER COMPREHENSIVE INCOME FOR USPAS PENSIONS:</b>		
Actual return on assets less interest	5,879	5,186
Actuarial (losses)/gains on defined benefit obligation	(9,349)	2,946
<b>TOTAL OTHER COMPREHENSIVE INCOME BEFORE DEDUCTION FOR TAX</b>	<b>(3,470)</b>	<b>8,132</b>

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NOTE 17 PENSION SCHEMES (CONTINUED)

	AT 31 JULY 2019 £'000	AT 31 JULY 2018 £'000
<b>ANALYSIS OF MOVEMENT IN SURPLUS/(DEFICIT) FORUSPAS PENSIONS DEFICIT AT BEGINNING OF YEAR</b>	<b>(15,195)</b>	<b>(24,884)</b>
Contributions or benefits paid by the University	4,201	3,781
Current service cost	(1,287)	(1,304)
Past service cost	(1,386)	-
Other finance charge	(340)	(325)
Interest cost	(362)	(595)
(Loss)/gain recognised in other comprehensive income	(3,470)	8,132
<b>DEFICIT AT END OF YEAR</b>	<b>(17,839)</b>	<b>(15,195)</b>
	<b>YEAR TO 31 JULY 2019 £'000</b>	<b>YEAR TO 31 JULY 2018 £'000</b>
<b>ANALYSIS OF MOVEMENT IN THE PRESENT VALUE OF USPAS LIABILITIES AT THE START OF THE YEAR</b>	<b>(143,011)</b>	<b>(146,097)</b>
Current service cost (net of member contributions)	(1,322)	(1,341)
Past service cost	-	(1,386)
Interest cost recorded within other comprehensive income	(3,673)	(3,606)
Actuarial (loss)/gain	(9,349)	2,946
Actual benefit payments	4,814	5,087
<b>PRESENT VALUE OF USPAS LIABILITIES AT THE END OF THE YEAR</b>	<b>(153,927)</b>	<b>(143,011)</b>
	<b>YEAR TO 31 JULY 2019 £'000</b>	<b>YEAR TO 31 JULY 2018 £'000</b>
<b>ANALYSIS OF MOVEMENT IN THE FAIR VALUE OF SCHEME ASSETS AT THE START OF THE YEAR</b>	<b>127,816</b>	<b>121,213</b>
Expected return on assets	5,879	5,186
Admin expense	(340)	(325)
Interest income	3,311	3,011
Actual contributions paid by the University	4,201	3,781
Actual member contributions (including notional contributions)	35	37
Actual benefit payments	(4,814)	(5,087)
<b>FAIR VALUE OF SCHEME ASSETS AT THE END OF THE YEAR</b>	<b>136,088</b>	<b>127,816</b>

USPAS assets do not include any of the University's own financial instruments, or any property occupied by the University.

NOTE 17 PENSION SCHEMES (CONTINUED)

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 31 March 2018. This valuation revealed a funding shortfall of £28.3 million. The University agreed to pay annual contributions of 32.5% of members' Pensionable Earnings, less member contributions from 1 April 2019. The University also agreed to pay £275,085 per month from 1 April 2018 to 28 February 2025, increasing at 3.2% each year on 1 August. The University expects to pay £4.1m to the Scheme during the accounting year beginning 1 August 2019.

UNIVERSITY OF SUSSEX PENSION AND SAVING SCHEME (USPSS)

University of Sussex Pension and Saving Scheme (USPSS) is a defined contribution scheme for new employed technical, clerical and other support staff. The scheme allows members to contribute a minimum 3% of monthly salary and offers life assurance and income protection in addition to pension benefits. The University contributes two times the member contribution up to a maximum 12% of monthly salary.

NOTE 18 FINANCIAL INSTRUMENTS

	2019 GROUP £'000	2019 UNIVERSITY £'000	2018 GROUP £'000	2018 UNIVERSITY £'000
<b>FINANCIAL ASSETS</b>				
<b>Measured at fair value through income and expenditure</b>				
Instruments in common investments funds	-	-	-	-
Debt instruments measured at amortised cost				
Long term loan receivable	12,647	12,647	12,647	12,647
<b>Investments</b>				
Non current listed investments	6,536	580	6,514	591
Non current unlisted investments	132	294	132	294
Current asset listed investments	12,805	12,805	11,181	11,181
Current asset unlisted investments	-	-	-	-
<b>Measured at undiscounted amount receivable</b>				
Trade and other receivable	30,596	42,880	29,298	41,390
	<b>62,716</b>	<b>69,206</b>	<b>59,772</b>	<b>66,103</b>
<b>Financial liabilities</b>				
<b>Measured at fair value through income and expenditure</b>				
<b>Measured at amortised cost</b>				
Loans payable	181,303	180,647	183,520	182,687
Obligation under finance leases	1,810	1,810	2,370	2,370
Obligation under service concession arrangements	-	-	-	-
<b>Measured at undiscounted amount receivable</b>				
Trade and other creditors	66,833	62,283	65,531	62,185
	<b>249,946</b>	<b>244,740</b>	<b>251,421</b>	<b>247,242</b>



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