

UNIVERSITY OF SUSSEX

# FINANCIAL STATEMENTS 2020-2021

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OF SUSSEX

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# Strategic Report

The University of Sussex has responded to unprecedented societal change during this financial year with a courage and commitment that has truly lived up to our University values. This year, as well as addressing immediate needs and concerns, we have developed the blueprint of a new programme – called ‘Size and Shape’ – that provides a clear pathway to realising the aims of our Sussex 2025 strategy.

## THE ONGOING CHALLENGE

In last year’s Financial Statements, we reported on the new challenges posed by the global pandemic with the hope of respite and a return to normality. Unfortunately, that was not to be the case, and 2020–21 was a year that would test our endurance. However, it was also a year in which Sussex was to continue to prove itself capable of rising to significant challenges.

This financial year we experienced the longest period of disruption to normal life on campus caused by the pandemic: the period of highest Covid-19 infection rates and national lockdown; a prolonged period of mass testing, vaccination, tracking and tracing; and the period with the most significant implementation of safety measures and procedures on campus.

Measures taken to control the effects of the pandemic in the UK have affected student life in countless and significant ways. For example, the traffic light system employed at UK borders has prevented many of our international students from accessing the campus. Meanwhile, provision of campus services and support has continued to be of paramount importance for the many students who were living in Falmer and the surrounding area.

Therefore, the global pandemic has resulted in a displaced student community. A hybrid or wholly online working pattern has been the norm for students and staff for most of the academic year.

The University’s decisions throughout this period have centred on ensuring the safety and wellbeing of students and staff.

The University’s Council continued to convene online to consider the challenges of the University, how best to preserve the wellbeing of its students and staff, its financial position and its strategic priorities. Council approved waiving of rental fees for students who were not able to live on campus due to the pandemic with the ability to end tenancy agreements early and receive a 10% discount for observing payment terms. Financial support also continued to be in place for students experiencing hardship, alongside targeted support for those having to self-isolate.

The University continued to operate its Covid-19 Executive Group formed during the first UK national lockdown, chaired by the Vice-Chancellor. The primary aim of the Group is to address challenges to the safety and wellbeing of our staff and students while maintaining the financial health and continuity of operations of the University.

We also used this time to reflect on future investment needs and to design a programme that will allow us to realise the ambitions of Sussex 2025. The programme, known as Size and Shape, is described in further detail on page 6 of this report.

## THE UNIVERSITY’S RESPONSE TO CHALLENGES

### MANAGEMENT RESPONSE

This year, the University’s Chair and an independent member of Council met with the Vice-Chancellor and Director of Finance on a regular basis to monitor and discuss the financial position of the University. This group – named the Sustainability Group – took action to address challenges faced as result of economic uncertainty facing the sector.

The Group’s financial review guidelines, that were issued in March 2020, continued to govern our approach to discretionary costs and commitment to business-critical activities, with slight easing in January 2021. Alongside operational and tactical responses, the University executive also focused on the strategic response to the longer-term risks posed by: reduced levels of student recruitment and fixed home tuition fees, changes in demand for our course offering, and ongoing staffing cost pressures.

Our 2025 strategy continues to be the driving force behind all that we do, as a way of facing the longer term changes that we’ve been experiencing for a decade. As noted above we have developed a programme (‘Size and Shape’) as an enabler to underpin a focus on excellence in both our academic work and our student experience.

# Strategic Report (continued)

The University Executive Group (UEG) changed its composition early in 2021 in order to better represent Schools and allow greater engagement and input in strategic matters. This led to the inclusion of the Deans of the Business School and Media Arts and Humanities, alongside the creation of new School cluster representatives for the Science and Social Science Schools early in 2021.

The University's response to Covid-19 was recognised at the 2021 Higher Education Business Continuity Network (HEBCoN) annual awards ceremony, winning two awards in the categories of Innovation or Breakthrough, and Incident Management. This demonstrates the tireless effort of our management and teams to support students and colleagues with their safety during this difficult period.

## SUPPORTING OUR STUDENTS

During the pandemic, our efforts have focused on providing the best support for our student community. This gave rise to a number of initiatives:

- Continued support to students with on-campus accommodation, allowing them access to further fee waivers for periods of Government lockdown if they were not living on campus, extended credit for payments, 10% discounts for settlement and the ability to end their tenancy agreements early.
- Enhanced support for students facing quarantine during periods of self-isolation due to contracting the virus. This included financial isolation payments for the affected period and practical support through the provision of daily meals, laundry and increased levels of localised sanitisation for those living on campus.
- Financial support to international students needing to adhere to Government quarantine requirements from September 2021.
- The creation of an in-house Covid-19 test centre located in the Sports Centre, which provided rapid access to free testing for all students and staff who were living or studying on campus.
- Ongoing financial support to students who had been adversely affected, in the form of hardship fund grants. This included the Covid-19 Student Appeal, providing £150k in support of Student Hardship and Mental Health and Wellbeing this year.
- Building a sense of community online with virtual social activities and learning events supported by our dedicated team of Student Connectors; and the promotion of the Spirit of Sussex Award.

- Regular engagement with our student community via joint online forums with the Students' Union, student surveys, workshops and events to help mental wellbeing, 24/7 free online support, weekly emails from the Pro-Vice-Chancellor for Education and Students; and frequently updated information on the Student Hub.

## SUPPORTING OUR STAFF

Looking after the physical and mental wellbeing of our staff as well as our students has continued to be a major priority. This has led to the introduction of a new staff wellbeing hub offering self-directed resources and a Mental Health Staff Forum and a number of other complimentary initiatives.

- Introduction of a new Remote Working Framework in April 2021 to support hybrid working arising from the pandemic.
- Launch of the new biannual Staff Pulse Survey in order to obtain regular feedback from staff.
- We have provided advice and guidance to staff through our HR department; including the delivery of workshops and training.
- Regular updates to staff on the latest Government guidance and University matters via webpages, news stories, video and email.
- We have continued to hold online staff engagement events: Vice Chancellor's Open Forums, Professional Services Bigger Picture, return to campus webinars; plus other webinar events, such as Understanding the University's finances and Pensions, each with the opportunity for staff to engage and ask questions.

## SUPPORTING THE UK AND LOCAL COMMUNITY

As well as supporting our students and staff during this challenging period, the University has continued to maximise its contribution to the national effort through various strands of work. This has included ongoing vital Covid-19-related research and the installation of a Covid-19 testing centre for symptomatic people in our local community.

A University of Sussex researcher is leading the development of Covid-19 forecasting reports, which are being used by public health organisations including the World Health Organisation and the US Centers for Disease Control and Prevention, to guide public policy and better understand how the disease is affecting countries around the world.

Our efforts have also supported the community on a local level. We have continued to provide residential support where it has been needed, and medical support via the Brighton and Sussex Medical School (BSMS), which is jointly run with the University of Brighton. Through the Medical School, we have helped many graduates, students and staff to fill much-needed roles in hospitals and the NHS.

# Strategic Report (continued)

## FINANCIAL MANAGEMENT

The financial and economic pressures applied to the higher education sector due to the pandemic have continued from the previous financial year. Sussex has experienced a reduction in student recruitment and significant disruption to students and their access to accommodation. The associated financial risks and opportunities were monitored by Finance and reported to the Sustainability Group. These risks resulted in a number of incremental costs associated with the pandemic detailed further below. Where possible, the University has sought to mitigate the financial impact by reducing levels of discretionary expenditure, delaying project spend, and reducing pay cost with the result of staff exiting the organisation by taking opportunity offered by the voluntary severance scheme. The resulting outcome of this is reflected in the current year financial results.

The waiver of student rents during the Government national lockdown and giving students the ability to terminate rental agreements early, resulted in a £10m reduction in residences income. We also incurred £1.7m in cost to fund non-recurring Covid-19 support costs for testing, sanitisation, student support payments, extra health and safety measures and the ongoing transition to enhanced online learning and remote working.

### SHORT-TERM FINANCIAL MEASURES

Our financial review guidelines (issued and updated in April 2020 by the University Executive Group) continued to be applied by all budget-holders. The principal aim was to continue restricting levels of discretionary expenditure in order to mitigate the financial effects of the pandemic. This successfully led to a proactive reduction in areas of discretionary expenditure for the rest of the financial year, captured as part of the forecasting process. In addition, current year maintenance and road-map projects were restricted to core high priority programmes of work. An ongoing assessment of financial risks and opportunities were monitored and reported to the Sustainability Group.

### MEDIUM-TERM FINANCIAL MEASURES

Beyond the current financial year, the greatest challenge facing the University is in respect to the level of student recruitment anticipated for the next academic year and beyond. The combination of restrictions in international travel, social mobility, global economic downturn and safety concerns, have and could continue to have an effect on the international student market, although indicators are looking positive.

In addition, the HEI sector faces cost pressures with ongoing uncertainty over USS pension contributions and ongoing pay inflation, plus underlying inflationary increases in non-pay costs.

The USS 2020 valuation was signed with an effective date of 1 October 2021. Under this valuation, the deficit recovery period has been extended by an additional 10 years to March 2038, as well as a small increase in past service contribution rates from the existing 6% of pensionable salaries to 6.3% from April 2022. This is dependent on the agreement of the Joint Negotiating Committee (JNC) by 28 February 2022 to proceed with the proposed benefit changes.

The combined past and future service costs as a result of the new deficit recovery plan are included in future budgets and forecasts for the University and do not pose high risk to the viability of the University, so long as the sector covenant remains strong and the recovery plan period remains valid.

The revised medium-term profile in student recruitment along with cost pressures, gave rise to a need to reconsider the future footprint and course offering for the University. Our existing Size and Shape programme has allowed us to consider this more fully whilst still striving to deliver the commitments made as part of Sussex 2025.

Given the uncertainty over student recruitment, the IT and Estates road-map for strategic projects was reviewed and a number of capital projects delayed until the 2021-22 academic year and beyond in order to conserve cash and allow for greater certainty on tuition fee income before proceeding. In addition, Council approved the second Voluntary Severance Scheme for University staff to offer an opportunity for qualifying employees to apply to leave the University on a voluntary basis, with a monetary package to support their departure.

## OUR STUDENTS

Sussex students receive an education that allows them to realise the futures that they choose, and the global pandemic has provided an even greater need for graduates to learn skills in resilience and world-readiness. Our aim is for Sussex graduates to be able to embrace opportunities and challenges so that they can 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. This has been further demonstrated in the past year and especially through the pandemic.

## ROYAL CHARTER

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 public benefit statement – see the Corporate Governance section, on pages 15-23.

# Strategic Report (continued)

## 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 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) 2019.

The strategic report is drawn up in accordance with the Financial Reporting Council's (FRC) Guidance on Strategic Reporting.

## STRATEGY

### OUR VISION

We recognise that, although we have reason to be very proud of our achievements over the past year, we now need to do more to ensure we remain a competitive institution that is recognised for universal excellence in research, scholarship and education.

Our plan is to move away from reacting to challenges and towards pursuing a variety of new opportunities. These opportunities are laid out in a new academic vision, which was presented to Council and has at its heart a commitment to investing in academic excellence.

This is much more than a financial strategy – for example, it includes a complete review of our portfolio of degree courses.

### OUR ACADEMIC VISION – INVESTING IN EXCELLENCE

Sussex will prioritise its position as a broad-based institution with strength across the sciences, arts and humanities, and social sciences. We will do this by investing in excellence and by revisiting our approach to cross-subsidy. For example, traditionally we have invested when areas have grown, but we have not reduced spend when areas have contracted.

Cross-subsidy is important across academic disciplines, but its future must be framed around investing in successful academic areas that require support to continue their excellence.

This will, in turn, bring long-term benefits to our sustainability and ensure that we are better able to thrive in a highly competitive environment.

To support development of the Size and Shape programme, our Heads of Schools each developed detailed proposals for University investment and financial sustainability. Detailed below are some of the major projects that have fed into the Size and Shape programme across Schools and Divisions.

## PORTFOLIO REVIEW

Reviewing our portfolio of courses regularly is important to ensure that Sussex remains a top choice for applicants. The portfolio review process undertaken in 2020-21 aimed to support both effective student recruitment, in a challenging market, and a portfolio that supports a positive student experience.

In the past few years, our academic Schools have changed significantly in their relative size: some Schools have grown whereas others have shrunk. The portfolio review was helpful in identifying new opportunities, as well as challenges and changes in relation to sector demand. It is anticipated that the benefits of the Review will include:

- i) a positive impact on student number growth;
- ii) pointing out areas of challenge where changes or enhancements need to be made;
- iii) work to underpin and inform the curriculum review; and
- iv) a reminder of good practice and areas that can be improved to further enhance practice.

Overall we expect our student numbers to be stronger after Size and Shape; however there will be fewer students in the immediate future than there have been, meaning we will need to respond to the impact in the short term.

## ONE PROFESSIONAL SERVICE

The priority for our Professional Services function is to ensure that we provide the best-in-class support for our academic endeavour and best value for money to our student community. We continue to work on the structure of our professional services to ensure that they support our academic mission.

In the Schools, we are exploring whether clustering services may be helpful and are developing a consistent staffing and grading structure.



# Strategic Report (continued)

We are also seeking better efficiencies in procurement and reviewing technical support, to provide a more flexible and resilient service. We are hoping to conclude this work for the start of the next academic year.

## RESEARCH

Sussex 2025 still remains our ambition where we strive to achieve 'Research with Impact'.

The REF 2021 submission was made in March 2021 and the results are not expected until April 2022. REF 2021 required universities to submit research outputs representing the work of all teaching and research staff with a significant level of responsibility. This is so important for Sussex as it recognises the reality of a research-intensive university.

Sussex research has produced Nobel prizes, developed radical theories, and created important innovations. It has had extensive impact on business, government, the third sector, health and culture. Over 75% of Sussex research was categorised as world leading or internationally excellent in the last reported 2014 Research Excellence Framework.

## SUSTAINABILITY

This year has seen us launch our highly ambitious Sustainable Sussex strategy – that goes to the heart of our overall vision and challenges the University to reach net zero by 2035 (for direct and indirect carbon emissions), recycle 50% of waste by 2025 and create the UK's most biodiverse campus by setting aside up to half of our site for nature. The University is looking to build on existing sector-leading performance on key issues of sustainability, which includes having the largest on-campus solar farm of any University in the UK, becoming the first UK university to introduce an aerobic digester for food waste and significantly reducing the use of disposable cups via an innovative hot drink pricing scheme.

## 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/(deficit) retained in the Group for the year ended 31 July 2021 and the previous three years are summarised as follows:

	2020/21	2019/20	2018/19	2017/18
	£m	£m	£m	£m
Income	316.1	320.5	323.7	297.3
Expenditure	294.8	282.5	344.2	293.7
Surplus/(Deficit) for the year	22.6	38.3	(19.0)	4.6
<b>Represented by:</b>				
Non-Controlling Interest	0.8	0.6	0.8	0.8
Surplus/(Deficit) retained within the Group	21.8	37.7	(19.8)	3.8

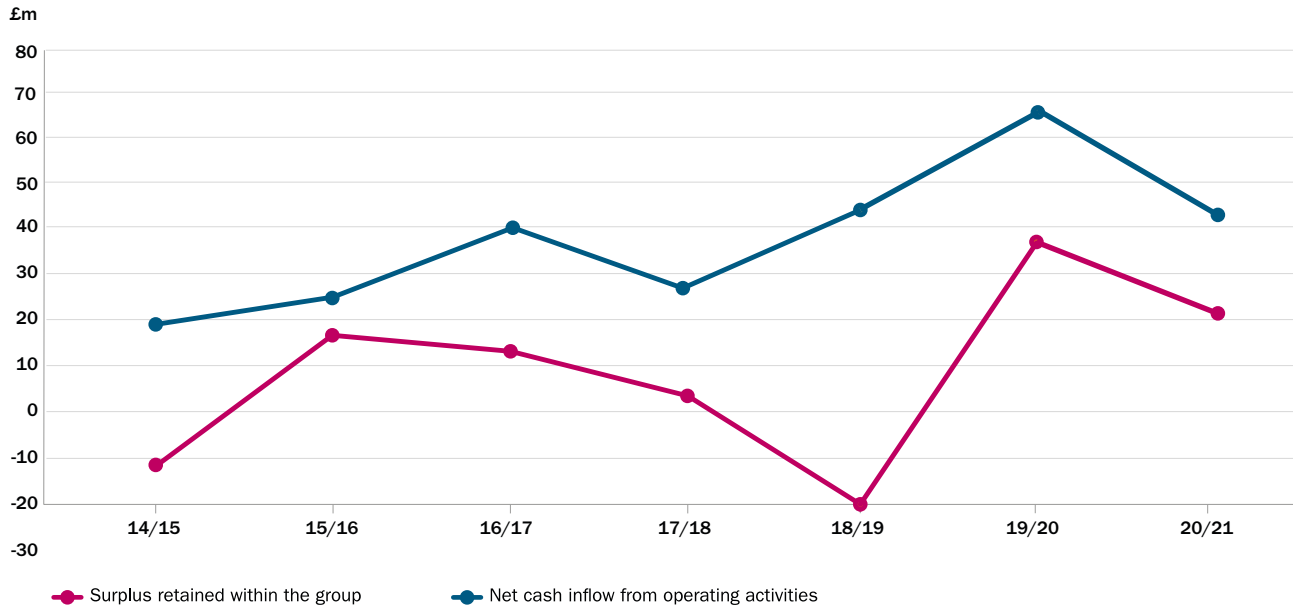
The University group recorded a surplus in 2020-21 of £22.6m or 7.2% of income compared to a surplus of £38.3m for 2019-20. These results include adjustments to recognise the University's funding obligations to the Universities Superannuation Scheme (USS). This generated a credit in the prior year of £25.0m after the adoption of the March 2018 valuation. A smaller credit of £1.6m was recognised in the current year as the obligation was remeasured under the existing valuation basis.

Other comprehensive income includes the actuarial gain/loss in respect of the USPAS pension scheme. These are unrealised gains/losses and subject to significant volatility year-on-year, therefore are excluded from analysis of the performance of the University's core activities.

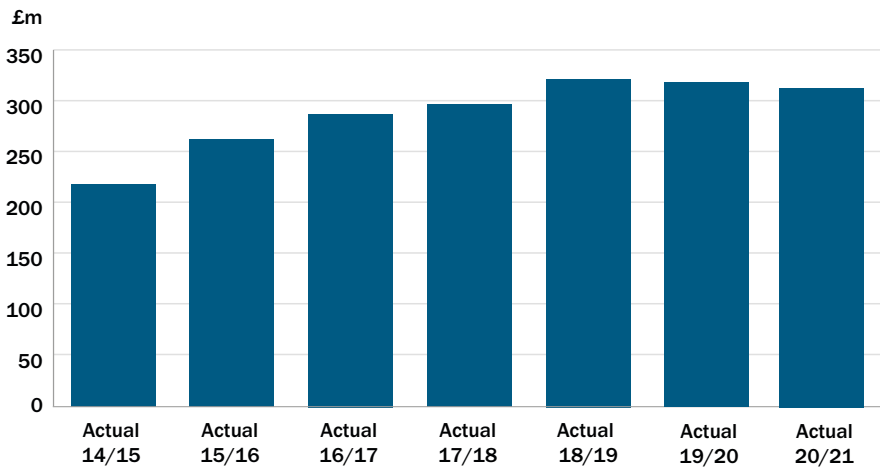
Operating cashflow performance remains a reliable indicator of performance. Actual surpluses and net operating cash are shown below demonstrating that cash performance has been positive and consistently so in contrast to accounting surpluses, which are subject to one-off non-cash expenditure as a result of the technical accounting treatment of pensions. The University group recorded positive net operating cash of £41.3m in 2020-21 (£62.6m in 2019-20) and expects continuing positive cash generation in the next financial year.

# Strategic Report (continued)

## SURPLUS/(DEFICIT) AND NET OPERATING CASH

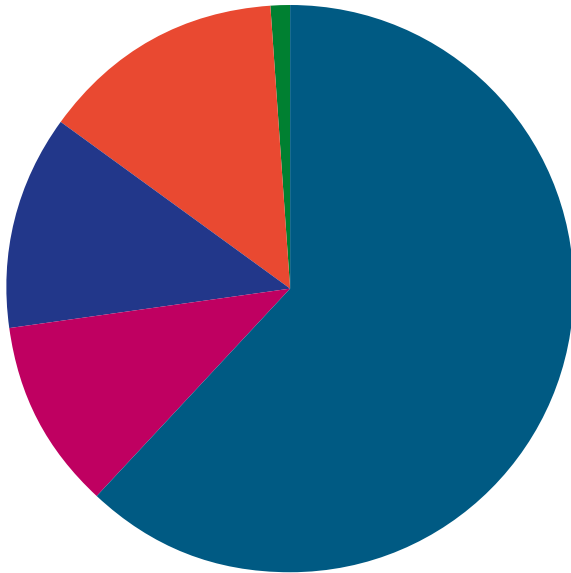


## TURNOVER



# Strategic Report (continued)

## INCOME



The University group's total income in 2020-21 was £316.1m, representing a slight decrease of 1% compared to the previous year (£320.5m) as a direct result of the impact of Covid-19 on residences income. Tuition fees continue to be the most significant element, making up 64% of total income.

Research contract income increased to £38.9m compared to the previous year (£37.9m) largely due to a reclassification of Donations income to Research. As highlighted earlier, other income decreased significantly by £11.3m, or 25%, due to residence fee waivers given to students due to the sustained lockdown in the last term arising from Covid-19 and the subsequent cessation of commercial activities such as catering, sports and leisure.

Tuition income rose by 2% despite the number of students reducing by 2% to 18,300 FTE from 18,700 in 2019-20. This was due to student mix. The University continued to benefit from growth in Home students but experienced a slight decline in post-graduate taught international students due to the challenges posed by the global pandemic.

The recurrent grants that the University receives from the Office for Students and Research England and Department for Education, remained strong at £31.0m being marginally ahead of last year.

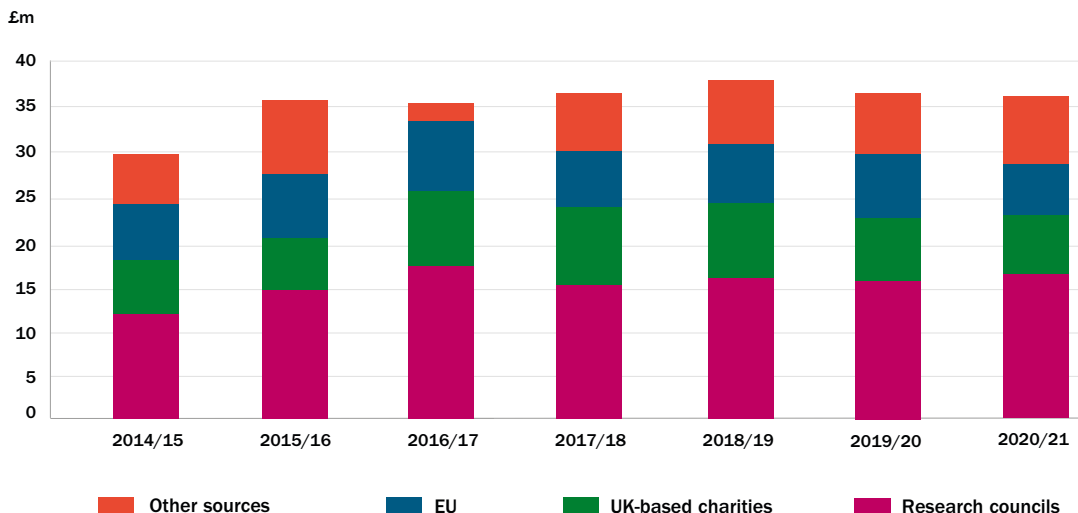
Research grants and contracts income increased by 3% to £38.9m from last year.

The University group's 'Other Income' decreased significantly by £11.3m to £33.9m in 2020-21, a reduction of 25%, which is primarily due to the residences fee waivers given to students vacating rooms and returning home due to the effects of Covid-19, therefore leaving before the end of their rental contracts. This had further impact on other commercial income generated by Catering, Sport and other services.

## 2020/2021

- Tuition Fees and education contracts
- Funding Body Grants
- Research grants and contracts
- Residences and other
- Donations and endowments

## RESEARCH INCOME



## Strategic Report (continued)

The impact of Covid-19 on funding opportunities and the transition from Horizon 2020 to Horizon Europe has resulted in lower bid activity and a dip in research grant award values during the year. Nevertheless, award numbers remain strong. We saw an overall increase in the number of awards up to 258 from 232 last year, with awards valued at £37m. Of this, 17 of the awards were valued at over £0.5m, with 7 of them at over £1m.

A number of significant awards were received during the year:

- £2.95m Wellcome Trust 'Plasticity of visual circuits' led by Professor Leon Lagnado from Sussex Neuroscience in Life Sciences;
- £1.35m Leverhulme Doctoral Scholarships; 'be.AI- biomimetic embodied Artificial Intelligence' led by Professor Thomas Nowotny from Informatics in Engineering and Informatics; and
- £1.18m European Union award 'COLOURCODE: The Mind's Eye: Decoding Colour Experience' led by Dr Jenny Bosten from Psychology.

During this year we also received 3 prestigious fellowship awards at over £0.5m each:

- Professor Iacopo Vivarelli from Physics in MPS received a Royal Society Fellowship – £606k;
- Dr James Knight from Informatics in Engineering and Informatics received an EPSRC Fellowship – £815k; and
- Dr Simon Mitchell from Clinical and Experimental Medicine in BSMS received a UKRI Future Leaders Fellowship – £1.2m.

Although research performance remains strong, the pandemic has impacted on grant funding opportunities and awards, most noticeably on existing Global Challenge Research Funding (GCRF). Cuts to existing grants and the suspension of new awards has impacted on our academics, many of whom have spent years developing international relationships and networks to deliver impactful research to those in greatest need. Sussex has supported its academics by ensuring that they can continue with their research where it is possible to do so, but this is a short-term fix to a significant problem with Global Challenge funding.

Despite the in-year funding challenges, research income has increased from £37.9m last year to £38.9m this year, recognising for the first time, the philanthropic support for research of £2.4m. Income received from donations and endowments has for many years had a significant impact on the research Sussex academics undertake, and we look forward to working with our supporters in this area in the future.

### REVENUE EXPENDITURE

Total expenditure increased by £12.3m or 4.4% from 2019-20 to £294.8m. This is primarily due to a significant reduction in the pension credit adjustment made in the year being partially offset by reduced levels of depreciation and staff cost.

The University's cost base includes total staff costs of £162.2m. This year, a £1.6m credit was made in addition to last year's credit of £25.0m, reflecting the recovery plan liabilities in the Universities Superannuation Scheme (USS). This year-end's adjustment reflects the lower contributions agreed in that valuation. The USS March 2020 valuation is ongoing and therefore no further adjustments have been made. The underlying staff costs before the pension adjustment have reduced 2.3% this year to £163.7m, reflecting a combination of freezing the cost-of-living inflation, staff reduction due to the voluntary severance scheme, and holding staff vacancies in order to save cost.

Other operating expenses increased by £2.1m (2%) compared to last year to a cost of £100.1m. There continued to be ongoing savings in year on year discretionary costs in accordance with the finance review guidelines, in categories such as: consultancy, consumables and equipment, training and travel. In the second half of the year there was a focus on progressing in estates maintenance on campus and investment in IT spend. Depreciation cost decreased by £8.3m to £24.3m reflecting the saving in accelerated depreciation on West Slope buildings incurred last year.

### CAPITAL INVESTMENT

The £800m of investment bids identified through extensive consultation in 2019 was reduced to fit a £300m envelope for estates and IT investment in March 2020. This was approved by Council. This was reduced yet further to £200m in March 2021 given that post Covid we have been required to set lower surplus targets resulting in less cash generation for investment and in recognition of the fact that we are operating in a more volatile environment. Decisions about where we will allocate this reduced investment envelope is being discussed with stakeholders and will be presented to Council for their consideration in November 2021. The aim is still to meet the prioritised investment needs of the University in order to fulfil the key aims of Sussex 2025. The investment programme projects that were paused during Covid to allow for greater certainty over student recruitment numbers, will now resume in the 2021-22 financial year and ongoing.

## Strategic Report (continued)

The University is based at its campus in Falmer and during the year spent £19.5m as part of ongoing investment in our strategic capital programme. This includes £8.4m spend on long term maintenance projects and other operating expenditure items, and £11.1m spend on major capital and infrastructure projects. Significant projects in progress during 2020-21 include the Student Centre fit out, Biomedical Research Facility, Lecture Theatre refurbishment and general infrastructure. We also took the opportunity to maintain and upgrade buildings on campus and teaching spaces, along with IT upgrades to support students and hybrid working for staff.

### 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 and 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 £41.3m (£62.5m in 2019-20) 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 £23.4m this year.

The University holds £230.9m in current asset investments, which include £17.1m of investments held in support of restricted endowment reserves. The remaining £213.7m is held in cash and investments which are segmented based on our predicted cashflows with approximately 45% held for use within one year (short term) and 55% held for investment of between one and five years (medium term). These durations reflect our intention to hold these investments however they all have liquidity of short duration.

The University has a Socially Responsible Investment policy and has appointed an appropriate investment manager to manage its non-cash investments in accordance with this policy.

### PENSIONS

The University participates in three 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 £53.1m is recognised on the consolidated balance sheet made up of £36.7m in respect of the Universities Superannuation Scheme (USS) and £16.5m in respect of the University of Sussex Pension and Assurance Scheme (USPAS).

The USPAS scheme is a defined benefit scheme and so the accrued cost of the scheme obligation is accounted for, against the recognisable assets in the year. The USPAS scheme was closed to new entrants on 1 April 2009.

The USS is a defined benefit multi-employer scheme with no basis to accurately identify our share of the assets and liabilities, so we do not make a balance sheet provision for our share of the deficit. 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 was £36.7m under the USS recovery plan which was agreed following the actuarial valuation at 31 March 2018.

Under the plan, the University pays 6.0% of pensionable payroll for 7 years ending in March 2028, which in cash terms is around £4.9m per annum, rising to £6.2m.

If the March 2020 valuation and leg 1 of the associated statement of contributions is agreed by the JNC by 28 February 2022, then the University will subsequently pay deficit recovery contributions of 6.3% of the pensionable payroll for 17 years ending in March 2038. In cash terms this is around £6.0m per annum, rising to £8.2m. The revised provision for the deficit obligation under this valuation would be £98.3m as at 31 July 2021, an increase of £61.6m on the current year-end provision. The deficit recovery payments form part of combined past and future service contributions which are budgeted and are only marginally above current combined employers contributions.

The University of Sussex Pension and Savings Scheme (USPSS) is 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.

# Strategic Report (continued)

## RESERVES

Consolidated reserves have increased by £35m to £405m at the balance sheet date 31 July 2021 compared to £370m in 2020, reflecting the surplus and actuarial gain for the year.

Reserves represent the accumulated accounting surpluses and deficits that the University has attained over many years through its income and expenditure account. This is different to its cash position which will be considerably lower, partly due to cash spent on capital expenditure. £18m of these reserves also represent restricted endowment reserves, which can only be utilised for specific purposes in accordance with the corresponding endowment agreement. Additional reserves have also been ring-fenced internally within the University for specific purposes, such as the Strategic Development Fund.

## TRADE UNION FACILITY TIME

The number of University employees who were union officials in the year to 31 March 2021 was 30 (27.0 FTE) compared to 26 (FTE 22.1) last year. 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 0.07% compared to 0.10% last year. The percentage of time spent on paid trade union activities as a percentage of total paid facility time hours was 0%.

## ENVIRONMENTAL REPORTING

In line with recent reporting requirements, this is the second year that the University has provided information on greenhouse gas (GHG) emissions as part of its financial statements. The University as part of its sustainability programme, actively seeks to manage and reduce its carbon footprint via CO<sub>2</sub> emissions in all its activities, including energy consumption and the use of fuel for transportation. CO<sub>2</sub> emissions were 8,721 tCO<sub>2</sub> for Gas compared to (9,169) last year and 2,812 tCO<sub>2</sub> for Electricity compared to (3,783) last year. Energy consumption was 47.4m kWh for Gas (49.9m last year) and 12.1m kWh for Electricity (14.8m last year).

## FUTURE OUTLOOK

As we celebrated our 60th anniversary on 4th October 2021, it gave us cause to celebrate and reflect on our successful past, and also to consider the institution that we aspire to be in the future. As students return to our campus to resume face-to-face teaching, early indications are that student recruitment will exceed the expectations of the budget that was approved by Council. In addition, this further suggests that occupancy levels in student residences will be stronger than we had anticipated.

Whilst this is positive news, our growth will still fall short of our vision for Sussex 2025. Inevitably, there are mixed outcomes in terms of expansion and contraction of course disciplines, and there is a need to reassess how we respond to these trends.

The rise in student numbers is not evenly spread across our portfolio – the areas in which we have exceeded our targets are our most popular disciplines. This means that, to support growth and ensure a high standard of student and staff experience in the popular disciplines, we need to ensure that we invest where the need is greatest, putting Sussex in a strong position to grow areas of academic excellence and provide a transformative student experience.

During October and November 2021 we therefore engaged with our staff on our proposals to support the Size and Shape programme. The focus of the programme will be on ensuring that we can:

- Provide degree courses that are distinctive and stand out in the sector, giving the very best student experience.
- Be more competitive in the UK and internationally in research.
- Invest in our campus infrastructure to enable our students and staff to achieve their goals.

During last year's Council meeting, we set a modest target surplus of £5m–£10m in 2021–22 so that urgent investments could be made to our estates and IT infrastructure, with the objective of vastly improving the experience of students and staff. That target still remains as a minimum requirement, resulting in a need to find savings to achieve this. Proposals included as part of Size and Shape will be an enabler for this. In support of this, Council approved a third Voluntary Severance Scheme in September 2021, that will run in certain Schools and Divisions in order to respond to the emerging requirements of the future shape and size of the University. This will close in November 2021.

Changes to the financial landscape have meant that we have had to reconsider our financial commitments in terms of capital investment in our Estates and IT infrastructure. We have reduced the financial commitment to the investment programme from £300m to £200m by 2025, extending the overall timeline on some of the initiatives. The roadmap still contains some significant investments in facilities that are designed to enhance teaching excellence, research capability and the student experience.

We are also exploring the next evolution of investment in student residences, with the proposed West Slope development that was paused during the pandemic. This offers another exciting inroad to the sustainable development of our campus environment, and continuing to provide a campus that promotes excellent wellbeing, an enjoyable environment and excellent outcomes for our students.

## Strategic Report (continued)

As part of the budgeting process, and the two-year forecast up to 31 July 2023 we have considered the likely financial outturn for the University over this period. Our forecast has been based upon the latest emerging trends, student registration data and application of the Financial Review Guidelines. We tested our early assumptions, allowing for a deterioration in performance and an improved position.

Our projected outcomes clearly demonstrate the University's ability to meet its future financial obligations and, in our judgement, to continue operating successfully as a going concern. We will continue to monitor the risks and opportunities facing the University and respond accordingly to these with management plans to ensure that we continue to have a financially secure institution.

There continues to be uncertainty in the national and global economy and thereby the Higher Education Sector as a result. We are awaiting the Government's response to the Augar Review. There is a continued freeze on tuition fees until the 2022-23 academic year. Whether this freeze continues into the future, or whether there are lower headline fee levels, minimum entry requirements, student number controls or changes to foundation years funding; sector change is undoubtedly coming. We have also noted that the funding to UKRI has reduced by £540m. We continue to consider these strategic challenges and explore our responses to these. This will include a drive to make the University a leaner and fitter institution for the future. While we need to be prepared and on the front foot to navigate change, we should equally realise the opportunities these circumstances present us, by leveraging what it is we excel at.

Discussions continue to try to mitigate the impact of future growth in employers' and employees' contributions to the USS scheme. Universities UK (UUK) wrote to the USS Trustee in October to share the collective response of employers to the Trustee's consultation on finalising the 2020 valuation. There was strong, albeit reluctant, support among employers for finalising the valuation in the form proposed. While backing the proposal as a whole, employers expressed concern at a number of the details and these have been fed back to the Trustee, via UUK. The USS Trustee will be facilitating an employer consultation with members later this year and UCU will soon be balloting members over possible industrial action, we believe it is more important than ever that staff have access to clear and transparent information about the 2020 valuation of USS. Colleagues will also have the chance to feed back their thoughts on the proposal when the employer consultation with members begins. 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. There is also the increase in national insurance contributions from April 2022.

The University is continually seeking to offer better value for money to students and to the taxpayer. We continue to focus on increasing core and non-core income, reviewing costs across the University and making investments in the student experience. We continue to focus on teaching innovation and investing in a number of high value but relatively low-cost investments in technology enhanced learning and student engagement technologies and have a coherent roadmap outwards to 2025. We are also nearing the completion of our exciting new Student Centre, to open in 2022 that will undoubtedly provide a unique experience to our student community.

Change has been a clear theme in this Strategic Report and this extends to our management team as well. Our Vice-Chancellor Adam Tickell will sadly be leaving us shortly to assume his new post at the University of Birmingham. Council would like to take the opportunity to thank Adam for his support and achievements throughout his tenure, especially for creating the Sussex 2025 strategy and navigating the University through some of the most difficult times in its short history. Council has appointed David Maguire as the interim Vice-Chancellor to ensure that we maintain the focus and pace of the Size and Shape programme, until a permanent replacement is appointed. A seamless handover has happened to support this transition.

Despite the challenges facing the University, Council remains confident in our future financial position despite recognising that difficult choices will need to be made in the coming years in order to meet our long-term organisational objectives. We would like to take the opportunity to recognise the dedicated commitment and support of our staff, who have demonstrated the essence of the University's values at this difficult time, and to thank them accordingly. We also want to recognise the challenges faced by our students and the amazing tenacity and resilience they have shown in what can only be described as unprecedented times.



**Dame Denise Holt**  
Chair of Council



**Professor David Maguire**  
Interim Vice-Chancellor





# 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 published in September 2020, and the Office for Students' (OfS's) Public Interest Governance Principles. Its purpose is to help the reader of the financial statements understand how the principles have been applied, and in line with the OfS's Accounts Direction sets out a description of the University's corporate governance arrangements and a statement of the responsibilities of the governing body. This statement applies to the financial year to 31 July 2021 and the period up to the date of approval of the financial statements.

## ADEQUACY AND EFFECTIVENESS OF CORPORATE GOVERNANCE ARRANGEMENTS

The adequacy and effectiveness of the University's corporate governance arrangements are ensured through a variety of mechanisms including regular effectiveness reviews both of Council and its Committees both internally and with external input. An independent Governance Effectiveness Review was undertaken by Halpin from March-July 2021, Council received ongoing updates throughout the process and the final review was presented to and endorsed by Council in September 2021. The Audit and Risk Committee's (ARC) effectiveness was reviewed by Halpin with a report presented in March 2020. Additionally, the University continues to assess its compliance against its chosen Code of Governance, the CUC Code, and the Halpin review has assessed the University's compliance with the new code published in September 2020. The membership of Council includes 15 independent non staff or student members who are appointed based on their skills and experience via a thorough recruitment process; this ensure a wide range of skills and diversity contribute to the decision making processes. Formal minutes are taken of all Council and sub-committee meetings to ensure that decision making is recorded appropriately and that decisions are made in line with the University's Scheme of Delegation.

## TRANSPARENCY OF CORPORATE GOVERNANCE ARRANGEMENTS

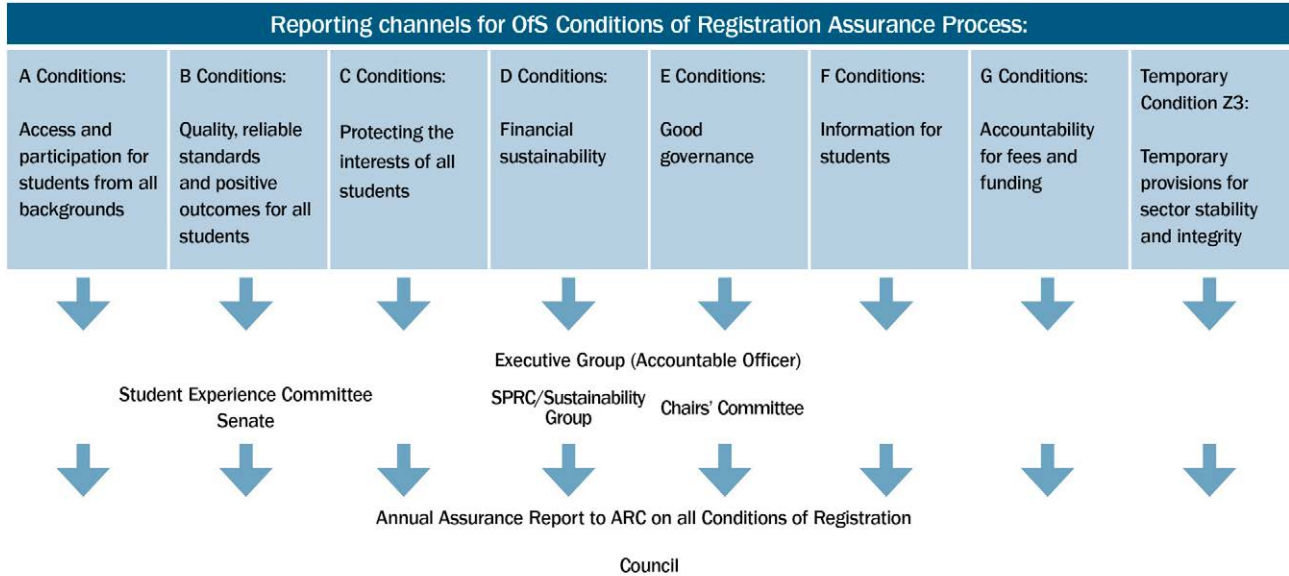
The University is committed to transparency regarding its governance arrangements and ensures this through publication of governing documents including Terms of Reference and composition for Committees; publication of Council and Committee papers where practicable and publication of approved Council minutes to the University community including all students and staff. The Chair of Council provides an update to all staff following each full meeting of Council and at other relevant points to ensure that decisions of Council are communicated clearly and transparently as appropriate.

## OVERSIGHT OF STATUTORY AND OTHER REGULATORY RESPONSIBILITIES

In September 2018, the University was formally entered in the Register for English Higher Education providers held by the Office for Students and following the end of the Transition Period has been subject to the ongoing Conditions of Registration, including the Public Interest Governance Principles. Assurance of compliance against each Condition is considered on a rolling basis, with an annual assurance report presented to ARC and Council with assurance from the Committee or person with responsibility for oversight of each area. Additionally, during 2020-21 and to the date of signing the financial statements Council and its sub-committees have received regular updates on the changing regulatory environment, in particular in response to the changes to the requirements since March 2020 reflecting the OfS's efforts to reduce the regulatory burden on providers during the Coronavirus pandemic.

# Corporate Governance (continued)

## OFS CONDITIONS OF REGISTRATION



In addition to the OfS's Conditions of Registration the University is subject to the OfS Terms and Conditions of Funding and other regulation including from the Health and Safety Executive; the Home Office (with regard to both Visas and Licences); the Human Tissue Authority and the Competition and Markets Authority (CMA). Senior University Executives have responsibility as Licence Holders in each of these areas, with any compliance issues flagged with ARC as appropriate.

### 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 2020-21 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 Terms and Conditions of Research England Grant (from 1 April 2018); and
3. 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 2020-21 a Chair and Vice-Chair were in place who were appointed from amongst the independent members. The University is compliant with the key recommendations of the Committee of University Chairs (CUC) Code of Governance and the Office for Students' Public Interest Governance Principles with a full compliance review of Council Effectiveness this year.

# Corporate Governance (continued)

## MEMBERSHIP OF COUNCIL AND ATTENDANCE

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 2020–21 or have joined Council between the year-end and the date of the financial statements being signed.

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 2020–21 at ordinary sessions of Council is as set out below. There were three full meetings of Council during the 2020–21 academic year, in November 2020, March 2021 and July 2021. There were two additional teleconferences held in October 2020 and May 2021 regarding single agenda items.

Name	Status	Start date on council	Term	Current term end date	Attendance					
					23-Oct 20 (Additional)	27 Nov 20	26 Mar 21	7 May 21 (Additional)	2 Jul 21	24 Sep 21 (Additional)
Dame Denise Holt	Independent (Chair)	1 Aug 2017	2	31 Jul 2023	✓	✓	✓	✓	✓	✓
Kirstin Baker CBE	Independent	1 Aug 2014	3	31 Jul 2023	A	✓	✓	✓	✓	✓
David Benson	Independent	12 Mar 2020	1	11 Mar 2023	✓	A	A	A	✓	A
Andy Bryant	Independent	1 Aug 2012	3	31 Aug 2021	✓	✓	✓	✓	✓	-
Tony Bullman	Independent	1 Aug 2018	2	31 Jul 2024	✓	✓	✓	✓	✓	✓
Professor Stephen Caddick	Independent	21 Mar 2018	2	20 Mar 2023	✓	✓	✓	A	✓	✓
David Curley	Independent	1 Aug 2018	2	31 Jul 2024	✓	✓	✓	✓	✓	✓
Mark Devlin	Independent	1 Oct 2017	2	31 Jul 2023	✓	✓	✓	✓	✓	✓
Adrienne Fresko CBE	Independent	1 Aug 2013	3	31 Jul 2022	✓	✓	✓	✓	✓	✓
Katie Ghose	Independent	24 Sep 2015	3	31 Jul 2024	A	A	✓	✓	✓	✓
Professor Sir Peter Knight	Independent	1 August 2013	3	31 Dec 2020	A	✓	✓	✓	✓	-
Rosemary Martin	Independent	1 Jan 2021	1	31 Dec 2024	✓	✓	✓	✓	✓	✓
Professor Paul O'Prey	Independent	1 Aug 2021	1	31 Jul 2024	-	-	-	-	-	✓
Jane Parsons	Independent	1 Aug 2016	2	31 Jul 2022	✓	✓	✓	✓	✓	✓
Aleema Shivji	Independent	15 Nov 2018	2	14 Nov 2024	✓	A	✓	✓	✓	✓

## Corporate Governance (continued)

Name	Status	Start date on council	Term	Current term end date	23-Oct 20 (Additional)	27 Nov 20	26 Mar 21	7 May 21 (Additional)	2 Jul 21	24 Sep 21 (Additional)
Nick Watson	Independent	12 Mar 2020	1	11 Mar 2023	✓	✓	✓	✓	✓	✓
Richard Zaltzman	Independent	25 Mar 2020	1	24 Mar 2023	✓	✓	✓	✓	✓	✓
Professor Adam Tickell	Ex-officio (Vice-Chancellor)	1 Sep 2016		Tenure ended 31 Oct 2021	✓	✓	✓	✓	✓	✓
Professor David Maguire	Ex-officio (Interim Vice-Chancellor)	1 Nov 2021			-	-	-	-	-	✓
Professor Saul Becker	Ex-officio (Provost)	11 Sep 2017		Tenure ended Apr 2021	✓	✓	✓	-	-	-
Professor Keith Jones	Ex-officio (Provost)	1 Apr 2021		Tenure ended 5 Aug 2021	-	-	-	✓	✓	-
Professor Rachel Mills	Ex-officio (Provost)	12 Jul 2021			-	-	-	-	-	✓
Connor Moylett	Ex-officio (USSU Council Representative)	15 Jun 2020		Tenure ended 14 Jun 2021	✓	✓	✓	✓	✓	-
Nehaal Bajwa	Ex-officio (USSU Council Representative)	23 Jul 2021		23 Jul 2022	-	-	-	-	-	✓
Albertus Schoeman	Ex-officio (Postgraduate student on Senate)	1 Jan 2020		31 Dec 2021	✓	✓	✓	✓	✓	✓
Professor Sara Crangle	Elected by Senate	7 Sep 2020		31 Jul 2023	✓	✓	✓	✓	✓	A
Mark Fisher	Elected by Senate	16 Oct 2017		31 Jul 2021	✓	✓	✓	✓	✓	-
Dr Paul Gilbert	Elected by Senate	1 Aug 2021		31 Jul 2024	-	-	-	-	-	✓
Professor Steven McGuire	Elected by Senate	1 Jan 2016		31 Dec 2021	✓	✓	✓	A	✓	✓
Max O'Donnell-Savage	Elected by Professional Services Staff	1 Aug 2020		31 Jul 2023	✓	✓	✓	✓	✓	A
Professor Mario Novelli	Elected by academic staff	1 Aug 2018		31 Jul 2021	✓	✓	✓	✓	✓	-
Professor Gerhard Wolf	Elected by academic staff	1 Aug 2019		31 Jul 2022	✓	✓	✓	✓	✓	✓

# 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. Court did not meet this year due to the Covid-19 pandemic.

## COMMITTEES OF COUNCIL

The committee structure of Council, as implemented from 1 August 2020, was in place through the 2020-21 year and to date.

## COMMITTEE STRUCTURE IN OPERATION FROM AUGUST 2020

**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 and during 2020-21 there was one co-opted member in post. 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 2020-21 ARC met four times for planned meetings. ARC met once informally during the year, once to review the draft internal audit programme for 2020-21.

**Strategic Performance and Resources Committee (SPRC)** has 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 USSU Council Representative and two staff members of Council. In 2020-21 SPRC met five times.

**Capital Programmes Committee (CPC)** 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 (position vacant during 2020-21), professional services representative on Council, an academic member of Council and the Vice-Chancellor. In 2020-21 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. In 2019-20 it was agreed to expand the membership to also include the Vice-Chair of Council. The Vice-Chancellor is not a member of either Remuneration Committee and only attends meetings of Remuneration Committee (B) regarding staff pay. In 2020-21 Remuneration Committee A met four times, and Remuneration Committee B met four times.

**Student Experience Committee (SEC)** was set up in August 2018 to apply a student-focused filter to the work of the University and to reflect this back to Council, and particularly to ensure that the voices of students from all backgrounds and experiences are heard and acknowledged. Within its remit SEC also monitors the performance against the Access and Participation Plan targets as agreed with the OfS.

Its membership comprises a Chair from amongst the independent members of Council; at least two other independent members of Council; both student members of Council; one staff member of Council; and the Vice-Chancellor. In 2020-21 SEC met three times with an additional briefing held in the Autumn of 2020 to consider the University's response to its NSS results.

## Corporate Governance (continued)

**Chairs' Committee** was set up in August 2018 to fulfil the role of a Nominations Committee and to coordinate the activities of Council sub-committees. It is chaired by the Chair of Council and membership comprises all Council Committee Chairs and the Vice-Chancellor, with an additional co-opted independent member of Council who has responsibility for the fundraising link between Council and the University. In 2020-21 and to the date of signing these financial statements Chairs' Committee met six 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; Health, Safety and Environment Committee; and Equality and Diversity Committee were management committees reporting to the University Executive Group during 2020-21. In September 2020 it was agreed to consolidate the Human Resources Committee and Equality and Diversity Committees into one new Committee, the People, Culture and Inclusion Committee.

### 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 the Vice-Chancellor is the Accountable Officer of the University. In March 2020 Council approved the re-appointment of the Vice-Chancellor for a second term of six years from 1 September 2020.

In June 2021 the Chair of Council accepted the resignation of Adam Tickell. In July 2021 Council appointed David Maguire as interim Vice-Chancellor from September 2021. In September 2021 Council approved that David Maguire would become the University's accountable officer from 1 November 2021.

### PUBLIC FUNDING

- The University is in receipt of public funding from the OfS; UK Research and Innovation, Department for Education (DfE) and the Education and Skills Funding Agency. To ensure regularity and propriety in the use of this public funding, 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 terms and conditions of funding for higher education institutions issued by the OfS and the terms and conditions of Research England Grant;
  - ensure that funds from the National College for Teaching and Leadership – and 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 in line with its Value for Money Policies and processes; and
  - ensure that value for money considerations are embedded in all decision-making processes by strengthening the Terms of Reference for all Council Committees in 2020, making the focus on value for money in decision making an explicit role.

### DISCLOSURES AS AN EXEMPT CHARITY

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.

## Corporate Governance (continued)

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.

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 benefits 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.

### 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.

### 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 it 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. This statement of internal control relates to the University's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities for the year ended 31 July 2021 and to the date of approval of the audited financial statements.

#### 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.

The University has a suite of policies in place to ensure early detection of corruption, bribery, fraud and other irregularities.

## Corporate Governance (continued)

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. Council members' Register of Interests is published on the University's website. All staff are required to declare relevant conflicts of interest and recuse themselves from decision making processes when appropriate.

Staff are also required to declare hospitality and gifts both given and received with a value over £100, and to seek approval before doing so, and a central Register is maintained by the Governance Office.

A central Raising Concerns process allows for all concerns, financial or otherwise, to be raised and investigated in line with the University's Public Interest Disclosure Policy. This includes routes for investigation into senior staff without including them in the whistleblowing process.

The Financial Regulations; Anti Bribery-Policy; Anti Money-Laundering Policy; Donations Policy; and Counter Fraud Policy are all reviewed on a regular basis to ensure they continue to allow the University to uphold all relevant laws and its zero tolerance policy towards fraud, bribery and dishonesty in its transactions. All instances of fraud are reported to the Audit and Risk Committee.

### 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.

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.

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.

To reflect the specific risks relating to the coronavirus pandemic, the University established a Covid-19 specific risk register which is kept under regular review by the Covid-19 Executive Group which from February 2020 has met regularly to consider the University's response to the pandemic.

### THE RISK AND CONTROL FRAMEWORK

The following processes have been established to ensure the adequacy and effectiveness of arrangements for risk management:

- 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 at least 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 annually reviews the University's risk tolerance and appetite statement, which is approved by Council, to ensure that it remains relevant and appropriate to 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.

### ROLE OF INTERNAL AND EXTERNAL AUDIT

Through the internal audit programme approved by ARC, the University is able to gain assurance on the internal control environment and its performance in the delivery of value for money. The internal auditors' annual report includes an opinion on the adequacy and effectiveness of value for money arrangements, and through the grading of other internal reports provides assurance on other internal control issues. The external auditors, in their audit report included in these financial statements and its management letter and other reports, is required to consider whether the information provided, including that relating to the internal control environment, is materially inconsistent with their knowledge obtained during the course of the audit or otherwise.

### INTERNAL CONTROL WEAKNESSES OR FAILURES

During the year ended 31 July 2021 and to the date of signing the financial statements, no significant internal control weaknesses or failures have been identified.

Council acknowledges that it is responsible for ensuring that a sound system of internal control is maintained, and that it has reviewed the effectiveness of these arrangements as set out above, informed by the work of the internal auditors and senior managers in the University who have responsibility for the development and maintenance of the internal control framework, and by the comments made by the external auditor in its management letter and other reports.



# 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 2019, 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.

In making an assessment of the University's ability to meet its future financial obligations and to continue operating effectively as a going concern, the University has reviewed the following:

- A full financial forecast for the next two financial years to 31 July 2023, including Income & Expenditure, Balance Sheet and Cash flow
- Future student number forecasts and scenarios based upon latest available data sources
- The financial risks and opportunities facing the University
- Stress testing on future baseline cash-flows
- The ability to meet future covenants

Given the level of uncertainty, the University will continue to monitor student numbers, risks and opportunities and quarterly financial forecasts.

Council has concluded as a result of this assessment that the University is able to meet its future financial obligations, has sufficient financial resources to continue operating successfully as a going concern and therefore believes it is appropriate to prepare these accounts on the going concern basis.



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

## OPINION ON THE FINANCIAL STATEMENTS

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 2021 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the financial statements of the University of Sussex ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Balance sheet, the Consolidated Cash Flow Statement, the Consolidated and University Statement of Changes in Reserves 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).

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

### Independence

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.

## CONCLUSIONS RELATING TO GOING CONCERN

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that,

individually or collectively, may cast significant doubt on the Group and University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

## 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 University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

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

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

### RESPONSIBILITIES OF COUNCIL

As explained more fully in the Responsibilities of the University's Council statement set out on page 25, 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 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, Council is 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 Council either intends 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.

### EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations are related to their registration with the Office for Students ("OfS) and their ongoing conditions of registration, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the OfS Accounts Direction and tax legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to impairment, depreciation, defined benefit pension scheme obligations and recoverability of trade receivables.
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer.
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted and journals posted after the year end.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, OfS and relevant regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.
- Reviewing items included in the fraud register as well as the results of internal audit's investigation into these matters.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 council, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. 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 members 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: 2 December 2021

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





# Statement of Comprehensive Income

	NOTES	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
		CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Tuition fees and education contracts	1.1	202,715	202,715	198,405	198,405
Funding body grants	1.2	35,653	34,748	33,879	33,524
Research grants and contracts	1.3	38,885	38,885	37,929	37,929
Other income	1.4	33,924	34,165	45,195	44,732
Investment income	1.5	4,173	4,157	2,748	2,699
Total income before endowments and donations		315,350	314,670	318,156	317,289
Donations and endowments	1.6	730	730	2,352	2,352
<b>TOTAL INCOME</b>		<b>316,080</b>	<b>315,400</b>	<b>320,508</b>	<b>319,641</b>
<b>EXPENDITURE</b>					
Staff costs before pension adjustment	2.1	163,740	155,418	167,673	159,262
Pension adjustment	2.1	(1,595)	(1,595)	(24,973)	(24,973)
Total staff costs		162,145	153,823	142,700	134,289
Other operating expenses	2.3	100,103	108,850	97,982	106,330
Depreciation	3	24,272	24,016	32,621	32,367
Interest and other finance costs	2.2	8,292	8,131	9,181	9,002
<b>TOTAL EXPENDITURE</b>		<b>294,812</b>	<b>294,820</b>	<b>282,484</b>	<b>281,988</b>
<b>SURPLUS BEFORE OTHER GAINS/(LOSSES)</b>		<b>21,268</b>	<b>20,580</b>	<b>38,024</b>	<b>37,653</b>
Loss on disposal of fixed assets		-	-	(287)	(287)
Gain on investments		1,426	1,426	754	754
Share of operating surplus in associate		-	-	(202)	-
<b>SURPLUS BEFORE TAX</b>		<b>22,694</b>	<b>22,006</b>	<b>38,289</b>	<b>38,120</b>
Taxation		(90)	(90)	(8)	(8)
<b>SURPLUS FOR THE YEAR</b>		<b>22,604</b>	<b>21,916</b>	<b>38,281</b>	<b>38,112</b>
Actuarial gain/(loss) in respect of pension schemes	17	13,542	13,542	(17,160)	(17,160)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>36,146</b>	<b>35,458</b>	<b>21,121</b>	<b>20,952</b>
Represented by:					
Endowment comprehensive income for the year	11	3,516	3,516	803	803
Unrestricted comprehensive income for the year		31,784	31,942	19,728	20,149
Non-controlling interest		846	-	590	-
		<b>36,146</b>	<b>35,458</b>	<b>21,121</b>	<b>20,952</b>
<b>SURPLUS FOR THE YEAR ATTRIBUTABLE TO:</b>					
Non-controlling interest		846	-	590	-
University		<b>21,758</b>	<b>21,916</b>	<b>37,691</b>	<b>38,112</b>

All items of income and expenditure relate to continuing activities.

The accompanying notes and policies on pages 36 to 68 form part of these financial statements.

# Balance Sheet

	NOTES	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
		CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
		£'000	£'000	£'000	£'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets	3	421,749	417,881	426,434	422,509
Investments	5	6,431	894	6,387	795
		428,180	418,775	432,821	423,304
<b>CURRENT ASSETS</b>					
Stock		72	41	50	50
Trade and other receivables	6	41,432	53,824	48,427	60,544
Investments	7	230,859	230,859	188,101	188,101
Cash and cash equivalents		48,216	42,993	67,567	60,704
		320,579	327,717	304,145	309,399
Creditors: amounts falling due within one year	8	(95,667)	(91,473)	(95,904)	(89,853)
<b>NET CURRENT ASSETS</b>		224,912	236,244	208,241	219,546
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		653,092	655,019	641,062	642,850
<b>DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	6	-	-	1,536	1,536
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9	(193,346)	(192,926)	(196,938)	(196,281)
<b>PROVISIONS</b>					
Pension provisions	10	(53,133)	(53,133)	(72,006)	(72,006)
Other provisions	10	(1,521)	(1,521)	(4,118)	(4,118)
<b>TOTAL NET ASSETS</b>		405,092	407,439	369,536	371,981
<b>RESTRICTED RESERVES</b>					
Income and expenditure reserve – endowment reserve	11	17,925	17,925	14,409	14,409
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve – unrestricted		384,154	389,149	352,370	357,207
Capital Reserve		1,802	-	1,802	-
Revaluation reserve		365	365	365	365
		404,246	407,439	368,946	371,981
Non-controlling interest		846	-	590	-
<b>TOTAL RESERVES</b>		405,092	407,439	369,536	371,981

The accompanying notes and policies on pages 36 to 68 form part of these financial statements.

The financial statements were approved and authorised for issue by the Governing Body on 26 November 2021 and were signed on its behalf on that date by:



David Maguire, Interim Vice-Chancellor  
(Accountable Officer)



Dame Denise Holt, Chair of Council



Allan Spencer, Director of Finance

# Consolidated Cash Flow Statement

	NOTES	YEAR ENDED 31 JULY 2021 £'000	YEAR ENDED 31 JULY 2020 £'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus for the year		22,604	38,281
<b>ADJUSTMENT FOR NON-CASH ITEMS</b>			
Depreciation	3	24,272	32,621
Gain on investments	5	(3,316)	(986)
(Increase)/Decrease in stock		(22)	4
Decrease/(Increase) in debtors	6	8,908	(6,739)
(Decrease)/Increase in creditors	8	(5,175)	21,629
Decrease in pension provision		(5,331)	(27,911)
(Decrease)/Increase in other provisions	10	(2,597)	4,069
Share of operating deficit in associate		-	202
<b>ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES</b>			
Investment income	1.5	(4,173)	(2,748)
Interest payable	2.2	8,291	9,181
Operating lease income		(386)	(386)
Endowment income	11	(135)	(1,670)
Gain on early surrender of finance lease	8	-	(897)
Write down of discontinued capital project	3	2,344	-
Loss on disposal of fixed assets		-	287
Capital grant income		(3,952)	(2,351)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>41,332</b>	<b>62,586</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital grant receipts		3,952	2,351
Investment income received	1.5	3,796	2,767
Payments made to acquire fixed assets	3	(11,513)	(21,347)
New short term deposits	7	(39,486)	(69,209)
		<b>(43,251)</b>	<b>(85,438)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(8,281)	(9,424)
Interest element of finance lease		(30)	(277)
East Slope fees and enabling works		(733)	(1,296)
Endowment cash received		135	885
Distribution to non-controlling interest		(590)	(850)
Repayments of amounts borrowed	8	(2,350)	(2,269)
Capital element of service concession		(5,557)	(4,790)
Capital element of finance lease		(26)	(648)
		<b>(17,432)</b>	<b>(18,669)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>		<b>(19,351)</b>	<b>(41,521)</b>
Cash and cash equivalents at beginning of the year		67,567	109,088
Cash and cash equivalents at end of the year	19	48,216	67,567

The accompanying notes and policies on pages 36 to 68 form part of these financial statements.

# 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 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>
Distribution of non-controlling interest					-	(850)	(850)
	13,606	333,427	1,802	365	349,200	-	349,200
Surplus from the statement of comprehensive income	1,969	35,722	-	-	37,691	590	38,281
Other comprehensive loss	-	(17,160)	-	-	(17,160)	-	(17,160)
Release of restricted funds spent in year	(1,166)	1,166	-	-	-	-	-
Total comprehensive income for the year	803	19,728	-	-	20,531	590	21,121
Donation reserve transferred	-	(785)	-	-	(785)	-	(785)
<b>BALANCE AT 1 AUGUST 2020</b>	<b>14,409</b>	<b>352,370</b>	<b>1,802</b>	<b>365</b>	<b>368,946</b>	<b>590</b>	<b>369,536</b>
Distribution of non-controlling interest					-	(590)	(590)
	14,409	352,370	1,802	365	368,946	-	368,946
Surplus from the statement of comprehensive income	3,873	17,885	-	-	21,758	846	22,604
Other comprehensive loss	-	13,542	-	-	13,542	-	13,542
Release of restricted funds spent in year	(357)	357	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,516</b>	<b>31,784</b>	<b>-</b>	<b>-</b>	<b>35,300</b>	<b>846</b>	<b>36,146</b>
<b>BALANCE AT 31 JULY 2021</b>	<b>17,925</b>	<b>384,154</b>	<b>1,802</b>	<b>365</b>	<b>404,246</b>	<b>846</b>	<b>405,092</b>
<b>UNIVERSITY</b>							
<b>BALANCE AT 1 AUGUST 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>
Surplus from the statement of comprehensive income	1,969	36,143	-	-	38,112	-	38,112
Other comprehensive income	-	(17,160)	-	-	(17,160)	-	(17,160)
Release of restricted funds spent in year	(1,166)	1,166	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	20,952	-	20,952
Donation reserve transferred	-	(785)	-	-	(785)	-	(785)
<b>BALANCE AT 1 AUGUST 2020</b>	<b>14,409</b>	<b>357,207</b>	<b>-</b>	<b>365</b>	<b>371,981</b>	<b>-</b>	<b>371,981</b>
Surplus from the statement of comprehensive income	3,873	18,043	-	-	21,916	-	21,916
Other comprehensive income	-	13,542	-	-	13,542	-	13,542
Release of restricted funds spent in year	(357)	357	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,516</b>	<b>31,942</b>	<b>-</b>	<b>-</b>	<b>35,458</b>	<b>-</b>	<b>35,458</b>
<b>BALANCE AT 31 JULY 2021</b>	<b>17,925</b>	<b>389,149</b>	<b>-</b>	<b>365</b>	<b>407,439</b>	<b>-</b>	<b>407,439</b>



# Statement of Principal Accounting Policies and Estimation Techniques

## 1. BASIS OF PREPARATION

The Consolidated and Institution financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education issued in 2019. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the terms and conditions of funding for higher education institutions issued by the Office for Students and the terms and conditions of Research England Grant.

The Institution is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

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.
- Related party transactions with wholly owned group entities are not disclosed.

## 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 2021. These are Sussex Innovation Centre Development Limited, Sussex UH Limited, Sussex Estates and Facilities LLP, Sussex Innovation Centre Management Limited, Sussex U H ESR Holdco Limited and Sussex U H ESR Intermediateco 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.

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Strategic Report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities. Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

## 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.

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)

**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.

## 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.

Termination benefits are recognised as an expense in the year in which the University is demonstrably committed to terminate the employment of an employee before their normal retirement date, or to provide termination benefits as a result of an offer made as part of a voluntary redundancy scheme. Commitment is the point at which a detailed formal plan for the termination has been drawn up and the University is without realistic possibility of withdrawal. Termination benefits are measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

## 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.

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

## 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.

The University also has the University of Sussex Pension and Saving Scheme (USPSS) which is a defined contribution scheme.

### 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest are disclosed as actuarial gains and losses.

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments, and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

Further detail is provided on the specific pension schemes in note 17 to the accounts.

## 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.



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

## 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; and
- 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.

## IMPAIRMENT

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

## 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.

## 12. FINANCIAL INSTRUMENTS

The University has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments. Financial assets and liabilities are recognised when the Institution becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment

Investments in equity instruments which are not subsidiaries, associates, or joint ventures, and trading portfolios are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less 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 valued at the lower of cost and estimated selling price less costs to complete and sell.

## 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.

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

## 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; or
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; or
- (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 AND ASSOCIATES

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.

The University accounts for the results of its associate, East Slope Residences Student Accommodation LLP, using the equity method of accounting.

## 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.

## 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.

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

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 type basis to consider whether debts are recoverable. Commercial debts are considered on an individual basis.
- In making an assessment of its ability to meet its future financial obligations and to continue operating effectively as a going concern, Management has undertaken the following:
  - A full financial forecast for the next two financial years to 31 July 2023, including Income & Expenditure, Balance Sheet and Cash flow.
  - Constructed future student number forecasts and scenarios based upon latest available data sources.
  - Considered the financial risks and opportunities facing the University.
  - Conducted stress testing on future baseline cash-flows.
  - Reviewed the ability to meet covenants in the future.

Given the level of uncertainty, management will continue to monitor student numbers, risks and opportunities and conduct quarterly financial forecasts.



# Notes to the Financial Statements

## NOTE 1 INCOME

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
<b>1.1 TUITION FEES AND EDUCATION CONTRACTS</b>				
Full-time home and EU students	124,081	124,081	120,264	120,264
Full-time international students	70,408	70,408	72,258	72,258
Part-time students	5,353	5,353	3,503	3,503
Research Training Support Grant	133	133	31	31
Short courses	2,740	2,740	2,349	2,349
	<b>202,715</b>	<b>202,715</b>	<b>198,405</b>	<b>198,405</b>
<b>1.2 FUNDING BODY GRANTS</b>				
<b>RECURRENT GRANTS:</b>				
Teaching grants from OfS	8,525	8,525	8,233	8,233
Research grants from UKRI	17,119	17,119	15,919	15,919
Department for Education	1,431	1,431	3,915	3,915
Capital Grants	3,952	3,952	2,351	2,351
<b>SPECIFIC GRANTS:</b>				
Higher Education Innovation Fund	3,562	3,562	3,011	3,011
Other grants	1,064	159	450	95
	<b>35,653</b>	<b>34,748</b>	<b>33,879</b>	<b>33,524</b>
<b>1.3 RESEARCH GRANTS AND CONTRACTS</b>				
Research councils	16,157	16,157	16,046	16,046
UK-based charities	7,118	7,118	6,991	6,991
European Commission	5,312	5,312	6,825	6,825
Other grants and contracts	7,882	7,882	7,085	7,085
Donations and endowments	2,416	2,416	982	982
	<b>38,885</b>	<b>38,885</b>	<b>37,929</b>	<b>37,929</b>
<b>1.4 OTHER INCOME</b>				
Residences, catering and other operations	19,785	21,088	30,098	30,736
Other services rendered	4,718	3,656	5,278	4,177
General academic services	310	310	992	992
NHS Income	6,205	6,205	5,608	5,608
Staff and student services	819	819	1,301	1,301
Central administrative	387	387	1,016	1,016
Other income	1,700	1,700	902	902
	<b>33,924</b>	<b>34,165</b>	<b>45,195</b>	<b>44,732</b>
<b>1.5 INVESTMENT INCOME</b>				
Investment income on endowments	-	-	19	19
Other investment income	4,173	4,157	2,729	2,680
	<b>4,173</b>	<b>4,157</b>	<b>2,748</b>	<b>2,699</b>
<b>1.6 DONATIONS AND ENDOWMENTS</b>				
New endowments	135	135	262	262
Donations with restrictions	595	595	2,090	2,090
	<b>730</b>	<b>730</b>	<b>2,352</b>	<b>2,352</b>

## FINANCIAL STATEMENTS 2020-21

### NOTE 1 INCOME (CONTINUED)

	YEAR ENDED 31 JULY 2021 CONSOLIDATED £'000	UNIVERSITY £'000	YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000	UNIVERSITY £'000
<b>1.7 GRANT AND FEE INCOME</b>				
Grant income from the OfS	9,795	9,795	8,981	8,981
Grant income from other bodies	63,654	62,769	63,585	63,230
Fee income for taught awards (exclusive of VAT)	193,482	193,482	190,179	190,179
Fee income for research awards (exclusive of VAT)	6,440	6,440	5,513	5,513
Fee income from non-qualifying courses (exclusive of VAT)	2,793	2,793	2,713	2,713
<b>Total grant and fee income</b>	<b>276,164</b>	<b>275,279</b>	<b>270,971</b>	<b>270,616</b>

Grant income from other bodies includes £156,000 (2020: £757,000) in relation to the Coronavirus Job Retention Scheme.

### NOTE 2 EXPENDITURE

#### 2.1 STAFF COSTS

	YEAR ENDED 31 JULY 2021 CONSOLIDATED £'000	UNIVERSITY £'000	YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000	UNIVERSITY £'000
Salaries	123,715	120,880	131,596	124,220
Social security costs	13,739	12,147	13,581	12,994
Other pension costs	26,286	22,391	22,496	22,048
Staff costs before pension adjustment	163,740	155,418	167,673	159,262
Pension adjustment	(1,595)	(1,595)	(24,973)	(24,973)
<b>Total staff costs</b>	<b>162,145</b>	<b>153,823</b>	<b>142,700</b>	<b>134,289</b>

The significant Pension adjustment in 2019-20 arose on adoption of the USS March 2018 valuation. This created a new provision for deficit contribution payments owed by the University. The 2020-21 pension adjustment is significantly reduced, as the same valuation model is in effect, however updated assumptions have been used to calculate future year deficit payments. See note 17 for further detail.

	YEAR ENDED 31 JULY 2021 £'000	YEAR ENDED 31 JULY 2020 £'000
<b>EMOLUMENTS OF THE VICE-CHANCELLOR PROFESSOR ADAM TICKELL:</b>		
Salary	305	305
Voluntary reduction*	(20)	(8)
Non-taxable benefits: Death in service and incapacity benefits	6	6
<b>Total remuneration</b>	<b>291</b>	<b>303</b>

There are no other payments to the Vice-Chancellor, nor is there any accommodation provided to the Vice-Chancellor.

The University does not make any pension contributions on behalf of the Vice-Chancellor.

\*In April 2020, as the disruption to student life as a result of the Covid-19 pandemic became apparent, the Vice-Chancellor confirmed he would forego 10% of his annual salary and the University's Council decided to put this towards the University's Student Hardship Fund. These voluntary reductions started in May 2020 and continued until the end of March 2021.

The Vice-Chancellor's salary is 8.1 times the median pay of staff calculated on a full-time equivalent basis (2020: 8.3 times).

The Vice-Chancellor's remuneration is 6.9 times the median remuneration of staff calculated on a full-time equivalent basis (2020: 7.0 times).

**NOTE 2 EXPENDITURE (CONTINUED)**

**THE VICE-CHANCELLOR'S REMUNERATION**

When considering the Vice-Chancellor's remuneration, Remuneration Committee (A) has balanced the requirement to ensure that the remuneration is fair, appropriate and justifiable, whilst also recognising the Vice-Chancellor's contribution in the successful stewardship of the University, and the need to maintain an attractive level of reward in a highly competitive global market.

The academic year 2020-21 was a challenge for all organisations. With most of the University's staff and students, including the leadership team, working from home, new ways of engaging and motivating teams and responding to the evolving crisis were required. Throughout this difficult period, the Vice-Chancellor (and his team) responded with flexibility, personal resilience and agility. The overarching imperative has been to protect the University's financial sustainability. With a number of variables as yet unknown (e.g. final numbers of overseas students or the future course of Covid-19), this remains a work in progress – but liquidity is not in doubt and the University is well placed to pick up quickly when the moment comes.

Notwithstanding the challenges, the Vice-Chancellor continued to make progress on his wider objectives. In particular, work on the University's Size and Shape programme (designed to ensure that investment in staff and buildings respond to demand and academic excellence) continued unabated in the course of 2020-21 despite the departure of the original project lead. The Vice-Chancellor was able to take a hands-on approach to ensure momentum was maintained. All other objectives have either been met, or are well under way at the time of writing. In addition, with a drop-out rate

standing at half that of the average, Sussex was rated University of the Year for Student Retention in 2021, and has been widely recognised for its commitment to in-person teaching in the coming academic year.

The Vice-Chancellor's remuneration is reviewed annually by Remuneration Committee (A), on the strength of an appraisal exercise conducted by the Chair of Council, reflecting performance against a set of objectives agreed at the beginning of the year.

Extensive benchmarking research has been undertaken in reviewing the Vice-Chancellor's pay. Having satisfied themselves in light of this research that the Vice-Chancellor's remuneration was somewhat below the mid-point of his peer group, and in recognition of the points above, concerning the Vice-Chancellor's performance, in June 2020 Remuneration Committee A approved the re-appointment of Professor Tickell with a starting salary of £325,000 to be applied from 1 September 2020. However, the Vice-Chancellor decided not to accept the recommended pay increase in light of his advice to Rem Com B that pay awards to all senior staff should be halted pending greater certainty over the University's finances. This ruling will expire in October 2021 but in view of his imminent move, the Vice-Chancellor decided not to take the increase to his pay.

In June 2021, the Vice-Chancellor resigned from his role, and will take up the position of Vice-Chancellor at the University of Birmingham in January 2022. Professor David Maguire was appointed as interim Vice-Chancellor, from 1 November 2021, to lead the University until a permanent appointment is made. Council oversaw a comprehensive programme to provide as smooth a transition as possible.

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 2021	NUMBER 2020
£100,000 to £104,999	12	12
£105,000 to £109,999	11	15
£110,000 to £114,999	11	5
£115,000 to £119,999	1	2
£120,000 to £124,999	9	7
£125,000 to £129,999	7	6
£130,000 to £134,999	3	6
£135,000 to £139,999	2	2
£140,000 to £144,999	3	-
£145,000 to £149,999	1	4
£150,000 to £154,999	-	1
£155,000 to £159,999	2	1
£165,000 to £169,999	2	1
£180,000 to £184,999	-	1
£190,000 to £194,999	-	1
£305,000 to £309,999	1	1
	<b>65</b>	<b>65</b>

## FINANCIAL STATEMENTS 2020-21

### NOTE 2 EXPENDITURE (CONTINUED)

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 £1,778k in 2021 across 9 FTE staff (£1,004k in 2020 across 5 FTE staff) 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 (2020: £Nil). As a responsible organisation we paused on much of our recruitment during the pandemic, aside from essential academic posts.

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

	NUMBER 2021	NUMBER 2020
Academic	1,407	1,423
Technical	120	132
Management & specialist	1,183	1,209
Other	235	205
	<b>2,945</b>	<b>2,969</b>

#### TRUSTEE EXPENSES

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

The total expenses paid to or on behalf of one Council member was £6 (2020: £1,457 to 7 Council members).

This expense was in relation to forwarding of post to a Council member. For the duration of 2020-21 Council meetings were held online due to the pandemic, which combined with the closure of campus over lockdowns has resulted in this reduction in trustee expenses.

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

#### SEVERANCE PAYMENTS

The total amount of severance payments in the year was £3,705,000 which was paid across 168 Individuals (2020: £647,750 across 55 individuals). This figure includes payments for severance, redundancy and loss of office.

Severance payments including compensation for loss of office in respect of higher paid staff are approved by the Institution's Remuneration Committee. Amounts for compensation for loss of office and redundancy for all other staff are approved by Institution management in accordance with delegated authority. All Voluntary Severance Schemes run by the University have been dealt with separately, via approval by Council.

This total includes £3,271,000 of severance payments across 112 individuals in relation to the first Voluntary Severance Scheme. This was fully provided for in the prior year.

A second Voluntary Severance Scheme has been run in the current financial year for which £304,000 of severance payments have been paid across 13 individuals. A further £1,472,000 across 40 individuals has been accrued for employees accepted onto the scheme who will be paid in the following financial year. All individuals were notified of their acceptance onto the scheme prior to 31 July 2021.



## FINANCIAL STATEMENTS 2020-21

### NOTE 2 EXPENDITURE (CONTINUED)

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
<b>2.2 INTEREST AND OTHER FINANCE COSTS</b>				
Loans wholly repayable within five years	23	-	3	-
Loans not wholly repayable within five years	7,321	7,183	7,340	7,164
Finance leases	30	30	277	277
Net interest on pension liabilities	918	918	1,561	1,561
	<b>8,292</b>	<b>8,131</b>	9,181	9,002

### 2.3 OTHER OPERATING EXPENDITURE

Academic fees and charges	10,888	10,899	13,085	13,085
Administrative and office costs	703	780	1,029	944
Foreign exchange gain	110	110	180	180
External auditors remuneration for annual accounts audit	127	91	140	127
Books and periodicals	1,519	1,519	1,464	1,464
Management fees	4,161	4,161	3,452	3,452
Consultancy fees	8,556	9,357	11,120	11,081
Consumables and equipment	10,501	10,569	12,356	12,356
Marketing and publicity	2,168	2,157	2,127	2,100
Facilities costs	13,938	21,482	3,976	12,724
Rent, rates and insurance	4,488	5,008	4,053	4,053
Lease rentals	2,766	2,600	2,711	2,662
Scholarships, bursaries and prizes	16,610	16,609	18,935	18,935
Students union grant	1,134	1,134	1,380	1,380
Subscriptions, fees and charges	8,959	8,919	8,017	7,998
Training, travel and employment costs	3,008	2,988	8,118	7,950
Utilities and services	3,725	3,725	4,540	4,540
Other charges	6,742	6,742	1,299	1,299
	<b>100,103</b>	<b>108,850</b>	97,982	106,330

Other charges includes £2.3m worth of write-down charges related to assets under construction.

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
<b>2.4 ACCESS AND PARTICIPATION EXPENDITURE</b>				
Access investment	1,019	1,019	1,830	1,830
Financial support provided to students	4,871	4,871	5,901	5,901
Support for disabled students	982	982	988	988
Research and evaluation expenditure	239	239	-	-
	<b>7,111</b>	<b>7,111</b>	8,719	8,719

The 2020-21 Access and Participation Plan can be found on the University's website at the following address:

**<https://www.sussex.ac.uk/webteam/gateway/file.php?name=university-of-sussex-access-and-participation-plan-2020.pdf&site=254>**

Spend in access investment of £1,019k (2020-21 plan: £1,597k) was reduced primarily due to the fact we were unable to deliver our 'normal' activity due to the national lockdowns. As part of the planned expenditure we would have delivered presentations and activities to schools and colleges, as well as having schools and colleges visit the University. These planned delivery costs would have included travel, catering, accommodation, supply of equipment and associated salary costs.

Spend on financial support provided to students of £4,871k (2020-21 plan: £4,610k) was increased to cover hardship funds distributed to help students in financial difficulty as a result of the pandemic.

FINANCIAL STATEMENTS 2020-21

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 2020	52,521	415,252	13,271	14,116	42,828	17,441	555,429
Additions	-	136	2,071	10,418	1,109	8,197	21,931
Asset write-down	-	-	-	-	-	(2,344)	(2,344)
<b>At 31 July 2021</b>	<b>52,521</b>	<b>415,388</b>	<b>15,342</b>	<b>24,534</b>	<b>43,937</b>	<b>23,294</b>	<b>575,016</b>
<b>DEPRECIATION</b>							
At 1 August 2020	7,460	77,109	1,476	8,438	34,512	-	128,995
Depreciation charge	1,005	13,325	1,514	5,678	2,750	-	24,272
<b>At 31 July 2021</b>	<b>8,465</b>	<b>90,434</b>	<b>2,990</b>	<b>14,116</b>	<b>37,262</b>	<b>-</b>	<b>153,267</b>
<b>NET BOOK VALUE</b>							
<b>At 31 July 2021</b>	<b>44,056</b>	<b>324,954</b>	<b>12,352</b>	<b>10,418</b>	<b>6,675</b>	<b>23,294</b>	<b>421,749</b>
At 31 July 2020	45,061	338,143	11,795	5,678	8,316	17,441	426,434

	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 2020	46,715	416,799	13,271	14,116	40,280	17,442	548,623
Additions	-	137	2,071	10,418	910	8,196	21,732
Asset write-down	-	-	-	-	-	(2,344)	(2,344)
<b>At 31 July 2021</b>	<b>46,715</b>	<b>416,936</b>	<b>15,342</b>	<b>24,534</b>	<b>41,190</b>	<b>23,294</b>	<b>568,011</b>
<b>DEPRECIATION</b>							
At 1 August 2020	5,361	78,032	1,476	8,438	32,807	-	126,114
Depreciation charge	1,005	13,120	1,514	5,678	2,699	-	24,016
<b>At 31 July 2021</b>	<b>6,366</b>	<b>91,152</b>	<b>2,990</b>	<b>14,116</b>	<b>35,506</b>	<b>-</b>	<b>150,130</b>
<b>NET BOOK VALUE</b>							
<b>At 31 July 2021</b>	<b>40,349</b>	<b>325,784</b>	<b>12,352</b>	<b>10,418</b>	<b>5,684</b>	<b>23,294</b>	<b>417,881</b>
At 31 July 2020	41,354	338,767	11,795	5,678	7,473	17,442	422,509

## FINANCIAL STATEMENTS 2020-21

### NOTE 3 FIXED ASSETS (CONTINUED)

At 31 July 2021 freehold land and buildings included £11.5m (2020: £11.5m) in respect of freehold land which is not depreciated. The net book value of tangible fixed assets includes an amount of £258.7m (2020: £271.7m) of buildings held under finance leases. The depreciation charge on these assets for the year was £13.0m (2020: £22.0m).

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

	2021 £'000	2020 £'000
<b>CONSOLIDATED AND UNIVERSITY</b>		
Due in less than one year	55	55
Due between two and five years	165	165
Due in five years or more	69	124
	289	344

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.

In December 2020 the University nominated rooms for use in the following academic year 2021-22. This is the final year in which the University is subject to the minimum 75% nomination requirement. As the construction period has completed, rooms in all buildings in the residential development were eligible for nomination and use in 2021-22.

#### SERVICE CONCESSION ARRANGEMENT ASSETS

The asset value of the service concession in the Balance Sheet as at 31 July 2021 is £10.4m (31 July 2020: £5.7m). The movement is a result of a depreciation charge of £5.7m for the year, and a service concession asset addition of £10.4m. The service concession asset addition represents the estimated rental value of the rooms nominated for use by the University over the 2021-22 academic year.

#### SERVICE CONCESSION ARRANGEMENT LIABILITIES

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2021 were £10.4m (31 July 2020: £5.6m), representing the present value of lease obligations for the following academic year. This is equivalent to the estimated rental payments due to ESRSA LLP for the rooms nominated for use in 2021-22. The sum of £5.6m was repaid during the year, which related to the final clearing of commitments made across the 4 year construction period.

#### FUTURE COMMITMENTS

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

	PAYABLE WITHIN ONE YEAR £'000	PAYABLE IN BETWEEN ONE AND TWO YEARS £'000	PAYABLE IN BETWEEN TWO AND FIVE YEARS £'000	PAYABLE IN MORE THAN FIVE YEARS £'000
Liability repayments	10,418	-	-	-
Finance charge	5	-	-	-
	10,423	-	-	-

FINANCIAL STATEMENTS 2020-21

NOTE 5 NON-CURRENT INVESTMENTS

CONSOLIDATED

	ASSOCIATE COMPANIES £'000	SUBSIDIARY COMPANIES £'000	OTHER FIXED ASSETS INVESTMENTS £'000	TOTAL £'000
At 1 August 2020	5,754	-	633	6,387
Repayment of subordinated debt	(55)	-	-	(55)
Gain in value	-	-	99	99
At 31 July 2021	5,699	-	732	6,431

UNIVERSITY

	£'000	£'000	£'000	£'000
At 1 August 2020	-	162	633	795
Gain in value	-	-	99	99
At 31 July 2021	-	162	732	894

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 £5.7m relating to subordinated debt due from an associate entity East Slope Residences Student Accommodation LLP.

OTHER NON-CURRENT INVESTMENTS CONSIST OF:

	CONSOLIDATED AND UNIVERSITY	
	31 JULY 2021	31 JULY 2020
	£'000	£'000
<b>Listed Securities</b>		
Mercantile Investment Trust	329	218
Legal & General Industrial Property Investment Fund		
Feeder Unit Trust	246	201
Feedback PLC	67	124
	<b>642</b>	<b>543</b>
<b>Unlisted Shares</b>		
CVCP Properties	37	37
The New Statesman	1	1
Interanalysis Ltd	50	50
InCrowd	2	2
	<b>90</b>	<b>90</b>
<b>Total</b>	<b>732</b>	<b>633</b>

## FINANCIAL STATEMENTS 2020-21

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

The undertakings in which the University's interest at the year-end is 20% or more are as follows:

	Share Class	Number	Ordinary Holding	University Value at cost 2021 £	University Value at cost 2020 £	Nature of Activity
Sussex Innovation Centre Management Ltd	Ord	200	100%	161,616	161,616	Property Management
Sussex Innovation Centre Development Ltd	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 Intermediateco Ltd	Ord	1	100%	1	1	Holding Company
Interanalysis Ltd	Ord	20	20%	50,000	50,000	Software Technology

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 Intermediateco 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 Intermediateco Ltd has a 20% interest in the partnership.

Sussex Innovation Centre Management Ltd's registered office address is Science Park Square, Falmer, Brighton, BN1 9SB.

Sussex Estates and Facilities LLP's registered office address is Level 12 The Shard, 32 London Bridge Street, London, England, SE1 9SG.

Sussex Innovation Centre Development Ltd, Sussex UH Ltd, Sussex UH ESR Holdco Ltd, Sussex UH ESR Intermediateco Ltd, USPAS Trustee Ltd, East Slope Housing Ltd and Sussex EF Ltd have their registered offices at Sussex House, Falmer, Brighton, BN1 9RH.

All subsidiary undertakings are included in the consolidation, with the exception of East Slope Housing Ltd, Sussex EF Ltd and USPAS Trustee Ltd which are all dormant companies with no activity in the year.

### NOTE 6 TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Debtors and prepayments	41,436	40,154	48,431	47,271
Research debtors	(4)	(4)	(4)	(4)
Amounts due from subsidiary companies	-	13,674	-	13,277
	<b>41,432</b>	<b>53,824</b>	<b>48,427</b>	<b>60,544</b>

Amounts due from subsidiary companies comprise Deed of Covenant payments £1,605k, Intercompany balances £3,749k and Intercompany Loans £8,320k.

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
<b>Amounts falling due after more than one year:</b>				
Debtors	-	-	1,536	1,536
	<b>-</b>	<b>-</b>	<b>1,536</b>	<b>1,536</b>

FINANCIAL STATEMENTS 2020-21

NOTE 7 CURRENT INVESTMENTS

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Short term investment in shares	17,143	17,143	13,871	13,871
Short term deposits	213,716	213,716	174,230	174,230
	<b>230,859</b>	<b>230,859</b>	<b>188,101</b>	<b>188,101</b>

Current investments includes holdings in a number of investment funds which are held at fair value, and deposits 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 2021 the average interest rate of these fixed deposits was 0.47% per annum and the remaining average period for which the interest rate is fixed on these deposits was 529 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 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Mortgages and other loans	2,421	2,208	2,350	2,150
Service concession arrangement	10,418	10,418	5,557	5,557
Obligations under finance leases	28	28	26	26
Creditors and accruals	82,800	75,575	87,971	80,099
Amounts due to subsidiaries	-	3,244	-	2,021
	<b>95,667</b>	<b>91,473</b>	<b>95,904</b>	<b>89,853</b>

## FINANCIAL STATEMENTS 2020-21

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

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
Obligations under finance lease	210	210	238	238
Unsecured loans	174,263	174,208	176,684	176,416
Creditors and accruals	18,873	18,508	20,016	19,627
	<b>193,346</b>	<b>192,926</b>	<b>196,938</b>	<b>196,281</b>

University Creditors and Accruals falling due after more than one year represents East Slope lease premium of £18,508k to be amortised over the remaining 52 years of the lease. In addition a further £365k related to deferred capital grants is included in the Consolidated figures.

#### Analysis of loans:

Due within one year or on demand (note 8)	2,421	2,208	2,350	2,150
Due between one and two years	2,313	2,258	2,421	2,208
Due between two and five years	7,389	7,389	7,174	7,119
Due in five years or more	164,561	164,561	167,090	167,090
Due after more than one year	174,263	174,208	176,684	176,416
Total secured and unsecured loans	176,684	176,416	179,034	178,566

Included in loans are the following:

LENDER	AMOUNT OUTSTANDING AT 31 JULY 2021 £'000	TERM	INTEREST RATE %	BORROWER
Lloyds	36,416	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
	<b>176,416</b>			
Barclays	268	to 2022	6.20	Sussex Innovation Centre Development Ltd
Total	<b>176,684</b>			

### 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 2020	(39,607)	(32,399)	(72,006)	(4,118)	(76,124)
Utilised in year	1,335	2,401	3,736	4,069	7,805
Reduction/(Addition) in 2020-21	1,595	13,542	15,137	(1,472)	13,665
<b>At 31 July 2021</b>	<b>(36,677)</b>	<b>(16,456)</b>	<b>(53,133)</b>	<b>(1,521)</b>	<b>(54,654)</b>

A provision has been made for the University's Second Voluntary Severance Scheme, for all employees of the University who had applied to the scheme and been accepted and notified prior to 31 July 2021, but whose severance payments fall into the following financial year.

## FINANCIAL STATEMENTS 2020-21

### NOTE 10 PROVISIONS FOR LIABILITIES (CONTINUED)

#### USS DEFICIT

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 17. 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.

### NOTE 11 ENDOWMENT RESERVES

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2021 Total £'000	2020 Total £'000
<b>Opening balance at 1 August</b>					
Capital 1 August	5,821	73	7,694	13,588	12,821
Accumulated income	801	20	-	821	785
	6,622	93	7,694	14,409	13,606
New endowments	-	-	601	601	885
Investment income	-	-	-	-	19
Expenditure	(11)	-	(346)	(357)	(1,166)
	(11)	-	255	244	(262)
Increase in market value of investments	1,542	20	1,710	3,272	1,065
<b>At 31 July 2021</b>	8,153	113	9,659	17,925	14,409
<b>Represented by:</b>					
Capital	7,363	93	9,659	17,115	13,588
Accumulated income	790	20	-	810	821
	8,153	113	9,659	17,925	14,409
<b>Analysis by type of purpose:</b>					
Lectureships	207	-	-	207	169
Scholarships and bursaries	1,999	-	1,119	3,118	2,514
Research support	3,464	-	1,497	4,961	4,061
Prize funds	967	-	154	1,121	844
General	1,516	113	6,889	8,518	6,821
	8,153	113	9,659	17,925	14,409
<b>Analysis by asset</b>					
Fixed assets				-	-
Current and non-current asset investments				17,143	13,871
Cash and cash equivalents				782	538
				17,925	14,409



FINANCIAL STATEMENTS 2020-21

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 2021 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 2021

	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2021 £'000	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2020 £'000
<b>INCOME</b>		
OfS Grant	2,836	3,128
NHS funds	7,383	6,732
Academic fees	5,226	4,431
Research grants and contracts	1,601	1,355
Other	294	397
<b>Total income</b>	<b>17,340</b>	<b>16,043</b>
<b>EXPENDITURE</b>		
Staff costs	9,381	9,119
Depreciation	154	163
Other operating expenses	6,691	7,019
<b>Total expenditure</b>	<b>16,226</b>	<b>16,301</b>
<b>Surplus/(deficit) on continuing operations</b>	<b>1,114</b>	<b>(258)</b>
<b>Surplus brought forward for the year</b>	<b>6,739</b>	<b>6,997</b>
<b>Surplus retained for the year</b>	<b>7,853</b>	<b>6,739</b>

BALANCE SHEET AS AT 31 JULY 2021

	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2021 £'000	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2020 £'000
<b>Fixed assets</b>	<b>701</b>	<b>835</b>
<b>Current assets</b>		
Debtors	1,219	784
Cash at banks and in hand	10,430	8,293
<b>Current Liabilities</b>		
Creditors	(4,497)	(3,173)
<b>Net current assets</b>	<b>7,152</b>	<b>5,904</b>
<b>Total net assets</b>	<b>7,853</b>	<b>6,739</b>
<b>Represented by:</b>		
Income and expenditure account	7,853	6,739

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**NOTE 13 CAPITAL AND OTHER COMMITMENTS**

Provision has not been made for the following capital commitments at 31 July 2021:

	YEAR ENDED 31 JULY 2021 CONSOLIDATED £'000	YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000
Commitments contracted for	9,067	5,166
Authorised, approved but not contracted for	24,801	30,695
	<b>33,868</b>	<b>35,861</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 £2.1m.

	YEAR ENDED 31 JULY 2021 CONSOLIDATED		YEAR ENDED 31 JULY 2020 CONSOLIDATED
	Land and Buildings £'000	Total £'000	Total £'000
Annual rentals under operating leases payable			
In one year	2,130	2,130	2,140
Two to five years	8,777	8,777	9,199
Five or more	2,260	2,260	5,010
<b>Total lease payments due</b>	<b>13,167</b>	<b>13,167</b>	<b>16,349</b>

**NOTE 15 DEPARTMENT FOR EDUCATION TRAINING BURSARIES**

	YEAR ENDED 31 JULY 2021 CONSOLIDATED £'000	YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000
Balance owed to DfE at 1 August 2020	1,088	356
DfE Grants	5,949	8,022
Disbursement to students	(6,412)	(7,212)
Other Disbursements	(95)	(78)
Difference on 19/20 actual DfE recovery amount	322	-
Balance owed to DfE at 31 July	<b>852</b>	<b>1,088</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.

**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 2021

Related party transactions in respect of the following relationships took place and were either complete or outstanding:

- (i) Professor A Tickell, the University's Vice-Chancellor until 31/10/2021, 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. He is also a Universities and Colleges Employers Association (UCEA) Board Member, to whom the University pays a membership subscription, and a Universities UK Director, to whom the university pays a membership subscription and fees for attending conferences.
- (ii) Sussex Estates & Facilities LLP is a 65% subsidiary of Sussex UH Ltd and supplies facilities management services to the University.
- (iii) Professor S 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.
- (iv) K Baker CBE, who is a member of Council, is a non-executive director of University Hospitals Sussex NHS Foundation Trust (formerly Brighton & Sussex University Hospitals NHS Trust and merged with Western Sussex Hospitals NHS Foundation Trust), to which the University recharges salary costs. She is also a Partner – Official working on HE policy for the Department for Education, from which the University receives grants. She is also Non-Executive Director for The Pensions Regulator, to which the University pays a general levy.
- (v) 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.
- (vi) R Martin is Company Secretary/General Counsel for Vodafone Group plc, as well as a Director for several companies within the wider group, a subsidiary of which, Vodafone Limited, the University pays for mobile phone contracts.
- (vii) C Moylett was the University of Sussex Student Union Representative, to which the University provides a grant.
- (viii) M Fisher is the Governor and Chair of the Finance Committee for East Sussex College Group, to which the University pays rent for the use of rooms at Caburn House.
- (ix) Professor K O'Riordan is a Board Member for Marlborough Productions CIC, to which the University has previously paid fees to support artist contributions.
- (x) M Devlin was previously a Trustee of the Royal College of Paediatrics and Child Health, with whom the University had a Research & Enterprise sub-contract.
- (xi) Professor S McGuire was a council member of the Chartered Association of Business Schools to whom the University pays membership and subscription fees.

**SUMMARY OF RELATED PARTY TRANSACTIONS**

	INCOME		EXPENDITURE		DEBTORS		CREDITORS	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Sussex Estates and Facilities	20	25	23,504	24,048	-	4	3,258	2,020
University of Sussex Student Union	73	151	1,194	1,449	53	7	-	19
Institute of Development Studies	289	251	181	173	4	11	-	63
Wellcome Trust	-	83	20	30	-	100	-	-
East Slope Residences Student Accomodation LLP	459	419	8,601	5,797	73	87	-	611
University College London	309	-	230	166	47	-	-	-
Vodafone Limited	-	-	46	56	-	-	-	9
Department For Education	-	327	379	191	-	-	-	-
UCEA	-	-	12	14	-	-	-	-
East Sussex College Group	-	-	158	158	-	-	-	-
University Hospitals Sussex NHS Foundation Trust*	2,721	-	830	-	560	-	205	-
Universities UK	-	-	84	-	-	-	42	-
Brighton and Sussex Universities Hospital Trust (BSUH)*	-	5,597	-	977	-	457	-	56
Western Sussex Hospitals NHS Foundation Trust*	-	-	-	206	-	-	-	-
The Pensions Regulator	-	-	-	15	-	-	-	-
The Royal College of Paediatrics and Child Health	-	-	-	15	-	-	-	-
Marlborough Productions C.I.C	-	-	-	8	-	-	-	-
Chartered Association of Business Schools	-	-	9	-	-	-	-	-

\* Brighton & Sussex University Hospitals NHS Trust merged with Western Sussex Hospitals NHS Foundation Trust on 1 April 2021. The new Trust is University Hospitals Sussex NHS Foundation Trust.

**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 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 the USPSS, a defined contribution scheme, which is the primary pension scheme for new support staff.

	FORECAST YEAR ENDED 2022 £'000	ACTUAL YEAR ENDED 2021 £'000	ACTUAL YEAR ENDED 2020 £'000
Contributions to USS	22,000	20,023	19,701
Contributions to USPAS	4,400	4,337	4,341
Contributions to USPSS	1,500	1,433	1,424
Other contributions	690	634	590
	<b>28,590</b>	<b>26,427</b>	<b>26,056</b>

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

The institution participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to 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 scheme provided by 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.

**USS PENSION COSTS**

The total cost charged to the income and expenditure account is £17,094,000 (2020: cost charged £5,611,000).

Deficit recovery contributions due within one year for the institution are £4,934,000 (2020: contributions paid £1,849,000).

The latest available completed actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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

The 2018 valuation was the fifth valuation for the scheme 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 £63.7 billion and the value of the scheme’s technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1–10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11–20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme’s experience carried out as part of the 2018 actuarial valuation.

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**NOTE 17 PENSION SCHEMES (CONTINUED)**

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)	97.6% of SAPS S1NMA "light"
<b>FEMALE MEMBERS' MORTALITY</b>	112% of AFC00 (duration 0)	102.7% 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>2021</b>	<b>2020</b>
<b>MALES CURRENTLY AGED 65 (YEARS)</b>	24.6	24.4
<b>FEMALES CURRENTLY AGED 65 (YEARS)</b>	26.1	25.9
<b>MALES CURRENTLY AGED 45 (YEARS)</b>	26.6	26.3
<b>FEMALES CURRENTLY AGED 45 (YEARS)</b>	27.9	27.7

	<b>2018 VALUATION</b>	<b>2017 VALUATION</b>
<b>SCHEME ASSETS</b>	£63.7bn	£67.4bn
<b>TOTAL SCHEME LIABILITIES</b>	£67.3bn	£79.2bn
<b>FRS 102 TOTAL SCHEME DEFICIT</b>	£3.6bn	£11.8bn
<b>FRS 102 TOTAL FUNDING LEVEL</b>	95%	85%

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2021 deficit recovery liability reflects this plan.

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

	<b>2021</b>	<b>2020</b>
<b>DISCOUNT RATE</b>	1.50%	1.30%
<b>PENSIONABLE SALARY GROWTH</b>	1.50%	0.80%

**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 2018 have been updated to 31 July 2021 by a qualified independent actuary.

**ASSUMPTIONS**

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

	AT 31 JULY 2021 %PA	AT 31 JULY 2020 %PA
PRICE INFLATION (RPI)	3.20%	2.90%
PRICE INFLATION (CPI)	2.70%	2.30%
RATE OF INCREASE IN SALARIES 2020-21	-	0.80%
RATE OF INCREASE IN SALARIES 2021-22	2.00%	2.00%
RATE OF INCREASE IN SALARIES THEREAFTER	2.70%	2.30%
<b>RATE OF INCREASE OF PENSIONS IN PAYMENT FOR USPAS MEMBERS:</b>		
POST 88 GMP	2.30%	2.10%
PRE 09 PENSION	2.70%	2.30%
POST 09 PENSION	2.30%	2.10%
<b>RATE OF INCREASE FOR DEFERRED PENSIONERS (NON GMP):</b>		
PRE 09 LEAVERS	2.70%	2.30%
POST 09 LEAVERS	3.20%	2.90%

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 2021	21.9	23.2	24.3	25.7
At 31 July 2020	21.9	23.2	24.2	25.6

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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 2021 £M	AT 31 JULY 2020 £M	AT 31 JULY 2019 £M
EQUITIES	73,683	64,148	69,174
GOVERNMENT BONDS	32,703	28,878	26,281
CORPORATE BONDS	43,494	42,526	40,256
ANNUITIES	199	214	214
CASH	822	1,073	163
<b>TOTAL</b>	<b>150,901</b>	<b>136,839</b>	<b>136,088</b>

	YEAR ENDED 31 JULY 2021 £'000	YEAR ENDED 31 JULY 2020 £'000
<b>ANALYSIS OF THE AMOUNT SHOWN IN THE BALANCE SHEET FOR USPAS:</b>		
Scheme assets	150,901	136,839
Scheme liabilities	(167,357)	(169,238)
<b>DEFICIT IN THE SCHEME - NET PENSION LIABILITY RECORDED WITHIN PENSION PROVISIONS</b>	<b>(16,456)</b>	<b>(32,399)</b>
Current service cost	(1,143)	(1,108)
Past service costs	-	-
Total operating charge:	(1,143)	(1,108)
<b>ANALYSIS OF THE AMOUNT CHARGED TO INTEREST PAYABLE/CREDITED TO OTHER FINANCE INCOME FOR USPAS PENSIONS</b>		
Interest cost	1,767	2,710
Expected return on assets	14,126	(778)
Interest on net deficit	(2,170)	(3,038)
<b>NET CHARGE/(CREDIT) TO OTHER FINANCE INCOME</b>	<b>13,723</b>	<b>(1,106)</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	14,126	(778)
Actuarial losses on defined benefit obligation	(584)	(16,382)
<b>TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE) BEFORE DEDUCTION FOR TAX</b>	<b>13,542</b>	<b>(17,160)</b>

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NOTE 17 PENSION SCHEMES (CONTINUED)

	AT 31 JULY 2021 £'000	AT 31 JULY 2020 £'000
<b>ANALYSIS OF MOVEMENT IN (DEFICIT) FOR USPAS PENSIONS DEFICIT AT BEGINNING OF YEAR</b>	<b>(32,399)</b>	<b>(17,839)</b>
Contributions or benefits paid by the University	4,337	4,341
Current service cost	(1,143)	(1,108)
Past service cost	-	-
Other finance charge	(390)	(305)
Interest cost	(403)	(328)
Gain/(Loss) recognised in other comprehensive income	13,542	(17,160)
<b>DEFICIT AT END OF YEAR</b>	<b>(16,456)</b>	<b>(32,399)</b>
	<b>YEAR TO 31 JULY 2021 £'000</b>	<b>YEAR TO 31 JULY 2020 £'000</b>
<b>ANALYSIS OF MOVEMENT IN THE PRESENT VALUE OF USPAS LIABILITIES AT THE START OF THE YEAR</b>	<b>(169,238)</b>	<b>(153,927)</b>
Current service cost (net of member contributions)	(1,163)	(1,131)
Past service cost	-	-
Interest cost recorded within other comprehensive income	(2,170)	(3,038)
Actuarial loss	(584)	(16,382)
Actual benefit payments	5,798	5,240
<b>PRESENT VALUE OF USPAS LIABILITIES AT THE END OF THE YEAR</b>	<b>(167,357)</b>	<b>(169,238)</b>
	<b>YEAR TO 31 JULY 2021 £'000</b>	<b>YEAR TO 31 JULY 2020 £'000</b>
<b>ANALYSIS OF MOVEMENT IN THE FAIR VALUE OF SCHEME ASSETS AT THE START OF THE YEAR</b>	<b>136,839</b>	<b>136,088</b>
Expected return on assets	14,126	(778)
Admin expense	(390)	(305)
Interest income	1,767	2,710
Actuarial gain on assets	-	-
Actual contributions paid by the University	4,337	4,341
Actual member contributions (including notional contributions)	20	23
Actual benefit payments	(5,798)	(5,240)
<b>FAIR VALUE OF SCHEME ASSETS AT THE END OF THE YEAR</b>	<b>150,901</b>	<b>136,839</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 3 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 2019 to 28 February 2025, increasing at 3.2% each year on 1 August. The University expects to pay £4.4m to the Scheme during the accounting year beginning 1 August 2021.

### 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

The University has the following financial instruments:

	2021 GROUP £'000	2021 UNIVERSITY £'000	2020 GROUP £'000	2020 UNIVERSITY £'000
<b>FINANCIAL ASSETS</b>				
<b>Measured at fair value through income and expenditure</b>				
Current asset investments	230,859	230,859	188,101	188,101
<b>Debt instruments measured at amortised cost</b>				
Long term loan receivable	-	-	1,536	1,536
<b>Investments</b>				
Non current investments	6,431	894	6,387	795
<b>Measured at undiscounted amount receivable</b>				
Trade and other receivable	41,432	53,824	48,427	60,544
	<b>278,722</b>	<b>285,577</b>	<b>244,451</b>	<b>250,976</b>
<b>Financial liabilities</b>				
<b>Measured at amortised cost</b>				
Loans payable	176,684	176,416	179,034	178,566
Obligation under finance leases	238	238	264	264
Obligation under service concession arrangements	10,418	10,418	5,557	5,557
<b>Measured at undiscounted amount receivable</b>				
Trade and other creditors	82,800	78,819	87,971	82,120
	<b>270,140</b>	<b>265,891</b>	<b>272,826</b>	<b>266,507</b>

Current investments measured at fair value through income and expenditure include the core cash investment portfolios held by the University, as well as short term investment in shares related to endowments.

## NOTE 19 ANALYSIS OF NET DEBT

	AT 1 AUGUST 2020 £'000	CASH FLOWS £'000	OTHER NON-CASH CHANGES £'000	AT 31 JULY 2021 £'000
<b>ANALYSIS OF CHANGES IN NET DEBT</b>				
Cash and cash equivalents	67,567	(19,351)	-	48,216
Loans	(179,034)	10,631	(8,281)	(176,684)
Obligations under finance leases	(265)	56	(29)	(238)
<b>Total</b>	<b>(111,732)</b>	<b>(8,664)</b>	<b>(8,310)</b>	<b>(128,706)</b>

Net debt has increased as a result of University strategy to move cash reserves into investments of a longer duration to achieve better rates of return.



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**SUPPLEMENTARY SCHEDULE**

We have an obligation as part of our participation in the US Federal Loans program to include Supplemental Information which complies with Federal Register/Vol. 84, No. 184 / Monday, September 23, 2019 / Rules and Regulations.

The data is prepared using UK GAAP and does not include any adjustments that would be required to comply with US GAAP

REFERENCE	EXPENDABLE NET ASSETS		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000	CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000
Balance sheet Statement of changes in reserves	Statement of Financial Position – Net assets without donor restrictions	Income and expenditure reserve + Revaluation reserve	386,321	354,537
Balance sheet Statement of changes in reserves	Statement of Financial Position – Net assets with donor restrictions	I&E - endowment reserve + Non- controlling interest	18,771	14,999
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors	737	666
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors	737	666
Note 3	Statement of Financial Position – Property, Plant and equipment, net	Net book value of Property, plant and equipment (excl. Service concession asset)	411,331	420,756
Note 3	Note of the Financial Statements – Statement of Financial Position – Property, plant and equipment – pre-implementation	Net book value of Property, plant and equipment (excl. Service concession asset) - Additions	395,770	399,409
Note 3	Note of the Financial Statements – Statement of Financial Position – Property, plant and equipment – post-implementation with outstanding debt for original purchase		-	-
Note 3	Note of the Financial Statements – Statement of Financial Position – Property, plant and equipment – post- implementation without outstanding debt for original purchase	Additions (excl. Service concession asset and Assets in the course of construction)	7,364	4,048
Note 3	Note of the Financial Statements – Statement of Financial Position – Construction in progress	Additions of Assets in the course of construction	8,197	17,299
Note 3	Statement of Financial Position – Lease right-of-use assets, net	Net book value of Service concession asset	10,418	5,678
Note 3	Note of the Financial Statements – Statement of Financial Position – Lease right-of-use asset pre- implementation	Net book value of Service concession asset	-	5,678
Note 3	Note of the Financial Statements – Statement of Financial Position – Lease right-of-use asset post- implementation	Net book value of Service concession asset	10,418	-
Balance sheet	Statement of Financial Position – Goodwill	Intangible assets	-	-

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<b>REFERENCE</b>	<b>EXPENDABLE NET ASSETS (CONTINUED)</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000</b>	<b>CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000</b>
Balance sheet	Statement of Financial Position – Post-employment and pension liabilities	Pension provisions		53,133		72,006
Note 9	Statement of Financial Position – Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process – total debt	Total secured and unsecured loans	176,684		179,034	
Note 9	Statement of Financial Position – Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process – pre-implementation	Total secured and unsecured loans		176,684		179,034
Note 9	Statement of Financial Position – Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process – post-implementation			-		-
Note 9	Statement of Financial Position – Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process – construction in progress debt			-		-
Note 8	Statement of Financial Position – Lease right-of-use asset liability	Service concession arrangement	10,418		5,557	
Note 8	Statement of Financial Position – Lease right-of-use asset liability pre-implementation	Service concession arrangement		-		5,557
Note 8	Statement of Financial Position – Lease right-of-use asset liability post-implementation	Service concession arrangement		10,418		-
Balance sheet Statement of changes in reserves	Statement of Financial Position – Annuities			-		-
Balance sheet Statement of changes in reserves	Statement of Financial Position – Term endowments			-		-
Balance sheet Statement of changes in reserves	Statement of Financial Position – Life Income Funds			-		-
Balance sheet Statement of changes in reserves	Statement of Financial Position - Perpetual Funds	I&E - endowment reserve + Non-controlling interest		18,771		14,999
<b>REFERENCE</b>	<b>TOTAL EXPENSES AND LOSSES</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000</b>	<b>CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000</b>
Statement of comprehensive income	Statement of Activities – Total Operating Expenses (Total from Statement of Activities prior to adjustments)	Total expenditure		294,812		282,484

**FINANCIAL STATEMENTS 2020-21**

REFERENCE	TOTAL EXPENSES AND LOSSES (CONTINUED)		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000	CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000
Statement of comprehensive income	Statement of Activities – Non-Operating (Investment return appropriated for spending), Investments, net of annual spending gain (loss), Other components of net periodic pension costs, Pension-related changes other than net periodic pension, changes other than net periodic pension, Change in value of split-interest agreements and Other gains (loss) – (Total from Statement of Activities prior to adjustments)	Investment income + Gain on investments + Actuarial gain/(loss) in respect of pension schemes	(19,141)	13,860
Statement of comprehensive income	Statement of Activities – (Investment return appropriated for spending) and Investments, net of annual spending, gain (loss)	Gain on investments + Investment income	(5,599)	(3,502)
Statement of comprehensive income	Statement of Activities – Pension related changes other than periodic pension		-	-

REFERENCE	MODIFIED NET ASSETS		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000	CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000
Balance Sheet	Statement of Financial Position – Net assets without donor restrictions	Income and expenditure reserve + Revaluation reserve	386,321	354,537
Balance sheet Statement of changes in reserves	Statement of Financial Position – total Net assets with donor restrictions	I&E - endowment reserve + Non-controlling interest	18,771	14,999
Balance sheet	Statement of Financial Position – Goodwill	Intangible assets	-	-
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors	737	666
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors	737	666

REFERENCE	MODIFIED ASSETS		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000	CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000
Balance sheet	Statement of Financial Position – Total Assets	Total Assets	748,759	738,502
Note 3	Note of the Financial Statements – Statement of Financial Position – Lease right-of-use asset pre-implementation	Net book value of Service concession asset	-	5,678
Note 8	Statement of Financial Position – Lease right-of-use asset liability pre-implementation	Service concession arrangement	-	5,557
Balance sheet	Statement of Financial Position – Goodwill	Intangible assets	-	-

**FINANCIAL STATEMENTS 2020-21**

<b>REFERENCE</b>	<b>MODIFIED ASSETS (CONTINUED)</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000</b>	
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors	737		666	
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors		737		666
<b>REFERENCE</b>	<b>NET INCOME RATIO</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000</b>		<b>CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000</b>	
Balance sheet Consolidated cash flow statement	Statement of Activities – Change in Net Assets Without Donor Restrictions	Change in Net Assets – Change in I&E – endowment reserve – Distribution to non-controlling interest		32,630		20,318
Statement of comprehensive income	Statement of Activities – (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	Total income – Investment income		311,907		317,473



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