University of Sussex
Financial Statements 2008/2009

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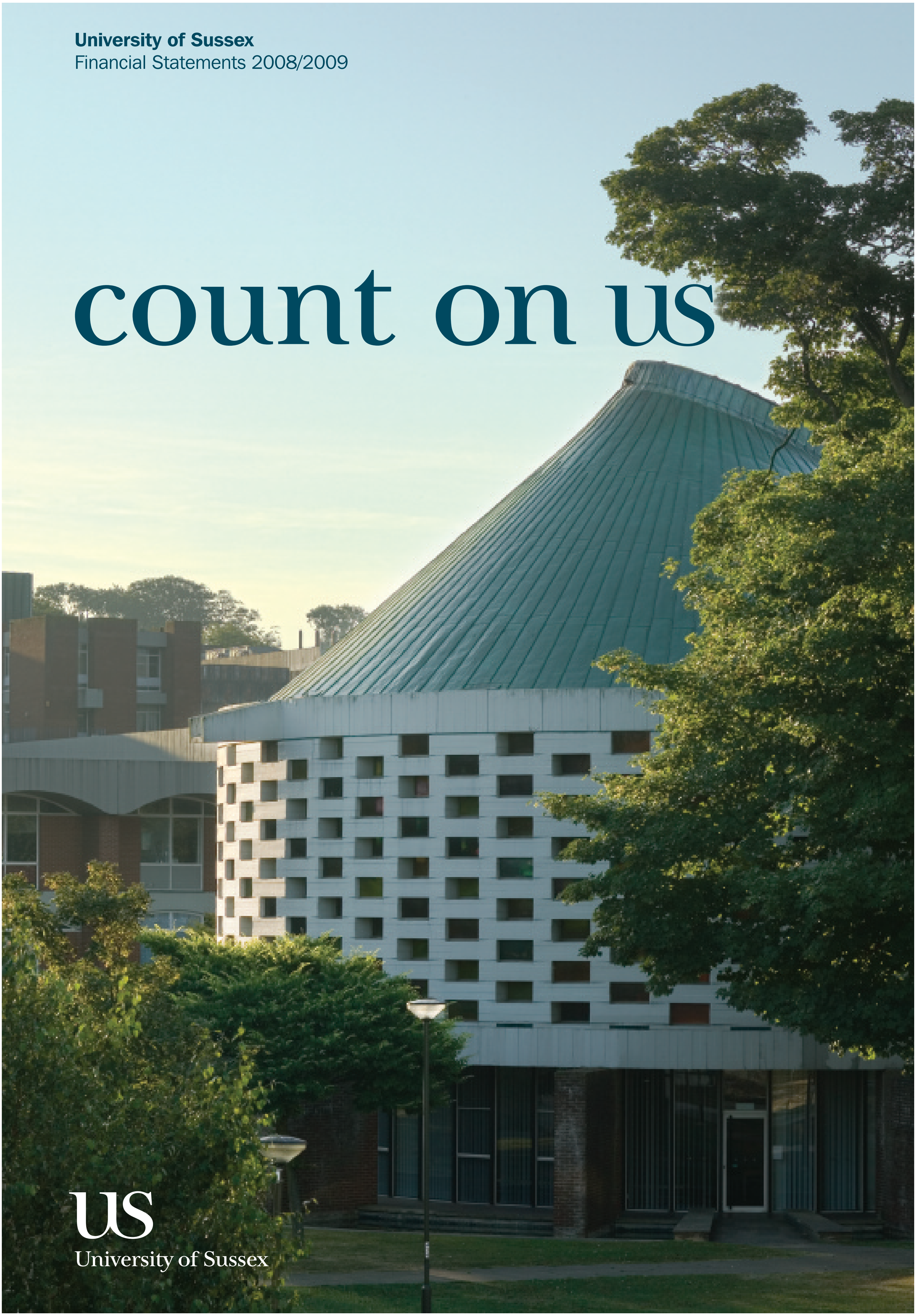

University of Sussex

Principal officers

Visitor
Her Majesty The Queen

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BA (Hatfield)

Chair of Council
Simon Fanshawe
BA (Sussex) Hon MA (Brighton)

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BSc (Southampton)

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Registrar and Secretary
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MA (Glasgow) MBA (City)

Director of Finance
Allan Spencer
MA (Oxon) ACA

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Operating and Financial Review

The University of Sussex is a leading higher education institution based at Falmer near Brighton, dedicated to excellent academic achievement across a broad range of disciplines. We are research intensive, engaged in delivering individual and thematic research and intellectually demanding, research-led teaching. We are committed to financial sustainability, which is essential for the continuing successful development of the University.

Scope of the finance statements and this report

The Financial Statements for the Group comprise the consolidated results of the University and its subsidiaries, which undertake activities that for legal, commercial or taxation reasons are more appropriately undertaken through a limited company. The principal trading subsidiaries consolidated in the accounts are: Sussex Innovation Centre Development Limited, Sussex Innovation Centre Management Limited, University of Sussex Intellectual Property Limited and East Slope Housing Limited. Note 5 to the accounts sets out the full details of all the companies in which the University owns shares. In addition the University has a major share in the Brighton and Sussex Medical School (BSMS), which is accounted for as a joint venture according to Financial Reporting Standard (FRS) 9 as detailed in note 17.

This statement is drawn up in accordance with the Accounting Standards Board's *Reporting Standard: Operating and Financial Review* and seeks to set the financial results in the context of the University's strategy and operations.

Results for the year

The Group consolidated income and expenditure (gross including joint venture income and expenditure, since the medical school is a core part of our academic activities) and results after taxation for the year ended 31 July 2009 are summarised as follows:

	2008/09	2007/08
	£m	£m
Income	**158.6**	145.3
Expenditure	**160.3**	139.8
(Deficit)/Surplus for the year before disposal of assets	**(1.7)**	5.5
(Deficit)/Surplus for the year after disposal of assets	**(1.6)**	10.8

The University's total income rose by 9% compared with the previous year.

Within this, total recurrent grants from funding councils were almost static and thus failed to keep pace with inflation of costs. Recurrent grant from the Higher Education Funding Council for England (HEFCE) fell slightly in cash terms at the end of a period of protection for the University's loss of research funding due to a change in allocation basis in earlier years.

A major part of our strategy is to increase and diversify the University's income base. The application of the new variable fee regime to our courses longer than three years, such as medical and science four year undergraduate programmes, contributed an increase of around £1 million in fee income.

Consolidation of the University's reputation for international excellence in both staff and student base is a key part of income diversification. This has already generated a welcome £3-million increase in international student fees, a major component of the increase in turnover. A large contribution to this increase was the second year's intake from the International Study Centre, operated by a third party on the Falmer campus as a foundation year for entry for students meeting our academic entry criteria to mainstream degree programmes at Sussex. The University plans a major expansion in these areas through curriculum development and intensive recruitment effort in both subject areas and markets.

A further key institutional objective is to ensure that the University's research volume and quality improves. Continued success with UK Research Councils and in the new European Commission Framework 7 programmes is demonstrated by 8% growth in income from Research Grants and Contracts.

Pay costs increased as a result of nationally agreed cost of living rises and the impact of the local implementation of the sector-wide Framework Agreement through a new unified pay and grading structure. This was compounded by an increase in pension costs as returns from investments of the local self-administered trust scheme for non academic staff failed to meet expectations in a year of turmoil in global financial markets. These were major factors in the increase in a rise of 10% in total expenditure before exceptional finance costs, from £139.8 million to £154.6 million. Increased research activity and increased spend on equipment and consumables to ensure we provide fit-for-purpose research and teaching environments also contributed. Following implementation of a policy to ensure that property maintenance funds are spent on larger refurbishment projects, much of our expenditure in this area leads to ongoing useful lives for the properties and has therefore been capitalised. This has reduced the costs of property maintenance in the income and expenditure account.

The University has significantly extended its borrowing facilities, as described in the financing section below, to fund developments on the campus (especially residential). Two new loan facilities were established and three existing smaller ones were repaid. The additional borrowing has resulted in increased interest costs. In addition, as described in note 20 this has led to two separate adjustments for exceptional finance costs. The larger of the adjustments, £3.4 million, is a one-off accounting charge for finance costs paid in past years on one of the loans repaid in the restructuring. These costs were being amortised over the remaining eight-year life of the loan, which is no longer appropriate under the new loan. The second, smaller charge, £2.3 million, is a cash cost of breaking fixed loan agreements in order to enter into the new restructured loan which, as described below, gives the University access to higher funds for longer than the old agreements. The University chose to pay the break costs in cash, as a cheaper option than rolling them into the future interest and finance costs of the new loan.

The bottom line result of £1.6 million deficit follows two surpluses of £10.8 million and £6.9 million in 2007/08 and 2006/07. The previous two years results were influenced by the positive effect of surpluses on disposal of £5 million and £4 million respectively, while there are only small sales proceeds in 2008/09. The current year result is affected by the adverse exceptional charges and at first sight the underlying operational surplus appears to be in line with previous years, all in the region of £3-5 million surplus. However these all fall short of the Council target of around 4% surplus on turnover, which would indicate a required ongoing operational surplus of around £8 million per annum.

Furthermore, in spite of the surplus before exceptional finance costs in 2008/09, this operational surplus is under immediate threat in 2009/10 and future years. As mentioned above, the 2008/09 results include the effect of the large cost of living rise in the year, but only for part of the year since it applied from October 2008. Pension costs for the larger defined benefit scheme, USS, will rise by 2% from October 2009. Coupling these effects with continued high levels of capitalisation of maintenance expenditure and already announced grant decreases in 2009/10, the University's operational result would soon slip into deficit without decisive action. This is currently being planned and considered by the University Council.

Capital projects

In common with much of the sector, the University is emerging from a period of chronic under-investment in infrastructure. The University has made major investments already and has aligned space and estates strategies with institutional priorities and has approved a number of developments, confirmed by the University Council as an initial programme of £110 million of developments for the period to 2011/12. Projects have been carefully prioritised to support the institution's new corporate plan, *Making the future*, addressing major academic, research and student services initiatives, while removing some of our poorer quality buildings and replacing them with new fit-for-purpose facilities.

The University is thus undertaking a series of major projects, making investments from funds from the HEFCE administered Capital and Investment Framework, together with match funding from internal resources and donations, coupled with access to bank borrowing. In total, capital investments of £13.5 million were made in 2008/09. These have delivered an extension of our state of the art Clinical Imaging Sciences Centre, used by clinical academics and scientists from BSMS and Sussex Life Sciences departments; completion of major refurbishment of psychology labs and teaching space; the final stage of delivery of a major suite of new media teaching and research facilities and continuing investments in equipment and space to maintain our strength in Science. In addition, work has commenced and continues on major strategic investments in campus catering facilities, the delivery of a new 777 bed-space residence at Northfield (to replace existing less fit-for-purpose accommodation), a new teaching building at the heart of the campus, and new facilities for social science research and teaching centred around our expansion of Business and Management activity.

Financing, cashflow, and liquidity

The University has adopted a formal policy on borrowing and financing. This resulted in setting maximum borrowings for the University for the time being, set at £105 million, of which around half to be secured as core borrowings on longer term non-amortising arrangements on an interest-only basis.

In accordance with these decisions, the University took out a £40 million long-term facility with Barclays Bank plc. This was part drawn down at the year end and used to repay the Allied Irish Bank facility, and the remainder applied in August 2009 to repay two existing Barclays Bank facilities. The latter repayment, committed in July 2009, resulted in the exceptional charges described above. In addition, the University has secured access to £50 million of term funding from Lloyds TSB Bank plc in order to undertake the building of the Northfield residences and secure funds to complete all elements of the capital programme to 2011/12.

During the year, the University has had considerable cash balances which it deposits on short term basis according to a Council-approved Treasury Management Policy. This has been a year of unprecedented turbulence in the banking sector. The accounts include a provision of £0.75 million against a £3 million treasury deposit at risk since October 2008 with Heritable Bank plc. The level of provision reflects a prudent view of the latest information coming from the administrators of the bank, which is being managed under UK law within the UK. This deposit was placed in accordance with the University's Treasury Management policy which Council has reviewed and reaffirmed. Inevitably with the banking crisis, the number of approved counterparties has been significantly reduced and within this the University holds to the proven principles of spreading risk by dealing with multiple counterparties and using ratings and market intelligence to reduce risk of loss of capital.

Operating and Financial Review (continued)

The Consolidated Cash Flow Statement shows continued good improvement in the University's cash resources. The University generated nearly £11 million of cash from operating activities after interest costs, invested some £7 million of this in own-funded capital developments and drew down £6.4 million of net loan funding. This was achieved while increasing short term and overnight cash reserves less overdrafts at 31 July 2009 by some £10.4 million and while improving the net current assets position of the University. Cash balances will fall over the medium term as the money committed in the capital programme is spent. With the financing in place and careful management of operational performance, the University remains in a strong cash position.

Pension funding

The University fully adopts the FRS 17 'Retirement benefits' treatment of pension costs and assets/liabilities. The University is involved in three major pension arrangements which all carry different accounting treatments under the accounting standard. The detail is set out in note 14.

Volatility in annual balance sheet values of pension deficits has been a feature of defined benefit schemes in which the assets and liabilities can be separated, in our case with the University of Sussex Pension and Assurance Scheme (USPAS). This year the volatility experienced has been less than in past years: the net pension liability for USPAS has fallen slightly from £35.4 million at 31 July 2008, to £34.7 million, but this is after an additional £1-million charge to the Income and Expenditure Account reflecting investment underperformance in the year.

Following the actuarial valuation of the USPAS scheme at 31 March 2006, the University agreed a Recovery Plan with the Trustees (which was accepted in October 2007 by The Pension Regulator) which includes repaying the deficit over a period of 20 years from 1 August 2007, through increased employer contributions and payments into an escrow account and subsequently into the fund should investments returns fail to match assumptions in the Recovery Plan. Given performance of financial markets over the last year, it will not be surprising that the University has been required to make the relevant contingency contributions, which effectively increased the cash contributions to the scheme to a combined past and future service cost of 29.2% of salaries. Following the actuarial revaluation at 31 March 2009, when equity asset values were at a low point in recent times, the Recovery Plan will require revision to take account of an increased deficit.

As a result of the increase in cash contributions and in the light of expected continued increases in cost in future, the University reviewed benefits and costs of the USPAS scheme and, following consultations with the Trade Unions, the USPAS scheme was closed to new entrants joining the University after 1 April 2009 and the University opened a new defined contribution pension scheme with assurance benefits on 1 April 2009.

In addition, the University has obligations to the national academic and academic related staff scheme, USS, which are treated under accounting rules as a defined contribution scheme, and therefore do not affect the University's reserve position. As noted above, employer contributions will rise by 2% in October 2009, with no guarantee that further rises will not be required. Pension costs remain a huge concern for the University, as for the sector and the wider economy as a whole. The University is playing an active role in the Employers Pensions Forum / Universities and Colleges Employers' Association (UCEA) review of pensions. This group is seeking to ensure the affordability and sustainability of USS scheme and will make proposals on future costs and benefits.

Reserves and financial performance

The minor reduction in liability on the USPAS scheme offset to an extent the deficit for the year, and the University's Income and Expenditure Account is a very modest positive at £0.536 million. Total funds have risen to £61.7 million at 31 July 2009 due principally to net increases in deferred capital grants.

The Council monitors performance of the institution through a set of Key Performance Indicators (KPIs) and risk monitoring at each meeting. KPIs and risk measurement and mitigation are specifically aligned to the University's objectives as set out in our plan *Making the future*. In particular, performance is measured across a balanced range of targets which include financial and non financial measures. The University targets in particular, major growth in both international fee paying students and in research income and contribution by 2015. These are challenging targets given the potential contraction of government spending which may well affect the quantum of research funding available. On the other hand the University is addressing this growth not by incremental improvement but by targeted and focused projects, and the initial signs from plans implemented to date continue to be encouraging.

Future outlook

This continues to be a time of major change in Higher Education. A period of increasing income through the Full Economic Cost regime for funding research grants and contracts from public sponsors, the introduction of the new undergraduate fee regime and significant public capital funding streams is widely expected to be succeeded shortly by a more difficult period as public finances are under threat due to the aftermath of the banking crisis and the recession of the last year which is still not unequivocally ending. Even during the period of increasing income available to higher education institutions, cost pressures from recent pay deals, the costs associated with the Framework Agreement harmonising staff pay and conditions and the rising costs of pension provision were eroding the benefits of higher revenue. The University has maintained its position relative to the UK sector in the Research Assessment Exercise 2008, confirming it as a major international research University, but as noted below this has not been followed by financial gain as HEFCE block grant for research at Sussex will fall in 2009/10.

In the immediate future Sussex faces continued losses as a result of changing policy on funding students who have a University qualification studying for most equivalent or lower level degrees, and reductions in grant funding through research block grant as a result of the Research Assessment Exercise 2008 and due to sector wide reductions in teaching grants for 2009/10. These are severe setbacks to which the institution must respond. Add to these current sector wide reviews of research cost weighting and teaching banding and consultation on changing areas of teaching funding, and it can readily be appreciated that this is clearly a declining funding environment.

Further reductions in revenue and capital funding are thus more than likely and current planning must attempt the difficult task of anticipating likely cuts in funding. We will seek to adjust our cost base in a way which leaves us in a strong position to move forward on our core activities.

Addressing sector-wide and local risks and opportunities has been at the heart of the new strategic vision being developed under the Vice-Chancellor into the *Making the future* for the period to 2015, published in January 2009. The University has reorganised from August 2009 into twelve schools and has invested significantly in academic leadership and management and restructured its professional services support to improve lines of communication and service delivery. While accepting that there will be elements of contraction over the near future from reductions already imposed and expected in future, the University had always accepted that there would be a period of lower financial performance in 2009/10 and 2010/11 while growth plans took effect. The increased pressure on funding means that this period will require even more rigorous examination of costs and outputs. Nevertheless much of the academic growth outlined in *Making the future* is still deliverable and will offset some of the pressures elsewhere in future years.

Where plans are in place, the University has incorporated elements of growth on a prudent basis in its budgets and forecasts for the coming years. Project management disciplines and robust scrutiny and action on progress will ensure that management and governance within the University will track the success of these initiatives. Further elements of the growth agenda will be incorporated into plans and budgets as they are assessed and approved. The core business plan is backed by a significant capital investment programme. This is therefore a time both of challenge and of optimism as Sussex builds on a position of financial and operational strength to extend its academic activities and impact based on our recognised core strengths.

C Consuelo Brooke
Treasurer

Professor Michael J Farthing
Vice-Chancellor

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance, including full compliance with the key recommendations of the Committee of University Chairmen (CUC) Governance Code of Practice. This statement describes the manner in which the University has applied the principles set out in this code of practice and in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council, as applied to the higher education sector. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Summary of the University's structure of corporate governance

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

The Charter and Statutes establish three separate bodies, each with clearly defined functions and responsibilities, to manage and oversee the University's activities:

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

Council comprises independent, academic and student members appointed under the Statutes of the University, the majority of whom are non-executive. The roles of Chair and Vice-Chair of the Council are separated from the role of the University's Chief Executive, the Vice-Chancellor.

Senate is the academic authority 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, though its remit also includes the discussion of any matter relating to the University, and it offers comments to the Council on a wide range of matters.

Court is primarily a body for representatives. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise matters about the University. Court meets once a year to receive the Annual Report and Financial Statements. In addition, it is responsible for electing the University's Chancellor.

The majority of the members of Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University.

Council has a membership of 25. These are: the Vice-Chancellor; Deputy Vice-Chancellor; six independent members elected by Court; nine independent members appointed by Council; four academic members of the Senate; two other members of the academic staff; one member of the non-academic staff and the President of the Students' Union. It meets at least three times a year and has six committees and two joint committees. The matters specially reserved to Council for decision are set out in a list specifically approved by Council; by its own decision and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE), Council holds to itself the responsibilities for the ongoing strategic direction of the University, the monitoring of institutional effectiveness and approval of major developments. It receives regular reports from the Executive Officers on the day-to-day operations of its business and its subsidiary companies.

The Chair, Vice-Chair and Treasurer are appointed from amongst the independent members.

Strategy and Resources Committee (SRC) is a joint committee of Council and Senate which oversees all aspects of resource allocation, financial planning, risk management, staffing matters and estate management. It is responsible, in particular, for advising Council on the overall financial strategy, treasury and investment matters, strategic capital investment, and the budgetary system. It considers matters such as detailed annual budgets and financial forecasts, treasury management policy, purchasing policy, staffing policies, routine changes of tuition fees, the setting of student rents and capital projects.

It has four sub-committees: Physical Resources Committee (responsible for the physical planning and environmental aspects of the University campus); Human Resources Committee (responsible for advising the parent committee on the human resources strategy, staffing policies and staff terms and conditions of employment, and for general matters of staff management including equal opportunities, appraisal and reward, staff development and employer/employee relations); Information Services Committee (responsible for overseeing the library and information services strategy); and Scholarships, Bursaries and Awards Committee (responsible for overseeing policy on the award of bursaries and scholarships). SRC also receives reports from Senate Committees on Research and Teaching and Learning, considering them in the formulation of strategy and policy as appropriate.

Nominations Committee is responsible for making recommendations to Council and Court on the appointment of the independent members of Council and Court and for making appointments to Council Committees.

Remuneration and Review Committee is responsible for determining, on behalf of Council, the remuneration of all senior staff of the University.

Health, Safety and Environment Committee advises Council on the University's Health and Safety Policy; acts as the consultative body of the University on matters of health, safety and environment; audits the health, safety and environmental performance of the University and provides assurance to Council that the University is meeting its obligations in matters of health, safety and environment.

Equality and Diversity Committee formulates, and provides advice on, policies for the promotion of equality and diversity across the University; monitors the University's equal opportunities policies; advises on the fulfilment of statutory obligations and promotes activities aimed at furthering equality and diversity in the University.

Brighton and Sussex Medical School Joint Board is responsible to the Board of Governors of the University of Brighton and Council of the University of Sussex for the educational character, teaching and research profile of the Brighton and Sussex Medical School (BSMS). It also ensures that the BSMS operates within policies and frameworks set by the parent bodies; it plans for the strategic development and resourcing of the BSMS; it considers the composition and structure of the senior management of the BSMS and it receives and reviews the financial estimates of the BSMS.

Audit Committee provides assurance on governance, accounting integrity, internal controls, data integrity, risk management, the efficient use of resources and the University's responses to whistleblowing and fraud. It comprises three independent members of Council who are not members of SRC. It has the power to co-opt up to two other independent members from outside of Council with financial, accounting or audit experience. It meets four times a year. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet on its own for independent discussion with the auditors.

Honorary Degrees Committee, a joint committee of Council and Senate, is responsible for recommendations on whether or not honorary degrees should be awarded in any particular year and, if so, their number and to whom they should be awarded.

The Vice-Chancellor, appointed by Council after consultation with the Senate, exercises management supervision of the University. Under the terms of the Financial Memorandum between the University and the HEFCE, the Vice-Chancellor is the designated officer of the University.

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

Statement 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 we are responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Financial Memorandum with HEFCE.

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 of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

Review of effectiveness

Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors who operate to the standards defined in Accountability and Audit: HEFCE Code of Practice. It is also informed by the Audit Committee, which has oversight of internal audit and which 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 managers 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. For this purpose, the Audit Committee oversees and provides assurance on the operation of the framework. The Vice Chancellor's Executive Group, which meets to receive and consider reports on recommendations for action or decision to Council, co-ordinates the management of risk within the University's Schools and departments 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 departments is supplemented by risk assessments and monitoring by project managers for cross-organisational projects.

Corporate Governance (continued)

The risk and control framework
The following processes have been established:

- Council meets at least three times through the year to consider the plans and strategic direction of the University
- Council requires regular reports from managers 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 Committee concerning internal control, and receives copies of the minutes of all Audit Committee meetings
- Audit Committee meets four times a year and receives regular reports from Internal Audit, which include 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 Risk Management Strategy classifies risks as strategic (managed by SRC) and operational (managed by the Vice-Chancellor's Executive Group) and reports are provided to Audit 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
- risk management has been embedded at unit level by ensuring that the annual planning cycle includes detailed review of the risks facing each unit, by each unit having a risk mitigation strategy and each risk being assigned to a manager
- a risk prioritisation methodology based on risk ranking has been established
- reports are received from those managers identified as having responsibility for managing key corporate risks
- an organisation-wide risk register is maintained of all the key corporate risks and is reviewed formally by Council once a year
- a system of key performance indicators has continued to be developed, and risk management considerations are addressed specifically on all major projects and decision-making papers through the committee structure

Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2009 and up to the date of approval of the Financial Statements; that it is regularly reviewed by Council and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for Higher Education.

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 of the Group, 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 2007, other relevant accounting and financial reporting standards and within the terms and conditions of a financial memorandum agreed between HEFCE and Council of the University.

In causing the Financial Statements to be prepared, Council, through its senior officers and the Strategy and Resources and Audit Committees, is required to ensure that:

- 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, and;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

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

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that funds from the Training and Development Agency are used only for the purposes for which they have been given and in accordance with the Funding Agreement with the Agency and any other conditions which the Agency 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 resources;
- safeguard the assets of the University and to prevent and detect fraud and other irregularities, and;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

Independent Auditors' Report to the Council of the University of Sussex

We have audited the Group and University financial statements (the 'financial statements') of the University of Sussex for the year ended 31 July 2009 which comprise the primary statements such as the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's Council / Board of Governors and Auditors

The University Council's responsibilities for preparing the Treasurer's Report and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. 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, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Financial Memorandum with the Training and Development Agency for Schools. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University's Council/Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group and the University's affairs as at 31 July 2009 and of the Group's deficit of expenditure over income for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Financial Memorandum with the Training and Development Agency for Schools.

Chris Wilson 26 November 2009
For and on behalf of KPMG LLP
Statutory Auditor

Chartered Accountants
1 Forest Gate, Brighton Road
Crawley, West Sussex
RH11 9PT

Consolidated Income and Expenditure Account
for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Income			
Funding council grants	1.1	**56,932**	56,282
Academic fees and support grants	1.2	**42,177**	34,629
Research grants and contracts	1.3	**28,613**	26,341
Other operating income	1.4	**30,043**	27,408
Endowment income and interest receivable	1.5	**869**	655
Total income: Group and share of joint ventures		**158,634**	145,315
Less: Share of joint ventures income	17	**(8,808)**	(8,203)
Group income		**149,826**	137,112
Expenditure			
Staff costs	2.1	**86,947**	78,774
Depreciation	2.4	**7,830**	7,523
Other operating expenses	2.3	**54,632**	49,755
Interest payable	2.2	**5,214**	3,792
Exceptional Finance Costs	20	**5,773**	-
Total expenditure: Group and share of joint ventures		**160,396**	139,844
Less: Share of joint ventures expenditure	17	**(8,633)**	(6,960)
Group expenditure		**151,763**	132,884
Group (deficit)/surplus on continuing operations after depreciation of fixed assets at cost and before tax		**(1,937)**	4,228
Surplus on disposal of assets		**142**	5,328
Group (deficit)/surplus on continuing operations after depreciation of fixed assets and disposal of assets at cost but before tax		**(1,795)**	9,556
Share of surplus in joint venture	17	**175**	1,243
Total (deficit)/surplus on continuing operations after depreciation of fixed assets and disposal of assets at cost but before tax		**(1,620)**	10,799
Taxation		**-**	-
Minority interest		**-**	18
Historic cost (deficit)/surplus on continuing operations after depreciation of fixed assets at cost, disposal of assets and tax		**(1,620)**	10,817

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.
The Statement of Consolidated Income and Expenditure should be read in conjunction with the Statement of Consolidated Total Recognised Gains and Losses on Page 14.

Consolidated Balance Sheet
as at 31 July 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	3	**133,047**	127,344
Investments	4	**234**	269
Investment in joint venture:			
Share of gross assets	17	**5,436**	5,188
Share of gross liabilities	17	**(1,546)**	(1,473)
Endowment investments	6	**4,589**	4,895
Current assets			
Stocks		**242**	266
Debtors	7	**11,581**	10,833
Investments	11.5	**27,270**	18,744
Cash at bank and in hand	11.5	**223**	528
		39,316	30,371
Creditors: amounts falling due within one year	8	**(38,243)**	(36,971)
Net current assets/(liabilities)		**1,073**	(6,600)
Total assets less current liabilities		**142,833**	129,623
Creditors: amounts falling due after more than one year	9	**(46,379)**	(34,935)
TOTAL NET ASSETS excluding pension liability		**96,454**	94,688
Pension liability	14	**(34,748)**	(35,440)
TOTAL NET ASSETS including pension liability		**61,706**	59,248
Represented by:			
Deferred capital grants	10	**54,676**	51,719
Endowments			
Permanent	13	**2,828**	3,294
Expendable	13	**1,761**	1,601
		4,589	4,895
Reserves			
Income and expenditure account excluding pension liability	12.1	**35,284**	36,134
Pension reserve	12.1	**(34,748)**	(35,440)
Income and expenditure account including pension liability		**536**	694
Capital reserve	12.3	**1,800**	1,800
Revaluation reserve	12.2	**105**	140
TOTAL FUNDS		**61,706**	59,248

The Financial Statements were approved by the Council on 26 November 2009 and signed on its behalf by:

Professor M J G Farthing
Vice-Chancellor

C C Brooke
Treasurer

R A Spencer
Director of Finance

University Balance Sheet
as at 31 July 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	3	**129,059**	123,237
Investment	4	**396**	431
Endowment investments	6	**4,589**	4,895
Current assets			
Stocks		**242**	266
Debtors	7	**15,759**	12,633
Investments	14.5	**27,270**	18,744
Cash at bank and in hand		**-**	423
		43,271	32,066
Creditors: amounts falling due within one year	8	**(39,063)**	(36,764)
Net current assets/(liabilities)		**4,208**	(4,698)
Total assets less current liabilities		**138,252**	123,685
Creditors: amounts falling due after more than one year	9	**(44,462)**	(32,909)
TOTAL NET ASSETS excluding pension liability		**93,790**	90,956
Pension liability	14	**(34,748)**	(35,440)
TOTAL NET ASSETS including pension liability		**59,042**	55,516
Represented by:			
Deferred capital grants	10	**54,071**	51,094
Endowments			
Permanent	13	**2,828**	3,294
Expendable	13	**1,761**	1,601
		4,589	4,895
Reserves			
Income and expenditure account excluding pension liability	12.1	**35,025**	34,827
Pension reserve	12.1	**(34,748)**	(35,440)
Income and expenditure account including pension liability		**277**	(613)
Revaluation reserve	12.1	**105**	140
TOTAL FUNDS		**59,042**	55,516

The Financial Statements were approved by the Council on 26 November 2009 and signed on its behalf by:

Professor M J G Farthing
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R A Spencer
Director of Finance

Consolidated Cash Flow Statement
for the year ended 31 July 2009

	Note	2009	2008
		£'000	£'000
Net cash inflow from operating activities	11.1	**13,472**	2,930
Returns on investments and servicing of finance	11.2	**(2,584)**	(1,998)
Capital expenditure and financial investment	11.3	**(6,846)**	2,099
Cash inflow before use of liquid resources and financing	11.5	**4,042**	3,031
Management of liquid resources		**(8,526)**	(10,678)
Financing	11.4	**6,444**	5,685
Increase/(decrease) in cash		**1,960**	(1,962)

Reconciliation of Net Cash Flow to Movement in Net Funds

		2009	2008
		£'000	£'000
Increase/(decrease) in cash in the year		**1,960**	(1,962)
Increase in short-term deposits	11.5	**8,526**	10,678
New finance acquired	11.4	**(20,000)**	(8,000)
Repayment of debt	11.4	**13,556**	2,315
Change in net funds		**4,042**	3,031
Net debt at 1 August	11.5	**(28,899)**	(31,930)
Net debt at 31 July	11.5	**(24,857)**	(28,899)

Statement of Consolidated Total Recognised Gains and Losses
for the year ended 31 July 2009

		2009	2008
		£'000	£'000
(Deficit)/surplus after depreciation of assets at cost and tax		**(1,620)**	10,817
Appreciation of endowment asset investments	6	**(516)**	(954)
Endowment income retained for year	13	**210**	584
Unrealised surplus on revaluation of fixed asset investments	12.2	**(35)**	(77)
Actuarial gain/(loss) on pension scheme	14	**1,462**	(13,860)
Total recognised deficit relating to the year		**(499)**	(3,490)

Statement of Principal Accounting Policies

1. Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions 2007 and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council.

2. Basis of accounting
The financial statements are prepared under the historical cost convention modified for the valuation of Endowment Asset Investments and Fixed Asset Investments.

3. Basis of consolidation
The consolidated financial statements include the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2009. These are Sussex Innovation Centre Development Limited, East Slope Housing Limited, University of Sussex Intellectual Property Limited and Sussex Innovation Centre Management Limited. The results of the Students' Union are not consolidated because it is an independent association with separate control.

4. Recognition of income
Funding Council Grants are accounted for in the period to which they relate.

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.

Research grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as deferred income within creditors.

Capital Grants received in respect of the acquisition or construction of fixed assets are credited to deferred capital grants in the balance sheet and are released to the income and expenditure account over the useful economic life of the asset for which the grant was awarded.

Sale of goods receipts are credited to the income and expenditure account when the goods are supplied to the customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Revaluation Surplus on fixed asset investments is credited to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it exceeds a previous revaluation surplus.

Increases or decreases in value arising on the revaluation or disposal of endowment assets, is accounted for by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

5. Charitable Donations
Unrestricted donations are those with no restrictions on their application. Where there is also no requirement for their capital to be maintained, they are credited to the income and expenditure account when received. Unrestricted donations whose capital must be maintained are credited to permanent (unrestricted) endowments in the balance sheet.

Restricted donations are those which must be applied to a specific purpose. Where there is no requirement for capital to be maintained, a restricted donation is credited to expendable (restricted) endowments in the balance sheet and then released to the income and expenditure account to match expenditure incurred in meeting the objectives set out by the donor. However if the donation is to be applied to the acquisition or construction of a fixed asset it is credited to deferred capital grants and released to the income and expenditure account over the useful economic life of the asset which it has funded. A restricted donation whose capital must be maintained is credited to permanent (restricted) endowments.

6. Agency Arrangements
Funds which 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.

7. Leases and Hire Purchase Contracts
Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the Institution, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

8. Taxation
The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Income and Corporation Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

Statement of Principal Accounting Policies (continued)

The University is registered for and subject to VAT on its business activities. The University's charitable non business activities fall outside the scope of VAT. Any irrecoverable input VAT suffered on the acquisition of goods and services forms part of the cost, charged to the income and expenditure account, of those goods and services and of the values attributed to assets and liabilities in the balance sheet.

The University's subsidiary companies are subject to taxes including corporation tax and VAT in the same way as any commercial organisation. The tax charged to the profit and loss account is based on the subsidiary companies' profit for the year and takes into account tax arising because of timing differences between the treatment of certain items for tax and accounting purposes.

In Sussex Innovation Centre Management Ltd deferred tax is recognised without discounting in respect of all material timing differences arising from the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by Financial Reporting Standard (FRS) 19 'Deferred Tax'. The remaining subsidiary companies have put a deed of covenant in place to pay over taxable profits to the University and therefore do not expect to incur any income or capital tax liabilities.

9. Pension schemes

Pension schemes are accounted for in accordance with FRS17 "Retirement Benefits".

Defined contribution scheme contributions are charged to the income and expenditure account as they become payable.

Defined benefit multi employer schemes, where the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, are accounted for as defined contribution schemes.

The accounting impact of defined benefit schemes is reflected throughout the financial statements. The difference between the fair value of the pension scheme's assets and the scheme's liabilities measured on an actuarial basis are recognised in the University's balance sheet. Changes in the net asset/liability arising from the current service cost, interest cost on scheme liabilities and the expected return on scheme assets are charged to the income and expenditure account in the year in which they occur. Actuarial gains and losses are taken to the statement of consolidated total recognised gains and losses for the year.

10. Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

11. 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 year it is incurred. The Institution has a planned 5 year rolling maintenance programme, which is reviewed on an annual basis.

12. Equipment, land and buildings

Equipment, Land and Buildings are stated at cost. Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

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.

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.

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

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

- General equipment 5 years
- Equipment acquired for specific research projects 3 years
- Structural equipment 10 years

Where buildings and equipment are acquired with the aid of specific grants, the assets are capitalised and depreciated in accordance with the policy set out above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset.

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.

Works of art and other valuable artefacts (heritage assets) valued at more than £50,000 are capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

13. Investments

Listed investments held as fixed assets or endowment assets are shown at market value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value, and investments in joint ventures are shown in the consolidated balance sheet at attributable share of net assets.

Current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value.

14. Stocks

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

15. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable store of value. They include term deposits, government securities and loan stock held as part of the Institution's treasury management activities. They exclude any such assets held as endowment asset investments.

16. Provisions

Provisions are recognised when the institution has a present legal or constructive obligation where, as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

17. Joint ventures

The University uses the gross equity method of consolidating joint venture entities in accordance with FRS 9. The University's share of income and expenditure in joint venture entities is recognised in the consolidated income and expenditure account in accordance and its share of assets and liabilities in joint venture entities are recognised in the consolidated balance sheet. Note 17 to the accounts provides additional information on the financial performance of the University's joint venture with the University of Brighton (The Brighton and Sussex Medical School).

18. Intra-Group Transactions

Gains or losses on any intra-group transactions are eliminated in full. 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.

Notes to the Financial Statements

NOTE 1 Income

	2009	2008
1.1 Funding council grants	**£'000**	£'000
Recurrent grant		
HEFCE grant	**48,921**	49,072
Training and Development Agency For Schools (TDA)	**1,777**	1,795
Specific grant		
Other	**3,560**	2,703
Deferred capital grants released in year		
Buildings	**1,659**	1,593
Equipment	**1,015**	1,119
	56,932	56,282
1.2 Tuition fees and education contracts		
Full-time students: UK/EU	**24,120**	20,280
Full-time students: international	**13,855**	10,842
Part-time and other	**2,992**	2,666
Research training support grants	**169**	134
Short courses	**1,041**	707
	42,177	34,629
1.3 Research grants and contracts		
Research councils	**17,010**	15,691
UK-based charities	**3,638**	3,219
European Commission	**3,713**	3,085
Other grants and contracts	**3,585**	3,669
Releases from deferred capital grants	**667**	677
	28,613	26,341
1.4 Other operating income		
Residences, catering and other operations	**16,023**	14,626
Other services rendered	**1,974**	2,256
Other income		
General academic services	**2,716**	2,790
NHS grants	**1,331**	1,922
Staff and student services	**1,291**	1,139
Central administrative	**4,672**	1,692
Other	**1,961**	2,907
Releases from deferred capital grants	**75**	76
	30,043	27,408
1.5 Endowment income and interest receivable		
Transferred from endowments (Note 13)	**329**	195
Income from short-term investments	**540**	460
	869	655

NOTE 2 Expenditure

2.1 Staff costs	2009 £'000	2008 £'000
Wages and salaries	72,261	65,899
Social security costs	6,169	5,685
Other pension costs	8,517	7,190
	86,947	78,774

Emoluments of the Vice-Chancellor	2009 £'000	2008 £'000
Salary	227	222
Pension contributions	31	29
	258	251

The pension contributions are in respect of employer's contributions to USS and are paid at the same rates as for other academic and related staff.

The average monthly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents was:	2009 Number	2008 Number
Academic/clinical	808	808
Technical	115	109
Professional management and professional support	814	775
Other, including clerical and manual	201	208
	1,938	1,900

Remuneration of higher-paid staff (including the Vice-Chancellor but excluding employer's pension contributions)	2009 Number	2008 Number
£100,001-£110,000	4	4
£110,001-£120,000	5	2
£120,001-£130,000	3	2
£130,001-£140,000	2	1
£140,001-£150,000	-	1
£150,001-£160,000	1	1
£160,001-£170,000	1	1
£170,001-£180,000	2	-
£180,001-£190,000	-	-
£190,001-£200,000	-	1
£200,001-£210,000	1	1
£210,001-£220,000	-	-
£220,001-£230,000	1	-

Compensation for loss of office paid to former senior post-holders	2009 £'000	2008 £'000
Compensation paid to the former post-holders	-	29
Value of pension benefits	-	-

2.2 Interest payable	2009 £'000	2008 £'000
Loans wholly repayable within five years	503	27
Loans not wholly repayable within five years*	2,094	2,370
Finance leases	629	626
Net interest on pension liabilities	1,988	769
	5,214	3,792

* The costs of replacing a finance lease with a loan have been capitalised and are charged to the income and expenditure account over the term of the loan. The charge in 2009 is £0.491m (£0.491m 2008).

NOTE 2 Expenditure (continued)

2.3 Other operating expenses

	2009 £'000	2008 £'000
Residences, catering and other operations	**7,685**	6,495
Consumable and laboratory expenditure	**12,220**	10,658
Books and periodicals	**2,008**	1,788
Fellowships, scholarships and prizes	**2,983**	2,468
Heat, light, water and power	**2,557**	2,055
Repairs and general maintenance	**2,137**	4,907
Research grants and contracts	**9,443**	9,069
Auditors' remuneration*	**62**	65
Auditors' remuneration in respect of non-audit services	**47**	199
Equipment	**2,470**	1,449
Academic services	**441**	471
Staff and student	**1,246**	956
General education	**6,319**	4,549
Central administration and services	**2,023**	1,796
Premises – other costs	**2,216**	2,196
Other expenses	**775**	634
	54,632	49,755

* Includes £50,284 in respect of the University (2008: £53,692)

2.4 Analysis of expenditure by activity

	Staff costs £'000	Depreciation £'000	Other operating expenses £'000	Interest payable £'000	Exceptional finance costs £'000	Total 2009 £'000	Total 2008 £'000
Schools	47,693	3,519	9,978	-	-	**61,190**	55,397
Academic services	5,883	912	3,644	-	-	**10,439**	9,330
Research grants & contracts	10,689	1,004	9,184	-	-	**20,867**	20,122
Residences, catering and other operations	4,469	1,296	7,733	2,452	-	**15,950**	14,513
Premises	3,460	496	7,003	-	-	**10,959**	12,916
Administration	8,397	52	2,098	-	-	**10,547**	9,039
Other expenses	6,356	551	14,992	2,762	5,773	**30,434**	18,527
Total per income and expenditure account	**86,947**	**7,830**	**54,632**	**5,214**	**5,773**	**160,396**	**139,844**
Total comparative 2008	78,774	7,523	49,755	3,792	-	**139,844**	

The depreciation charge has been funded by:	2009 £'000	2008 £'000
Deferred capital grants released	**3,471**	3,465
General income	**4,359**	4,058
	7,830	7,523

The charge for depreciation includes amounts of £0.023m funded by general income and £0.085m funded by deferred capital grants, in respect of the University's share of fixed asset equipment in the Brighton and Sussex Medical School.

NOTE 3 Tangible assets

Consolidated

	Total	Freehold	Leasehold	Assets in course of construction	Equipment
	£'000	£'000	£'000	£'000	£'000
Cost and valuation					
At 1 August 2008	**189,623**	22,263	135,130	651	31,579
Additions at cost	**13,518**	-	6,868	5,404	1,246
Transfer completed assets	**-**	-	6	(6)	-
Disposals at cost	**(131)**	(131)	-	-	-
At 31 July 2009	**203,010**	22,132	142,004	6,049	32,825
Depreciation					
At 1 August 2008	**62,279**	5,205	32,449	-	24,625
Disposals	**(38)**	(38)	-	-	-
Charge for year	**7,722**	475	4,696	-	2,551
At 31 July 2009	**69,963**	5,642	37,145	-	27,176
Net book value at 31 July 2008	**133,047**	**16,490**	**104,859**	**6,049**	**5,649**
Net book value at 31 July 2007	127,344	17,057	102,682	651	6,954

University	**Total**	Freehold	Leasehold	Assets in course of construction	Equipment
Cost	**£'000**	£'000	£'000	£'000	£'000
At 1 August 2008	**184,244**	17,112	135,130	651	31,351
Additions at cost	**13,489**	-	6,868	5,404	1,217
Transfer completed assets	**-**	-	6	(6)	-
Disposals at cost	**(131)**	(131)	-	-	-
At 31 July 2009	**197,602**	16,981	142,004	6,049	32,568
Depreciation					
At 1 August 2008	**61,008**	4,135	32,449	-	24,424
Disposals	**(38)**	(38)	-	-	-
Charge for year	**7,573**	346	4,696	-	2,531
At 31 July 2009	**68,543**	4,443	37,145	-	26,955
Net book value at 31 July 2009	**129,059**	**12,538**	**104,859**	**6,049**	**5,613**
Net book value at 31 July 2008	123,237	12,977	102,682	651	6,927

Freehold land with a cost of £3.639m is included in Fixed Assets and is not subject to depreciation.

Included in the total net book value of leasehold land and buildings for the University and the Group is £3.967m(2008: £4.091m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.124m (2008: £0.124m).

NOTE 4 Fixed asset investments

	Consolidated		University	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Listed securities	**141**	175	**141**	175
Unlisted securities (includes investments in subsidiaries and associates)	**93**	94	**255**	256
	234	269	**396**	431

NOTE 5 Investment in subsidiary and associate companies and minority holdings

	Share class	No.	Ordinary holding	Value at cost 2009	2008	Nature of activity
				£	£	
Sussex Innovation Centre Development Ltd	Ord Pref	100 1,800,000	100% -	**100** **2**	100 2	Property development
East Slope Housing Ltd	Ord	2	100%	**2**	2	Student lettings
University of Sussex Intellectual Property Ltd	Ord	100	100%	**100**	100	IP exploitation
Sussex University Developments Ltd	Ord	100	100%	**100**	100	Inactive
Dreamclean Ltd	Ord	100	100%	**100**	100	Inactive
Sussex Innovation Centre Management Ltd	Ord Pref	200 2235	100% -	**161,616** **437**	161,616 437	Property management
Novascan Ltd	Ord Ord A	290 385	- -	**-** **-**	290 385	Sensor technology
Protenix Ltd	Ord	-	-	**-**	10	Inactive
LeNSE Ltd	Ord	100	11%	**50,000**	50,000	Computer networking
Adsfab Ltd	Ord C	6,000	-	**6,000**	6,000	Advertising agency
CVCP Properties PLC	Ord	36,582	<1%	**36,582**	36,582	Investment property
The New Statesman Ltd	Ord	1,626	<1%	**1,626**	600	Media publication

NOTE 6 Endowment investments

	Consolidated		University	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
At 1 August	**4,895**	5,265	**4,895**	5,265
Net additions	**210**	584	**210**	584
Appreciation/(depreciation)	**(516)**	(954)	**(516)**	(954)
At 31 July	**4,589**	4,895	**4,589**	4,895
Fixed interest stocks	**132**	160	**132**	160
Equities	**3,504**	3,882	**3,504**	3,882
Cash balances	**953**	853	**953**	853
Total endowment asset investments	**4,589**	4,895	**4,589**	4,895

Endowment Fund investments of £4.589m (2008: £4.896m) at market value are included in the Balance Sheet as Long Term Investments. Their market value is higher than cost by £0.005m and in 2008: higher by £0.311m.

NOTE 7 Debtors

	Consolidated		University	
	2009	2008	**2009**	2008
Amounts falling due within one year:	**£'000**	£'000	**£'000**	£'000
Debtors and prepayments	**11,019**	10,271	**10,853**	10,073
Amounts due from subsidiary undertaking	**-**	-	**1,297**	352
	11,019	10,271	**12,150**	10,425
Amounts falling due after more than one year:				
Debtors	**562**	562	**462**	462
Amounts due from subsidiary undertaking	**-**	-	**3,147**	1,746
	562	562	**3,609**	2,208
Total debtors	**11,581**	10,833	**15,759**	12,633

NOTE 8 Creditors: amounts falling due within one year

	Consolidated		University	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Bank overdraft	**5,012**	7,277	**5,012**	7,277
Mortgages and other loans	**727**	2,317	**619**	2,215
Capitalised costs of refinance	**-**	(491)	**-**	(491)
Obligations under finance leases	**232**	205	**232**	205
Creditors and accruals	**32,272**	27,663	**32,070**	27,427
Amounts owed to subsidiary undertakings	**-**	-	**1,130**	131
	38,243	36,971	**39,063**	36,764

NOTE 9 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Mortgages and other loans between one and five years	**2,559**	9,589	**2,082**	9,134
Mortgages and other loans in five years or more	**38,528**	23,259	**37,088**	21,688
Capitalised costs of refinance five years or more	**-**	(3,437)	**-**	(3,437)
Obligations under finance leases between one and five years	**1,247**	1,106	**1,247**	1,106
Obligations under finance leases in five years or more	**4,045**	4,418	**4,045**	4,418
	46,379	34,935	**44,462**	32,909

Of the above loans, £21.262m funded the purchase of land and buildings.

Of the loans on student residences due within 1 year, there is a balance of £0.183m which is secured by a charge on the respective off-campus properties. Of the loans on student residences due within 1-5 years, there is a balance of £0.337m which is secured by a charge on the respective leases of the properties, and of the loans on student residences due in more than 5 years, there is a balance of £13.955m which is secured by a charge on the respective leases of the properties.

NOTE 9 Creditors: amounts falling due after more than one year (continued)

Amounts repayable in respect of bank loans outstanding at 31 July 2009 may be analysed as follows:

Lender	Year loan obtained	Year of final repayment	Interest	Balance 2009 £'000	Balance 2008 £'000
University					
Allied Irish Bank	2003	2027	Variable	**-**	11,642
Barclays Bank*	2007	2016	Fixed	**7,598**	8,456
Barclays Bank	1999	2019	Variable	**2,375**	2,625
Barclays Bank*	2008	2031	Fixed	**27,865**	8,000
HSBC	1996	2016	Variable	**1,750**	2,000
HSBC	1992	2012	Variable	**142**	229
HSBC	1991	2011	Variable	**59**	85
				39,789	33,037
Subsidiary company					
Barclays Bank	2004	2022	Fixed	**2,016**	2,113
Barclays Bank	2000	2010	Variable	**9**	15
				41,814	35,165
Due within one year				**727**	2,317
Due between one and five years				**2,559**	9,589
Due in five years or more				**38,528**	23,259
				41,814	35,165

* At 31 July 2009 the University was committed to refinancing two loans with a combined balance outstanding of £35.463m. The new loan will have a fixed rate of interest and will be repaid at the end of 30 years.

NOTE 10 Deferred capital grants

	Consolidated 2009 £'000	University 2008 £'000
At 1 August 2008		
Land and buildings	**48,734**	**48,109**
Equipment	**2,523**	**2,523**
Other	**462**	**462**
Total	**51,719**	**51,094**
Cash receivable		
Land and buildings	**5,647**	**5,647**
Equipment	**640**	**640**
Other	**-**	**-**
Total	**6,287**	**6,287**
Released to income and expenditure		
Land and buildings	**2,017**	**1,997**
Equipment	**1,313**	**1,313**
Other	**-**	**-**
Total	**3,330**	**3,310**
At 31 July 2008		
Land and buildings	**52,364**	**51,759**
Equipment	**1,850**	**1,850**
Other	**462**	**462**
Total	**54,676**	**54,071**

NOTE 11 Notes to consolidated cash flow statement

11.1 Reconciliation of consolidated surplus to net cash from operating activities

	Note	2009 £'000	2008 £'000
Surplus before tax		**(1,620)**	10,799
Depreciation		**7,722**	7,417
Deferred capital grants released to income	10	**(3,330)**	(3,380)
Investment income		**(792)**	(504)
Interest payable	2.2	**5,214**	3,792
Net pension cost		**(1,218)**	(1,018)
(Increase)/decrease in stocks		**24**	(27)
(Increase)/decrease in debtors		**(748)**	(483)
Investment in joint venture		**(175)**	(1,243)
Profit on property sales		**(142)**	(5,328)
Increase/(decrease) in creditors		**2,764**	(7,095)
Exceptional finance costs		**5,773**	-
Net cash inflow from operating activities		**13,472**	2,930

NOTE 11 Notes to consolidated cash flow statement (continued)

11.2 Returns on investments and servicing of finance

	2009	2008
	£'000	£'000
Income from endowments	179	225
Income from short-term investments	463	309
Interest paid	(3,226)	(2,532)
	(2,584)	(1,998)

11.3 Capital expenditure and financial investment

	2009	2008
	£'000	£'000
Tangible assets acquired (other than leased equipment)	(13,518)	(10,290)
Endowment asset investments acquired	(210)	(584)
	(13,728)	(10,874)
Deferred capital grants received	6,287	5,794
Receipts from property sales	235	6,763
Endowments received	360	416
	(6,846)	2,099

11.4 Analysis of changes in consolidated financing during the year

	Total	Finance leases	Mortgages loans/other	Preference share capital
	£'000	£'000	£'000	£'000
Balance at 1 August 2008	42,694	5,731	35,163	1,800
Capital repayments	(13,556)	(207)	(13,349)	-
Finance acquired	20,000	-	20,000	1,800
Net amount drawn/(repaid) in year	6,444	(207)	6,651	-
Balances at 31 July 2009	**49,138**	**5,524**	**41,814**	**1,800**

11.5 Analysis of changes in net debt

	At 1August 2008	Cash flows	At 31 July 2009
	£'000	£'000	£'000
Cash at bank and in hand	528	(305)	223
Overdraft	(7,277)	2,265	(5,012)
	(6,749)	1,960	(4,789)
Short-term deposits	18,744	8,526	27,270
Debt due within one year	(2,522)	1,563	(959)
Debt due after more than one year	(38,372)	(8,007)	(46,379)
Net debt	**(28,899)**	**4,042**	**(28,857)**

NOTE 12 Movement on reserves

	Consolidated 2009 £'000	University 2009 £'000	Consolidated 2008 £'000	University 2008 £'000
12.1 Income and expenditure account reserve				
At 1 August	694	(613)	3,560	3,053
Surplus/(deficit) retained for the year	(1,620)	(572)	10,817	10,194
Minority interest transfer on acquisition	-	-	177	-
Actuarial gain/(loss) on pension scheme	1,462	1,462	(13,860)	(13,860)
At 31 July	536	277	694	(613)
Balance represented by:				
Pension reserve	(34,748)	(34,748)	(35,440)	(35,440)
Income and expenditure account reserve excluding pension reserve	35,248	35,025	36,134	34,827
At 31 July	536	277	694	(613)

	2009 £'000	2008 £'000
12.2 Consolidated revaluation reserve		
At 1 August	140	217
Increase/(decrease) in the value of fixed asset investments	(35)	77
At 31 July	105	140

	2009 £'000	2008 £'000
12.3 Consolidated Capital reserve		
At 1 August	1,800	-
Transfer from minority interest on acquisition of preference shares in Sussex Innovation Centre Developments Limited	-	1,800
At 31 July	1,800	1,800

The capital reserve balance of £1.8m arises on consolidation of the University's subsidiary company, Sussex Innovation Centre Developments Limited, and relates to the acquisition by the University of £1.8m of preference share capital (nominal value) in the company, on the 31 July 2008 for a consideration of £2.

NOTE 13 Movement on endowments

	Permanent Restricted	Permanent Unrestricted	Permanent Total	Expendable Restricted	Total
	£'000	£'000	£'000	£'000	£'000
At 1st August 2008					
Capital	2,984	34	3,018	1,390	4,408
Accumulated income	271	5	276	211	487
	3,255	39	3,294	1,601	4,895
Additions)	8	-	8	352	360
Depreciation of Endowment Asset Investments	(511)	(5)	(516)	-	(516)
Income	109	2	111	68	179
Expenditure	(71)	-	(71)	(258)	(329)
At 31st July 2009	**2,790**	**36**	**2,826**	**1,763**	**4,589**
Represented by:					
Capital	2,471	29	2,500	1,337	3,837
Accumulated income	319	7	326	426	752
	2,790	**36**	**2,826**	**1,763**	**4,589**

NOTE 14 Pension schemes

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 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. During the year the University opened its Group Stakeholder defined contribution scheme which will become more significant in future years.

USS

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions are derived from market yields prevailing at the valuation date.

NOTE 14 Pension schemes (continued)

An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by the government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historical scheme experience, with further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the market value of the assets of the scheme was £28,842.6m and the value of the value of the scheme's technical provisions was £28,135.3m leaving a surplus of £707.3m. The assets therefore were sufficient to cover 103% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using FRS17 formula as if USS was a single employer scheme, using a AA bond discountrate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance of promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at the 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at the 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

NOTE 14 Pension schemes (continued)

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of funding level measured on a buy out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Increase/decrease by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (mortality used at date of last valuation, rated down by a further year)	Increase by £1.6 billion

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make , the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the University was £8.836 m (2008: £6.162 m). This includes £0 (2008: £0) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

USPAS

The University operates a defined benefit scheme in the UK. An actuarial valuation was carried out at 31 March 2006 and updated to 31 July 2009 by a qualified independent actuary.

The pension expense charged to the income and expenditure account makes no allowances for actuarial gains and losses during the year. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses (STRGL) in the year that they occur. (The current practice of increasing pensions in line with inflation is included in the measurement of the defined benefit obligation).

NOTE 14 Pension schemes (continued)

	At 31 July 2009 £'000	At 31 July 2008 £'000
Change in benefit obligation		
Benefit obligation at the beginning of the year	92,634	82,548
Current service cost	1,842	1,769
Interest cost	5,720	4,778
Scheme participants' contributions	867	946
Actuarial (gains)/losses	(5,591)	5,638
Benefits paid	(3,476)	(3,045)
Benefit obligation at the end of the year	91,996	92,634
Change in scheme assets		
Fair value of scheme assets at the beginning of the year	57,194	60,719
Expected return on scheme assets	3,732	4,009
Actuarial gains/(losses)	(4,129)	(8,222)
Employer contribution	3,060	2,787
Member contributions	867	946
Benefits paid	(3,476)	(3,045)
Fair value of scheme assets at the end of the year	57,248	57,194
Funded status		
Net liability recognised in the balance sheet	(34,748)	(35,440)

	2009 £'000	2008 £'000
Components of pension cost:		
Current service cost	1,842	1,769
Interest cost	5,720	4,778
Expected return on scheme assets	(3,732)	(4,009)
Total pension cost recognised in income and expenditure account	3,830	2,538

Actuarial (gains)/losses immediately recognised:

	2008 £'000	2007 £'000
Actual return on scheme assets	397	4,729
Less expected return on scheme assets	(3,732)	(4,009)
	4,129	8,222
Changes in Assumptions underlying the Present Value of Scheme Liabilities	(5,591)	5,638
Total actuarial (gains)/losses immediately recognised in the STRGL	(1,462)	13,860
Cumulative amount of actuarial losses immediately recognised	26,463	27,925

NOTE 14 Pension schemes (continued)

Scheme assets

The weighted average asset allocation at the 31 July 2009 was:

	At 31 July 2009	**At 31 July 2009 £'000**	At 31 July 2008	At 31 July 2008 £'000
Equities	**61.5%**	**35,197**	57.4%	32,835
Bonds	**19.8%**	**11,345**	20.9%	11,961
Gilts	**18.1%**	**10,353**	21.5%	12,293
Cash	**0.6%**	**353**	0.2%	105
Total Market Value of Assets		**57,248**		57,194

To develop the expected long-term rate of return on assets assumption, the university considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.50% assumption for the pension expense for the year ended 31 July 2009 and the 6.57% assumption for the pension expense for the year ended 31 July 2008.

	2009 £'000	2008 £'000
Actual return on plan assets	**(397)**	(4,213)
Weighted average assumptions used to determine benefit obligations		
Discount rate	6.30%	6.20%
Rate of compensation increase	5.00%	5.10%
Weighted average assumptions used to determine net pension cost for the year		
Discount rate	6.20%	5.80%
Expected long term return on scheme assets	6.50%	6.57%
Rate of compensation increase	5.10%	4.45%

Weighted average life expectancy for mortality tables used to determine benefit obligations

	2009		2008	
	Male	**Female**	Male	Female
Member age 65 (current life expectancy)	**20.3**	**23.1**	20.3	23.1
Member age 45 (life expectancy at age 65)	**22.2**	**25.0**	22.2	25.0

NOTE 14 Pension schemes (continued)

Five year history:

	2009	2008	2007	2006	2005
Benefit obligation	**91,996**	92,634	82,548	88,431	75,096
Fair value of scheme assets	**57,248**	57,194	60,719	55,795	50,907
Surplus/(deficit)	**(34,748)**	(35,440)	(21,829)	(32,636)	(24,189)
Difference between the Expected and Actual Return on Scheme Assets:					
Amount (£'000)	**(4,129)**	(8,222)	1,141	1,499	4,955
Percentage of Scheme Assets	**(7%)**	(14%)	2%	3%	(10%)
Experience Gains and Losses on Scheme Liabilities:					
Amount (£'000)	**(1,900)**	(1,500)	(1,449)	3,681	(2,922)
Percentage of the Present Value of Scheme Liabilities	**(2%)**	(2%)	(2%)	4%	(4%)
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	**1,462**	(13,860)	11,890	(8,454)	(9,611)
Percentage of the Present Value of the Scheme Liabilities	**2%**	(16%)	14%	(10%)	(13%)

The pension costs for the University and its subsidiaries were:

	2010	**2009**	2008
	£'000 estimate	**£'000**	£'000
Contributions to USS	*10,100*	**8,836**	6,162
Contributions to USPAS	*2,900*	**2,866**	2,603

NOTE 15 HEFCE Access funds

	2009	2008
	£'000	£'000
Balance at 1 August	**-**	7
Funding council grants	**274**	350
Disbursed to students	**(264)**	(357)
Balance unspent at 31 July	**10**	-

Funding council grants are solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Consolidated Income and Expenditure Account.

NOTE 16 TDA training bursaries

	2009	2008
	£'000	£'000
Balance at 1 August	**110**	110
TDA Grants	**1,227**	1,256
Disbursed to Students	**(1,215)**	(1,237)
Administration costs	**(18)**	(19)
Balance owing to TDA at 31 July	**104**	110

NOTE 17 Brighton and Sussex Medical School

Income and expenditure account for the period ended 31 July 2009	University of Sussex	University of Brighton	Joint venture total	Joint venture total
	2009	2009	2009	2008
Income	£'000	£'000	£'000	£'000
HEFCE grant	3,901	3,901	7,802	7,344
NHS funds	1,331	1,331	2,662	3,358
Academic fees	1,050	1,050	2,100	1,590
Research grants and contracts	1,077	398	1,475	1,219
Other	1,449	1,276	2,725	2,286
Total income	8,808	7,956	16,764	15,797
Expenditure				
Staff costs	4,771	4,104	8,875	7,211
Depreciation	108	97	205	200
Other operating expenses	3,754	3,560	7,314	5,928
Total expenditure	8,633	7,761	16,934	13,339
Surplus on continuing operations	175	195	370	2,458

Balance sheet of the Community Chest as at 31 July 2009	University of Sussex	University of Brighton	Joint venture total	Joint venture total
	2009	2009	2009	2008
	£'000	£'000	£'000	£'000
Fixed assets	679	655	1,334	1,516
Current assets				
Debtors	249	234	483	1,007
Cash at bank and in hand	4,508	4,088	8,596	7,277
Current liabilities				
Creditors	(922)	(750)	(1,672)	(1,259)
Net current assets	3,835	3,572	7,507	7,025
Total net assets	4,514	4,227	8,741	8,541
Represented by:				
Deferred capital grants	624	624	1,248	1,418
Income and expenditure account	3,890	3,603	7,493	7,123
	4,514	4,227	8,741	8,541

NOTE 17 Brighton and Sussex Medical School (continued)

Explanatory notes

1. 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 100% of the income and expenditure relating to Oncology Research.

In accordance with FRS 9 transactions are reported under the definition of a 'joint venture'.

All revenue income received in respect of BSMS by each University is held in a 'community chest', managed by the University of Sussex. Expenditure incurred by each university on behalf of BSMS is reimbursed from the community chest.

2. Accounting arrangements

The income and expenditure of the BSMS for the year ended 31 July 2009 is reflected in the audited Financial Statements of both Universities as reflected in the table above. Each University has included its share of the gross assets and liabilities of the joint venture and its share of the turnover and surplus.

3. Cash at bank and in hand

The balance of £8.596m as held on behalf of the School at 31 July 2009 by the University of Sussex to meet expenditure commitments in 2008/09 to be settled by claims for reimbursement of expenditure from each University.

NOTE 18 Capital commitments

	2009	2008
Authorised and contracted for at 31 July	**£'000**	£'000
Wholly or partly funded from loans and consolidated reserves	**3,401**	-
Wholly or partly funded from external grants	**4,424**	-
	7,825	-

NOTE 19 Operating lease commitment

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 rentals of £1.4m.

	2009	2008
	£'000	£'000
Annual rentals under operating leases payable and expiring after five years	**1,400**	1,400

NOTE 20 Exceptional Items

	2009	2008
	£'000	£'000
Write off previously capitalised finance costs	**3,437**	-
Fixed interest break costs	**2,336**	-
	5,773	-

During the year 2008/09 the University committed to refinance £34.563m of long term loans. This resulted in charges of £3.437m and £1.777m in relation to the write off of capitalised costs of a previously restructured loan and break costs arising from an existing £28m loan respectively.

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