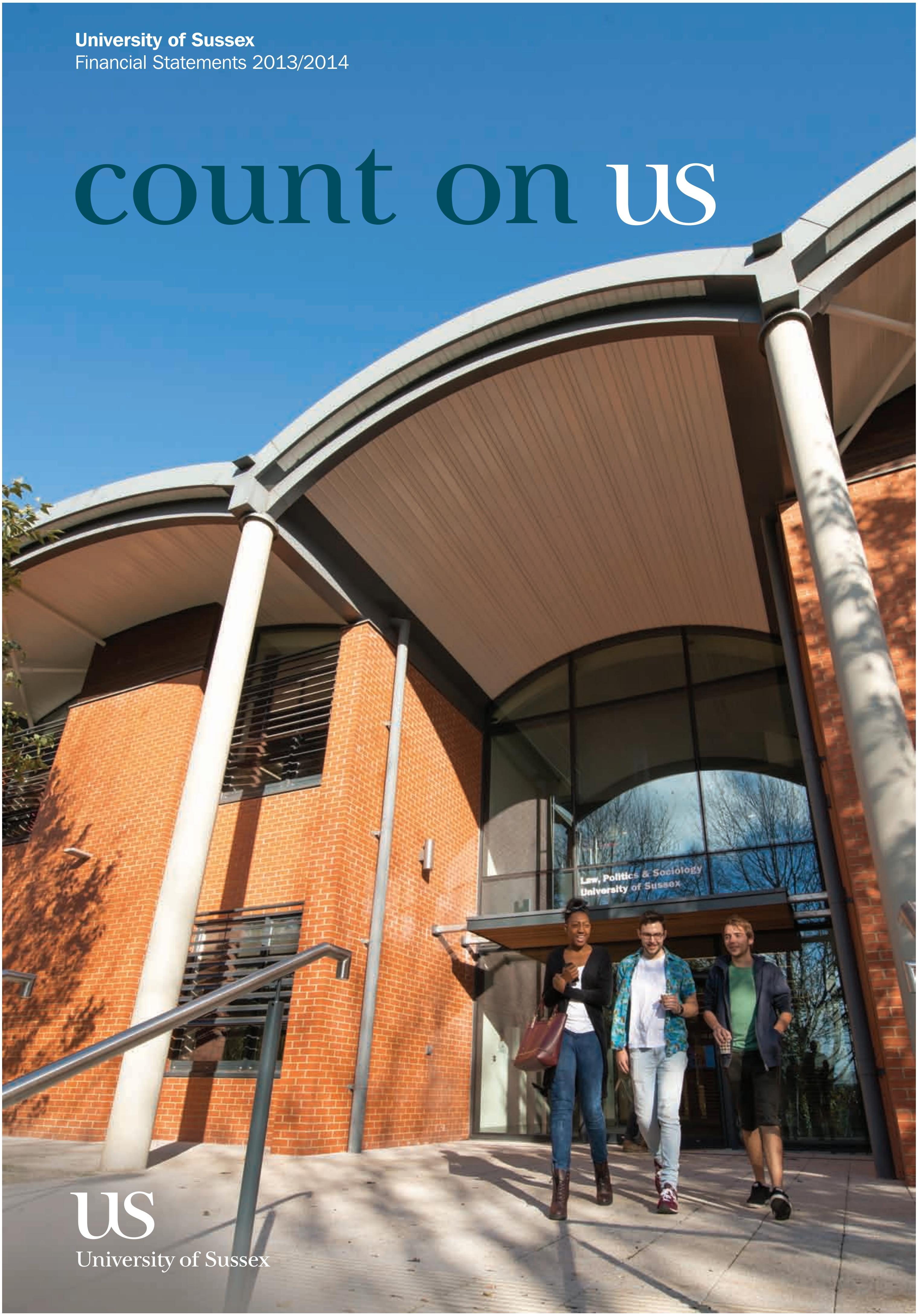
University of Sussex
Financial Statements 2013/2014

count on us



University of Sussex

Principal officers

Visitor
Her Majesty The Queen

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Cover: Students outside the Freeman Building –
the new home for the School of Law, Politics and Sociology

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Operating and Financial Review 2013/14

The University of Sussex is a leading higher education institution based at Falmer near Brighton, dedicated to excellence in academic achievement across a broad range of disciplines. It is research intensive, engaged in delivering individual and thematic research and intellectually demanding, research-led teaching. Council is committed to the continuing successful development of the University and to maintaining financial sustainability in support of this aim. The University is a charity established by Royal Charter and its charitable objectives and outputs are set out in the Corporate Governance and Public Benefit statement on pages 6-10.

The Financial Statements for the Group comprise the consolidated results of the University and its subsidiary undertakings, which undertake activities that for legal, commercial or taxation reasons are more appropriately performed through a separate and subsidiary legal entity. The principal trading subsidiaries consolidated in the accounts are: Sussex Innovation Centre Development Limited, Sussex Innovation Centre Management Limited, Sussex U H Limited and Sussex Estates and Facilities LLP. 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.

This statement is drawn up in accordance with the Financial Reporting Council's (FRC) guidance on Strategic Reporting.

Strategy and context

The University has begun working towards a number of academic, financial and other objectives set out in the new strategy *Making the Future 2013-18*. This strategy sets out a vision for growth in quantity, quality and distinctiveness of research and teaching and learning, supported by investments in capital, IT and learning and research infrastructure, with measures to increase financial and environmental sustainability. In this first year of the new strategy, the University's overall performance is encouraging, with progress made towards achieving the ambitious targets and objectives set out for the plan period.

International students as a proportion of the overall population exceeded target for the third year in a row, building further on the success of the last plan period. Succeeding in this market is important to institutions across the sector and Sussex matches the performance of the upper quartile of its peer institutions with 23% of its student population of non-home and European domicile. Home and European (HEU) undergraduate numbers remain subject to regulation with the exception of those students achieving a threshold of A level results; for whom, competition between HEIs is particularly fierce. In this context the University has grown its HEU undergraduate intake by 8.5%. Research, our other principal activity, has achieved marginal growth in income from grants and contracts which continues to be constrained by the pressure on available public and private funds. Progress has been made towards critical targets such as achieving a student satisfaction rating of 90%, while others, sustaining a top 140 world ranking, have been achieved. This is good early progress across a range of strategic aims in the plan period. The new plan seizes upon opportunities which were previously unavailable. For example, targeting growth in HEU undergraduate numbers as incremental deregulation takes place. The plans for institutional growth are broad based and supported by targeted projects and initiatives that aim to meet or exceed the new targets set out in *Making the Future 2013-18*.

The University's primary targets for maintaining financial sustainability over the planning period 2013-18 are to increase surpluses to at least 10 percent of turnover, and turnover by 50% over that recorded in 2012–13. These targets underpin the resource requirement for planned investments over the plan period and are the benchmark for evaluating plans and performance. Surpluses achieved in the three years prior to 2013/14 exceed the 4% target of the previous strategic plan (2010/11 (6.4%), 2011/12 (7.5%), 2012/13 (7.1%)) and the trend has been sustained in 2013-14 with a surplus of 6.4%. Turnover of £218m is an increase of 8.4% over 2012-13 and these key surplus and turnover performance indicators, viewed alongside solid recruitment and reputational performance, represent steady early progress towards achieving the 2013-18 strategic plan objectives.

Council has also set borrowing policies (for maximum level of borrowings and deployment between interest-only and amortising loans, and between fixed and floating interest rates) and capital investment targets, which have been applied in full during the year. Council monitors performance of the institution through a number of Key Performance Indicators (KPIs) and risk measures at each meeting. Our KPIs and risk measurement and mitigation are specifically aligned to the University's objectives as set out in *Making the Future 2013-18*. Performance is assessed against a balanced range of targets, which include financial and non-financial measures. Despite the difficult prevailing economic conditions, our long-term focus remains unaltered and our specific objectives continue to be for growth in targeted areas, to be delivered by specific action plans.

Results for the year

The Group consolidated income and expenditure (gross including our share of 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 2014 and the previous three years are summarised as follows:

	2013/14	2012/13	2011/12	2010/11	2009/10
	£m	£m	£m	£m	£m
Income	218.7	201.7	182.7	174.9	165.9
Expenditure	204.9	187.3	169.0	163.6	165.7
Surplus for the year in non-controlling interest	(0.2)	-	-	-	-
Surplus for the year transferred from endowment funds	0.4	0.3	-	-	-
Surplus for the year after disposal of assets	14.0	14.7	13.7	11.3	0.2

The University's total income rose by 8.4% compared with the previous year.

Our strategy is for selective growth for impact in our teaching and research activities and diversification of our income base. Consolidation of the University's reputation for teaching excellence is key to this and to delivering our core activity. Total recurrent grants from funding councils fell by 9% on the prior year due to the Government's policy of transferring funding from teaching grants to student fees. The major component of growth in revenue came from a further large increase in International Student fee income, which grew by 15% over 2012-13. Home/EU Student fee income also increased by 32% compared with 2012-13 offset, of course, by the fall in Funding Council Grant. Research grants and contracts income has increased by 6%, the second consecutive year of growth, following a 15% fall in 2011-12. The increase is driven primarily by European Commission grants; with a small increase relating to charity-funded activity, despite the challenging economic conditions in which charities operate. Government departments continue to commission less research, reflecting the ongoing austerity in Government spending, and as a consequence the income from Research Council grants remains at a similar level to 2012-13.

Within our cost base, pay costs increased by 12.4% as a result of planned investment in academic posts and student support staff, in support of achieved growth in student numbers, and also in student recruitment staff related directly to plans for growth during the 2013-18 planning period. Nationally-agreed cost of-living-rises, impacted by incremental salary increases, were held at around 3%. The proportion of pay cost to gross income is 48% which is well below the sector average.

The University has continued its strategy of working with professional external partners, where appropriate, who deliver high quality services outside our core academic mission. In September 2013, the University's Catering and Conference provision was transferred to Chartwells, who produce a bespoke food offering to support the distinctiveness of the Sussex campus experience.
The University also transferred on 1 January 2014, the management of all campus estates and grounds facilities to its partner organisation Sussex Estates and Facilities LLP a subsidiary undertaking jointly owned with Interserve PLC. These projects have been undertaken to improve the quality of the relevant services, while at the same time ensuring that good working terms and conditions are maintained for the staff involved.

Balance Sheet review

Capital investment

During the year the University embarked on its new capital programme of around £400m of developments. In 2013-14 capital investment in buildings of £16.6m was made on projects including the major refurbishing of the Freeman Building, completion of works on the final phase of the Northfield residence and the new Childcare building. These facilities are already providing a major uplift to the student and staff experience. We have also progressed work on the redevelopment of the Attenborough Centre for Creative Arts and have initiated a project for the design and development of a £60m new life sciences building. A further project is underway to identify a partner for the development of the University's East Slope, replacing the existing student residence, with more than 2,000 new bed spaces, an incremental gain of 1,450 bed spaces on the campus by 2018 at an approximate cost of £100m.

Projects have been carefully prioritised to support *Making the Future 2013-18*, 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. Our approach has been endorsed by HEFCE through approval of our Capital Infrastructure Fund Round 2 strategy submission. The University has thus undertaken a series of major projects, making investments from funds from the HEFCE administered Capital and Investment Framework, together with matched funding from internal resources, donations and bank borrowing.

Financing, cashflow, and liquidity

The University manages its liquid resources to minimise the cost of financing while meeting all its liabilities as they fall due. Council annually endorses a Treasury Management and Investment Policy which has been set in accordance with Treasury Management guidance published by CIPFA and which sets the framework for management of liquid resources and longer-term endowment and other investments.

The University adopted a formal policy on borrowing and financing in 2009. This resulted in setting maximum borrowings for the University, for the time being at £105m, of which around half was 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 £40m long-term non-amortising interest-only facility with Barclays Bank plc, part drawn down in 2008-09 and the remainder early in 2009-10. In addition in 2009 the University secured access to £50m of amortising term funding from Scottish Widows Plc for construction of Northfield residences and to complete all elements of the

Operating and Financial Review (continued)

capital programme to 2011-12. Of the £50m from ScottishWidows £20m was drawn down in 2011-2012 with the remaining £30m being drawn down in Autumn 2012.

The Consolidated Cash Flow Statement shows the cash generated by operations and the application of cash to capital investments. The University generated £25.8m of cash from operating activities before interest, paid £4.9m in net interest, made net repayments of £2.1m in loan funding and invested a net £16.2m of cash in capital developments. Short-term and overnight cash reserves less overdrafts were increased marginally at 31 July 2014 reflecting the University's sustained strong cash position at the outset of its ambitious new phase of capital developments.

Pension funding
The University fully adopts the FRS 17 "Retirement benefits" treatment of pension costs and assets/liabilities. The University participates in three major pension arrangements which all carry different accounting treatment under the accounting standard. Details are set out in the notes to the accounts.

The net pension obligation in accounting terms for the University of Sussex Pension and Assurance Scheme (USPAS) has increased by £4.0m to £32.7m principally as a result of a change in the underlying assumptions. A lower discount rate resulting from falls in corporate bond yields has caused an increase in the value of the scheme's future pension obligations of £7.6m and the investment return achieved was lower than that required to match the expected increase in liabilities over the year. However these adverse fluctuations have been offset partially by contributions paid which were higher than those required to meet FRS17 cost of benefits accruing.

While this accounting recognition is important, it is useful to set out the practical implications of the deficit in terms of cash commitments. The actuarial valuation of USPAS at 31 March 2012 was completed in Spring 2013. The University agreed a Recovery Plan with the Trustees (which has since been accepted by The Pension Regulator), which includes paying the £39.9m Technical Provisions deficit at 31 March 2012 over a period of 15 years from August 2013 to March 2028, through increased employer cash contributions of circa £2.7m per annum rising in line with inflation. The future service contribution rates have risen as a result of falling gilt yields but the University has offered to pay all the increase for a further year pending discussion with members and Trade Unions on the impact of this rise and future change to pension costs such as the ending of contracting out of the state pension regime.

While this scheme has significant financial impact on the University's financial position and cash contributions, we expect that the effect of closing the scheme to new entrants in 2009 and the Recovery Plan payments agreed will mean that the risks are largely contained and that the opportunity for significant adverse changes remains lower than in the past.

The USPAS scheme was closed to new entrants on 1 April 2009, when the University opened a new defined contribution Sussex Group Stakeholder Scheme pension scheme with life and health assurance benefits. This scheme now has more than 420 active members following implementation of the UK Government auto-enrolment policy, which applied to the University 1st April 2013. As a defined contribution scheme with life and health assurance benefits, the annual cost of this scheme is recognised in the Income and Expenditure Account and there is no risk of costs to the University changing retrospectively once a year is complete.

In addition, the University has obligations to the national academic and academic related staff scheme, USS. As this is treated under accounting rules as a defined contribution scheme, it does not affect the University's published reserve position although it does represent a financial risk to the University. Employer contributions rose by 2% in October 2009 and the triennial valuation in March 2011 was followed by implementation in October 2011 of a set of changes to the scheme which, *inter alia*, set the scheme as a Career Revalued Benefits scheme for new joiners and made changes to benefits and contributions relating to the Final Salary scheme members. The recovery plan confirms that for the following three years from 2011 an employer's contribution rate of 16% would apply with provision for recovery of the remainder of the deficit by including a percentage above future service rates for up to seven years beyond. The scheme's latest triennial formal valuation at 31 March 2014 is underway and, although the result is not yet known and the trustee has until 30 June 2015 to conclude the actuarial valuation, it is expected that contribution rates and/or scheme benefits will change as a result of the current continuing deficit in the scheme.

Reserves
Consolidated reserve funds have benefited from a strong Income and Expenditure Account result and increases in endowment funds and despite an increase in the USPAS pension liability compared with the prior year. Reserves stand at £119.9m compared to £116.8m last year.

Future outlook
This continues to be a time of major change in higher education. Recent years have represented a relatively benign 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. This is now being followed by a more difficult and potentially volatile period as grant funding is cut to reduce public sector borrowing and as revenue will be much more directly correlated with student numbers. Thus our landscape has opportunities as well as threats.

Since 2012 home/EU Undergraduate entrants teaching funding has mainly derived from student fees rather than HEFCE grant. This has introduced increased accountability direct to students as well as increased income sensitivity to under or over-recruitment. The change in student number control is complex to manage but the University is in a position to target controlled growth in a number of areas, which have been held back by previous public policy, enabling us to continue to offer a top-quality higher education experience to larger numbers of students.

Operating and Financial Review (continued)

The impact of the change in home/EU Undergraduate non-quota numbers to AAB for 2012-13 was difficult across Higher Education given the lower than expected number of students achieving these grades. The experience of 2013-14 has been that numbers in the sector and Sussex's share have in part moved towards expected levels, but remaining supply issues mean that filling non-quota places with AAB and above students is challenging and continues to be so in 2014-15 at the ABB level. This confirms our view and understanding that our recruitment objectives are shared by other peer group universities and that competition and student mobility will increase in the new competitive regime.

The severe reductions in capital grants require us to find other sources of income to implement our capital development plans. Ongoing update of the campus masterplan will inform the capital development programme beyond the current year.

Lower funding for research councils and other grant awarding bodies also mean that success in bidding is harder than ever to achieve. We remain confident that the quality and impact of our research is such that we will continue to build on the success of the past few years in this increasingly competitive environment and we seek to at least retain market share for prestigious peer-reviewed sponsors such as the UK research councils.

In this context, the *Making the Future 2013-18* strategy is relevant and core to our overall objectives in increasing the size and maintaining the broad-based discipline shape of the University, through income diversification and targeted growth where circumstances are favourable, while investing in capital and infrastructure to improve the staff and student experience. The University has set new targets for student growth, up to around 18,000 FTE, and for research income. This will lead to a significant investment in new academic staff over the period.

The University has incorporated elements of growth on a prudent basis in its budgets and forecasts for the coming years to reflect the plans that are in place. 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. While the operating environment is becoming more competitive and more uncertain in many areas, the University remains confident that it will continue to grow and build on a position of financial and operational strength, to extend our academic activities and impact, based on our recognised core strengths.

Christian Brodie
Chair of Council

Professor Michael J G Farthing
Vice-Chancellor

Corporate Governance

The University is committed to best practice in all aspects of corporate governance. This statement describes the manner in which the University actively applies the principles set out in the Committee of University Chairs (CUC) Governance Code of Practice 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 were reviewed during 2011 and amended with effect from 1 March 2012 following Privy Council approval.

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 managing its finances, property and investments and the general business of the University. Council is made up of independent, professional services, academic and student members appointed or elected under the Statutes of the University. The majority are independent, non-staff, non-student members. The roles of Chair and Vice-Chair of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor. Council has a membership of 25. These are the Vice-Chancellor, Deputy Vice-Chancellor; up to 15 independent members appointed by Council; three members of the Senate; two other members of the academic staff; one member of professional services staff, the President of the Students' Union and the student representative of the Research Postgraduate School. Council meets at least four times a year and has five 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 the responsibility for the ongoing strategic direction of the University, the monitoring of institutional effectiveness and the approval of major developments. It receives regular reports from the senior executives on the day-to-day operations of the University and its subsidiary companies. The Chair, Vice-Chair and Treasurer are appointed from amongst the independent members. The University is fully compliant with the key recommendations of the Committee of University Chairs (CUC) code.

Senate is the main academic body of the University and draws its membership entirely from the staff and students of the University. Its principal role is to direct and regulate the teaching and research of the University. Its remit also permits discussion of any matter relating to the University and it offers comments to Council on a wide range of matters.

Court (The Sussex Annual Forum) provides a public forum where members can raise matters about the University. The majority of the members are from outside the University, representing the local community and other designated bodies with an interest in the work of the University.

Finance and Investments Committee (FIC) is a Committee of Council, focusing on the oversight of the University Executive's planning and management of finance, investments and assets of the University in their widest sense in the context of economy, efficiency and value for money. Finance and Investment Committee has a particular remit in relation to providing advice and recommendations to Council. FIC also has a remit to review, monitor and approve on behalf of Council, financial strategy and policy, budget setting and financial forecasting, financial performance, the capital project governance framework and investment and treasury matters. The committee's membership comprises four independent members of Council, the Vice-Chancellor and Deputy Vice-Chancellor.

Audit Committee provides assurance on governance, accounting integrity, internal controls, data integrity, risk management and the efficient use of resources.. It comprises three independent members of Council who are not members of the Finance and Investment Committee. 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. Although Senior Executives attend meetings of the Audit Committee as necessary, they are not members, and the Committee reserves sessions for independent discussion with the auditors without officers present.

Performance Committee is a committee of Council providing oversight of the University's performance in delivering strategies, projects and plans that have been agreed by Council, including identifying and measuring the indicators by which plans can be monitored. The Committee agrees a range of operational indicators, which enable the Council to oversee the general operations of the University and the format and timing of reporting on these. For strategies, projects and plans and areas of operation, the Committee monitors the management of the main risks. The Committee also monitors the University's compliance against a range of statutory requirements. The committee is chaired by the Vice-Chair (Performance), and comprises: four independent members of Council, the Vice-Chancellor and Pro-Vice-Chancellors, two members of staff on Council appointed by the Nominations Committee and the President of the Students' Union (or a nominee).

Corporate Governance (continued)

Nominations Committee reports to Council and 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.

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 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.

Remuneration Committee is responsible on behalf of Council for determining the principles and strategy for the reward of all staff; and for the framework for the remuneration of all Heads of School, Professional Services Directors at grade 10, the Librarian, and the Professoriate.

Chair's Group co-ordinates the business to be transacted at Council Committees with specific responsibility for ensuring that the rolling agendas of Finance & Investment, Performance and Audit Committees are reflected in Council business and for oversight of reporting to Council, ensuring discussions are coordinated and papers complementary.

Human Resources Committee is a sub-committee of the Performance Committee with responsibility for recommending and implementing human resources strategy and advising on and recommending employment-related policy.

Health, Safety and Environment Committee is a sub-committee of the Performance Committee which advises 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 regulatory obligations in matters of health, safety and environment.

Equality and Diversity Committee is a sub-committee of Performance Committee that 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.

Capital Programmes Committee is a sub-committee of the Performance Committee that directs the development, enhancement and maintenance of the University's buildings, environment, physical infrastructure and services, and oversees other capital investment commitments, including IT.

Information Services Committee is a sub-committee of the Performance Committee that oversees the information services strategy and ensures that it supports the University's mission and strategy. (Information Services in this context includes all library, IT, telecommunications and University web services that support the University). The Information Services Committee reports through the Capital Programme Committee for large-scale project approvals and monitoring.

Scholarships and Awards Committee implements policy and process relating to scholarships, bursaries and awards (including prizes), on behalf of the Performance Committee.

New Academic Courses Committee considers on behalf of the Performance Committee whether to grant outline approval for new academic courses proposed by Schools of Study. Proposals are considered against a range of criteria including compatibility with corporate strategy, market viability and quality assurance.

Honorary Degrees Committee, a joint committee of Council and Senate, is responsible for recommendations on the number of awards of honorary degrees 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 accountable 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 of public benefit

The University is an exempt charity within the meaning of the Charities Act 2011. Trustees who served during the year and up to the date of signing the financial statements are Mr C Brodie, Mr A Bryant, Mrs PA Burr, Prof J Cassell, Prof P Clifton, Prof J Cowan, Mrs F Clarkson CBE, Mr A Da Costa, Prof M Davies, Prof M J G Farthing, Ms P Francis, Ms A Fresko CBE, Mr M Fuhr CBE, Mr A Ghosh, Prof Sir P Knight, Dr J Law, Prof M Mazzucato, Ms K McBride, Mr M McCann, Mr T Moore, Ms C Moroz, Prof M Morris, Ms S Nebhrajani, Ms L Rodrigues CBE, Mrs B Winter.

Under the provisions of the Charities Act 2006, charities are required to demonstrate explicitly how they provide public benefit. Under the Act, the Higher Education Funding Council for England (HEFCE) is the principal regulator of English higher education institutions that are exempt charities and thus for the University of Sussex. The University's Council, in setting and reviewing institutional objectives and activities, has taken into consideration the Charity Commission's guidance on the reporting of public benefit requiring: that there must be clearly identifiable benefits related to the aims of the charity; that the benefits must be to the public or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay fees; that people in poverty must not be excluded from the opportunity to benefit. Induction of new Council members covers the charitable objectives and charitable responsibilities of members as charity trustees. Annual updates are provided by the University's lawyers on a range of issues affecting Council members, and these explicitly cover best practice and statutory developments in the areas of charity law.

Corporate Governance (continued)

Aims and objectives
The objects of the University as set out in its Royal Charter are 'to advance learning and knowledge by teaching and research, and to enable students to obtain the advantages of University education'. These align closely with two of the charitable purposes of advancement of education and the advancement of science. Our values are stated clearly in our strategy Making the Future 2013-18 and inform all our work to ensure we meet our charitable aims and corporate objectives. They are: excellence, interdisciplinarity, engagement, challenge, partnership, professionalism, equality and diversity and service. Sussex is recognised for its contribution to global academy and human knowledge and striving to sustain its distinctive academic endeavour. Internationalism is embedded in the intellectual and social life of Sussex with students and staff from a diverse and numerous range of nations contributing to the experience of all those studying and working here. Our students benefit from high quality inspirational teaching led by research of lasting academic value and impact for the benefit and enrichment of society. Our students and staff are key to the fabric and intellectual capital of one of the UK's most enterprising cities, Brighton & Hove, where the University is recognised as a major asset for economic growth and key contributor to the region's cultural resources and cosmopolitan life. Research at Sussex impacts on daily lives in a wide spectrum of activities, informing public policy and bringing new technologies for the benefit of society. The campus sits at the centre of the University's research, teaching and learning activities providing high quality, fit-for-purpose IT, research facilities, libraries, learning and social spaces which provide the appropriate infrastructure to sustain and grow the impact of our academic endeavour, both global and regionally.

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

The prime beneficiaries of research at Sussex, which covers a broad spectrum of disciplines and outputs, ranges from those directly affected by new medical and technological advances to those benefitting more indirectly from economic, cultural, social, environmental and political improvements secured through better knowledge and understanding, including informing public policy in areas such as migration and technology and innovation policies. Our work has benefits that may be wide in scope and others that are extremely specific and deliver improved lifestyles to those concerned.

The breadth of multidisciplinary research at Sussex is represented through the many distinctive areas of knowledge that grow and develop within each of our academic schools of study, departments and research centres. An example is our research in international development in the School of Global Studies, based in the Departments of Anthropology, Geography, International Development and International Relations. Researchers in the School of Global Studies collaborate with colleagues in the Schools of History Art History and Philosophy, and Business, Management and Economics; with SPRU – Science Policy Research Unit; as well as with the Institute of Development Studies, which is an independent institute based on the Sussex campus. Their multidisciplinary work has resulted in the creation of themed centres of research, including the Sussex Centre for Migration Research, the Centre for Global Political Economy, the Centre for International Education (CIE) and the Justice and Violence Research Centre.

Recent projects include:

- Pathways of Women's Empowerment; an international research and communications programme linking academics, activists and practitioners to discover what works to enhance women's empowerment.
- Boosting Pacific-Island economies through temporary-worker schemes; a project focusing on the benefits of temporary worker migration schemes to the economies of small, isolated island communities and developing countries which has contributed directly to New Zealand establishing the Recognised Seasonal Employers (RSE) scheme.
- Research by the Sussex Energy Group (SEG) is helping to facilitate the transfer of low-carbon technology to developing countries by informing new policy approaches, including international collaborative research and development and the establishment of Climate Innovation Centres (CICs).

Targets and achievements
The University sets key performance indicators and targets, as part of its long term strategic plan, against which strategic and charitable objectives are measured, The results and evidence of progress are considered by Council at each meeting and through its key committees.

The new University strategy represents the culmination of two years of discussion with students, staff, and the wider University community. Full details of the University's vision up to 2018 is available at: www.sussex.ac.uk/aboutus/ourstrategy

The quality of teaching and research is reflected in the University's position in league tables both in the UK and internationally. Sussex is ranked 14th in the UK, 43rd in Europe and 111th in the world in the *Times Higher Education* World University Rankings 2014-15. According to the 2014 National Student Survey, 88% of Sussex students are satisfied with the teaching on their course. Sussex ranks in the top 20 for research quality in the *The Times and Sunday Times Good University Guide* 2015.

Corporate Governance (continued)

Removing barriers to public benefit

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

Sussex has undertaken many initiatives to remove barriers to education presented by the cost of study and maintenance. We have a number of scholarship schemes available to students at different levels of study, open in many cases to home and international students, and ensuring that access to our education programmes is available to students demonstrating academic excellence, irrespective of nationality or background. In 2013-14, gifts and donations have supported 41 scholarships and 95 students through hardship bursaries.

An important part of our response to the new fees regime for Home/EU undergraduate students has been to agree a comprehensive range of financial and pastoral support measures, from pre-arrival to after graduation, for first-generation scholars (students who are the first in their family to attend university), in addition to the provision of student support for all Sussex students which is available via the Student Support Unit. Interventions include HE awareness-raising through close work with selected schools, and support for job seeking and work placements. We have been successfully exceeding HEFCE benchmarks in most areas for several years and continue to work hard to improve access. The development of a range of postgraduate taught scholarships has been a priority, and has led to the development of the Sussex Graduate Scholarships, Chancellor's Masters Scholarships and the Sussex Country Scholarships (for students coming to Sussex from India, Nigeria and Pakistan).

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

In the case of research Sussex delivers public benefit through its engagement across a broad range of disciplines spanning the sciences, social sciences, arts and humanities. Funding is drawn from a variety of sources including research block grant, grants and contracts from Government, charities and industrial sponsors as well as philanthropic gifts from individual and corporate benefactors all of which contribute to sustain the strong culture and tradition of scholarship and research-led teaching which is central to the University. Working with external organisations, institutions and the wider community offers increasing opportunity for access to knowledge and expertise, and through the development of new partnerships and collaborations, future innovations and knowledge transfer will benefit society

Incidental private benefits

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

Avoiding detriment in our activities

Generally our activities will promote public benefit by their very nature. We take care during the conduct of our research work that we carry out ethical assessments of our work at proposal stage and we have a number of staff and student policies, which require ethical considerations to be taken into account before commencing work, which does not meet our stated policies.

Future activities to enhance public benefit

The landscape has changed on funding for Home/EU undergraduates, who form approximately 70 per cent of our student population, with new rules applying to entrants since 2012. Government policy on funding for higher education leads us to a reduction in direct grant funding and increased student fees. This presents a significant challenge for Universities to avoid a price barrier that might restrict access by potential student beneficiaries from low-income households. The University works with applicants and their parents and sponsors to ensure that they understand the financial impact of the new regime, which includes loan funding for tuition fees in full, and the benefits of a higher education experience which continues to be compelling in terms of the direct and indirect benefit to graduands.

The University is fully committed to developing access and progress routes for students from all backgrounds. Our OFFA agreement (which may also be found on the University's website at www.sussex.ac.uk/study/wp/schoolsandcolleges) includes a commitment to re-investing fee income, equating to £8.2m, in an extensive programme of widening access activities including Sussex's First-Generation Scholars scheme. The programme covers engagement with local and regional educational providers through collaborative initiatives with a range of partners including the Southern Region Widening Participation Practitioners Network, the Aim Higher London South network (AHLS), the Brilliant Club and Realising Opportunities Programmes to promote fair access to higher education and social mobility for young people. In addition to the financial support provided through the First-Generation Scholars Scheme students are provided with a range of transition, retention and employability support options to help their progression through pre-entry, academic and study skills development, work placement, careers advice and post graduation careers and employability support or assistance with access to postgraduate study.

Corporate Governance (continued)

Statement on internal control

Scope of responsibility

Council, as the governing body of the University, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which 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 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 internal auditors, not employed by the University, 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 Executives and the risk owners within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors.

Capacity to handle risk

As the governing body, Council has responsibility for the University's risk management framework. 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.

The risk and control framework

The following processes have been established:

- Council meets at least four times through the year to consider the plans and strategic direction of the University;
- Council requires regular reports from senior executives 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. The 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 Performance Committee) 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 School and support unit level by ensuring that the annual planning cycle includes detailed review of the risks facing each School or support unit, by each School or support 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 2014 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 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 the University's Council.

Council, through its senior officers and the Finance and Investments and Audit Committees, is required to ensure that in the preparation of accounting statements:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 HEFCE may from time to time prescribe
- ensure that funds from the National College for Teaching and Leadership 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 sources
- 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 Auditor's 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 2014 which comprise 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the University Council and auditor

As explained more fully in the Statement of Responsibilities of University's Council set out on page 12 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating & financial review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

Chris Wilson
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate, Brighton Road
Crawley, West Sussex RH11 9PT
26 November 2014

Consolidated Income and Expenditure Account
for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Income			
Funding council grants	1.1	**38,157**	41,923
Academic fees and support grants	1.2	**108,868**	88,859
Research grants and contracts	1.3	**28,061**	26,578
Other operating income	1.4	**42,960**	43,798
Endowment income and interest receivable	1.5	**623**	594
Total income: group and share of joint ventures		**218,669**	201,752
Less: Share of joint ventures income	18	**(11,059)**	(10,660)
Group income		**207,610**	191,092
Expenditure			
Staff costs	2.1	**105,627**	94,314
Depreciation – charge for year	2.4	**9,658**	8,878
Depreciation – impairment charge	2.4	**2,930**	-
Other operating expenses	2.3	**80,798**	78,172
Interest payable	2.2	**5,832**	5,985
Total expenditure: Group and share of joint ventures		**204,845**	187,349
Less: Share of joint ventures expenditure	18	**(10,137)**	(9,846)
Group expenditure		**194,708**	177,503
Group surplus on continuing operations after depreciation of fixed assets at cost and before tax		**12,902**	13,589
Share of surplus in joint venture	18	**922**	814
Total surplus on continuing operations after depreciation of fixed assets and disposal of assets at cost but before tax		**13,824**	14,403
Taxation		**-**	-
Historic cost surplus on continuing operations after depreciation of fixed assets at cost, disposal of assets and tax		**13,824**	14,403
Non-controlling interest		**(181)**	-
Transfer from accumulated income in endowment funds		**382**	332
Surplus for the year retained within income and expenditure account reserve		**14,025**	14,735

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations. There is no statement of group historical cost surpluses as there are no material differences arising from assets held at valuation. The Statement of Consolidated Income and Expenditure should be read in conjunction with the Statement of Consolidated Total Recognised Gains And Losses on Page 16.

Consolidated Balance Sheet
as at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	3	**205,724**	199,786
Investments	4	**385**	391
Investment in joint venture:			
Share of gross assets	18	**9,667**	8,636
Share of gross liabilities	18	**(2,901)**	(2,792)
Endowment investments	6	**9,075**	8,312
Current assets			
Stocks		**46**	190
Debtors	7	**14,960**	18,628
Investments	11.5	**43,550**	43,210
Cash at bank and in hand	11.5	**7,889**	5,348
		66,445	67,376
Creditors: amounts falling due within one year	8	**(42,953)**	(41,494)
Net current assets		**23,492**	25,882
Total assets less current liabilities		**245,442**	240,215
Creditors: amounts falling due after more than one year	9	**(92,800)**	(94,791)
TOTAL NET ASSETS excluding pension liability		**152,642**	145,424
Pension liability	14	**(32,721)**	(28,657)
TOTAL NET ASSETS including pension liability		**119,921**	116,767
Represented by			
Deferred capital grants	10	**58,155**	62,426
Endowments			
Permanent	13	**4,287**	3,995
Expendable	13	**4,788**	4,317
		9,075	8,312
Reserves			
Income and expenditure account excluding pension liability	12.1	**83,133**	72,678
Pension reserve	12.1	**(32,721)**	(28,657)
Income and expenditure account including pension liability		**50,412**	44,021
Capital reserve	12.3	**1,802**	1,802
Revaluation reserve	12.2	**261**	206
Non Controlling Interest		**216**	-
TOTAL FUNDS		**119,921**	116,767

The Financial Statements were approved by the Council on 26 November 2014 and signed on its behalf by:

Professor M J G Farthing	**C Brodie**	**R A Spencer**
Vice-Chancellor	**Chair of Council**	**Director of Finance**

University Balance Sheet
as at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	3	**202,611**	196,297
Investments	4	**547**	553
Endowment investments	6	**9,075**	8,312
Current assets			
Stocks		**46**	190
Debtors	7	**19,732**	22,578
Investments	11.5	**43,550**	43,210
Cash at bank and in hand		**4,437**	5,175
		67,765	71,153
Creditors: amounts falling due within one year	8	**(40,819)**	(41,516)
Net current assets		**26,946**	29,637
Total assets less current liabilities		**239,179**	234,799
Creditors: amounts falling due after more than one year	9	**(91,498)**	(93,350)
TOTAL NET ASSETS excluding pension liability		**147,681**	141,449
Pension liability	14	**(32,721)**	(28,657)
TOTAL NET ASSETS including pension liability		**114,960**	112,792
Represented by:			
Deferred capital grants	10	**57,650**	61,901
Endowments			
Permanent	13	**4,287**	3,995
Expendable	13	**4,788**	4,317
		9,075	8,312
Reserves			
Income and expenditure account excluding pension liability	12.1	**80,695**	71,030
Pension reserve	12.1	**(32,721)**	(28,657)
Income and expenditure account including pension liability		**47,974**	42,373
Revaluation reserve	12.2	**261**	206
TOTAL FUNDS		**114,960**	112,792

The Financial Statements were approved by the Council on 26 November 2014 and signed on its behalf by:

Professor M J G Farthing
Vice-Chancellor

C Brodie
Chair of Council

R A Spencer
Director of Finance

Consolidated Cash Flow Statement
for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	11.1	**25,781**	20,501
Returns on investments and servicing of finance	11.2	**(4,901)**	(4,630)
Capital expenditure and financial investment	11.3	**(16,200)**	(5,595)
Cash inflow before use of liquid resources and financing	11.5	**4,680**	10,276
Management of liquid resources		**(340)**	(26,689)
Financing	11.4	**(1,799)**	29,124
Increase in cash		**2,541**	12,711

Reconciliation of Net Cash Flow to Movement in Net Funds

		2014 £'000	2013 £'000
Increase in cash in the year		**2,541**	12,711
Increase in short-term deposits	11.5	**340**	26,689
New finance acquired	11.4	**(313)**	(30,338)
Repayment of debt	11.4	**2,112**	1,214
Change in net funds		**4,680**	10,276
Net debt at 1 August	11.5	**(48,005)**	(58,281)
Net debt at 31 July	11.5	**(43,325)**	(48,005)

Statement of Consolidated Total Recognised Gains and Losses
for the year ended 31 July 2014

		2014 £'000	2013 £'000
Surplus after depreciation of assets at cost and tax		**13,824**	14,403
Non-controlling interest		**(181)**	-
Appreciation of endowment asset investments	6	**260**	806
New endowments received in year	13	**885**	849
Unrealised gain on revaluation of fixed asset investments	12.2	**55**	52
Actuarial (loss)/gain on pension scheme	14	**(7,634)**	7,302
Total recognised surplus relating to the year		**7,209**	23,412

Statement of 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, Fixed Asset Investments and current 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 2014. These are Sussex Innovation Centre Development Limited, Sussex U H Limited, Sussex Estates and Facilities LLP and Sussex Innovation Centre Management Limited. The results of the Students' Union are not consolidated because it is an independent charity 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 and services receipts are credited to the income and expenditure account at the time of supply to the customers or when the terms of the contract have been satisfied.

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 and current 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, are accounted for by debiting or crediting the endowment asset, crediting or debiting the endowment fund and are 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 considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Statement of 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. The bid value is used to determine the fair value of traded assets. 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. 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 is written off in the year of acquisition. All other equipment is capitalised.

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

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

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

Statement of Accounting Policies (continued)

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

Listed Current asset investments are shown at market value. Unlisted current asset investments are shown at the lower of cost and net realisable value.

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

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

15. Cash 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 18 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

	2014	2013
1.1 Funding council grants	**£'000**	£'000
Recurrent grant		
HEFCE grant	**30,073**	36,527
National College for Teaching and Leadership (NCTL)	**500**	227
Specific grant		
Other	**2,249**	3,365
Deferred capital grants released in year		
Buildings	**4,978**	1,446
Equipment	**357**	358
	38,157	41,923
1.2 Tuition fees and education contracts		
Full-time students: UK/EU	**61,500**	46,729
Full-time students: international	**43,286**	37,777
Part-time and other	**1,888**	2,210
Research training support grants	**196**	275
Short courses	**1,998**	1,868
	108,868	88,859
1.3 Research grants and contracts		
Research councils	**13,022**	13,126
UK-based charities	**5,044**	4,594
European Commission	**4,433**	3,337
Other grants and contracts	**4,703**	4,786
Releases from deferred capital grants	**859**	735
	28,061	26,578
1.4 Other operating income		
Residences, catering and other operations	**29,264**	26,209
Other services rendered	**4,022**	5,490
General academic services	**856**	2,490
NHS grants	**2,636**	2,539
Staff and student services	**1,816**	895
Central administrative	**2,557**	3,917
Other	**1,809**	2,235
	42,960	43,798
1.5 Endowment income and interest receivable		
Income from endowment asset investments	**256**	262
Income from short-term investments	**367**	332
	623	594

NOTE 2 Expenditure

2.1 Staff costs

	2014 £'000	2013 £'000
Wages and salaries	**85,822**	78,674
Social security costs	**6,901**	6,417
Other pension costs	**12,904**	9,223
	105,627	94,314

Emoluments of the Vice-Chancellor	2014 £'000	2013 £'000
Salary	**230**	230
Pension contributions	**37**	37
Other	**13**	11
	280	278

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:

	2014 Number	2013 Number
Academic/clinical	**992**	876
Technical	**124**	114
Professional management and professional support	**805**	824
Other, including clerical and manual	**149**	150
	2,070	1,964

Trustee expenses

Amount paid to or on behalf of trustees was £6,796 (2013: £8,186). The University had no linked charities during the year including the period up to signing the financial statements.

Remuneration of higher paid staff (including the Vice-Chancellor but excluding employer's pension contributions)	2014 Number	2013 Number
£100,001-£110,000	**7**	7
£110,001-£120,000	**6**	7
£120,001-£130,000	**7**	8
£130,001-£140,000	**5**	5
£140,001-£150,000	**5**	3
£150,001-£160,000	**2**	2
£160,001-£170,000	**2**	2
£170,001-£180,000	**2**	2
£180,001-£190,000	**1**	-
£190,001-£200,000	**1**	1
£200,001-£210,000	**1**	-
£210,001-£220,000	**-**	-
£220,001-£230,000	**-**	1
£230,001-£240,000	**-**	-
£240,001-£250,000	**1**	1

There were no compensation payments for loss of office paid to former senior post-holders in 2014 (2013: £0).

2.2 Interest payable

	2014 £'000	2013 £'000
Loans wholly repayable within five years	**13**	18
Loans not wholly repayable within five years	**4,888**	4,569
Finance leases	**576**	592
Net interest on pension liabilities	**355**	806
	5,832	5,985

NOTE 2 Expenditure (continued)

2.3 Other operating expenses	2014 £'000	2013 £'000
Academic fees and charges	**6,658**	6,680
Administrative and office costs	**1,293**	2,089
External auditor's remuneration in respect of other services		
Taxation	231	188
Audit	14	9
Other	30	-
External auditor's remuneration for annual accounts audit*	**88**	68
Books and periodicals	**1,383**	943
Management fees	**2,544**	2,388
Consultancy fees	**5,364**	5,351
Research and enterprise sub contracts	**1,273**	1,225
Consumables and equipment	**15,959**	14,067
Marketing and publicity	**3,418**	2,472
Facilities costs	**7,011**	10,294
Rent, rates and insurance	**4,336**	5,029
Scholarships, bursaries and prizes	**13,212**	11,294
Students' Union Grant	**991**	907
Subscriptions, fees and charges	**5,267**	4,404
Training, travel and employment costs	**6,144**	5,452
Utilities and services	**5,582**	5,313
	80,798	78,172

*Includes £61,440 in respect of the University (2013: £60,444)

2.4 Analysis of expenditure by activity	Staff costs	Depreciation	Other operating expenses	Interest payable	Total 2014	Total 2013
	£'000	£'000	£'000	£'000	**£'000**	£'000
Schools	61,668	3,466	24,743	-	**89,877**	80,848
Research grants and contracts	11,462	858	7,305	-	**19,625**	17,606
Academic services	11,101	1,469	9,159	-	**21,729**	19,584
Residences, catering and other operations	1,524	1,859	13,530	5,679	**22,592**	23,838
Premises	3,008	456	7,343	-	**10,807**	13,022
Administration	8,530	188	3,341	-	**12,059**	8,728
Staff and students	5,864	-	5,557	-	**11,421**	8,376
General education	1,982	-	9,550	-	**11,532**	6,995
Other expenses	488	150	270	-	**908**	2,053
Non Residential Estate Capital Charges	-	1,212	-	153	**1,365**	6,299
Impairment	-	2,930	-	-	**2,930**	-
Total per income and expenditure account	**105,627**	**12,588**	**80,798**	**5,832**	**204,845**	**187,349**

The depreciation charge has been funded by:	**£'000**	£'000
Deferred capital grants released	6,121	2,539
General income	6,467	6,339
	12,588	8,878

NOTE 2 Expenditure (continued)

The charge for depreciation includes amounts of £0.006m funded by general income and £0.089m funded by deferred capital grants, in respect of the University's share of fixed asset equipment in the Brighton and Sussex Medical School.

A charge of £2.93m has been recognised in the income and expenditure account as a result of an impairment to the carrying value of the Freeman Building, following a change of use from a specialised science policy research building to a teaching building for use by the school of Law, Politics and Sociology. Deferred capital grants released to the Income and Expenditure Account in respect of Land and Buildings, include £2.54m relating to the Freeman Building impairment.

NOTE 3 Tangible assets

Consolidated

	Freehold £'000	Leasehold £'000	Assets in course of construction £'000	Equipment £'000	**Total £'000**
Cost and valuation					
At 1 August 2013	22,132	229,757	11,245	38,181	**301,315**
Additions at cost	-	3,211	13,355	1,843	**18,409**
Transfer of constructed assets	-	2,848	(2,848)	-	**-**
Disposals	-	-	-	(587)	**(587)**
At 31 July 2014	22,132	235,816	21,752	39,437	**319,137**
Depreciation					
At 1 August 2013	7,542	59,018	-	34,969	**101,529**
Disposals	-	-	-	(587)	**(587)**
Charge for year	821	7,003	-	1,717	**9,541**
Impairment charge	2,930	-	-	-	**2,930**
At 31 July 2014	11,293	66,021	-	36,099	**113,413**
Net book value at 31 July 2014	10,839	169,795	21,752	3,338	**205,724**
Net book value at 31 July 2013	14,590	170,739	11,245	3,212	199,786

University

	Freehold £'000	Leasehold £'000	Assets in course of construction £'000	Equipment £'000	**Total £'000**
Cost and valuation					
At 1 August 2013	16,981	229,757	11,245	37,838	**295,821**
Additions at cost	-	3,211	13,600	1,824	**18,635**
Transfer of constructed assets	-	2,848	(2,848)	-	**-**
Disposals	-	-	-	(587)	**(587)**
At 31 July 2014	16,981	235,816	21,997	39,075	**313,869**
Depreciation					
At 1 August 2013	5,827	59,018	-	34,679	**99,524**
Disposals	-	-	-	(587)	**(587)**
Charge for year	692	7,003	-	1,696	**9,391**
Impairment charge	2,930	-	-	-	**2,930**
At 31 July 2014	9,449	66,021	-	35,788	**111,258**
Net book value at 31 July 2014	**7,532**	**169,795**	**21,997**	**3,287**	**202,611**
Net book value at 31 July 2013	11,154	170,739	11,245	3,159	196,297

NOTE 3 Tangible assets (continued)

Freehold land valued at £0.366m 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 £3.347m (2013: £3.471m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.124m (2013: £0.124m).

NOTE 4 Fixed asset investments

	Consolidated		University	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Listed securities	**298**	233	**298**	233
Unlisted securities (includes investments in subsidiaries and associates)	**87**	158	**249**	320
	385	391	**547**	553

NOTE 5 Investment in subsidiary and associate companies and minority holdings

	Share class	No.	Ordinary holding	University Value at cost **2014**	2013	Nature of activity
				£	£	
Sussex Innovation Centre Development Ltd	Ord	100	100%	**100**	100	Property development
	Pref	1,800,000	-	**2**	2	
Sussex Innovation Centre Management Ltd	Ord	200	100%	**161,616**	161,616	Property management
	Pref	2,235	-	**437**	437	
Sussex U H Ltd	Ord	100	100%	**100**	100	Holding company
USPAS Trustee Ltd	Ord	100	100%	**100**	100	Pension corporate trustee
East Slope Housing Ltd	Ord	2	100%	**2**	2	Inactive
Sussex E F Ltd	Ord	100	100%	**100**	100	Inactive
Sussex University Developments Ltd	Ord	100	100%	**100**	100	Inactive
Texrad Ltd	Ord	390	39%	**-**	20,000	Research and development
Interanalysis	Ord	20	20%	**50,000**	50,000	Software training
LeNSE Ltd	Ord	100	11%	**-**	50,000	Computer networking
Re:Viral Ltd	Ord	1,200	9%	**12**	12	Research and development
Feedback Plc	Ord	9,400,000	5%	**43,338**	-	Medical Imaging
CVCP Properties PLC	Ord	36,582	<1%	**36,582**	36,582	Investment property
The New Statesman Ltd	Ord	1,626	<1%	**1,626**	1,626	Media publication

The University is unable to trade in shares of Feedback Plc due to a clause in the share purchase agreement, and consequently the shareholding is valued at cost.

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

During the year, Sussex U H Ltd acquired 65% of the capital of Sussex Estates and Facilities LLP, a subsidiary undertaking set up to deliver facilities management services to the University.

NOTE 6 Endowment asset investments

	Consolidated		University	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
At 1 August	**8,312**	6,989	**8,312**	6,989
Net additions	**503**	517	**503**	517
Revaluation adjustment	**260**	806	**260**	806
At 31 July	**9,075**	8,312	**9,075**	8,312
Fixed interest stocks	**121**	128	**121**	128
Equities	**6,335**	6,105	**6,335**	6,105
Property	**78**	50	**78**	50
Bank balances	**2,541**	2,029	**2,541**	2,029
Total endowment asset investments	**9,075**	8,312	**9,075**	8,312

Endowment Fund investments of £9.075m (2013: £8.312m) at market value are included in the Balance Sheet as Long Term Investments. Their market value is higher than cost by £1.397m and in 2013: higher by £1.137m.

NOTE 7 Debtors

	Consolidated		University	
	2014	2013	**2014**	2013
Amounts falling due within one year:	**£'000**	£'000	**£'000**	£'000
Debtors and prepayments	**14,398**	18,066	**14,038**	17,889
Amounts due from subsidiary undertaking	**-**	-	**2,059**	1,121
	14,398	18,066	**16,097**	19,010
Amounts falling due after more than one year:				
Debtors	**562**	562	**562**	562
Amounts due from subsidiary undertaking	**-**	-	**3,073**	3,006
	562	562	**3,635**	3,568
Total debtors	**14,960**	18,628	**19,732**	22,578

NOTE 8 Creditors: amounts falling due within one year

	Consolidated		University	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Mortgages and other loans	**1,546**	1,403	**1,408**	1,273
Obligations under finance leases	**418**	370	**418**	370
Research creditor	**12,086**	9,892	**12,086**	9,892
Creditors and accruals	**28,903**	29,829	**24,643**	29,584
Amounts owed to subsidiary undertakings	**-**	-	**2,264**	397
	42,953	41,494	**40,819**	41,516

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

	Consolidated		University	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Mortgages and other loans between one and five years	**7,869**	6,886	**7,223**	6,278
Mortgages and other loans in five years or more	**81,303**	83,858	**80,647**	83,025
Obligations under finance leases between one and five years	**1,963**	1,802	**1,963**	1,802
Obligations under finance leases in five years or more	**1,665**	2,245	**1,665**	2,245
	92,800	94,791	**91,498**	93,350

Of the above consolidated loan figure, £92.539m of the total funded the purchase of land and buildings.

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

Lender	Year loan obtained	Year of final repayment	Interest	Balance 2014 £'000	Balance 2013 £'000
University					
Barclays Bank	2009	2039	Fixed	**40,000**	40,000
HSBC	1996	2016	Variable	**500**	750
Lloyds	2012	2034	Fixed	**48,465**	49,488
Salix Finance Ltd	2012	2014	Fixed	**-**	338
HEFCE	2013	2016	Fixed	**313**	-
				89,278	90,576
Subsidiary company					
Barclays Bank	2004	2022	Fixed	**1,440**	1,571
				90,718	92,147
Due within one year				**1,546**	1,403
Due between one and five years				**7,869**	6,886
Due in five years or more				**81,303**	83,858
				90,718	92,147

NOTE 10 Deferred capital grants

	Consolidated £'000	University £'000
At 1 August 2013		
Land and buildings	**60,203**	**59,678**
Equipment	**1,761**	**1,761**
Other	**462**	**462**
Total	**62,426**	**61,901**
Cash receivable		
Land and buildings	**958**	**958**
Equipment	**892**	**892**
Other	**-**	**-**
Total	**1,850**	**1,850**
Released to income and expenditure		
Land and buildings	**5,318**	**5,298**
Equipment	**803**	**803**
Other	**-**	**-**
Total	**6,121**	**6,101**
At 31 July 2014		
Land and buildings	**55,843**	**55,338**
Equipment	**1,850**	**1,850**
Other	**462**	**462**
Total	**58,155**	**57,650**

Deferred capital grants released to the Income and Expenditure Account in respect of Land and Buildings, includes £2.54m relating to the Freeman Building impairment.

NOTE 11 Notes to consolidated cash flow statement

11.1 Reconciliation of consolidated surplus to net cash from operating activities

	Note	2014	2013
		£'000	£'000
Surplus on continuing operations after depreciation of fixed assets at cost, disposal of assets and transfers from endowment income but before tax and non-controlling interest		14,206	14,735
Depreciation		12,472	8,766
Deferred capital grants released to income	10	(6,121)	(2,595)
Investment income		(576)	(550)
Interest payable	2.2	5,832	5,985
Net pension credit		(3,932)	(1,852)
Decrease in stocks		144	87
Decrease/(increase) in Debtors		3,668	(6,567)
Transfer from endowment		(382)	(332)
Overhead recovery charge		74	-
Investment in joint venture		(922)	(814)
Increase in creditors		1,268	3,638
Loss on disposal of fixed asset investment		50	-
Net cash inflow from operating activities		25,781	20,501

11.2 Returns on investments and servicing of finance

	2014	2013
	£'000	£'000
Income from endowments	255	261
Income from short-term investments	321	288
Interest paid	(5,477)	(5,179)
	(4,901)	(4,630)

11.3 Capital expenditure and financial investment

	2014	2013
	£'000	£'000
Tangible fixed assets acquired (other than leased equipment)	(18,409)	(7,003)
Fixed asset investments	(23)	-
Endowment asset investments acquired	(503)	(517)
	(18,935)	(7,520)
Deferred capital grants received	1,850	1,076
Endowments received	885	849
	(16,200)	(5,595)

NOTE 11 Notes to consolidated cash flow statement (continued)

11.4 Analysis of changes in consolidated financing during the year

	Finance leases	Mortgages loans/other	Preference share capital	Total
	£'000	£'000	£'000	**£'000**
Balance at 1 August 2013	4,417	92,146	1,802	**98,365**
Capital repayments	(371)	(1,741)	-	**(2,112)**
New finance acquired	-	313	-	**313**
Balances at 31 July 2014	**4,046**	**90,718**	**1,802**	**96,566**

11.5 Analysis of changes in net debt

	At 1 August 2013	Cash flows	At 31 July 2014
	£'000	£'000	£'000
Cash at bank and in hand	5,348	2,541	7,889
Short-term deposits	43,210	340	43,550
Debt due within one year	(1,772)	(192)	(1,964)
Debt due after more than one year	(94,791)	1,991	(92,800)
Net Debt	**(48,005)**	**4,680**	**(43,325)**

NOTE 12 Movement on reserves

	Consolidated 2014	**University 2014**	Consolidated 2013	University 2013
	£'000	**£'000**	£'000	£'000
12.1 Income and expenditure account reserve				
At 1 August	**44,021**	**42,373**	21,983	21,006
Surplus after depreciation and tax	**13,824**	**13,034**	14,403	13,732
Non-controlling interest	**(181)**	**(181)**	-	-
Transfer from endowment fund	**382**	**382**	332	332
Surplus retained for the year	**14,025**	**13,235**	14,735	14,064
Actuarial gain/(loss) on pension scheme	**(7,634)**	**(7,634)**	7,303	7,303
At 31 July	**50,412**	**47,974**	44,021	42,373
Balance represented by:				
Pension reserve	**(32,721)**	**(32,721)**	(28,657)	(28,657)
Income and expenditure account reserve excluding pension reserve	**83,133**	**80,695**	72,678	71,030
At 31 July	**50,412**	**47,974**	44,021	42,373

NOTE 12 Movement on reserves (continued)

	2014	2013
	£'000	£'000
12.2 Consolidated revaluation reserve		
At 1 August	**206**	154
Increase in the value of fixed asset investments	**22**	44
Increase in the value of investment held as current asset	**33**	8
At 31 July	**261**	206

	2014	2013
	£'000	£'000
12.3 Consolidated Capital reserve		
At 31 July	**1,802**	1,802

The capital reserve balance of £1.802m arises on consolidation of the University's subsidiary companies, Sussex Innovation Centre Developments Limited and Sussex Innovation Centre Management Limited, and relates to the acquisition of £1.8m and £0.002m respectively of preference shares (nominal value) in the companies on the 31 July 2008 for a consideration of £2.

NOTE 13 Movement on Endowments Consolidated and University

	Permanent Restricted	Permanent Unrestricted	Permanent Total	Expendable Restricted	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2013					
Capital	3,355	40	3,395	3,934	**7,329**
Accumulated income	587	13	600	383	**983**
	3,942	**53**	**3,995**	**4,317**	**8,312**
Additions	36	0	36	849	**885**
Revaluation of endowment Asset Investments	194	0	194	66	**260**
Income	122	1	123	132	**255**
Expenditure	(61)	0	(61)	(576)	**(637)**
	61	1	62	(444)	**(382)**
At 31 July 2014	**4,233**	**54**	**4,287**	**4,788**	**9,075**
Represented by:					
Capital	3,584	40	3,624	4,390	**8,014**
Accumulated income	649	14	663	398	**1,061**
	4,233	**54**	**4,287**	**4,788**	**9,075**

NOTE 14 Pension schemes

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

USS

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is contracted out of the State Second Pension (S2P). The scheme is a large multi-employer scheme operating across the HE sector with over 300 participating employers. The assets of the scheme are held in a separate trustee-administered fund, Universities Superannuation Scheme Limited. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set.

NOTE 14 Pension schemes (continued)

The Institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "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 appointment of directors to the board of the trustee is determined by the trustee 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 and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The last completed triennial actuarial valuation of the scheme was at 31st March 2011. This was the second 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 actuary also carries out regular reviews of the funding levels. In particular he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial 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 were derived from market yields prevailing at the valuation date. 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 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 6.1% per annum, salary increases would be 4.4% (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historical scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA["light"] YoB tables – No age rating
Female members' mortality	S1NA["light"] YoB tables – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% per annum long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5m and the value of the scheme's technical provisions was £35,343.7m indicating a shortfall of £2,910.2m. The assets therefore were sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31st March 2011 was 82%.

NOTE 14 Pension schemes (continued)

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial evaluation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure. However, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS 17 basis, using a AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a buyout basis at that date was approximately 61%.

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 on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
Gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

The technical provisions relate essentially to 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 but the allowance for promotional salary increases was not as high. 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 was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

NOTE 14 Pension schemes (continued)

New Entrants
Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age
The Normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement
Flexible retirement options were introduced.

Member contributions increased
Contributions were uplifted to 7.5% per annum and 6.5% per annum. For FS Section members and CRB Section members respectively.

Cost sharing
If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap
For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) Sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure and property. A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the University had 1,525 active members participating in the scheme.

The total pension cost for the University was £9.813m (2013: £8.543m). This includes £0 (2013: £0) prepaid or outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

NOTE 14 Pension schemes (continued)

USPAS

The University operates a Final Salary defined benefit pension scheme. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Scheme has been closed to new entrants since 31 March 2009.

The most recent actuarial valuation was carried out at 31st March 2012. The results have been updated to 31st July 2014 by a qualified independent actuary.

	At 31 July 2014 £'000	At 31 July 2013 £'000
Change in benefit obligation		
Benefit obligation at the beginning of the year	**115,485**	112,229
Current service cost	**1,542**	1,818
Curtailment cost	**436**	-
Interest cost	**5,241**	4,550
Scheme participants' contributions	**62**	90
Curtailment cost	**436**	-
Actuarial losses/(gains)	**7,582**	1,254
Benefits paid	**(5,099)**	(4,456)
Benefit obligation at the end of the year	**125,249**	115,485
Change in scheme assets		
Fair value of scheme assets at the beginning of the year	**86,828**	75,212
Expected return on scheme assets	**4,886**	3,744
Actuarial (losses)/gains	**(52)**	8,556
Employer contribution	**5,903**	3,682
Member contributions	**62**	90
Benefits paid	**(5,099)**	(4,456)
Fair value of plan assets at the end of the year	**92,528**	86,828
Funded status		
Net liability recognised in the balance sheet	**(32,721)**	**(28,657)**

	2014 £'000	2013 £'000
Components of pension cost:		
Current service cost	**1,542**	1,818
Curtailment cost	**436**	-
Interest cost	**5,241**	4,550
Expected return on scheme assets	**(4,886)**	(3,744)
Total cost recognised in income and expenditure account	**2,333**	2,624
Amounts recognised in the statement of total recognised gains and losses		
Actuarial (losses)/gains	**(7,634)**	7,302

NOTE 14 Pension schemes (continued)

Scheme assets

The weighted average asset allocation at the 31 July 2014 was:

	At 31 July 2014	**At 31 July 2014 £'000**	At 31 July 2013	At 31 July 2013 £'000
Equities	**51%**	**46,896**	61%	53,087
Bonds	**20%**	**18,184**	20%	16,885
Gilts	**29%**	**27,319**	19%	16,820
Cash	**0%**	**129**	0%	36
Total market value of assets		**92,528**		86,828
Actual return on assets over the period		**4,834**		12,300

The overall expected return on assets assumption of 5.10% per annum as at 31 July 2014 has been derived by calculating the weighted average of the expected rate of return for each asset class. The following approach has been used to determine the expected rate of return for each asset class:

- fixed interest securities, current market yields
- equities, Net Dividend Yield plus RPI plus 1.4% dividend growth less 0.5% for investment expenses
- cash, currently Bank of England base rate
- a deduction of 0.6% to allow for scheme expenses

	2014	2013
Financial assumptions		
Discount rate	**4.10%**	4.60%
Salary increases	**3.90%**	3.90%
Rate of increases of pensions in payment – pensioners		
CPI capped at 6% per annum	**2.40%**	2.50%
CPI capped at 3% per annum	**2.20%**	2.30%
Rate of increases of pensions in payment – Non-pensioners		
CPI capped at 6% per annum	**2.40%**	2.50%
CPI capped at 3% per annum	**2.20%**	2.30%
Rate of increase for deferred pensioners (non GMP)		
RPI	**3.50%**	3.60%
CPI	**2.50%**	2.60%
Expected return on assets	**5.10%**	5.60%

NOTE 14 Pension schemes (continued)

Demographic assumptions	2014	2013
Mortality (pre-retirement)	**AMC00/AFC00**	AMC00/AFC00
Mortality (post-retirement)	**S1NA CMI_2013_M/F [1.25%] (yob)**	S1NA CMI_2012_M/F [1.25%] (yob)

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

	2014		2013	
	Male	**Female**	Male	Female
Member age 65 (current life expectancy)	**22.6**	**24.6**	22.3	24.8
Member age 45 (life expectancy at age 65)	**24.3**	**26.5**	24.1	26.8

Five-year history:	**2014**	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Benefit obligation	**125,249**	115,485	112,229	98,790	99,433
Fair value of scheme assets	**92,528**	86,828	75,212	73,266	65,329
Deficit	**(32,721)**	(28,657)	(37,017)	(25,524)	(34,104)
Experience gains and (losses) on scheme assets:					
Amount (£'000)	**(52)**	8,556	(1,533)	(3,753)	(4,585)
Percentage of Scheme Assets	**0%**	10%	(2%)	5%	7%
Gains and (losses) on scheme liabilities:					
Due to experience (£'000)	**81**	(2,497)	(36)	108	-
Percentage of the present value of scheme liabilities	**0%**	(2%)	-	-	-
Due to change of basis	**(7,663)**	1,243	(10,618)	3,631	(3,718)
Percentage of the present value of scheme liabilities	**(6%)**	1%	(9%)	4%	4%
Total amount recognised in the statement of total recognised gains and (losses):					
Amount (£'000)	**(7,634)**	7,302	(12,187)	7,492	867
Percentage of the Present Value of the Scheme Liabilities	**(6%)**	6%	(11%)	8%	1%

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses (since 2002) is (£30.532m).

Future funding obligation

The last actuarial valuation of the Scheme was performed by the Actuary for the Trustee as at 31st March 2012. The employers agreed to pay at least 23.9% of Pensionable Earnings, less member contributions until 30 June 2013 and at least 29.4% of Pensionable Earnings, less member contributions from 1 July 2013. The Employers also agreed to pay £0.032m per month from 1 July 2013 to 30 September 2014. In respect of the shortfall in funding, the Employers agreed to pay £0.1m per month until 31 July 2013, £0.235m per month from 1 August 2013 until 31 March 2028 increasing at 3.2% each year on 1 August, and a lump sum of £1.1m on 1 August 2013. The University expects to pay £4.1m to the Scheme during the accounting year beginning 1 August 2014.

NOTE 14 Pension schemes (continued)

SGSS

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

The pension costs for the University and its subsidiaries were:	*Forecast 2015 £'000*	**2014 £'000**	2013 £'000
Contributions to USS	9,964	9,813	8,543
Contributions to USPAS	4,100	5,346	3,081
Contributions to SGSS	685	548	390
Other contributions	417	1,122	368

NOTE 15 HEFCE access funds

	2014 £'000	2013 £'000
Balance at 1 August	**5**	12
HEFCE grants	**177**	169
Disbursed to students	**(181)**	(176)
Balance unspent at 31 July	**1**	5

The University holds Access Funds in its capacity as paying agent for the Higher Education Funding Council. Grants and related disbursements from the funds are excluded from the Consolidated Income and Expenditure Account.

NOTE 16 National College for Teaching and Leadership (NCTL) training bursaries

	2014 £'000	2013 £'000
Balance at 1 August	**382**	150
NCTL grants	**1,340**	2,150
Disbursed to students	**(1,684)**	(1,881)
Administration costs	**(33)**	(37)
Balance owing to NCTL at 31 July	**5**	382

The University holds training bursaries in its capacity as paying agent for the National College for Teaching and Leadership (NCTL). Grants and related disbursements from the funds are excluded from the Consolidated Income and Expenditure Account.

NOTE 17 HEFCE national scholarship programme funds

	2014	2013
	£'000	£'000
Balance at 1 August	-	-
Funding council grants	717	348
Disbursed to students	(717)	(348)
Balance unspent at 31 July	-	-

The University holds scholarship funds in its capacity as paying agent for the Higher Education Funding Council. Scholarships and related disbursements from the funds are excluded from the Consolidated Income and Expenditure Account.

NOTE 18 Brighton and Sussex Medical School

Income and expenditure account for the year ended 31 July 2014	University of Sussex	University of Brighton	Joint venture Total	Joint venture Total
	2014	2014	2014	2013
Income	£'000	£'000	£'000	£'000
HEFCE grant	3,427	3,359	6,786	7,399
NHS funds	2,213	2,213	4,426	4,296
Academic fees	2,371	2,371	4,742	4,152
Research grants and contracts	1,578	1,313	2,891	2,498
Other	1,470	1,469	2,939	2,575
Total Income	11,059	10,725	21,784	20,920
Expenditure				
Staff costs	4,969	4,717	9,686	9,597
Depreciation	116	116	232	222
Other operating expenses	5,052	4,980	10,032	9,488
Total expenditure	10,137	9,813	19,950	19,307
Surplus on continuing operations	922	912	1,834	1,613
Income and expenditure account brought forward	5,844	5,421	11,265	9,652
Income and expenditure account carried forward	6,766	6,333	13,099	11,265

NOTE 18 Brighton and Sussex Medical School (continued)

Balance sheet as at 31 July 2014

	University of Sussex	University of Brighton	Joint venture total	Joint venture total
	2014	2014	2014	2013
	£'000	£'000	£'000	£'000
Fixed assets	355	355	710	870
Current assets				
Debtors	605	564	1,169	874
Cash at bank and in hand	8,707	8,262	16,969	14,875
Current liabilities				
Creditors	(2,679)	(2,626)	(5,305)	(4,764)
Net current assets	6,633	6,200	12,833	10,985
Total net assets	6,988	6,555	13,543	11,855
Represented by:				
Deferred capital grants	222	222	444	590
Income and expenditure account	6,766	6,333	13,099	11,265
	6,988	6,555	13,543	11,855

Explanatory notes

(i) Background
The Brighton & Sussex Medical School (BSMS) is an equal partnership between the Universities of Sussex and Brighton. However it is agreed that the University of Sussex will be allocated 75% of the income and expenditure relating to Oncology Research.

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.

(ii) Accounting arrangements
The income and expenditure of the BSMS for the year ended 31st July 2014 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.

(iii) Cash at bank and in hand
The balance of £16.969m was held on behalf of the School at 31st July 2014 by the University of Sussex to meet expenditure commitments in 2014-15 to be settled by claims for reimbursement of expenditure from each University.

NOTE 19 Capital commitments

	2014	2013
	£'000	£'000
Authorised and contracted for at 31 July		
Wholly or partly funded from loans and consolidated reserves	5,305	6,248
	5,305	6,248

NOTE 20 Operating lease commitments

The University entered into an operating lease in September 2007 on a new student residence comprising 450 rooms. The lease has a minimum term of 20 years with annual rents of £1.8m.

	2014	2013
	£'000	£'000
Annual rentals under operating leases payable and expiring after five years	1,800	1,800

NOTE 21 Related party transactions

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

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

Two examples of such relationships are:

i) Mr C Brodie, who is Chairman of the Student Loans Company Ltd, with which the University transacts for a proportion of its student fee income.

ii) Prof M J G Farthing, who is a trustee of the Institute of Development Studies (IDS), from which the University receives income in respect of the provision of academic facilities to IDS students.

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