

UNIVERSITY OF SUSSEX

Financial Statements 2017–18

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UNIVERSITY
OF SUSSEX

Principal officers

VISITOR

Her Majesty The Queen

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BA (Hatfield)

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BA (Bris), LLD (Bris)

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Professor Kelly Coate
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PRO-VICE-CHANCELLOR

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

DIRECTOR OF FINANCE

Allan Spencer
MA (Oxon), ACA

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East Slope Reception
Sports Centre

Camb

Main Campus
Fulton Building
Falmer Station

Lullington

Lullington



Strategic Report

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

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

The University is an independent corporate body established by Royal Charter. It is an exempt Charity under the Charities Act 2011 and its objects, powers and framework of governance are set out in the Corporate Governance and Public Benefit statement on pages 13–22.

ACCOUNTS

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

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

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

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

STRATEGY

MAKING THE FUTURE 2013–18

The 2017–18 academic year is the fifth and final year of the University's strategy *Making the Future 2013–18*. The strategy set out core aims to grow our research and teaching, improve the quality of our output and increase the distinctiveness of learning and scholarship at Sussex. We have supported these aims with major investments across a number of key priorities including new accommodation buildings, improvements to infrastructure and facilities, the creation of new overseas partnerships and formation of new strategic research centres.

Council monitors performance of the institution through a number of Key Performance Indicators (KPIs) and risk measures. Our KPIs, risk measures 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.

Among these measures are the objective to achieve surpluses which rise to at least 7% of turnover and to increase turnover by 50% over that recorded in 2012–13, both by the end of the plan period 2013–18. These targets aimed to deliver the funds required to support our investment plans.

During the plan period, our surpluses have remained on average below 5% of turnover, however our turnover has increased as planned to 47.7% over that recorded in 2012–13. This is due to very strong performance in student recruitment and retention and a £10 million increase in research funding by the end of the plan period. Strong employability statistics and overall rankings have contributed to Sussex continuing to be a highly desirable place to study.

Strategic Report (continued)

SUSSEX 2025

Our new strategic framework – Sussex 2025 – was launched on 9 July 2018. The input provided by a wide range of staff, students, our Students' Union and alumni was instrumental in developing the new Framework, which set out our vision, values and the aspirations that will guide our direction of travel to 2025. It will shape everything the University does for the next seven years.

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

The new framework is based on:

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

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

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

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

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

Find out more at: www.sussex.ac.uk/strategy

HIGHER EDUCATION CONTEXT

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

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

Based on the data from 1 December 2017, 8.4% of students and 22.1% of academic staff come from non-UK EU member states. The University has been working closely with the sector body, Universities UK, to ensure we strongly represent our views to Government. The institution has also been working to identify ways to ensure a diverse student recruitment approach, alongside initiatives to secure continued student/staff exchange and research opportunities within European Union countries. In addition, around 20% of our research grants and contracts income is derived from European Government funding and as part of our research strategy, we continue to seek diversification of funding mechanisms.

UNIVERSITY RANKINGS

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

The University was ranked 21st in the UK by the *Times Higher Education Table of Tables 2018*, which is reached through combining the results of the three main UK university league tables. Sussex was ranked 25th in the UK by *The Complete University Guide 2019*.

In the *Times Higher Education World University Rankings 2019-20* the University was ranked joint 23rd in the UK and 161st in the world, remaining close to our target of 150th. In the *QS World Rankings 2019*, Sussex has been rated number one in the world for development studies and highly rated for research.

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

Strategic Report (continued)

FINANCIAL REVIEW

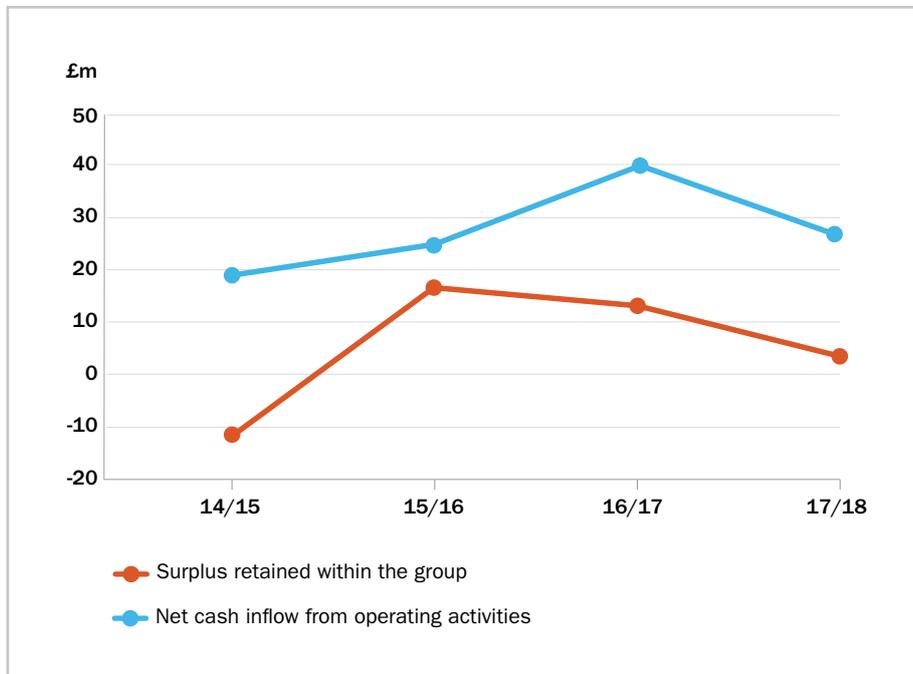
The Group consolidated income and expenditure (including our share of joint venture income and expenditure, since the Brighton and Sussex Medical School is a core part of our academic activities) and surplus retained in the Group for the year ended 31 July 2018 and the previous two years are summarised as follows:

	2017/18 £m	2016/17 £m	2015/16 £m
Income	297.3	287.3	260.7
Expenditure	293.7	270.9	244.5
Surplus for the year	4.6	13.3	16.4
Represented by:			
Non-Controlling Interest	0.8	0.8	0.6
Surplus retained within the Group	3.8	12.6	15.9

The University recorded a surplus in 2017/18 of £3.8m or 1.3% of income compared to £12.6m for 2016/17. The 2017/18 result is after a one-off adjustment to recognise the write-down of professional fees in developing the design of a new Life Science Building. During the year, the decision was made not to proceed with this capital project in its existing brief. The University continues to review its plans for how to best develop our Falmer campus.

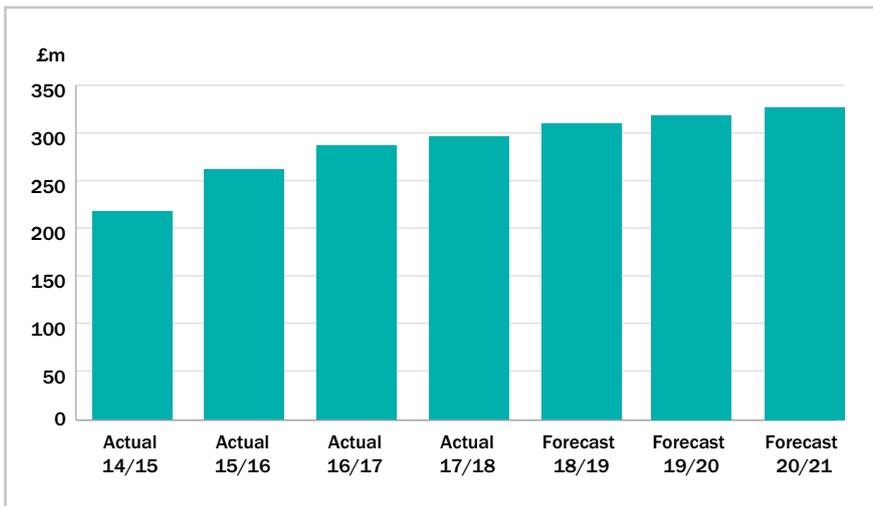
Cash performance remains a reliable indicator of performance. Actual surpluses and net operating cash are shown below demonstrating that cash performance has been positive and consistently so in contrast to accounting surpluses, which are subject to one-off non-cash expenditure as a result of the technical accounting treatment of pensions. The University recorded positive net operating cash of £26.8m in 2017/18 (£39.8m in 2016/17) and expects continuing positive cash generation in subsequent years.

SURPLUS AND NET OPERATING CASH



Strategic Report (continued)

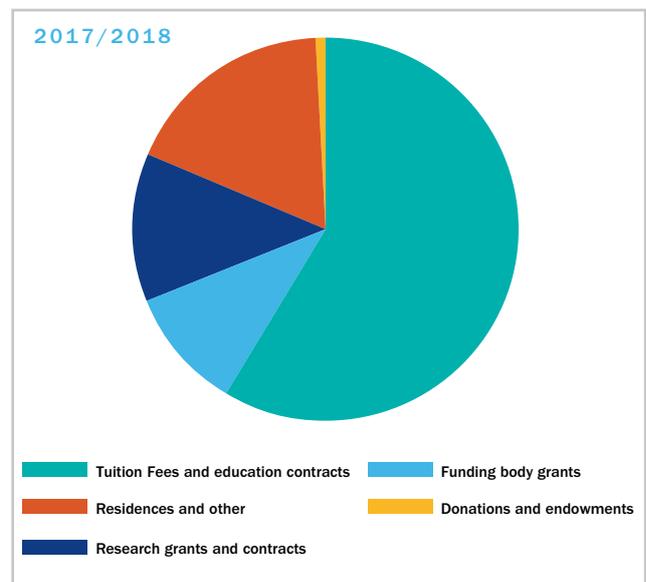
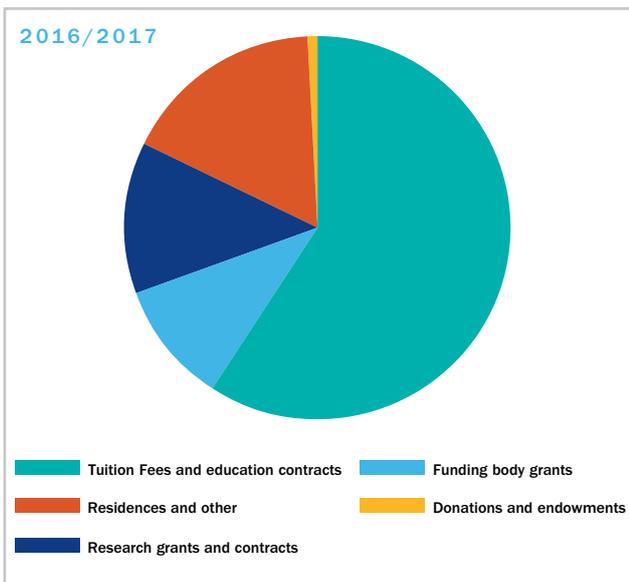
TURNOVER



INCOME

The University's turnover in 2017/18 was £297m, an increase of 4% compared to the previous year (£287m). Tuition fee income remains the most significant element of income, making up 59% of total turnover in 2017/18 (up from 58% in 2016/17).

Research contract income increased to £36.8m. Other income increased by £4m, or 8%, from: (i) rising student numbers requiring the University to increase its accommodation provision (achieved by working together with landlords in the local area); and (ii) growing our successful partnerships with the Brighton and Sussex Universities Hospital Trust (NHS), the British and Irish Modern Music Institute and Study Group International.



Strategic Report (continued)

Strong performance in student recruitment saw tuition income rise by 6% as the number of students FTE grew by 8% to 17,120 from 15,902 in 2016/17, driven by a new intake of students of 7,979 which was 1% higher than the previous year. The student population grew at undergraduate level but dropped at postgraduate level, resulting in an increase in Home and European Union tuition income of 11% to £104.9m (£94.6m in 2016/17) and a decrease in international student fee income of 2% to £64.8m (£66.0m in 2016/17).

The recurrent grants that the University receives from HEFCE (to 31st March 2018) Office for Students and Research England (after April 2018), and NCTL (to 31st March 2018), Department of Education (after April 2018), increased by £1.2m, or 5%, to £27.5m largely driven by the increase in student numbers.

Research grants and contracts income increased by 3% to £36.8m.

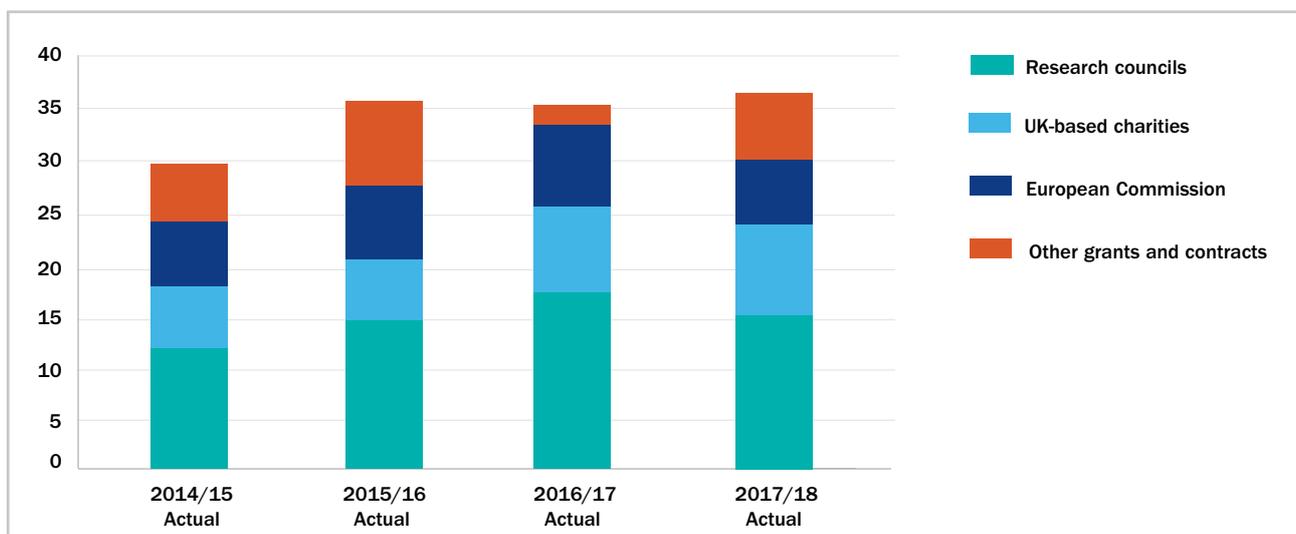
This growth comes in a very challenging market in which the University competes with a number of research institutions for funding across the Russell Group and former 1994 Group institutions. There is a strong correlation between the number of teaching and research academics and the number and value of research funding applications and awards, which ultimately generate the recorded research grants and contracts income.

At Sussex, growth experienced in income from research grants and contracts is consistent with the investment in teaching and research staff during the 2013–18 plan period. A number of significant awards were received in the year including £2m from the Wellcome Trust for research into the 'recognition, activation and targeted degradation of protein kinases clients by the HSP90-molecular chaperone' and £2m from the European Union for research into 'manipulating Acoustic wavefronts using metamaterials for novel user interfaces'.

Income from Research Council grants decreased by 12% to £15.6m, representing 42% of research grants and contracts turnover while research income from European Government sources decreased by 15% to £6.21m from £7.3m in 2016/17, being 17% of research income. The significance of European-funded research to the University presents a challenge in the medium term as Government redefines the UK's relationship with Europe. A considered response will emerge as we work on the next strategic plan, although in the short term, we continue with our aim to grow research turnover at a rate comparable to – or above – our benchmark group, and performance in 2017/18 is encouraging.

The University's 'Other Income' increased to £51.2m in 2017/18, a rise of 8%, which is primarily due to the larger student population and its impact on income generated by student housing rents, catering and other services.

RESEARCH INCOME



Strategic Report (continued)

Income received amounted to £4.1m of philanthropic gifts in the year. £3.0m of this income is applied to research projects, of which £1.1m is recorded in the accounts under the income heading 'Research grants and contracts'; £0.3m is applied to capital and equipment, and £0.6m to scholarships and awards. Major research programmes and initiatives funded through donations and endowments include the Sackler Centre for Consciousness Science, the Andrew and Virginia Rudd Centre for Adoption Research and Practice, and the SPRU Deep Transitions programme. Donations are not a regular income source and vary from year to year.

REVENUE EXPENDITURE

The University's cost base includes total staff costs of £148m, which have increased around 8%, commensurate with the cost of growing average staff numbers by 11%, attracting and recruiting new staff, and pay increases of 1.7% for cost of living inflation on average across all staff groups, plus incremental progressions.

The University continues to invest heavily in scholarships and bursaries to support its widening access strategy and meet obligations under its agreement with the Office for Fair Access. Financial commitments associated with the First-Generation Scholars programme and other initiatives to improve participation from under-privileged and non-traditional entrants has continued to be an important area of investment. This year we have also continued to develop our next generation Student Record System as part of our Student Academic Administration Transformation project, and have spent just under £6.1m on the maintenance and refurbishment of our campus. Other operating expenditure increased by 2% to £114m largely as a result of these costs.

CAPITAL INVESTMENT

The University is based at its campus in Falmer and during the year spent £19.3m as part of ongoing investment in our strategic capital programme. Significant projects progressed during 2017/18 include the completion of the new Jubilee multi-storey car park and continued work on the renewal of the district heating plant.

In addition to this, the annual budget of £6.1m for the continued improvement of the physical estate was applied across a range of building related space improvement projects. In particular, an amount of £400,000 was committed to upgrading general teaching space and associated technological infrastructure and IT/AV facilities.

FINANCING, CASHFLOW AND LIQUIDITY

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

A formal policy on borrowing and financing was approved by Council in 2009 resulting in a maximum borrowing for the University of £105m with around half of this to be secured as core borrowings on longer term non-amortising arrangements on an interest-only basis.

The University took out a £40m long-term non-amortising interest-only facility with Barclays Bank plc – which was fully drawn by 2009/10 – and £50m of amortising term funding from Lloyds Bank plc.

This borrowing policy was revised, as envisaged by *Making the Future 2008-13*, when Council agreed a new borrowing limit of £200m in March 2017. HEFCE permission to increase borrowings was received. Council gave its approval for a private placement of £100m in April 2017. The private placement for £100m was entered into in September 2017, which increased borrowings over the bank lending already in place.

The University has a long record of generating net operating cash surpluses. A net operating cash inflow of £26.9m (£39.8m in 2016/17) was achieved, which funded the year's capital investment. Taking the balance sheet items "Investments" and "Cash and cash equivalents" together (as current asset investments are mainly short fixed-term deposits) the University's available funds have increased by £100m this year.

The University holds £175.4m in current asset investments, which include £11.1m of investments held in support of restricted endowment reserves. The remaining £164.2m is held in cash deposits with maturities of less than 12 months. At its meeting in Spring 2016, Council approved a new Socially Responsible Investment policy and the University has appointed an appropriate investment manager to manage its non-cash investments in accordance with this policy.

Strategic Report (continued)

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

PENSIONS

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

A total pension provision of £36.8m is recognised on the consolidated balance sheet made up of £21.6m in respect of the Universities Superannuation Scheme (USS) and £15.2m in respect of the University of Sussex Pension and Assurance Scheme (USPAS). The University of Sussex Pension and Savings Scheme (USPSS) is a defined contribution scheme and, as such, there is no future obligation or asset recognisable on the balance sheet. The University accounts for the cash contributions it makes into USS and USPSS in the year these are incurred but, under the USPAS scheme, the accrued cost of the scheme obligation is recognised.

The USS, under FRS102, is a defined benefit multi-employer scheme and, as such, is accounted for as a defined contribution scheme whereby the annual cost is charged to Income and Expenditure. However, the University provides for an obligation that is the net present value of future payments that will be made into the scheme under the deficit recovery plan. The total provision for this obligation is £21.6m under the USS recovery plan 2015, which was agreed following the triennial valuation at 31 March 2014. Under the plan, the University will pay an additional 2.1% of pensionable payroll for 15 years ending in March 2031, which in cash terms is around £1.7m per annum, rising to £2m. The obligation under the recovery plan is unchanged from the previous year's assessment; the year's contribution matching the unwinding of discounting in the year. USS is currently undergoing its triennial actuarial valuation.

The provision of £15.2m recognised in relation to USPAS is the net pension obligation in respect of the scheme assets and future pension obligations, the "net pension obligation". The net pension obligation in accounting terms has reduced by £9.4m as a result of a higher discount rate. This results from rising corporate bond yields, coupled with good investment performance in the scheme's underlying assets and contributions paid that were higher than those required to meet the accounting cost of benefits accruing. The net pension obligation is subject to actuarial assumptions at the balance sheet date (31 July) so may change year to year.

It is important to note however, the practical implications of the deficit in terms of cash commitments. The actuarial valuation of USPAS at 31 March 2015 was completed in Spring 2016. The University agreed a Recovery Plan with the Trustees (which has since been accepted by The Pension Regulator), which includes paying the Technical Provisions deficit at 31 March 2015 over a period of 10 years from April 2016 to May 2025, through increased employer cash contributions of around £3.0m per annum rising in line with inflation.

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

RESERVES

Consolidated reserves have increased by £12m to £373.3m at the balance sheet date 31 July 2018 compared to £361.4m in 2016/17, reflecting a further year of surplus results.

TRADE UNION FACILITY TIME

The number of University employees who were union officials in the year to 31 March 2018 was 22 (FTE 21.5). All of these employees spent 50% or less of their time working on facility time. The percentage of the University's total pay bill spent on paying union officials for facility time was 0.09%. The percentage of time spent on paid trade union activities as a percentage of total paid facility time hours was 0%.

Strategic Report (continued)

FUTURE OUTLOOK

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

This strategic framework is supported by sixteen key performance indicators/targets by which success in delivering the framework and its key supporting strategies will be measured. These aim to promote excellence of delivery and to secure the sustainability of the University. Achieving these sixteen key performance indicators will require continued development of our curriculum. Enhancing the student experience, enhancing our research reputation and grant capture, continuing our success in the recruitment of students from low-participation neighbourhoods and reducing our CO₂ emissions will all have a positive impact on our financial position.

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

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

The terms of the UK's withdrawal from the European Union are still under negotiation, and it is not clear when information that will allow the higher education sector to assess the impact of any agreement on its operations will be known. The significant risks highlighted for the last two years relate to the long term future funding and recruitment of students from EU countries, the recruitment and retention of high quality staff and research collaboration and funding – these risks remain for 2017–18. We continue to ensure that we are aware of the current situation and possible outcomes, have taken and continue to take positive action in order to provide reassurance to staff and students and continue to work with Universities UK to ensure that our voice is heard during the negotiations and as the Government develops future policy and funding arrangements.

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

Following the June 2017 General Election campaigns the issue of the level of full time undergraduate fees for UK and current EU students (currently £9,250 for 2018–19) created much discussion both in the press and within political circles. The Higher Education and Research Act 2017 allowed for fees to be raised by an amount for inflation each year until 2020, after which increases in fees were to be linked to performance in the Teaching Excellence Framework (TEF). However, the Government has now frozen tuition fees at £9,250 and established a review to investigate the future funding of all education to post-18 year olds (in both further and higher education). The panel is expected to publish its interim report in late autumn 2018, which may give an indication of the direction of travel, with the full report anticipated early in 2019. Whilst the outcome of this review is not known, it can be anticipated that there are unlikely to be any significant increases in tuition fees for the foreseeable future.

The result is that the University does not expect its most significant income source to rise with inflation in the coming years. However, there is pressure on the institution's cost base from rises in staff pay and pension costs. Whilst discussions continue to try to mitigate the impact of future growth in employers' and employees' contributions to the USS scheme, the scheme's Trustee has published the backstop position if no other agreement that is acceptable to the Trustee or the Pensions Regulator is reached. This results in a phased increase in employer contributions from 18% of salary currently to 24.9% by April 2020. It is likely that there will be further pressure on pay in the future, as inflation continues to run ahead of the Government's targets and employee pension contributions rise.

The review of post-18 education funding is also tasked with identifying how providers should provide (and demonstrate the provision of) value for money for students. Whilst currently there is little consensus amongst interested parties as to what is meant by value for money for students, it will be a requirement for the University to give confidence to stakeholders of the value of our education.

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

Strategic Report (continued)

As highlighted on page 5, we have discontinued a project to build a new Life Sciences building but further plans are being developed to provide state-of-the-art space for our key science activities. Plans are still in the early stages of development and construction is not expected to start until 2020 at the earliest. Plans are also in place to build a new Student Centre that will bring many of our student-facing services together to enhance the services provided; work is expected to begin on this project in 2019/20. We also continue to review our student residential accommodation provision. A new Residences Strategy is being developed and it is likely that a need for new accommodation will be identified and constructed in partnership with a third party. In addition, the University continues to invest in smaller schemes to improve both efficiency in the use of space and the quality of accommodation for students and staff.

Further capital schemes, including investment in information technology and digital technologies to enhance capacity and opportunities in this area, will also be brought forward in 2018/19 as part of the next stage of the University's development plan.

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



Dame Denise Holt
Chair of Council



Professor Adam Tickell
Vice-Chancellor



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. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

SUMMARY OF THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

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

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

CHARTER AND STATUTE BODIES

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

Council is made up of independent, professional services, academic and student members appointed or elected under the Statutes and Regulations of the University. The majority are independent, non-staff, non-student members. The roles of Chair and Vice-Chair of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor. Council has a membership of 25. These are: the Vice-Chancellor; Provost; up to 15 independent members appointed by Council; three members of Senate; two other members of the academic staff; one member of professional services staff, the President of the Students' Union and the Research Postgraduate School representative sitting on Senate. Council meets at least three times a year and during 2017-18 had four committees and one joint committee with the University of Brighton.

The matters specially reserved to Council for decision are determined:

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

Council holds the responsibility for the ongoing strategic direction of the University, the monitoring of institutional effectiveness and the approval of major developments. It receives regular reports from the senior executives on the day-to-day operations of the University and its subsidiary companies. During 2017-18 a Chair and Vice-Chair were in place who were appointed from amongst the independent members. The University is fully compliant with the key recommendations of the Committee of University Chairs (CUC) Code of Governance.

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

Corporate Governance (continued)

MEMBERSHIP OF COUNCIL

Independent members of Council are appointed for three-year terms, which can be extended twice making a total permissible period on Council of nine years. Members of Council are also trustees of the University as an exempt charity under the meaning of the Charities Act 2011.

Name	Status	Start date on council	Term	Current term end date
Chris Brodie	Independent Chair of Council	27 March 2009	3	Retired 31 July 2018
Mike Fuhr CBE	Independent	2 June 2009	3	Retired 31 July 2018
Sharmila Nebhrajani	Independent	1 August 2011	3	31 July 2020
Andy Bryant	Independent	1 August 2012	3	31 July 2021
Adrienne Fresko CBE	Independent	1 August 2013	2	31 July 2019
Professor Sir Peter Knight	Independent	1 August 2013	2	31 July 2019
Martin McCann	Independent	1 August 2013	2	31 July 2019
Kirstin Baker CBE	Independent	1 August 2014	2	31 July 2020
Katie Ghose	Independent	24 Sept 2015	2	31 July 2021
Dr Angela Smith	Independent	24 Sept 2015	1	Resigned 31 July 2018
Jane Parsons	Independent	1 August 2016	1	31 July 2019
Dame Denise Holt	Independent	1 August 2017	1	31 July 2020
Mark Devlin	Independent	1 October 2017	1	31 July 2020
Rosemary Martin	Independent	1 October 2017	1	31 July 2020
Professor Adam Tickell	Ex-officio (Vice-Chancellor)	1 Sept 2016		
Professor Saul Becker	Ex-officio (Provost)	11 Sept 2017		
Frida Gustafsson	Ex-officio (President of the Students' Union)	17 June 2017		31 July 2019
Peter Overbury	Ex-officio (Research post-graduate student on Senate)	1 Jan 2017		31 Dec 2017
Jack Stockdale	Ex-officio (Research post-graduate student on Senate)	1 Jan 2018		31 Dec 2018
Professor Steve McGuire	Elected by Senate	1 August 2016		31 Dec 2018
Professor Kate O'Riorden	Elected by Senate	29 Sept 2017		31 July 2020
Mark Fisher	Elected by Senate	16 October 2017		31 July 2020
Fran Barnard	Elected by Professional Service staff	1 August 2017		31 July 2020
Professor Jane Cowan	Elected by academic staff	1 Jan 2016		Resigned 31 July 2018
Professor Heather Keating	Elected by academic staff	1 August 2016		31 July 2019
Professor Mario Novelli	Elected by academic staff	1 August 2018		31 July 2021

Corporate Governance (continued)

ATTENDANCE AT COUNCIL

Regulation 4 sets out the criteria for removal of Council members. Any member, other than an ex-officio member, who fails to attend three ordinary meetings of Council in a row will be deemed to have resigned from Council unless Council considers that there are exceptional circumstances. Attendance during 2017-18 at ordinary sessions of Council is as set out below:

	23 Oct 2017 (Away Day)	28 November 2017	21 March 2018	2 May 2018 (Strategy)	27 June 2018
Chris Brodie (Chair) (Term ended 31 July 18)	✓	✓	A	✓	✓
Kirstin Baker CBE	✓	✓	A	✓	✓
Fran Barnard	✓	A	✓	✓	✓
Professor Saul Becker	A	✓	✓	✓	✓
Andy Bryant	✓	✓	✓	A	✓
Professor Stephen Caddick (term started 21 March 18)			✓	✓	✓
Professor Jane Cowan	✓	✓	✓	✓	✓
Mark Devlin	✓	✓	✓	A	✓
Adrienne Fresko CBE	✓	A	✓	✓	✓
Mark Fisher	✓	✓	A	✓	✓
Mike Fuhr (Term ended 31 July 18)	A	A	A	A	✓
Katie Ghose	A	✓	✓	✓	A
Frida Gustafsson	✓	✓	✓	✓	✓
Dame Denise Holt	✓	✓	✓	✓	✓
Professor Heather Keating	✓	✓	✓	✓	A
Professor Sir Peter Knight	✓	✓	A	✓	✓
Martin McCann	✓	✓	✓	A	✓
Professor Steve McGuire	A	✓	✓	✓	✓
Rosemary Martin	A	A	✓	✓	✓
Sharmila Nebhrajani	A	A	A	✓	A
Professor Kate O'Riordan	A	✓	A	✓	✓
Peter Overbury (term ended 31 Dec 17)	✓	A			
Jane Parsons	✓	✓	✓	✓	✓
Professor Adam Tickell	✓	✓	✓	A	✓
Dr Angela Smith	✓	✓	✓	✓	✓
Jack Stockdale (term started 1 January 18)			✓	✓	✓

Corporate Governance (continued)

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

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

COMMITTEES OF COUNCIL

From 1 August 2017 a new Council committee structure was implemented following a review of Council effectiveness, including an external review carried out by the Good Governance Institute. This structure was in place for 2017-18, however during the year a further review was carried out by the incoming Chair of Council with further changes agreed to the Council committee structure for the 2018/19 financial year, implemented from August 2018.

The section below outlines both the structures in place during the 2017-18 financial year and those implemented from 1 August 2018 and therefore in operation as at the date of approval of the *Financial Statements* in November 2018.

COMMITTEE STRUCTURE OPERATING DURING 2017/18

Audit and Risk Committee provided oversight of the University's risk management, control and governance arrangements. It ensured that mechanisms existed for economy, efficiency and effectiveness in the University's activities and advised Council on the University's internal and external audit arrangements and on all Financial Reporting matters. Its membership comprised a Chair with appropriate professional experience appointed by Council from amongst the independent members, plus four independent members of Council who were not members of the Strategic Performance and Resources Committee. With the approval of Nominations Committee, it was able to co-opt up to two other independent members from outside of Council with financial, accounting or audit experience. In 2017-18 it met five times. Although Senior Executives attended meetings of the Audit and Risk Committee as necessary, they were not members, and the Committee reserved sessions for independent discussion with the auditors without Senior Executives present.

Strategic Performance and Resources Committee had responsibility for shaping and recommending to Council a robust strategic process for the development of long-term strategy within the University as well as shaping key enabling strategies; scrutiny of financial planning and budgeting; and scrutiny of the overall performance of the University in line with its strategy and financial plans. The Strategic Performance

and Resources Committee was chaired by an independent member of Council and its membership included at least four other independent members of Council, the Vice-Chancellor, the President of the Students' Union and two staff members of Council. In 2017/18 it met six times.

Nominations Committee supported both Council and its constituent committees to be effective through oversight of Council appointments, regular skills audits, ensuring a robust framework is in existence for induction, ensuring individual performance reviews are undertaken and the co-ordination of annual effectiveness reviews of Council and its committees. It was chaired by the Chair of Council and membership included the Vice-Chancellor, four other independent members of Council and one Senate member of Council. It met three times during 2017-18.

Remuneration Committee determined the principles and strategy for the reward of staff. It also determined the remuneration of the Vice-Chancellor, the Provost, Pro-Vice-Chancellors, Chief Operating Officer and Secretary and the framework for the remuneration of the broader University Leadership Team and Professoriate. The Committee was chaired by an independent member of Council who was not chair of any other committee and its membership included the Chair of Council, the Chair of Strategic Performance and Resources Committee, the Chair of Audit and Risk Committee and one other independent member of Council.

The Vice-Chancellor was not a member of Remuneration Committee. The Committee met three times during 2017/18 with other business matters dealt with by correspondence.

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

SUB-COMMITTEES REPORTING TO THE UNIVERSITY EXECUTIVE GROUP

Human Resources Committee, Health Safety and Environment Committee and Equality and Diversity Committee were management committees reporting to the University Executive Group during 2017-18 with no changes made to this arrangement for 2018-19.

Corporate Governance (continued)

COMMITTEE STRUCTURE IN OPERATION FROM AUGUST 2018

Council approved a revised sub-committee structure in June 2018, and Chairs' Committee met over the summer of 2018 to finalise the Terms of Reference and membership of these sub-committees. The structure below was therefore implemented from August 2018 and is in place at the time of signing of these *Financial Statements*.

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

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

Capital Programmes Committee is a new sub-committee set up to provide oversight and assurance of those significant projects above the threshold requiring Council approval. Its membership comprises a Chair who is an independent member of Council and member of SPRC, two other independent members of Council, a co-opted independent member, professional services representative on Council, academic member of Council and the Vice-Chancellor. It will meet three times per year.

Remuneration Committee has been split into two distinctly separate Committees, Remuneration Committee (A) and Remuneration Committee (B). Remuneration Committee (A) is solely to determine, review and report on the remuneration of the Vice-Chancellor. Remuneration Committee (B) determines the principles and strategy for the reward of all staff excluding the Vice-Chancellor. It also determines the remuneration of the Provost, Pro-Vice-Chancellors, Chief Operating Officer and Secretary and the framework for the remuneration of the broader University Leadership Team and Professoriate. Both Committees will be chaired by an independent member of Council who is not chair of any other committee.

The membership of both Committees includes the Chair of Council, the Chair of Strategic Performance and Resources Committee and the Chair of Audit and Risk Committee. The Vice-Chancellor is not a member of either Remuneration Committee and will only attend meetings of Remuneration Committee (B) regarding staff pay. The Committee will meet two times per year with additional meetings scheduled by the Chair as necessary.

VICE-CHANCELLOR

The Vice-Chancellor, appointed by Council after consultation with Senate, exercises management supervision of the University. Under the terms of the Financial Memorandum between the University and the HEFCE for the period to 1 April 2018 and then under the Terms and Conditions for Higher Education Institutions published by the Office for Students and the Terms and Conditions of Research England Grant which superseded the HEFCE guidance, the Vice-Chancellor is the Accountable Officer of the University.

REGISTER OF INTERESTS

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

STATEMENT OF PUBLIC BENEFIT

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and members of Council are also trustees. Under the provisions of the Charities Act 2011, charities are required to demonstrate explicitly how they provide public benefit. Under the Act, the Higher Education Funding Council for England (HEFCE) (until 31 March 2018) and the Office for Students (since 1 April 2018), is the principal regulator of English higher education institutions that are exempt charities and thus for the University of Sussex. The University's Council, in setting and reviewing institutional objectives and activities, has taken into consideration the Charity Commission's guidance on the reporting of public benefit requiring: that there must be clearly identifiable benefits related to the aims of the charity; that the benefits must be to the public or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay fees; that people in poverty must not be excluded from the opportunity to benefit.

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. The University brings a wide range of public benefits to individual students and to society as a whole through the quality of education provided and the quality of students who leave the institution and enter work and/or undertake community-based activities as well as through the dissemination and practical application of our research.

Sussex is recognised for its contribution to global academy and human knowledge and striving to sustain its distinctive academic endeavour. Internationalism is embedded in the intellectual and social life of Sussex with students and staff from a diverse and numerous range of nations contributing to the experience of all those studying and working here. Our students benefit from high quality inspirational teaching led by research of lasting academic value and impact for the benefit and enrichment of society. Our students and staff are key to the 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 globally and regionally.

BENEFICIARIES AND ACTIVITIES THAT GENERATE PUBLIC BENEFIT

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

Our research benefits and enriches society, and influences policy at international, regional and national levels. The prime beneficiaries of research at Sussex, which covers a broad spectrum of disciplines and outputs, ranges from those directly affected by new medical and technological advances to those benefitting more indirectly from cultural and societal, economic and commercial, environmental and political improvements secured through better knowledge and understanding, including informing public policy in areas such as criminal justice, industry and innovation and climate change policies. Our work has benefits that may be wide in scope and others that are extremely specific and deliver improved lifestyles to those concerned. Our series of impact case studies celebrates the benefits of our research both nationally and internationally: www.sussex.ac.uk/research/impact

Our research combines expertise from across the University and works in partnership with external stakeholders to undertake research focused on key global challenges. The breadth of multidisciplinary research at Sussex is represented through the many distinctive areas of knowledge that grow and develop within each of our academic schools of study, departments and research centres.

Recent projects and other activity that are beneficial to wider society include:

Giving babies a better start in life

Dr Heike Rabe's research about the benefits of delayed cord clamping (DCC) for pre-term babies has been incorporated into global health guidelines. Dr Rabe was asked to write a prestigious Cochrane Review of the evidence in 2004. Following publication of the updated Review in 2012, her data were shown to the World Health Organization, which has subsequently incorporated the use of DCC for pre-term infants in their global guidelines.

Building a prototype for the world's first large-scale quantum computer

Scientists at the University of Sussex developed the world's first blue print for building a quantum computer, which has been made public so scientists can further develop the technology. This innovative method applies voltages to a quantum computer microchip, without having to align laser beams. It is the work of an international collaboration led by researchers at Sussex, and includes scientists from Google US, Aarhus University in Denmark, RIKEN research institute in Japan and Siegen University in Germany. Professor Winfried Hensinger, Director of the Sussex Centre for Quantum Technologies, is the research lead for the project.

Using small-scale data to see bigger patterns in biodiversity loss

University of Sussex research was instrumental in securing a ban on the international trade of pangolins, the world's only scaly mammals threatened with extinction. Professor Jörn Scharlemann and his colleagues created OFFTAKE, which collects information on the numbers of wild animals hunted, including the solitary pangolin. Their research proved that the harvesting of pangolins in Central Africa has dramatically increased and was used as evidence by 13 countries in their proposal to the Convention on International Trade in Endangered Species (CITES) to recategorise pangolins from Appendix II to I (for species threatened with extinction). In 2016 CITES agreed a total ban on the international trade of all eight pangolin species.

Corporate Governance (continued)

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

TARGETS AND ACHIEVEMENTS

In 2018 Council approved the new Strategic Framework to 2025 and revised set of University level key performance indicators and targets as part of its long-term strategic plan, against which strategic and charitable objectives are measured. The results and evidence of progress are considered by Strategic Performance and Resources Committee at each meeting, with a full annual update to Council.

We stay highly ranked in league tables at home and abroad. According to the 2018 National Student Survey, 82% of Sussex students are satisfied with their overall experience. In the last Research Excellence Framework (REF) exercise undertaken in 2014, over 75% of research activity at Sussex is categorised as world leading or internationally excellent in terms of originality, significance and rigour.

REMOVING BARRIERS TO PUBLIC BENEFIT

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

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

An important part of our policy and strategy for widening access to support those from disadvantaged backgrounds has been to agree a comprehensive range of financial and pastoral support measures, from pre-arrival to after graduation, for First-Generation Scholars (FGS) (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 Life Centre and Student Support Unit. Interventions include HE awareness-raising through close

work with selected schools, and support for job seeking and work placements. The development of a range of postgraduate taught scholarships has been a priority, and has led to the development of the Sussex Graduate Scholarships, Chancellor's Masters Scholarships and the Sussex Country Scholarships (for students coming to Sussex from India, Malaysia, Nigeria, Pakistan and Vietnam).

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

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

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

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

INCIDENTAL PRIVATE BENEFITS

The University is aware that certain activities may confer private benefit on employees (other than their core employment remuneration), especially in 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

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

Corporate Governance (continued)

FUTURE ACTIVITIES TO ENHANCE PUBLIC BENEFIT

Under the current rules applying to Home/EU undergraduates entering University the burden of funding is placed on the student through a combination of up-front tuition fees and student loans. At Sussex this section of the student body makes up approximately 76% of the student population. Government policy on funding for higher education has led to a reduction in direct grant funding and increased student fees. This presents a significant challenge for universities to avoid a perceived price barrier that might restrict access by potential student beneficiaries from low-income households. The University works with applicants and their parents and sponsors to ensure that they understand the financial impact of the fee regime, which includes loan funding for tuition fees in full, and the benefits of a higher education experience, which continues to be compelling in terms of the direct and indirect benefit to graduates.

The University is fully committed to developing access and progress routes for students from all backgrounds. Our 2018-19 OFFA Access Agreement includes a commitment to re-investing fee income, equating to £12.3m in 2018-19 (or 35% of the additional fee income over the basic £6,165 fee), 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 Brilliant Club, Villiers Park, Into University and the National Collaborative Outreach Programme to promote fair access to higher education and social mobility for young people. Decisions on whether to offer a student a place at Sussex are made independently of an assessment of whether a student is eligible for a scholarship or other support, so that all applicants who meet our academic or other professional criteria are offered a place.

In addition to the 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 ongoing careers and employability support post-graduation, or assistance with access to postgraduate study.

STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

Council, as the governing body of the University, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the HEFCE Memorandum of Assurance and Accountability for the period to 1 April 2018 and then under the Terms and Conditions for Higher Education Institutions published by the Office for Students and the Terms and Conditions of Research England Grant which superseded the HEFCE guidance.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

REVIEW OF EFFECTIVENESS

Council's review of the effectiveness of the system of internal control is informed by the work of internal auditors, not employed by the University, who operate to the standards set out in the HEFCE Memorandum of Assurance and Accountability Annex A 'Audit Code of Practice' for the period to 1 April 2018 and then under Annex C of the Terms and Conditions for Higher Education Institutions published by the Office for Students which superseded the HEFCE guidance. It is also informed by the Audit and Risk Committee, which has oversight of internal audit and reports annually to Council for its approval of the effectiveness of risk management and the system of internal control; by the work of the Senior Executives and the risk owners within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors.

CAPACITY TO HANDLE RISK

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

Corporate Governance (continued)

THE RISK AND CONTROL FRAMEWORK

The following processes have been established:

- Council meets at least three times through the year to consider the plans and strategic direction of the University.
- Council requires regular reports from Senior Officers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- Council receives periodic reports from the Chair of the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness, and receives copies of the minutes of all Audit and Risk Committee meetings.
- The Audit and Risk Committee meets four times a year and receives regular reports from internal audit, internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, including the risk register, together with recommendations for improvement. The Committee also receives an Annual Report from the Director of Finance on compliance with the Financial Regulations and other key financial control policies and procedures. The risk management framework classifies risks as financial, reputational, operational or people related. It operates at multiple levels with significant risks and/or themes being escalated to the Institutional Risk Register. Reports are provided to Audit and Risk Committee, which assures itself from reports and representations received and the work of the internal auditors that a comprehensive system of risk management is operational throughout the year.
- Risk management has been embedded at School and support unit level by ensuring that Heads of School and Directors of Professional Service Divisions, together with their management teams, undertake a detailed review of the risks facing each School or Division – risks are reviewed in each cycle of business with this review informing the Institutional Risk Register (and status of risks contained therein).
- The Institutional Risk Register is reviewed by University Executive Group monthly prior to submission to Audit and Risk Committee, members of UEG use their knowledge of the University and the external environment to validate the Register.
- A system of key performance indicators has been developed to enable Council's Strategic Performance and Resources Committee to monitor progress towards the achievement of strategic objectives, and risk management considerations are addressed specifically on all major projects and decision-making papers through the committee structure.
- Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2018 was informed by the Audit and Risk Committee, the work of the internal auditors and the senior managers in the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in its management letter and other reports. Council is of the view that there is an ongoing process for ensuring the effectiveness of the system of internal controls and for identifying, evaluating and managing the University's significant risks and that it has been in place for the year ended 31 July 2018 and up to the date of approval of the *Financial Statements*.

Responsibilities of the University's Council

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

Council is responsible for ensuring the proper maintenance of accounting records and the preparation of Financial Statements that give a true and fair view of the state of affairs of the University in accordance with the University's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions dated June 2014, other relevant accounting and financial reporting standards and within the terms and conditions of a Memorandum of Assurance and Accountability agreed between HEFCE and the University's Council (to 31 March 2018) and those within the Terms and Conditions for Higher Education Institutions agreed between OfS and the University's Council (from 1 April 2018).

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

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

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

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

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

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

OPINION

We have audited the financial statements of the University of Sussex ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive income, the Balance Sheets for the Group and the University, Consolidated and University Statement of changes in Equity, the Consolidated Cash Flow Statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS REQUIRED BY THE HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND ("HEFCE") AUDIT CODE OF PRACTICE

In our opinion, in all material respects:

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

RESPONSIBILITIES OF COUNCIL

As explained more fully in the Council's responsibilities statement set out on page 22, the Council is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

USE OF OUR REPORT

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



James Aston (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 27 November 2018

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

Statement of Comprehensive Income

	NOTES	YEAR ENDED 31 JULY 2018 CONSOLIDATED £'000	UNIVERSITY £'000	YEAR ENDED 31 JULY 2017 CONSOLIDATED £'000	UNIVERSITY RESTATE £'000
INCOME					
Tuition fees and education contracts	1.1	174,606	174,606	165,196	165,196
Funding body grants	1.2	30,722	30,669	28,925	28,925
Research grants and contracts	1.3	36,756	36,756	35,591	35,591
Other income	1.4	51,183	49,751	47,504	46,353
Investment income	1.5	1,702	1,702	1,428	1,428
Total income before endowments and donations		294,969	293,484	278,644	277,493
Donations and endowments	1.6	2,379	2,379	8,607	8,607
TOTAL INCOME		297,348	295,863	287,251	286,100
EXPENDITURE					
Staff costs	2.1	147,532	139,800	136,140	128,932
Other operating expenses	2.3	114,467	122,143	112,725	119,788
Write down of discontinued capital project	3.0	6,833	6,833	-	-
Depreciation	3.0	16,674	16,435	15,445	15,211
Interest and other finance costs	2.2	8,208	8,016	6,616	6,423
TOTAL EXPENDITURE		293,714	293,227	270,926	270,354
Surplus before other gains/(losses)		3,634	2,636	16,325	15,746
Loss on disposal of fixed assets		(26)	(24)	(3,256)	(3,256)
Gain on investments		781	781	277	277
Share of operating surplus in associate		168	-	-	-
SURPLUS BEFORE TAX		4,557	3,393	13,346	12,767
Taxation		(5)	(5)	-	-
SURPLUS FOR THE YEAR		4,552	3,388	13,346	12,767
Actuarial gain in respect of pension schemes	17	8,132	8,132	6,720	6,720
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,684	11,520	20,066	19,487
Represented by:					
Endowment comprehensive income for the year	11	607	607	850	850
Unrestricted comprehensive income for the year		11,283	10,913	18,434	18,637
Non-controlling interest		794	-	782	-
		12,684	11,520	20,066	19,487
SURPLUS FOR THE YEAR ATTRIBUTABLE TO:					
Non-controlling interest		794	-	782	-
University		3,758	3,388	12,564	12,767

All items of income and expenditure relate to continuing activities

Balance Sheet

	NOTES	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
		CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED RESTATED £'000	UNIVERSITY RESTATED £'000
NON-CURRENT ASSETS					
Fixed assets	3	444,196	439,841	437,145	432,679
Investments	5	6,646	885	6,489	896
		450,842	440,726	443,634	433,575
CURRENT ASSETS					
Stock		54	51	72	53
Trade and other receivables	6	29,298	41,390	34,957	47,336
Investments	7	175,398	175,398	64,493	64,493
Cash and cash equivalents		28,581	23,400	39,187	34,656
		233,331	240,239	138,709	146,538
Creditors: amounts falling due within one year	8	(72,775)	(69,252)	(73,585)	(70,816)
NET CURRENT ASSETS		160,556	170,987	65,124	75,722
TOTAL ASSETS LESS CURRENT LIABILITIES		611,398	611,713	508,758	509,297
DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	6	12,647	12,647	12,805	12,805
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(213,747)	(212,646)	(112,115)	(110,856)
PROVISIONS					
Pension provisions	10	(36,752)	(36,752)	(46,778)	(46,778)
Other provisions	10	(262)	(262)	(1,288)	(1,288)
TOTAL NET ASSETS		373,284	374,700	361,382	363,180
RESTRICTED RESERVES					
Income and expenditure reserve – endowment reserve	11	11,598	11,598	10,991	10,991
UNRESTRICTED RESERVES					
Income and expenditure reserve – unrestricted		358,725	362,737	347,442	351,824
Capital Reserve		1,802	-	1,802	-
Revaluation reserve		365	365	365	365
		372,490	374,700	360,600	363,180
Non-controlling interest		794	-	782	-
TOTAL RESERVES		373,284	374,700	361,382	363,180

The financial statements were approved and authorised for issue by the Governing Body on 27 November 2018 and were signed on its behalf on that date by:



Professor Adam Tickell, Vice-Chancellor



Dame Denise Holt, Chair of Council



Allan Spencer, Director of Finance

Consolidated Cash Flow Statement

	NOTES	YEAR ENDED 31 JULY 2018 £'000	YEAR ENDED 31 JULY 2017 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		4,552	13,346
ADJUSTMENT FOR NON-CASH ITEMS			
Depreciation	3	16,674	15,445
Gain on investments	5	(781)	(277)
Decrease/(increase) in stock		18	(9)
Decrease/(increase) in debtors	6	6,006	(8,895)
Increase/(decrease) in creditors	8	(8,844)	15,108
Increase/(decrease) in other provisions	10	(1,026)	264
Share of operating (surplus)/deficit in associate		(168)	-
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES			
Investment income	1.5	(1,702)	(1,464)
Interest payable	2.2	8,208	6,616
Operating lease income		(329)	(160)
Endowment income	11	(96)	(853)
Write down of the discontinued capital project		6,833	-
Loss on disposal of fixed assets		26	3,256
Capital grant income		(2,568)	(2,630)
NET CASH INFLOW FROM OPERATING ACTIVITIES		26,803	39,747
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital grant receipts		2,568	2,630
East Slope Lease Premium Receipt		-	23,500
Investment income received	1.5	1,513	1,428
Payments made to acquire fixed assets	3	(19,278)	(19,011)
New non-current asset investments		-	(5,755)
New short term deposits	7	(110,113)	(15,813)
		(125,310)	(13,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(5,725)	(6,066)
Interest element of finance lease		(371)	(563)
East Slope Fees and Enabling works		(2,736)	(4,611)
Endowment cash received		96	853
Distribution to non-controlling interest		(782)	(796)
New unsecured loans		100,000	-
Repayments of amounts borrowed	8	(2,097)	(1,933)
Capital element of finance lease	8	(484)	(325)
		87,901	(13,441)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR		(10,606)	13,285
Cash and cash equivalents at beginning of the year		39,187	25,902
Cash and cash equivalents at end of the year		28,581	39,187

Statement of Changes in Equity

	Income and Expenditure account		Capital Reserve	Revaluation Reserve	Total excluding non-controlling interest	Non-controlling interest	Total
	Endowment	Unrestricted					
	£'000	£'000					
CONSOLIDATED							
BALANCE AT 1 AUGUST 2016	10,141	328,226	1,802	365	340,534	796	341,330
Distribution of Non Controlling Interest					-	(796)	(796)
	10,141	328,226	1,802	365	340,534	-	340,534
Surplus from the statement of comprehensive income	1,693	11,653	-	-	13,346	782	14,128
Other comprehensive income	-	6,720	-	-	6,720	-	6,720
Release of restricted funds spent in year	(843)	843	-	-	-	-	-
Total comprehensive income for the year	850	19,216	-	-	20,066	782	20,848
BALANCE AT 1 AUGUST 2017	10,991	347,442	1,802	365	360,600	782	361,382
Distribution of Non Controlling Interest					-	(782)	(782)
	10,991	347,442	1,802	365	360,600	-	360,600
Surplus from the statement of comprehensive income	1,552	2,206	-	-	3,758	794	4,552
Other comprehensive income	-	8,132	-	-	8,132	-	8,132
Release of restricted funds spent in year	(945)	945	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	607	11,283	-	-	11,890	794	12,684
BALANCE AT 31 JULY 2018	11,598	358,725	1,802	365	372,490	794	373,284
UNIVERSITY							
BALANCE AT 1 AUGUST 2016	10,141	333,187	-	365	343,693	-	343,693
Surplus from the statement of comprehensive income	1,693	11,074	-	-	12,767	-	12,767
Other comprehensive income	-	6,720	-	-	6,720	-	6,720
Release of restricted funds spent in year	(843)	843	-	-	-	-	-
Total comprehensive income for the year	850	18,637	-	-	19,487	-	19,487
BALANCE AT 1 AUGUST 2017	10,991	351,824	-	365	363,180	-	363,180
Surplus from the statement of comprehensive income	1,552	1,836	-	-	3,388	-	3,388
Other comprehensive income	-	8,132	-	-	8,132	-	8,132
Release of restricted funds spent in year	(945)	945	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	607	10,913	-	-	11,520	-	11,520
BALANCE AT 31 JULY 2018	11,598	362,737	-	365	374,700	-	374,700



Statement of Principal Accounting Policies and Estimation Techniques

1. BASIS OF PREPARATION

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

The financial statements conform to guidance published by the Higher Education Funding Council for England.

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

- No cash flow statement has been presented for the University.
- Disclosures in respect of the University's financial instruments have not been presented, as equivalent disclosures have been provided in respect of the group as a whole.

2. BASIS OF ACCOUNTING

The consolidated financial statements include the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2017. These are Sussex Innovation Centre Development Limited, Sussex UH Limited, Sussex Estates and Facilities LLP, Sussex Innovation Centre Management Limited, Sussex UH ESR Holding Limited and Sussex UH ESR Intermediate Limited.

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

3. INCOME RECOGNITION

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

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

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

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

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

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

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

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

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

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

AGENCY ARRANGEMENTS

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

4. EMPLOYMENT BENEFITS

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

5. FINANCE LEASES

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

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

6. SERVICE CONCESSION ARRANGEMENTS

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

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

7. OPERATING LEASES

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

8. TAXATION

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

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

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

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

9. ACCOUNTING FOR RETIREMENT BENEFITS

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

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to University at members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

DEFINED CONTRIBUTION PLAN

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

DEFINED BENEFIT PLAN

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

10. FOREIGN CURRENCY

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

11. FIXED ASSETS

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Land and buildings that had been revalued to fair value on or prior to the date of transition to the 2015 SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

LAND AND BUILDINGS

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

EQUIPMENT

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

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

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

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

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

BORROWING COSTS

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

12. FINANCIAL INSTRUMENTS

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

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

13. STOCKS

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

14. REPAIRS AND MAINTENANCE

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

15. CASH AND CASH EQUIVALENTS

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within three months without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They include term deposits, government securities and loan stock held as part of the treasury management activities. They exclude any such assets held as endowment asset investments.

16. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when:

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

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

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

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

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

17. ACCOUNTING FOR JOINT VENTURES

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

18. INTRA-GROUP TRANSACTIONS

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

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

19. RESERVES

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

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

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

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

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

Other key sources of estimation uncertainty:

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



Notes to the Financial Statements

NOTE 1 INCOME

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
1.1 TUITION FEES AND EDUCATION CONTRACTS				
Full-time home and EU students	104,838	104,838	94,575	94,575
Full-time international students	64,822	64,822	65,959	65,959
Part-time students	1,817	1,817	1,806	1,806
Research Training Support Grant	102	102	121	121
Short courses	3,027	3,027	2,735	2,735
	174,606	174,606	165,196	165,196
1.2 FUNDING BODY GRANTS				
RECURRENT GRANTS:				
Office for Students/Higher Education Funding Council	22,703	22,703	22,202	22,202
Department for Education	2,257	2,257	1,489	1,489
Capital Grants	2,568	2,546	2,630	2,630
SPECIFIC GRANTS:				
Higher Education Innovation Fund	3,073	3,073	2,190	2,190
Other grants	121	90	414	414
	30,722	30,669	28,925	28,925
1.3 RESEARCH GRANTS AND CONTRACTS				
Research Councils	15,596	15,596	17,808	17,808
UK-based charities	8,213	8,213	8,252	8,252
European Commission	6,192	6,192	7,286	7,286
Other grants and contracts	6,755	6,755	2,245	2,245
	36,756	36,756	35,591	35,591
1.4 OTHER INCOME				
Residences, catering and other operations	39,476	36,838	32,521	35,521
Other services rendered	4,335	4,335	3,488	3,488
General academic services	803	803	568	568
NHS Income	4,622	4,622	3,790	3,790
Staff and student services	746	673	639	639
Central administrative	718	718	563	563
Other income	483	1,762	2,935	1,784
	51,183	49,751	47,504	46,353
1.5 INVESTMENT INCOME				
Investment income on endowments	664	664	840	840
Other Investment Income	1,038	1,038	588	588
	1,702	1,702	1,428	1,428
1.6 DONATIONS AND ENDOWMENTS				
New endowments	96	96	853	853
Donations with restrictions	2,283	2,283	7,754	7,754
	2,379	2,379	8,607	8,607

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NOTE 2 EXPENDITURE

2.1 STAFF COSTS

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
Salaries	115,217	108,442	107,244	100,935
Social security costs	12,588	12,047	11,447	10,942
Other pension costs	19,727	19,311	17,449	17,055
Total	147,532	139,800	136,140	128,932

TOTAL REMUNERATION OF THE CURRENT VICE-CHANCELLOR PROFESSOR ADAM TICKELL

	YEAR ENDED 31 JULY 2018	1 SEPTEMBER 2016 TO 31 JULY 2017
	£'000	£'000
Basic salary	294	267
Other taxable benefits:		
contributions to relocation costs	-	9
death in service and incapacity benefits	7	9
Non-taxable benefits: contributions to relocation costs	-	8
	301	293

TOTAL REMUNERATION OF THE PREVIOUS VICE-CHANCELLOR PROFESSOR MICHAEL FARTHING

	YEAR ENDED 31 JULY 2018	1 AUGUST 2016 TO 31 AUGUST 2016
	£'000	£'000
Basic salary	-	249
Pension contributions	-	3
	-	252

There are no other payments to either Vice-Chancellor, nor is there any accommodation provided to either Vice-Chancellor. The current Vice-Chancellor joined the University on 1st September 2016, so the prior year comparative shows his pay for 11 months. The Vice-Chancellor received the same annual percentage pay increase as all other staff.

The Vice-Chancellor's salary is 7.57 times the median pay of staff.

The Vice-Chancellor's remuneration is 6.77 times the median remuneration of staff.

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

The total remuneration package of the Vice-Chancellor is justified on the following bases. The Vice-Chancellor is responsible for the strategic vision and operational delivery of a complex portfolio of matters, all of which must be managed within a challenging, politically sensitive and increasingly competitive global environment. For the University to deliver the ambitious and distinctive vision defined in its Strategic Framework: Sussex 2025, the overarching imperative will be to ensure its financial sustainability and capacity to invest in its strategic priorities. This is a significant challenge given the uncertain environment in which the University operates, both within the UK and the wider global context, with corresponding implications for future funding of the institution. The remuneration of the Vice-Chancellor reflects the challenges facing him as a leader as he stewards the University to fulfil its strategic ambitions.

The Vice-Chancellor's remuneration shown in the year was approved by the University's Remuneration Committee. In determining the remuneration of the Vice-Chancellor, the Remuneration Committee considers pay benchmarking data in respect of Heads of Institution provided annually by the Committee of University Chairs (CUC). The consideration includes assessment of individual performance based on evaluation and review of performance conducted by the Chair of Council and considered by Remuneration Committee.

The Vice-Chancellor is set key objectives agreed with the Chair of Council against which he is appraised annually. The process is evidence-based and evaluates the value and performance delivered by the Vice-Chancellor against these objectives. The Chair of Council provides a high-level update based on the outcome of the appraisal process to the Remuneration Committee at its first meeting of the new academic year. This year, the report will be made to the newly established Remuneration Committee A, which only deals with the Vice-Chancellor's remuneration in the absence of the Vice-Chancellor, who does not attend any part of the meeting.

FINANCIAL STATEMENTS 2017-18

NOTE 2 EXPENDITURE (CONTINUED)

The table below shows the number of staff with a basic salary above £100,000 per annum, broken down into bands of £5,000. This differs from previous years' disclosures that included allowances. 2016-17 figures have been restated to reflect the change.

	YEAR ENDED 31 JULY 2018	YEAR ENDED 31 JULY 2017
	Number	Number
£100,000 to £104,999	16	16
£105,000 to £109,999	9	7
£110,000 to £114,999	4	6
£115,000 to £119,999	4	3
£120,000 to £124,999	8	8
£125,000 to £129,999	5	5
£130,000 to £134,999	3	1
£135,000 to £139,999	2	3
£140,000 to £144,999	2	-
£145,000 to £149,999	1	1
£160,000 to £164,999	2	1
£175,000 to £179,999	1	-
£220,000 to £224,999	1	1
£290,000 to £294,999	1	1
	59	53

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented as the University Executive Group (UEG). The total remuneration paid to key management personnel was £1,105k in 2017-18 (£684k in 2016-17) excluding the remuneration of the Vice-Chancellor, which is detailed above. In 2016-17 two key management posts were vacant.

No payments to senior staff in lieu of notice were made to senior post-holders during the year (2016/17: £230k).

The total amount of severance payments in the year was £252,810 which was paid across 50 individuals. This figure includes payments for severance, redundancy and loss of office.

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

	YEAR ENDED 31 JULY 2018	YEAR ENDED 31 JULY 2017
	Number	Number
Academic	1,396	1,258
Technical	135	141
Management & specialist	1,121	1,036
Other	229	167
	2,881	2,602

TRUSTEE EXPENSES

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

The total expenses paid to or on behalf of 12 council members was £6,122 (2016/17: £9,041 to 14 council members).

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

FINANCIAL STATEMENTS 2017-18

	YEAR ENDED 31 JULY 2018	UNIVERSITY	YEAR ENDED 31 JULY 2017	UNIVERSITY
	CONSOLIDATED	£'000	CONSOLIDATED	£'000

2.2 INTEREST AND OTHER FINANCE COSTS

Loans wholly repayable within five years	2	-	2	-
Loans not wholly repayable within five years	6,712	6,522	4,850	4,659
Finance leases	371	371	563	563
Net interest on pension liabilities	1,123	1,123	1,201	1,201
	8,208	8,016	6,616	6,423

2.3 OTHER OPERATING EXPENDITURE

Academic fees and charges	11,747	11,747	10,191	10,191
Administrative and office costs	1,152	1,199	4,557	1,488
Foreign exchange (gain)/loss	(9)	(9)	(180)	(180)
External auditors remuneration for annual accounts audit	174	140	117	101
Books and periodicals	1,910	1,910	1,895	1,895
Management fees	3,273	3,298	3,544	3,544
Consultancy fees	18,032	18,009	14,313	14,293
Consumables and equipment	13,740	13,719	20,596	20,566
Marketing and publicity	3,539	3,477	3,698	3,669
Facilities costs	8,517	16,575	3,950	14,451
Rent, rates and insurance	5,695	5,691	4,581	4,572
Lease rentals	1,884	1,800	1,843	1,800
Scholarships, bursaries and prizes	22,162	22,162	21,218	21,218
Students union grant	1,108	1,108	996	996
Subscriptions, fees and charges	9,293	9,248	7,873	7,857
Training, travel and employment costs	7,606	7,475	7,886	7,741
Utilities and services	4,644	4,594	5,647	5,586
	114,467	122,143	112,725	119,788

FINANCIAL STATEMENTS 2017-18

NOTE 3 FIXED ASSETS

CONSOLIDATED

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Infrastructure £'000	Service Concession £'000	Fixtures Fittings and Equipment £'000	Assets in the Course of construction £'000	Total £'000
COST AND VALUATION							
At 1 August 2017	51,938	403,758	-	-	49,244	8,191	513,131
Additions	423	8,071	517	11,306	5,137	5,130	30,584
Write down of discontinued capital project	-	-	-	-	-	(6,833)	(6,833)
Transfers	-	1,451	120	-	532	(2,103)	-
Disposals	-	-	-	-	(11,158)	-	(11,158)
At 31 July 2018	52,361	413,280	637	11,306	43,755	4,385	525,724
DEPRECIATION							
At 1 August 2017	4,492	31,016	-	-	40,478	-	75,986
Depreciation charge	986	11,818	64	-	3,806	-	16,674
Disposals	-	-	-	-	(11,132)	-	(11,132)
At 31 July 2018	5,478	42,834	64	-	33,152	-	81,528
NET BOOK VALUE							
At 31 July 2018	46,883	370,446	573	11,306	10,603	4,385	444,196
At 31 July 2017	47,446	372,742	-	-	8,766	8,191	437,145

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Infrastructure £'000	Service Concession £'000	Fixtures Fittings and Equipment £'000	Assets in the Course of construction £'000	Total £'000
UNIVERSITY							
COST AND VALUATION							
At 1 August 2017	46,132	405,306	-	-	46,854	8,191	506,483
Additions	423	8,071	517	11,306	5,007	5,130	30,454
Write down of discontinued capital project	-	-	-	-	-	(6,833)	(6,833)
Transfers	-	1,451	120	-	532	(2,103)	-
Disposals	-	-	-	-	(11,084)	-	(11,084)
At 31 July 2018	46,555	414,828	637	11,306	41,309	4,385	519,020
DEPRECIATION							
At 1 August 2017	2,394	32,569	-	-	38,841	-	73,804
Depreciation charge	986	11,604	64	-	3,781	-	16,435
Disposals	-	-	-	-	(11,060)	-	(11,060)
At 31 July 2018	3,380	44,173	64	-	31,562	-	79,179
NET BOOK VALUE							
At 31 July 2018	43,175	370,655	573	11,306	9,747	4,385	439,841
At 31 July 2017	43,738	372,737	-	-	8,013	8,191	432,679

FINANCIAL STATEMENTS 2017-18

NOTE 3 FIXED ASSETS (CONTINUED)

During the year the University ceased work on a proposed new Life Sciences building. Professional fees and management costs of £6,833,000 which had been capitalised were written down immediately.

At 31 July 2018 freehold land and buildings included £11.5m (2016/17: £11.5m) in respect of freehold land which is not depreciated.

The net book value of tangible fixed assets includes an amount of £303.6m (2016/17: £305.9m) of buildings held under finance leases. The depreciation charge on these assets for the year was £11.0m (2016/17: £10.9m)

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

CONSOLIDATED AND UNIVERSITY

	2018 £'000	2017 £'000
Due in less than one year	875	888
Due between two and five years	2,139	3,563
Due in five years or more	220	276
	3,234	4,727

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

NOTE 4 SERVICE CONCESSION ARRANGEMENTS

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

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

SERVICE CONCESSION ARRANGEMENT ASSETS

The asset value of the service concession in the Balance Sheet as at 31 July 2018 is £11.3m (31 July 2017: Nil).

SERVICE CONCESSION ARRANGEMENT LIABILITIES

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2018 were £11.3m (31 July 2017 Nil), representing the present value of lease obligations for the following academic year.

FUTURE COMMITMENTS

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

	PAYABLE WITHIN ONE YEAR	PAYABLE IN BETWEEN ONE AND TWO YEARS	PAYABLE IN BETWEEN TWO AND FIVE YEARS	PAYABLE IN MORE THAN FIVE YEARS
	£'000	£'000	£'000	£'000
Liability repayments	3,959	3,699	3,648	-
Finance charge	9	5	2	-
	3,968	3,704	3,650	-

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NOTE 5 NON-CURRENT INVESTMENTS

CONSOLIDATED

	ASSOCIATE COMPANIES £'000	SUBSIDIARY COMPANIES £'000	OTHER FIXED ASSETS INVESTMENTS £'000	TOTAL £'000
At 1 August 2017	5,755	-	734	6,489
Additions	-	-	-	-
Share of Comprehensive Income	168	-	-	168
Gain/(Loss) in value	-	-	(11)	(11)
At 31 July 2018	5,923	-	723	6,646
UNIVERSITY				
	£'000	£'000	£'000	£'000
At 1 August 2017	-	162	734	896
Gain/(Loss) in value	-	-	(11)	(11)
At 31 July 2018	-	162	723	885

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

OTHER NON-CURRENT INVESTMENTS CONSIST OF:

CONSOLIDATED AND UNIVERSITY
31 JULY 2018 31 JULY 2017
£'000 £'000

Listed Securities		
Mercantile Investment Trust	261	235
Legal & General Industrial Property Investment Fund Feeder Unit Trust	180	148
Feedback PLC*	193	261
	634	644
Unlisted Shares		
CVCP Properties	36	37
The New Statesman	1	1
Interanalysis Limited	50	50
InCrowd	2	2
	89	90
Total	723	734

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NOTE 5 NON-CURRENT INVESTMENTS (CONTINUED)

	Share Class	Number	Ordinary Holding	University Value at cost 2018 £	University Value at cost 2017 £	Nature of Activity
Sussex Innovation Centre Management Ltd	Ord	200	100%	161,616	161,616	Property Management
	Pref	2,235	-	437	437	
Sussex Innovation Centre Development Centre	Ord	100	100%	100	100	Property Development
	Pref	1,800,000	-	2	2	
Sussex UH Ltd	Ord	100	100%	100	100	Holding Company
USPAS Trustee Ltd	Ord	100	100%	100	100	Pension Corporate Trustee
East Slope Housing Ltd	Ord	2	100%	2	2	Inactive
Sussex EF Ltd	Ord	100	100%	100	100	Inactive
Sussex UH ESR Holdco Ltd	Ord	1	100%	1	1	Holding Company
Sussex UH ESR Intermediate Ltd	Ord	1	100%	1	1	Holding Company
Interanalysis Ltd	Ord	20	20%	50,000	50,000	Software Technology
Feedback Plc	Ord	9,400,000	3.8%	43,338	43,338	Medical Imaging
CVCP Properties Plc	Ord	36,582	<1%	36,582	36,582	Investment Property
The New Statesman Ltd	Ord	1,626	<1%	1,626	1,626	Media Publication
Enterprise Therapeutics Ltd	Ord	12,371	<1%	-	-	Drug Development

Note that any investments listed are held at fair value.

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

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

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

NOTE 6 TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Debtors and prepayments	19,018	18,388	23,016	23,171
Research debtors	10,280	10,280	11,941	11,941
Amounts due from subsidiary companies	-	12,722	-	12,224
Amounts due from associate companies	-	-	-	-
	29,298	41,390	34,957	47,336

Amounts due from subsidiary companies comprise Deed of Covenant payments £1.627m, Intercompany balances £2.275m and Intercompany Loans £7.842m

Amounts falling due after more than one year:				
Debtors	12,647	12,647	12,805	12,805
Amounts due from subsidiary undertaking	-	-	-	-
Amounts due from associate companies	-	-	-	-
	12,647	12,647	12,805	12,805

Amounts falling due after more than one year comprise £12.647m relating to East Slope Development Lease Premium.

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NOTE 7 CURRENT INVESTMENTS

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Short term investment in shares	11,181	11,181	9,923	9,923
Short term deposits	164,217	164,217	54,570	54,570
	175,398	175,398	64,493	64,493

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

At 31 July 2018 the average interest rate of these fixed deposits was 0.6% per annum and the remaining average period for which the interest rate is fixed on these deposits was 162 days. The fair value of these deposits was not materially different from the book value.

NOTE 8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Mortgages and other loans	2,725	2,548	2,598	2,452
Service Concession Arrangement	3,959	3,959	-	-
Obligations under finance leases	560	560	484	484
Research Creditor	12,493	12,493	14,509	14,510
Creditors and accruals	53,038	46,895	55,994	50,420
Amounts due to Subsidiaries	-	2,797	-	2,970
	72,775	69,252	73,585	70,816

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

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED	UNIVERSITY	CONSOLIDATED	UNIVERSITY
	£'000	£'000	£'000	£'000
Service Concession Arrangement	7,347	7,347	-	-
Obligations under finance lease	1,810	1,810	2,370	2,370
Unsecured loans	180,795	180,139	83,017	82,184
Creditors and Accruals	23,795	23,350	26,728	26,302
Amounts due to Subsidiaries	-	-	-	-
Amounts due to Associates	-	-	-	-
	213,747	212,646	112,115	110,856

University Creditors and Accruals falling due after more than one year represents East Slope lease premium of £23.35m to be amortised over the remaining 53 years of the lease. In addition a further £0.495m related to deferred capital grants is included in the Consolidated figures

Analysis of loans:

Due within one year	7,244	7,067	2,624	2,457
Due between one and two years	655	-	833	-
Due between two and five years	17,797	17,797	10,726	10,726
Due in five years or more	171,499	171,499	73,828	73,828
Due after more than one year	189,951	189,296	85,387	84,554
Total secured and unsecured loans	197,195	196,363	88,011	87,011

Included in loans and leases are the following:

LENDER	AMOUNT OUTSTANDING AT 31 JULY 2018	TERM	INTEREST RATE	BORROWER
	£'000		%	
Lloyds	42,686	to 2034	5.82	University
B&N Lease	2,084	to 2021	8.97	University
Kelsey Finance Lease	287	to 2026	11.22	University
Barclays	40,000	to 2039	5.60	University
East Slope Service Concession Arrangement	11,305			
Private Placement Loan Series A	50,000	to 2044	2.76	University
Private Placement Loan Series B	18,000	to 2049	2.78	University
Private Placement Loan Series C	32,000	to 2049	2.85	University
	196,362			
Barclays	833	to 2022	6.21	Sussex Innovation Centre Development Co Ltd.
Total	197,195			

FINANCIAL STATEMENTS 2017-18

NOTE 10 PROVISIONS FOR LIABILITIES

CONSOLIDATED

	Obligation to fund deficit on USS Pension	Defined benefit obligations (note 17)	Total pensions provisions	Other	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 August 2017	(22,179)	(24,599)	(46,778)	(1,288)	(48,066)
Utilised in year	-	-	-	1,144	1,144
Additions in 2017/18	337	9,689	10,026	(118)	9,908
Unused amounts reversed in 2017/18			-	-	-
At 31 July 2018	(21,842)	(14,910)	(36,752)	(262)	(37,014)

UNIVERSITY

	Obligation to fund deficit on USS Pension	Defined benefit obligations (note 20)	Total pensions provisions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	(22,179)	(24,599)	(46,778)	(1,288)	(48,066)
Utilised in year			-	1,144	1,144
Additions in 2017/18	337	9,689	10,026	(118)	9,908
Unused amounts reversed in 2017/18			-	-	-
At 31 July 2018	(21,842)	(14,910)	(36,752)	(262)	(37,014)

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

FINANCIAL STATEMENTS 2017-18

NOTE 11 ENDOWMENT RESERVES

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 August 2017					
Capital 1 August 2017	4,393	49	5,775	10,217	9,390
Accumulated income	755	19	-	774	751
	5,148	68	5,775	10,991	10,141
New endowments	53	1	42	96	853
Investment income		-	664	664	242
Expenditure	(48)	-	(897)	(945)	(843)
	5	1	(191)	(185)	252
Increase in market value of investments	321	6	465	792	598
At 31 July 2018	5,474	75	6,049	11,598	10,991
Represented by:					
Capital	4,714	55	6,049	10,818	12,346
Accumulated income	760	20	-	780	(1,355)
	5,474	75	6,049	11,598	10,991
Analysis by type of purpose:					
Lectureships	114	-	-	114	105
Scholarships and bursaries	1,309	-	737	2,046	1,883
Research support	2,285	-	588	2,873	2,649
Prize funds	651	-	36	687	626
General	1,115	75	4,688	5,878	5,728
	5,474	75	6,049	11,598	10,991
Analysis by asset					
Fixed assets				-	199
Current and non-current asset investments				11,181	7,525
Cash and cash equivalents				417	3,267
				11,598	10,991

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NOTE 12 INVESTMENT IN JOINT VENTURE

BACKGROUND

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

ACCOUNTING ARRANGEMENTS

The income and expenditure of the BSMS for the year ended 31 July 2018 is reflected in the audited Financial Statements of both universities. Each university has included its share of the gross net assets and liabilities of the joint venture and its share of the gross assets and liabilities of the joint venture and its share of the turnover and surplus.

INCOME AND EXPENDITURE
ACCOUNT FOR THE YEAR

	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2018 £'000	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2017 £'000
INCOME		
HEFCE /OfS grant	2,891	3,166
NHS funds	5,244	3,738
Academic fees	3,512	3,323
Research grants and contracts	1,086	1,596
Other	379	220
Total income	13,112	12,043
EXPENDITURE		
Staff costs	7,311	6,503
Depreciation	220	236
Other operating expenses	5,558	5,574
Total expenditure	13,089	12,313
Surplus/(Deficit) on continuing operations	23	(270)
Surplus brought forward for the year	7,710	7,980
Surplus retained for the year	7,733	7,710

BALANCE SHEET AS AT 31 JULY 2018

	UNIVERSITY OF SUSSEX 31 JULY 2018 £'000	UNIVERSITY OF SUSSEX 31 JULY 2017 £'000
Fixed Assets	1,057	1,166
Current Assets		
Debtors	1,445	762
Cash at banks and in hand	9,792	9,696
Current Liabilities		
Creditors	(4,561)	(3,914)
Net current assets	6,676	6,544
Total net assets	7,733	7,710
Represented by:	7,733	7,710
Income and expenditure account	7,733	7,710

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NOTE 13 CAPITAL AND OTHER COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2018:

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED		CONSOLIDATED	
	£'000		£'000	
Commitments contracted for	3,909		5,710	
Authorised, approved but not contracted for	13,904		140,436	
	17,813		146,146	

NOTE 14 OPERATING LEASE COMMITMENTS

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

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED		CONSOLIDATED	
	£'000		£'000	
	Land and Buildings	Total	Total	
Annual rentals under operating leases payable				
In 1 year	1,960	1,960	1,900	
Two to Five years	7,839	7,839	7,600	
Five or more	7,839	7,839	7,600	
Total lease payments due	17,638	17,638	17,100	

NOTE 15 DEPARTMENT FOR EDUCATION TRAINING BURSARIES

	YEAR ENDED 31 JULY 2018		YEAR ENDED 31 JULY 2017	
	CONSOLIDATED		CONSOLIDATED	
	£'000		£'000	
DfE Grants	123		(256)	
Disbursement to students	5,219		4,795	
Other Disbursements	(4,821)		(4,344)	
Other Disbursements	(104)		(72)	
Balance (owed to)/owing from DfE at 31 July 2018	417		123	

University holds support scheme funds as paying agent for HEFCE/OfS. These funds and related disbursements from the funds are excluded from the Consolidated Statement of Comprehensive Income.

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NOTE 16 RELATED PARTY TRANSACTIONS

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

Due to the nature of the University's operations and the composition of the University's Council, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of the Council has an interest. The University's Financial Regulations, systems of internal control and policies, including purchasing are designed to ensure that all the University's transactions are conducted with propriety on an arms length basis.

For the 12 month period to 31 July 2018 Related party transactions in respect of the following relationships took place and were either complete or outstanding:

- (i) C Brodie, who is non-executive Chairman of the Student Loans Company Ltd, with which the University transacts for a proportion of its student fee income, and who is also the Chair of the Universities and Colleges Admissions Service in the UK, with which the University transacts for subscription and consultancy fees.
- (ii) Professor Adam Tickell, the University's Vice-Chancellor, who is a trustee of the Institute of Development Studies (IDS). The University receives and pays amounts in respect of tuition income and payroll on behalf of IDS.
- (iii) F Gustafsson, President of the University of Sussex Student Union, to which the University provides a grant.
- (iv) Sussex Estates & Facilities LLP is a 65% subsidiary of Sussex UH Ltd and supplies facilities management services to the University.
- (v) Professor Stephen Caddick, who is a member of Council, is a Professor of Chemistry at University College London, from which the University received research funding and transacts for subcontractors and a director of the Wellcome Trust which provides research grants to the University.
- (vi) K Baker CBE, who is a member of Council, is a non-executive director of Brighton and Sussex Universities Hospital Trust (BSUH) to which the University recharges salary costs.
- (vii) S Nebhrajani, who is a member of Council, was the Chair of the Human Tissue Authority, to which the University pays licence fees.
- (viii) East Slope Residences Student Accommodation LLP is a partnership between the University and Balfour Beatty for the purpose of constructing and servicing student accommodation. Sussex UH ESR Intermediate Ltd has a 20% interest in the partnership.

SUMMARY OF RELATED PARTY TRANSACTIONS

	INCOME		EXPENDITURE		DEBTORS		CREDITORS	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Student Loans Company	90,275	80,109	16	4	-	74	-	-
Sussex Estates and Facilities	-	5		36,650	1	-	-	-
University of Sussex Students Union	147	150	1,356	1,177	-	-	11	-
Institute of Development Studies	957	211	184	130	-	19	-	-
London School of Economics	-	198		11	-	-	-	-
University College London	72	-	48		-	-	-	-
Brighton and Sussex Universities Hospitals Trust (BSUH)	4,964	5,701	528	399	1,968	1,517	750	239
Human Tissue Authority	-	-	9	9	-	-	-	-
UCAS (The Universities and Colleges Admissions Service in the UK)	-		135		-		-	-
Wellcome Trust	4,537		18				-	-
East Slope Residences Student Accommodation LLP	-	-	-		-		5,745	-

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NOTE 17 PENSION SCHEMES

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

	FORECAST YEAR ENDED 2019	ACTUAL YEAR ENDED 2018	ACTUAL YEAR ENDED 2017
	£'000	£'000	£'000
CONTRIBUTIONS TO USS	15,455	15,265	14,100
CONTRIBUTIONS TO USPAS	4,200	3,781	3,768
CONTRIBUTIONS TO USPSS	87	86	929
OTHER CONTRIBUTIONS	503	497	451
	20,245	19,629	19,248

(I) THE UNIVERSITIES SUPERANNUATION SCHEME (USS)

The institution participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the University has entered in an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

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

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NOTE 17 PENSION SCHEMES (CONTINUED)

USS PENSION COSTS

The total cost charged to the income and expenditure account is £15.265m (2016/17: £14.100m).

The latest available full actuarial valuation of the scheme was at 31 March 2014 (“the valuation date”), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

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

	2018	2017
DISCOUNT RATE	2.64%	2.57%
PENSIONABLE SALARY GROWTH	N/A	N/A
PENSION INCREASES (CPI)	2.02%	2.41%

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

The mortality assumptions used in these figures are as follows:

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

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

	2018	2017
MALES CURRENTLY AGED 65 (YEARS)	24.5	24.4
FEMALES CURRENTLY AGED 65 (YEARS)	26.0	26.6
MALES CURRENTLY AGED 45 (YEARS)	26.5	26.5
FEMALES CURRENTLY AGED 45 (YEARS)	27.8	29.0

	2018	2017
SCHEME ASSETS	£63.6bn	£60.0bn
TOTAL SCHEME LIABILITIES	£72.0bn	£77.5bn
FRS 102 TOTAL SCHEME DEFICIT	£8.4bn	£17.5bn
FRS 102 TOTAL FUNDING LEVEL	88%	77%

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NOTE 17 PENSION SCHEMES (CONTINUED)

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

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

There are three categories of pension scheme members:

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

The results of the most recent formal actuarial valuation as at 31 March 2015 have been updated to 31 July 2018 by a qualified independent actuary.

ASSUMPTIONS

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

	AT 31 JULY 2018	AT 31 JULY 2017
	%PA	%PA
PRICE INFLATION (RPI)	3.20%	3.20%
PRICE INFLATION (CPI)	2.20%	2.20%
RATE OF INCREASE IN SALARIES 2018-19	2.00%	1.70%
RATE OF INCREASE IN SALARIES 2019-20	1.50%	1.70%
RATE OF INCREASE IN SALARIES THEREAFTER	2.20%	2.20%
RATE OF INCREASE OF PENSIONS IN PAYMENT FOR USPAS MEMBERS:		
POST 88 GMP	2.00%	2.00%
PRE 09 PENSION	2.20%	2.20%
POST 09 PENSION	2.00%	2.00%
RATE OF INCREASE FOR DEFERRED PENSIONERS (NON GMP)		
PRE 09 LEAVERS	2.20%	2.20%
POST 09 LEAVERS	3.20%	3.20%
DISCOUNT RATE	2.60%	2.50%

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

	MALE		FEMALE	
	PENSIONER	NON-PENSIONER (CURRENTLY AGED 45)	PENSIONER	NON-PENSIONER (CURRENTLY AGED 45)
AT 31 JULY 2018	21.9	23.3	23.8	25.4
AT 31 JULY 2017	22.1	23.5	23.9	25.4

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NOTE 17 PENSION SCHEMES (CONTINUED)

SCHEME ASSETS AND EXPECTED RATE OF RETURN FOR USPAS

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

The assets in the scheme were:

	FAIR VALUES AS		
	AT 31 JULY 2018	AT 31 JULY 2017	AT 31 JULY 2016
	£M	£M	£M
EQUITIES	67,135	62,106	56,535
GOVERNMENT BONDS	36,268	23,860	21,278
CORPORATE BONDS	23,703	34,830	33,498
ANNUITIES	238	256	281
CASH	472	161	192
TOTAL	127,816	121,213	111,784

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

	AT 31 JULY 2018	AT 31 JULY 2017	AT 31 JULY 2016
	%PA	%PA	%PA
	3.5	3.5	3.5

	YEAR ENDED 31 JULY 2018	YEAR ENDED 31 JULY 2017
	£'000	£'000
ANALYSIS OF THE AMOUNT SHOWN IN THE BALANCE SHEET FOR USPAS		
Scheme assets	127,816	121,213
Scheme liabilities	(143,011)	(146,097)
DEFICIT IN THE SCHEME - NET PENSION LIABILITY RECORDED WITHIN PENSION PROVISIONS	(15,195)	(24,884)
Current service cost	(1,304)	(1,312)
Past service costs	-	-
Total operating charge:	(1,304)	(1,312)
ANALYSIS OF THE AMOUNT CHARGED TO INTEREST PAYABLE/ CREDITED TO OTHER FINANCE INCOME FOR USPAS PENSIONS		
Interest cost	3,101	2,552
Expected return on assets	5,186	8,510
Interest on net deficit	(3,606)	(3,287)
NET CHARGE TO OTHER FINANCE INCOME		
TOTAL PROFIT AND LOSS CHARGE BEFORE DEDUCTION FOR TAX	4,681	7,775
ANALYSIS OF OTHER COMPREHENSIVE INCOME FOR USPAS PENSIONS:		
Gain on assets	5,186	8,510
Experience loss on liabilities	2,946	(1,790)
Loss on liabilities	-	-
Past service credit arising on change of pension increase assumption in 2014-2015 financial year	-	-
TOTAL OTHER COMPREHENSIVE INCOME BEFORE DEDUCTION FOR TAX	8,132	6,720

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NOTE 17 PENSION SCHEMES (CONTINUED)

	AT 31 JULY 2018 £'000	AT 31 JULY 2017 £'000
ANALYSIS OF MOVEMENT IN SURPLUS/(DEFICIT) FOR USPAS PENSIONS DEFICIT AT BEGINNING OF YEAR	(24,884)	(32,980)
Contributions or benefits paid by the University	3,781	3,768
Current service cost	(1,304)	(1,312)
Past service cost	-	-
Other finance charge	(325)	(345)
Interest cost	(595)	(735)
Gain recognised in other comprehensive income	8,132	6,720
DEFICIT AT END OF YEAR	(15,195)	(24,884)

	YEAR TO 31 JULY 2018 £'000	YEAR TO 31 JULY 2017 £'000
ANALYSIS OF MOVEMENT IN THE PRESENT VALUE OF USPAS LIABILITIES AT THE START OF THE YEAR	(146,097)	(144,764)
Current service cost (net of member contributions)	(1,341)	(1,349)
Past service cost	-	-
Interest cost recorded within other comprehensive income	(3,606)	(3,287)
Actual member contributions (including notional contributions)	-	-
Actuarial loss/(gain)	2,946	(1,790)
Actual benefit payments	5,087	5,093
PRESENT VALUE OF USPAS LIABILITIES AT THE END OF THE YEAR	(143,011)	(146,097)

	YEAR TO 31 JULY 2018 £'000	YEAR TO 31 JULY 2017 £'000
ANALYSIS OF MOVEMENT IN THE FAIR VALUE OF SCHEME FAIR VALUE OF SCHEME ASSETS AT THE START OF THE YEAR	121,213	111,784
Expected return on assets	5,186	8,510
Admin expense	(325)	(345)
Interest income	3,011	2,552
Actuarial gain on assets	-	-
Actual contributions paid by the University	3,781	3,768
Actual member contributions (including notional contributions)	37	37
Actual benefit payments	(5,087)	(5,093)
FAIR VALUE OF SCHEME ASSETS AT THE END OF THE YEAR	127,816	121,213

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

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NOTE 17 PENSION SCHEMES (CONTINUED)

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 31 March 2015. This valuation revealed a funding shortfall of £36.7 million. The University agreed to pay at least 28.1% of Pensionable Earnings, less member contributions from 1 July 2016. The University also agreed to pay £250,281 per month from 1 May 2016 to 31 May 2025, increasing at 3.2% each year on 1 August. The University expects to pay £4.2m to the Scheme during the accounting year beginning 1 August 2018.

UNIVERSITY OF SUSSEX PENSION AND SAVING SCHEME (USPSS)

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

NOTE 18 PRIOR YEAR ADJUSTMENTS

In the 2016-17 financial statements Research Debtors and Research Creditors are both understated by £9,681k. This represents accrued research income that had been netted off against deferred research income in error.

NOTE 6 TRADE AND OTHER RECEIVABLES	£'000
At 1 August as previously stated	25,276
Research Debtor understated	9,681
AT 1 AUGUST AS RESTATED	34,957

NOTE 8 CREDITORS FALLING DUE WITHIN ONE YEAR	£'000
At 1 August as previously stated	63,904
Research Creditor understated	9,681
AT 1 AUGUST AS RESTATED	73,585

NOTE 19 FINANCIAL INSTRUMENTS

	2018 Group £'000	2018 University £'000	2017 Group £'000	2017 University £'000
Financial assets				
Measured at fair value through income and expenditure				
Instruments in common investments funds	-	-	-	-
Debt instruments measured at amortised cost				
Long term loan receivable	12,647	12,647	12,805	12,805
Investments				
Non current listed investments	6,514	591	6,357	602
Non current unlisted investments	132	294	132	294
Current asset listed investments	11,181	11,181	9,923	9,923
Current asset unlisted investments	-	-	-	-
Measured at undiscounted amount receivable				
Trade and other receivable	29,298	41,390	34,957	47,336
	59,772	66,103	64,173	70,959
Financial liabilities				
Measured at fair value through income and expenditure				
Measured at amortised cost				
Loans payable	183,520	182,687	85,157	84,158
Obligation under finance leases	2,370	2,370	2,854	2,854
Obligation under service concession arrangements	-	-	-	-
Measured at undiscounted amount receivable				
Trade and other creditors	65,531	62,185	70,503	67,899
	251,421	247,242	158,972	155,369



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