Statement of Accounting Policies

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

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

3. Basis of consolidation
The consolidated financial statements include the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2014. These are Sussex Innovation Centre Development Limited, Sussex U H Limited, Sussex Estates and Facilities LLP and Sussex Innovation Centre Management Limited. The results of the Students’ Union are not consolidated because it is an independent charity with separate control.

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

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

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

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

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

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

Revaluation Surplus on fixed and current asset investments is credited to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it exceeds a previous revaluation surplus. Increases or decreases in value arising on the revaluation or disposal of endowment assets, are accounted for by debiting or crediting the endowment asset, crediting or debiting the endowment fund and are reported in the statement of total recognised gains and losses.

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

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

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

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

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

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

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

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

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

9. Pension schemes
Pension schemes are accounted for in accordance with FRS17 “Retirement Benefits”.

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

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

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

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

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

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

Freehold land is not depreciated; freehold buildings are depreciated over their expected useful economic life of 50 years and Improvements to buildings over 20 years.

Leasehold land with an unexpired term of more than 50 years is not amortised. Leasehold land with an unexpired term of 50 years or less and leasehold buildings are amortised over the term of the lease up to a maximum of 50 years.

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

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

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

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.
12. Investments
Listed investments held as fixed assets or endowment assets are held at market value. Investments in subsidiary undertakings are held at the lower of cost or net realisable value, and investments in joint ventures are held in the consolidated balance sheet at the value of the attributable share of net assets.
Listed Current asset investments are shown at market value. Unlisted current asset investments are shown at the lower of cost and net realisable value.

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

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

15. Cash flows and liquid resources
Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.
Liquid resources comprise assets held as readily disposable store of value. They include term deposits, government securities and loan stock held as part of the Institution’s treasury management activities. They exclude any such assets held as endowment asset investments.

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

17. Joint ventures
The University uses the gross equity method of consolidating joint venture entities in accordance with FRS 9. The University’s share of income and expenditure in joint venture entities is recognised in the consolidated income and expenditure account in accordance and its share of assets and liabilities in joint venture entities are recognised in the consolidated balance sheet. Note 18 to the accounts provides additional information on the financial performance of the University’s joint venture with the University of Brighton (The Brighton and Sussex Medical School).

18. Intra-group transactions
Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.
Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity.