

UNIVERSITY OF SUSSEX

**FINANCIAL
STATEMENTS
2019-2020**

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UNIVERSITY
OF SUSSEX

Principal officers

VISITOR

Her Majesty The Queen

CHANCELLOR

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BA (Hatfield)

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DCMG BA (Bris), LLD (Bris)

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MA (Oxon), MSc (Lon), MCIPD, MBPsS, FRSA

VICE-CHANCELLOR AND PRESIDENT

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BA (Manc), PhD (Manc), FAcSS

PROVOST

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BA (Nott), MA (Nott), CQSW (Nott), PhD (Nott), FRSA, RSW, FAcSS

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BSc (Card), MSc (Card), PhD (Card)

PRO-VICE-CHANCELLOR

Professor Kelly Coate
BSc (Northwestern), MA (Middx), PhD (UCL), PFHEA

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Professor Stephen Shute
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BSc (Leeds), PhD (Liv)

DIRECTOR OF FINANCE

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Strategic Report

The University of Sussex, and the sector as a whole, has faced unprecedented change in this financial year. The global pandemic has presented significant challenges to the global economy and the UK Higher Education sector, requiring universities to adapt, rethink their strategies and develop a new approach. The University of Sussex has adapted quickly, demonstrating our resilience, commitment and sense of purpose.

THE GLOBAL PANDEMIC

On 16 March 2020, the Secretary of State for Health and Social Care Matt Hancock announced in Parliament the need for social distancing in response to the dangers posed by Covid-19. By this time, the University of Sussex's Executive Group had already set measures in place to suspend all face-to-face teaching, with a communication reaching all staff by 9.35am that day. The briefing requested that all teaching recommence, with an entirely online teaching delivery, the very next week.

On 23 March, Prime Minister Boris Johnson implemented a UK national lockdown in response to the risk on public health. By this time, developments at the University of Sussex were already in train, and our academic and professional service teams successfully and swiftly facilitated homeworking and online teaching to correspond with the start of the national lockdown. Achieving this timescale was a remarkable demonstration of adaptability and teamwork.

The University's decisions have centred around ensuring the safety and wellbeing of students and staff throughout this period. The University's Council began to convene online to consider the challenges of the University, how best to preserve the wellbeing of its students and staff, its financial position and its strategic priorities going forward. Council took the decision to waive the rental fees for students living in campus residences who were leaving before the end of their rental agreements. Despite the financial implications for the University, this was considered to be the right thing to do for our students. The University also funded the repatriation of students from international locations back to the UK.

Given the immense risks attributed to the pandemic, the University immediately formed a Covid-19 Executive Group, chaired by the Vice-Chancellor, whose primary aim was to address the challenges faced to preserve the safety and wellbeing of our staff, students and the financial health and continuity of operations of the University.

THE UNIVERSITY'S RESPONSE TO THE CHALLENGES POSED BY COVID-19

MANAGEMENT RESPONSE TO COVID-19

Throughout the period from March 2020, the University's Chair and an independent member of Council met with the Vice-Chancellor and Director of Finance on a regular basis to monitor and discuss the financial position of the University. This group – named the Sustainability Group – was put in place to ensure that decisive action could be taken to address challenges. Given the economic uncertainty facing the sector and the expected impact on the University, Financial Review Guidelines were issued in March and subsequently amended in April to provide further clarification around our approach to discretionary costs and commitment to business-critical activities.

The Sustainability Group felt it was appropriate to apply further governance surrounding the Executive's ability to commit to material expenditure, giving rise to a need for requests in excess of £750,000 to be supported by a business case requiring the approval of selected members of Council in a formal delegation of authority approved by Council in March 2020 (currently in place until November 2020).

Government agencies such as the Office for Students requested additional information from universities in order to ensure the sector was fulfilling legal, health and safety requirements, and so the University established or reinvigorated groups in response. A number of these have continued to operate in order to oversee a successful reintroduction of safe on-campus operations for the new academic year.

Strategic Report (continued)

SUPPORTING OUR STUDENTS THROUGH COVID-19

In addition to successfully introducing remote learning, the University supported students in a number of ways.

- Since the start of lockdown, we have housed more than 750 students (and at one point thousands), ensuring their ongoing safety and round-the-clock support for those who remained on campus with continued access to services. We also waived over 4,000 student rents where students had left their University residences.
- We have provided assistance to 203 students who wished to return home. We advised an additional 44 students wishing to remain abroad on matters relating to travel, visas and insurance. We supported 168 students to return to their home countries and gave advice and support to the remaining 100 students who decided to stay on at Sussex.
- We have given financial support to students who have been adversely impacted in the form of hardship fund grants. We also launched the Covid-19 Student Appeal (providing £166,864 in support of Student Hardship and Mental Health and Wellbeing since the Emergency Sussex Fund Hardship Appeal was launched on 3 July).
- We have maintained regular contact with the student community throughout this period via the PVC Education and Student's weekly emails and the Student Hub. This has been supplemented with help and support via the School Offices and the Student Life Centre. In particular during this challenging time the Counselling and Welfare teams have provided much needed ongoing support and there was an introduction of Tea and Talk Sessions with students.

In addition to the above, students were offered a Click and Collect library service and given the opportunity to share their experiences and opinions on online teaching through an online questionnaire.

SUPPORTING OUR STAFF THROUGH COVID-19

- Looking after the physical and mental wellbeing of our staff has also been a priority, and the University has worked to ensure that staff could work from home with access to the right information and support.
- HR worked quickly to support the new ways of working for all staff. The University made a successful application to the Government's Job Retention Scheme (furlough) – a measure that helped to protect staff salaries.
- We have provided advice and guidance to staff through our HR department; including the delivery of workshops and training.

- We provided regular updates to staff on the latest Government guidance and University matters via webpages, news stories, video and email.
- We have held online staff engagement events including: Professional Services Bigger Picture, two Vice-Chancellor's Open Forums and three finance webinars; plus other webinar events, each with the opportunity for staff to ask questions.

SUPPORTING THE UK AND LOCAL COMMUNITY THROUGH COVID-19

As well as supporting our students and staff during this challenging period, the University has further sought to maximise its contribution to the national effort by establishing a taskforce to cover three strands of work:

1. Development of Personal Protective Equipment (PPE) for the NHS.
2. Support for approaches to Covid testing.
3. Covid-19 related research.

The taskforce has generated positive results, such as the provision of face shields, and made a difference in supporting the national effort amongst other universities.

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

FINANCIAL MANAGEMENT DURING THE PERIOD

The financial and economic threat to the Higher Education sector caused by the global pandemic has been significantly felt, not least due to the effect on the global economy. In the short-term, the University has faced immediate financial challenges. The waiver of student rents where students had left their University residences, resulted in a £7m reduction in residences income. We incurred a reduction in tuition fee income of £2m due to the cancellation of the International Summer School programme. We also incurred £1m in cost to fund a combination of IT investment to support online teaching and home working, Covid-19-related facilities expense and costs to support the repatriation of overseas students and staff.

Strategic Report (continued)

SHORT-TERM FINANCIAL MEASURES

In light of the immediate financial challenges faced, Financial Review Guidelines were issued by the University Executive Group to all budget-holders in March 2020 and again in April incorporating more detailed information. The principal aim was to restrict discretionary expenditure in order to mitigate the financial effects of the pandemic. This was further supported with wider stakeholder engagement with the University leadership team and a series of finance webinars, and other communications, to inform staff of the University's finances and the challenges faced. This successfully led to a reduction in areas of discretionary expenditure for the rest of the financial year, which was captured as part of the forecasting process.

MEDIUM-TERM FINANCIAL MEASURES

Beyond the current financial year, the greatest challenge facing the University was in respect to the level of student recruitment anticipated for the next academic year and beyond, particularly in relation to international students. Through a combination of restrictions in international travel, social mobility, the global economic down-turn and safety concerns, there is an expectation that there will be a drop in student intake from overseas. This concern gave rise to a need to conduct scenario planning based upon a potential range of student recruitment outcomes, thereby allowing us to determine the consequential financial effects. The mid-case scenario formed the basis of the University budget for 2020–21 financial year.

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

OUR STUDENTS

Sussex students receive an education that allows them to realise the futures that they choose, and the global pandemic has provided an even greater need for graduates to learn skills in resilience and world-readiness. Our aim is for Sussex graduates to be able to embrace opportunities and challenges so that they can make meaningful contributions in their own way. Our teaching is strengthened by internationally regarded research that challenges conventional discourse and offers inspiring and creative ways to solve global issues. This has been further demonstrated in the past year and especially through the pandemic.

ROYAL CHARTER

The University is an independent corporate body established by Royal Charter. It is an exempt Charity under the Charities Act 2011 and its objects, powers and framework of governance are set out in the Corporate Governance and Public Benefit statement on pages 15–23.

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 entities. The principal trading subsidiaries consolidated in the accounts are Sussex Innovation Centre Management Limited, manager/operator of the Sussex Innovation Centre, and Sussex Estates and Facilities LLP, the University's facilities management partner.

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

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

The consolidated accounts are prepared and presented under Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice (SORP) 2019.

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

Strategic Report (continued)

STRATEGY

The University's Council approved the Sussex 2025 strategy and associated Key Performance Indicators (KPIs) in 2018. The strategy recognises four key dimensions to success: Learn to Transform, Research with Impact, Engage for Change and Build on Strengths. Each dimension has a set of approved KPIs (with associated targets), targeted action plans and agreed programmes of transformative change. Of the 94 key actions put in place in 2019, 33 have been completed, which represents 35% of the overall plan. Although many elements of the programme have been impacted by Covid-19 and put on hold to be reconsidered at the appropriate time, nevertheless significant progress continues to be made.

A programme of pedagogic revolution has been kick-started by the Pro-Vice Chancellor for Education and Students. Many academic and professional services staff have been involved in shaping a new direction for teaching and learning at Sussex. The importance of this work has been underpinned by the appointment of two new Deputy Pro-Vice-Chancellors for Student Experience and for Education and Innovation. A major focus for these key leadership roles will be on the improvement of the student experience, as measured through surveys such as the National Student Survey.

Research performance remains strong despite the challenges presented by the current pandemic. Preparation for the Research Excellence Framework (REF) 2021 has been rigorous including external and internal review at School and Department level, with these processes further scrutinised by a central REF Strategy and Advisory group supported by its own external experts. Results of the REF 2021 exercise are not now likely to be published until Spring 2022 at the earliest, according to Research England.

Environmental sustainability remains a priority for Sussex – despite growing our overall student numbers by 9% year-on-year to 19,000 students, our CO₂ emissions reduced by 12% to 13,000 tonnes over the same period.

The priority for investment in our campus and estate has necessarily shifted from development and towards providing security against Covid-19. Many staff worked tirelessly during lockdown and over the summer to look after the many students who remained on campus and to prepare safe buildings, accommodation and teaching spaces for the new year's intake. Nevertheless, significant improvement work was carried out over the same period on some of the older parts of the estate.

The University has also risen to the challenge of supporting the nation, and our local community, in its fight against Covid-19. Biochemistry students volunteered in testing labs, academics turned their hand to producing protective equipment while researchers continued to work on longer term solutions.

HIGHER EDUCATION CONTEXT

The Higher Education sector, alongside many other areas of the economy, faces real challenges due to the global pandemic. International students face travel restrictions, and while innovative responses are being developed, there is a risk that student numbers will fall across the sector.

Britain's exit from the European Union brings significant risks to both student exchange programmes and to the continued contribution to the academic community of European colleagues. Based on the data from 1 December 2019, 9% of students and 22% of academic staff come from non-UK EU member states. Sussex has been preparing for this eventuality, including seeking wider diversity in our research funding mechanisms.

UNIVERSITY RANKINGS

Council monitors the University's performance in published league Tables.

During 2019–20 Sussex ranked 40th in the UK in the *Complete University Guide 2021*, was ranked joint 161st in the World in the *Times Higher Education World Rankings 2021* and rated number one in the world for Development Studies by the *QS World Rankings 2020*.

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

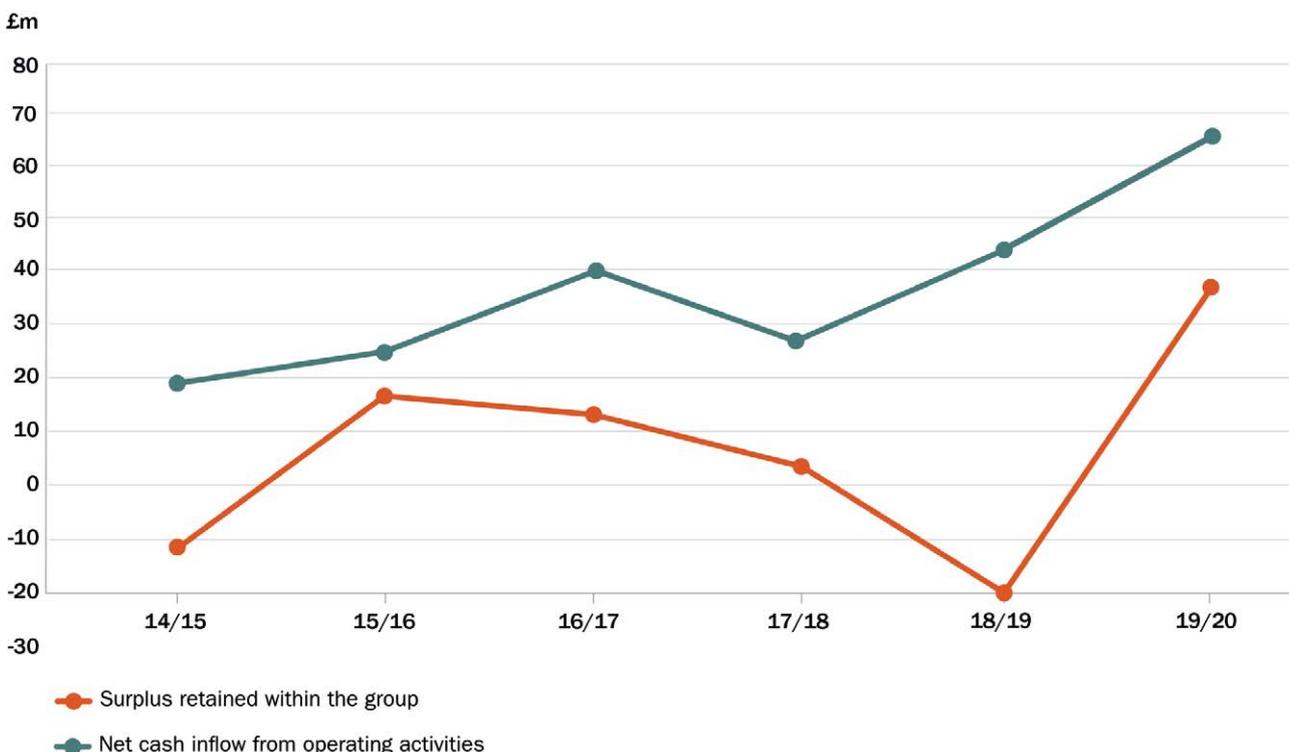
The Group consolidated income and expenditure (including our share of joint venture income and expenditure, since the Brighton and Sussex Medical School is a core part of our academic activities) and surplus/(deficit) retained in the Group for the year ended 31 July 2020 and the previous three years are summarised as follows:

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|---|---------|---------|---------|---------|
| | £m | £m | £m | £m |
| Income | 320.5 | 323.7 | 297.3 | 287.3 |
| Expenditure | 282.5 | 344.2 | 293.7 | 270.9 |
| Surplus/(Deficit) for the year | 38.3 | (19.0) | 4.6 | 13.3 |
| Represented by: | | | | |
| Non-Controlling Interest | 0.6 | 0.8 | 0.8 | 0.8 |
| Surplus/(Deficit) retained within the Group | 37.7 | (19.8) | 3.8 | 12.6 |

The University group recorded a surplus in 2019–20 of £37.7m or 11.8% of income compared to a deficit of £19.8m for 2018–19. The 2019–20 result is after an adjustment to recognise the University’s reduction to the prior year’s increased funding obligations to the Universities Superannuation Scheme (USS) following the March 2018 valuation, which generated a credit this year of £25.0m.

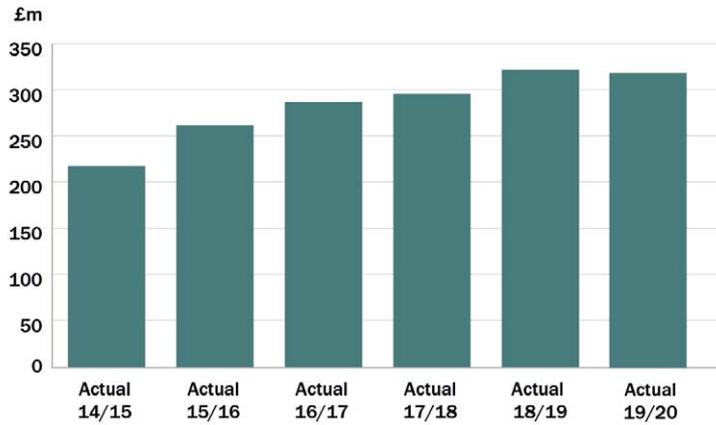
Operating cashflow performance remains a reliable indicator of performance. Actual surpluses and net operating cash are shown below demonstrating that cash performance has been positive and consistently so in contrast to accounting surpluses, which are subject to one-off non-cash expenditure as a result of the technical accounting treatment of pensions. The University group recorded positive net operating cash of £62.5m in 2019–20 (£43.5m in 2018–19) and expects continuing positive cash generation in the next financial year, albeit at a reduced rate given the anticipated reduction in student recruitment and tuition fee income.

SURPLUS AND NET OPERATING CASH

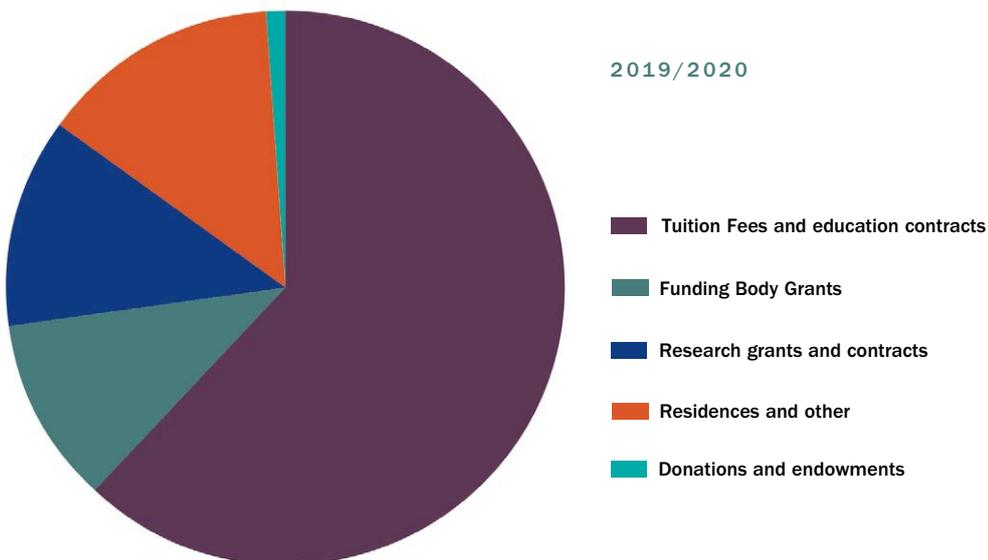


Strategic Report (continued)

TURNOVER



INCOME



The University group's total income in 2019-20 was £320.5m, representing a slight decrease of 1% compared to the previous year (£323.7m) as a direct result of the impact of Covid-19 on residences income. Tuition fees improved yet again due to an increase in student numbers and continue to be the most significant element, making up 62% of total income.

Research contract income decreased to £36.9m compared to the previous year (£38.0m) largely due to a non-recurring release of income last year. As highlighted earlier, other income decreased significantly by £11.0m, or 20%, due to residence fee waivers given to students due to the sustained lockdown in the last term arising from Covid-19 and the subsequent cessation of commercial activities such as catering, sports and leisure.

Strategic Report (continued)

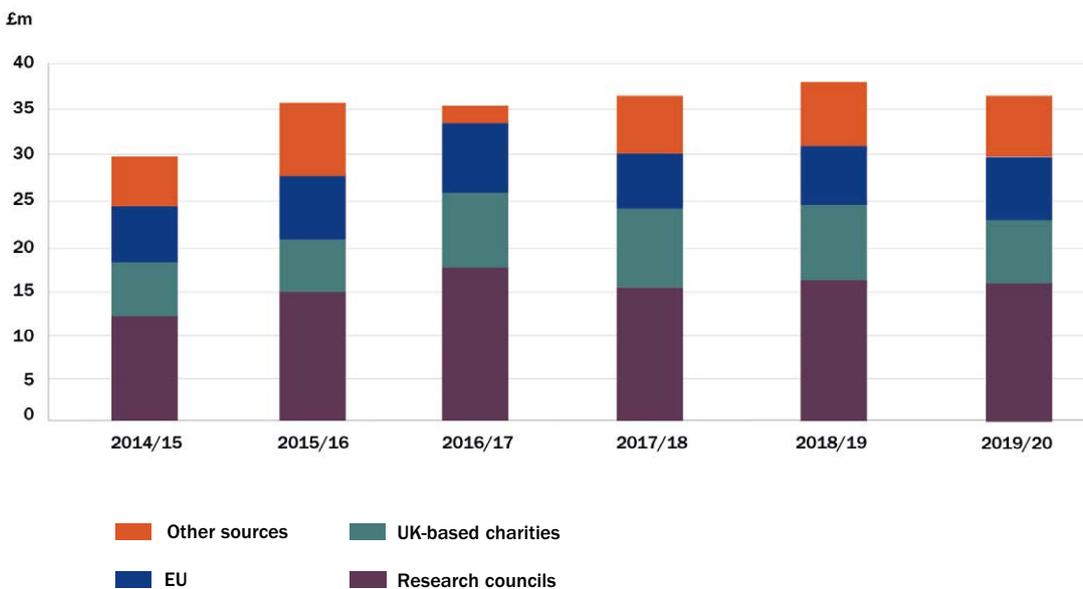
Strong performance in student recruitment saw tuition income rise by 4% as the number of students grew by 2% to 18,720 FTE from 18,400 in 2018/19, driven by a new intake of 8,440 students – a 3% decrease on the previous year. The University continued to benefit from growth in Home and EU and international students.

The recurrent grants that the University receives from the Office for Students and Research England and Department for Education, remained strong at £30.4m being marginally ahead of last year.

Research grants and contracts income decreased by 3% to £36.9m due to a non-recurring release of income of £2m last year.

The University group's 'Other Income' decreased significantly by £11m to £45.2m in 2019-20, a reduction of 20%, which is primarily due to the residency fee waivers given to students vacating rooms and returning home due to the effects of Covid-19, therefore leaving before the end of their rental contracts. This had further impact on other commercial income generated by Catering, Sport and other services.

RESEARCH INCOME



Strategic Report (continued)

We have seen a 10% increase in new research awards from £45.4m last year to £49.9m this year. Of this, 30 of the awards were valued at over £0.5m, 14 of them over £1m. A number of significant awards were received during the year: £3.4m NIHR ‘Social Sciences for Severe Stigmatising Skin Diseases’ led by Professor Gail Davey from Global Health and Infection in BSMS; £2.35m ESRC ‘Protracted Displacement Economies’ led by Professor Michael Collyer from Geography in Global Studies; and £2.24m Wellcome Trust ‘How to connect an eye to a brain’ led by Professor Tom Baden from Neuroscience in Life Sciences.

Research performance remains strong despite the challenges presented by the current pandemic. Although research income appears to have dipped to £36.9m, from £38.0m the year before, our income figure last year included a one-off adjustment for balance sheet income received on closed projects, which was realised through the accounts (as research income). This amounted to approximately £2m. This income has also been hit by the slowdown in research activity during the pandemic period, and adjustment for furloughed research staff. However, while some research has been delayed, the pandemic has also offered new opportunities, and researchers have responded to the rapid response Covid-19 research calls, with 30 new projects awarded by external funders during the lockdown period. These projects cover the subjects as diverse as ‘Rapid diagnostic testing for Covid-19’, the ‘impact of home schooling under lockdown conditions’, and ‘Homeless migrants in a global crisis’.

The University’s ‘Other Income’ decreased significantly by £11m to £45.2m in 2019–20, a reduction of 20%, which is primarily due to the residency fee waivers given to students vacating rooms and returning home due to the effects of Covid-19, therefore leaving before the end of their rental contracts. This had further impact on other commercial income generated by Catering, Sport and other services.

REVENUE EXPENDITURE

Total expenditure reduced significantly by £61.7m or 18% from 2018–19 to £282.5m. This is primarily due to the pension adjustment made against last year’s charge and cost savings made in the latter part of the year as a result of the Financial Review Guidelines issued in April to mitigate the financial effects of Covid-19.

The University’s cost base includes total staff costs of £142.7m. This year, a £25m credit was made against last year’s charge of £43.7m, reflecting the recovery plan liabilities in the Universities Superannuation Scheme (USS). This year-end’s adjustment reflects the lower contributions agreed in that valuation. The USS March 2020 valuation is ongoing and therefore no further adjustments have been made. The underlying staff costs before the pension adjustment have increased 7% this year to £167.7m,

commensurate with the cost of attracting and recruiting new staff – growing average staff numbers by 1% – and increasing pay by 1.8% on average across all staff groups in line with cost-of-living inflation. There have also been increases to our employer’s pension contributions to our USS pension. The remaining £3.2m uplift in staff costs is a result of a provision made for the University’s Voluntary Severance Scheme.

Other operating expenses reduced by £16.3m (14%) compared to last year to a cost of £98m. This is a consequence of the cost saving measures taken in response to Covid-19 and the reduced level of expenditure arising from the national lock-down from March 2020. The combination of action taken to contain discretionary costs and the reduction in expenditure arising through remote working resulted in savings in consumables, equipment, facilities costs and rental. Depreciation cost increased by £12.3m to £32.6m to reflect the accelerated depreciation on West Slope buildings that are scheduled to be demolished to allow for the planned building programme in the Estates Roadmap.

CAPITAL INVESTMENT

During 2019–20, a considerable amount of work, engagement and staff consultation was conducted to determine the investment needs of the University in order to fulfil the key aims of Sussex 2025. Whilst an aspirational requirement of £800m was determined, a prioritised £300m IT and Estates Roadmap was agreed and approved by Council in March 2020 that extends over the next five years. Whilst the commissioning of a number of projects were paused due to the pandemic, these are expected to resume once there is greater certainty over student recruitment numbers.

The University is based at its campus in Falmer and during the year spent £21.3m as part of ongoing investment in our strategic capital programme. Significant projects progressed during 2019–20 include various upgrades to the infrastructure of our campus including the electrical, water and heating supplies, the conversion of the BSMS IT Suite, and the purchase of a new Cryo EM microscope. Work continued on the West Slope development feasibility and design, and the continued development of the Student Centre, which is planned to be in service during 2021.

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.

Strategic Report (continued)

A formal policy on borrowing and financing was approved by Council in 2009 and was revised, when Council agreed a new borrowing limit of £200m in March 2017. HEFCE permission to increase borrowings was received.

The University took out a £40m long-term non-amortising interest only facility with Barclays Bank plc – which was fully drawn by 2009–10 – and £50m of amortising term funding from Lloyds Bank plc. Around half of these borrowings were arranged on an interest-only non-amortising basis. Council gave its approval for a private placement of £100m in April 2017. The private placement for £100m was entered into in September 2017. The private placement has been arranged so that no more than £50m of long-term non-amortising debt matures in any five-year period from 2039 onwards.

The University has a long record of generating net operating cash surpluses. A net operating cash inflow of £62.5m (£43.5m in 2019–20) was achieved, which funded the year's capital investment. Taking the balance sheet items "Investments" and "Cash and cash equivalents" together (as current asset investments are mainly short fixed-term deposits) the University's available funds have increased by £28.8m this year.

The University holds £188.1m in current asset investments, which include £13.9m of investments held in support of restricted endowment reserves. The remaining £174.2m 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.

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. The University is entitled to participate in certain increases in rent income in ESRSA LLP and accounts for this gainshare on an accrual basis.

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 £72.0m is recognised on the consolidated balance sheet made up of £39.6m in respect of the Universities Superannuation Scheme (USS) and £32.4m 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 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 was £64.9m under the USS recovery plan which was agreed following the triennial valuation at 31 March 2017. Under the plan, the University would pay 5.0% of pensionable payroll for 15 years ending in June 2034, which in cash terms is around £4.7m per annum, rising to £6.0m. The obligation under the recovery plan was a significant increase from the previous year's assessment.

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan was agreed. This amended the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. This means that, all other things being equal, and subject to calculation at 31 July 2020 with the appropriate salary roll forecast and discount rate, a reduction in provision of some £25m has been recognised resulting in a corresponding increase in accounting surplus in the Statement of Comprehensive Income.

The provision of £32.4m 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 increased by £14.6m as a result of a lower discount rate following falls in corporate

Strategic Report (continued)

bond yields over the year. 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 2018 was completed in Spring 2019. 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 2018 over a period of seven years from April 2019 to February 2025, through increased employer cash contributions of around £4.1m 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 £20m to £370m at the balance sheet date 31 July 2020 compared to £350m in 2019, reflecting the surplus for the year.

TRADE UNION FACILITY TIME

The number of University employees who were union officials in the year to 31 March 2020 was 26 (22.1 FTE) compared to 27 (FTE 24.8) last year. All of these employees spent 50% or less of their time working on facility time. The percentage of the University's total pay bill spent on paying union officials for facility time was 0.10% compared to 0.09% last year. The percentage of time spent on paid trade union activities as a percentage of total paid facility time hours was 0%.

ENVIRONMENTAL REPORTING

In line with recent reporting requirements, this is the first year that the University has provided information on greenhouse gas (GHG) emissions as part of its financial statements. The University as part of its sustainability programme, actively seeks to manage and reduce its carbon footprint via CO₂ emissions in all its activities, including energy consumption and the use of fuel for transportation. CO₂ emissions were 9,169 tCO₂ for Gas and 3,783 tCO₂ for Electricity. Energy consumption was 49.9m kWh for Gas and 14.8m kWh for Electricity.

FUTURE OUTLOOK

As detailed earlier in the report, the University and the Higher Education sector has faced significant challenges borne out of the Global Pandemic. This creates a degree of uncertainty for the future and how the University responds to this, particularly in relation to international student recruitment. Early indications for the 2020–21 academic year show success in UK Home student recruitment through UCAS Clearing, however a reduction in International student numbers will give rise to an overall reduction to tuition fee income for the next financial year. The combination of the reduction in student numbers and Governmental social distancing measures, has implications for on campus residences and the expected income generated from that with expected reductions to residences income.

In response to this, the budgeting and planning process considered a range of scenarios with regard to student recruitment. Each scenario was evaluated in context of future cash flows and in our ability to meet our future banking covenant obligations. Due to a combination of the decisive measures taken by the Executive and the substantial cash reserves held at the year-end, the University stands in a strong position to meet these challenges and its future financial obligations. During August, the University Leadership Team also undertook a scenario planning exercise in order to create further resilience against extreme external challenges, should they arise. The Executive will therefore be undertaking plans to address these challenges and will continue to pursue the aims of the 2025 strategic framework.

In addition to this, the University has embarked on a blended model of learning – using a combination of face-to-face teaching and online teaching – in order to meet student needs as far as possible whilst protecting the safety of both its students and staff. It is unclear, at present, how the year and beyond will progress in terms of the pandemic and Government guidelines.

As part of the budgeting process and more recently the two year forecast for the next 24 months to 31 July 2022, we have considered the likely financial outturn for the University over this period. This has been based upon the latest emerging trends, student registration data and the ongoing application of the Financial Review Guidelines. We have further considered sensitivities to these assumptions, allowing for a deterioration in performance and an improved position. The likely outcome demonstrates the University's ability to meet its future financial obligations and in our judgement to continue operating successfully as a going concern. We will continue to monitor the risks and opportunities facing the University and respond accordingly to these with management plans to ensure that we continue to have a financially secure institution.

Strategic Report (continued)

As part of its plans to fulfil the aims of Strategy 2025, Council approved the Estates and IT strategic roadmap in March 2020 that sets out a clear investment programme. The two strategies articulate the ambition and challenge around the estate and IT, and they aim to enable appropriate and timely developments and renovations to deliver our academic and student experience priorities. Our overriding priority is clearly to assess what work needs to be done first and most urgently. Whilst aspects of this have been paused due to Covid-19, the aim is to proceed with its roll-out in December, once there is greater certainty over student recruitment.

The terms of the UK's withdrawal from the European Union are still not fully known at the time of writing, however it is now clear that EU students entering study in the academic year 2021-22 will no longer be eligible for home fee status. The University will continue to assess the impact of this change on its future operations. Other significant risks highlighted for the past 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 2020-21. 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.

Discussions continue to try to mitigate the impact of future growth in employers' and employees' contributions to the USS scheme. 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 University is continually seeking to offer better value for money to students and to the taxpayer. We continue to focus on increasing core and non-core income, reviewing costs across the University and making investments in the student experience.

These include the launch of a full review and update of our pedagogy, with a focus on teaching innovation and the start of an investment programme in a number of high value but relatively low-cost investments in technology enhanced learning and student engagement technologies. We have also commenced work on the core and shell of a new Student Centre, to be opened in 2021.

We continue to review our student residential accommodation provision. A new Residences Strategy is being developed and we are planning new accommodation, which will be designed 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.

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



Dame Denise Holt
Chair of Council



Professor Adam Tickell
Vice-Chancellor



Monica

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OF SUSSEX

Corporate Governance

The University is committed to best practice in all aspects of corporate governance.

This statement describes the manner in which the University actively applies the principles set out in the Committee of University Chairs (CUC) Governance Code of Practice published in December 2014, revised in June 2018, and the Office for Students' (OfS's) Public Interest Governance Principles. Its purpose is to help the reader of the financial statements understand how the principles have been applied, and in line with the OfS's Accounts Direction sets out a description of the University's corporate governance arrangements and a statement of the responsibilities of the governing body. This statement applies to the financial year to 31 July 2020 and the period up to the date of approval of the financial statements.

ADEQUACY AND EFFECTIVENESS OF CORPORATE GOVERNANCE ARRANGEMENTS

The adequacy and effectiveness of the University's corporate governance arrangements are ensured through a variety of mechanisms including regular effectiveness reviews both of Council and its Committees both internally and with external input: most recently Council's effectiveness was reviewed by AdvanceHE and a report presented to Council in November 2019; and the Audit and Risk Committee's (ARC) effectiveness was reviewed by Halpin with a report presented in March 2020. Additionally, the University continues to assess its compliance against its chosen Code of Governance, the CUC Code, and will do so again later in 2020 in light of the recently updated publication. An externally facilitated effectiveness review is planned for 2021 and the University's compliance with the new CUC Code will be the basis of the scope of this review. The membership of Council includes 15 independent non staff or student members who are appointed following a thorough recruitment process to ensure that a wide range of skills and diversity contribute to the decision making processes. Formal minutes are taken of all Council and sub-committee meetings to ensure that decision making is recorded appropriately and that decisions are made in line with the University's Scheme of Delegation.

TRANSPARENCY OF CORPORATE GOVERNANCE ARRANGEMENTS

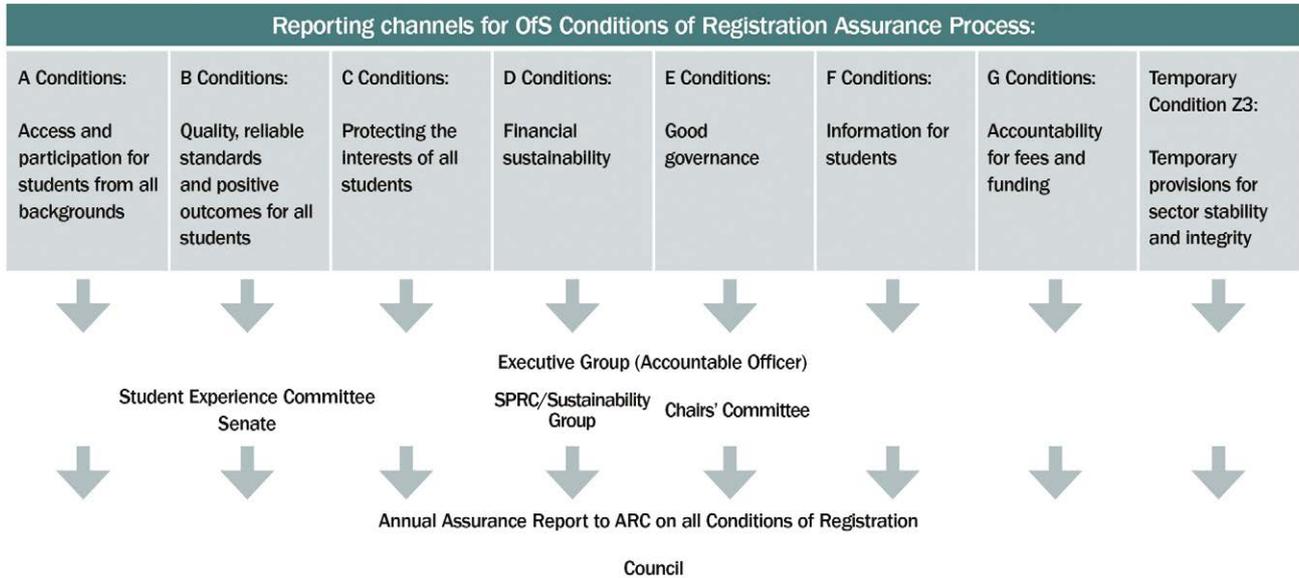
The University is committed to transparency regarding its governance arrangements and ensures this through publication of governing documents including Terms of Reference and composition for Committees; publication of Council and Committee papers where practicable and publication of approved Council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

OVERSIGHT OF STATUTORY AND OTHER REGULATORY RESPONSIBILITIES

In September 2018, the University was formally entered in the Register for English higher education providers held by the Office for Students and following the end of the Transition Period has been subject to the ongoing Conditions of Registration, including the Public Interest Governance Principles. Assurance of compliance against each Condition is considered on a rolling basis, with an annual assurance report presented to ARC and Council with assurance from the Committee or person with responsibility for oversight of each area. Additionally, during 2019–20 and to the date of signing the financial statements Council and its sub-committees have received regular updates on the changing regulatory environment, in particular in response to the changes to the requirements since March 2020 reflecting the OfS's efforts to reduce the regulatory burden on providers.

Corporate Governance (continued)

OFS CONDITIONS OF REGISTRATION



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

SUMMARY OF THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

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

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

CHARTER AND STATUTE BODIES

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

Council is made up of independent, professional services, academic and student members appointed or elected under the Statutes and Regulations of the University. The majority are

independent, non-staff, non-student members. The roles of Chair and Vice-Chair of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor. Council has a membership of 25. These are: the Vice-Chancellor; Provost; up to 15 independent members appointed by Council; three members of Senate; two other members of the academic staff; one member of professional services staff, the President of the Students' Union and the Research Postgraduate School representative sitting on Senate. Council meets at least three times a year and during 2019-20 had seven committees and one joint committee with the University of Brighton.

The matters specially reserved to Council for decision are determined:

1. by Council's own decision as set out in the Regulations;
2. under the Terms and Conditions of Research England Grant (from 1 April 2018); and
3. under the Terms and Conditions for Higher Education Institutions published by the Office for Students (from 1 April 2018).

Council holds the responsibility for the ongoing strategic direction of the University, the monitoring of institutional effectiveness and the approval of major developments. It receives regular reports from the senior executives on the day-to-day operations of the University and its subsidiary companies. During 2019/20 a Chair and Vice-Chair were in place who were appointed from amongst the independent members. The University is compliant with the key recommendations of the Committee of University Chairs (CUC) Code of Governance and the Office for Students' Public Interest Governance Principles with a full compliance review due to take place as part of the Council Effectiveness Review during 2021.

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. Those members listed below were members of Council during 2019–20 or have joined Council between the year-end and the date of the financial statements being signed.

| Name | Status | Start date on council | Term | Current term end date |
|----------------------------|---|-----------------------|------|-------------------------------|
| Andy Bryant | Independent | 1 August 2012 | 3 | 31 August 2021 |
| Adrienne Fresko CBE | Independent | 1 August 2013 | 3 | 31 July 2022 |
| Professor Sir Peter Knight | Independent | 1 August 2013 | 3 | 31 July 2022 |
| Martin McCann | Independent | 1 August 2013 | 3 | Resigned 24 March 2020 |
| Kirstin Baker CBE | Independent | 1 August 2014 | 3 | 31 July 2023 |
| Katie Ghose | Independent | 24 September 2015 | 2 | 31 July 2021 |
| Jane Parsons | Independent | 1 August 2016 | 2 | 31 July 2022 |
| Dame Denise Holt | Independent | 1 August 2017 | 2 | 31 July 2023 |
| Mark Devlin | Independent | 1 October 2017 | 2 | 31 July 2023 |
| Professor Stephen Caddick | Independent | 21 March 2018 | 1 | 20 March 2021 |
| Tony Bullman | Independent | 1 August 2018 | 1 | 31 July 2021 |
| David Curley | Independent | 1 August 2018 | 1 | 31 July 2021 |
| Aleema Shivji | Independent | 15 November 2018 | 1 | 14 November 2021 |
| Nick Watson | Independent | 12 March 2020 | 1 | 11 March 2023 |
| David Benson | Independent | 12 March 2020 | 1 | 11 March 2023 |
| Richard Zaltzman | Independent | 25 March 2020 | 1 | 24 March 2023 |
| Professor Adam Tickell | Ex-officio (Vice-Chancellor) | 1 September 2016 | | |
| Professor Saul Becker | Ex-officio (Provost) | 11 September 2017 | | |
| Filip Vasilijevic | Ex-officio (President of the Students' Union) | 15 June 2019 | | Tenure ended 14 June 2020 |
| Connor Moylett | Ex-officio (USSU Council Representative) | 13 July 2020 | | 12 July 2021 |
| Nadia Buyse | Ex-officio (Post graduate student on Senate) | 1 January 2019 | | Tenure ended 31 December 2019 |
| Albertus Schoeman | Ex-officio (Post graduate student on Senate) | 1 January 2020 | | 31 December 2020 |
| Professor Steven McGuire | Elected by Senate | 1 Jan 2016 | | 31 Dec 2021 |
| Professor Kate O'Riordan | Elected by Senate | 29 Sept 2017 | | Tenure ended 31 July 2020 |
| Professor Sara Crangle | Elected by Senate | 7 September 2020 | | 31 July 2023 |
| Mark Fisher | Elected by Senate | 16 October 2017 | | 31 July 2023 |
| Fran Barnard | Elected by Professional Service staff | 1 August 2017 | | Tenure ended 31 July 2020 |
| Max O'Donnell-Savage | Elected by Professional Services Staff | 1 August 2020 | | 31 July 2023 |
| Professor Mario Novelli | Elected by academic staff | 1 August 2018 | | 31 July 2021 |
| Professor Gerhard Wolf | Elected by academic staff | 1 August 2019 | | 31 July 2022 |

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 2019–20 at ordinary sessions of Council is as set out below. Please note that there were three full meetings of Council during the 2019–20 academic year, in November 2019, March 2020 and July 2020. There were two additional teleconferences held in December 2019 and February 2020 regarding single agenda items. In response to the coronavirus pandemic an additional meeting of Council was held in May 2020, and regular informal briefings have been arranged for Council since March 2020 to provide updates on the University's response to the pandemic.

| | 27-Nov – 2019 | 18-Dec – 2019 (Telecon) | 14-Feb – 2020 (telecon) | 24-Mar – 2020 | 4 May 2020 (additional meeting) | 3-July – 2020 |
|---|---------------|-------------------------|-------------------------|---------------|---------------------------------|---------------|
| Dame Denise Holt | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms Kirstin Baker CBE | ✓ | A | A | ✓ | ✓ | ✓ |
| Mrs Fran Barnard (until 31 July 2020) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Prof Saul Becker | ✓ | ✓ | A | ✓ | ✓ | ✓ |
| Mr David Benson (from 12 March 2020) | | | | ✓ | ✓ | ✓ |
| Mr Andy Bryant | A | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Tony Bullman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms Nadia Buyse (until 31 Dec 2019) | A | A | | | | |
| Prof Stephen Caddick | ✓ | ✓ | A | ✓ | A | ✓ |
| Mr David Curley | ✓ | A | ✓ | ✓ | A | ✓ |
| Mr Mark Devlin | ✓ | A | ✓ | ✓ | ✓ | ✓ |
| Mr Mark Fisher | ✓ | A | A | ✓ | ✓ | ✓ |
| Ms Adrienne Fresko CBE | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms Katie Ghose | A | A | A | ✓ | ✓ | ✓ |
| Prof Sir Peter Knight | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Martin McCann (term ended 24 March 2020) | ✓ | ✓ | ✓ | ✓ | | |
| Prof Steven McGuire | ✓ | A | ✓ | ✓ | ✓ | ✓ |
| Prof Mario Novelli | A | ✓ | ✓ | ✓ | ✓ | ✓ |
| Prof Kate O'Riordan (term ended 31 July 2020) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms Jane Parsons | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Albertus Schoeman (from 1 Jan 2020) | | | ✓ | ✓ | ✓ | ✓ |
| Ms Aleema Shivi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Prof Adam Tickell | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Filip Vasilijevic (until 14 June 2020) | A | ✓ | ✓ | ✓ | ✓ | observer |
| Mr Nick Watson (from 12 March 2020) | | | | ✓ | ✓ | ✓ |
| Dr Gerhard Wolf | A | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Richard Zaltzman (from 25 March 2020) | | | | observer | ✓ | ✓ |

Corporate Governance (continued)

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

Court (Sussex Annual Forum) is an annual meeting to promote the research, teaching and interests of the University to the local area, enhance relationships with businesses to strengthen placement opportunities and provide an opportunity for networking. Court did not meet this year due to the Covid-19 pandemic.

COMMITTEES OF COUNCIL

The committee structure of Council, as implemented from 1 August 2018, was in place through the 2019–20 year and to date.

COMMITTEE STRUCTURE IN OPERATION FROM AUGUST 2018

Audit and Risk Committee (ARC) provides oversight of the University's risk management, control and governance arrangements. It ensures that mechanisms exist for economy, efficiency and effectiveness in the University's activities and advises Council on the University's internal and external audit arrangements and on all Financial Reporting matters.

Its membership comprises a Chair with appropriate financial, accounting or audit qualifications and experience appointed by Council from amongst the independent members, plus four independent members of Council who are not members of the Strategic Performance and Resources Committee, and a staff member of Council. It may co-opt up to two other independent members from outside of Council with financial, accounting or audit experience and during 2019–20 there was one co-opted member in post. Although Senior Executives attend meetings of the Audit and Risk Committee as necessary, they are not members.

The Chair has full and direct access to both internal and external auditors throughout the year. In 2019–20 ARC met four times for planned meetings, plus an additional meeting was held in May 2020 to review the Covid-19 Risk Register. ARC met twice informally during the year, once to review the draft internal audit programme for 2020–21, and once to review the outcome of its Effectiveness Review and to consider the way in which it receives assurance on those items within its remit.

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 USSU Council Representative and two staff members of Council. In 2019–20 SPRC met five times. In July 2020 Council agreed to review the composition of SPRC so that either student member of Council could be included on the membership.

Capital Programmes Committee (CPC) was set up in August 2018 to provide oversight and assurance of those significant projects above the threshold requiring Council approval. Its membership comprises a Chair who is an independent member of Council and member of SPRC, two other independent members of Council, a co-opted independent member (position vacant during 2019–20), professional services representative on Council, an academic member of Council and the Vice-Chancellor. In 2019–20 CPC met three times with an additional informal meeting to consider the development of the Estates and ITS Costed Roadmap prior to presentation to SPRC for approval.

The University has two separate Remuneration Committees, Remuneration Committee (A) and Remuneration Committee (B).

Remuneration Committee (A) is solely to determine, review and report on the remuneration of the Vice-Chancellor.

Remuneration Committee (B) determines the principles and strategy for the reward of all staff excluding the Vice-Chancellor. It also determines the remuneration of the Provost, Pro-Vice-Chancellors, Chief Operating Officer and Secretary and the framework for the remuneration of the broader University Leadership Team and Professoriate. Both Committees are chaired by an independent member of Council who is not chair of any other committee.

The membership of both Committees includes the Chair of Council, the Chair of Strategic Performance and Resources Committee and the Chair of Audit and Risk Committee. In 2019–20 it was agreed to expand the membership to also include the Vice-Chair of Council. The Vice-Chancellor is not a member of either Remuneration Committee and only attends meetings of Remuneration Committee (B) regarding staff pay. In 2019–20 Remuneration Committee A met four times, and Remuneration Committee B met four times.

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

Its membership comprises a Chair from amongst the independent members of Council; at least two other independent members of

Corporate Governance (continued)

Council; both student members of Council; one staff member of Council; and the Vice-Chancellor. In 2019–20 SEC met three times with an additional briefing held in the spring of 2020 to consider the University's approach to the move to online learning following the outbreak of the coronavirus pandemic.

Chairs' Committee was set up in August 2018 to fulfil the role of a Nominations Committee and to coordinate the activities of Council sub-committees. It is chaired by the Chair of Council and membership comprises all Council Committee Chairs and the Vice-Chancellor, with an additional co-opted independent member of Council who has responsibility for the fundraising link between Council and the University. In 2019–20 and to the date of signing these financial statements Chairs' Committee met six times.

Brighton and Sussex Medical School Joint Board remained in place with changes to its remit and membership agreed by the Universities of both Sussex and Brighton in December 2017.

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

SUB-COMMITTEES REPORTING TO THE UNIVERSITY EXECUTIVE GROUP

Human Resources Committee; Health, Safety and Environment Committee; and Equality and Diversity Committee were management committees reporting to the University Executive Group during 2019–20. In September 2020 it was agreed to consolidate the Human Resources Committee and Equality and Diversity Committees into one new Committee, the People, Culture and Inclusion Committee.

VICE-CHANCELLOR

The Vice-Chancellor, appointed by Council after consultation with Senate, exercises management supervision of the University. Under the Terms and Conditions for Higher Education Institutions published by the Office for Students and the Terms and Conditions of Research England Grant (which has superseded the HEFCE guidance) the Vice-Chancellor is the Accountable Officer of the University. In March 2020 Council approved the re-appointment of the Vice-Chancellor for a second term of six years from 1 September 2020.

PUBLIC FUNDING

The University is in receipt of public funding from the OfS; UK Research and Innovation, Department for Education (DfE) and the Education and Skills Funding Agency. To ensure regularity and propriety in the use of this public funding, Council has taken reasonable steps, through its senior officers and Audit and Risk Committee to:

- ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the terms and conditions of funding for higher education institutions issued by the OfS and the terms and conditions of Research England Grant;
- ensure that funds from the National College for Teaching and Leadership – and DfE from 1 April 2018 – are used only for the purposes for which they have been given and in accordance with the Funding Agreement with the DfE and any other conditions which the DfE may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure in line with its Value for Money Policies and processes; and
- ensure that value for money considerations are embedded in all decision-making processes by strengthening the Terms of Reference for all Council Committees in 2020, making the focus on value for money in decision making an explicit role.

DISCLOSURES AS AN EXEMPT CHARITY

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and members of Council are also trustees. Under the provisions of the Charities Act 2011, charities are required to demonstrate explicitly how they provide public benefit. Under the Act, the Office for Students (since 1 April 2018), is the principal regulator of English higher education institutions that are exempt charities and thus for the University of Sussex.

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

Corporate Governance (continued)

restricted by geographical or other restrictions or by ability to pay fees; that people in poverty must not be excluded from the opportunity to benefit.

The objects of the University as set out in its Royal Charter are ‘to advance learning and knowledge by teaching and research, and to enable students to obtain the advantages of University education’. These align closely with two of the charitable purposes of advancement of education and the advancement of science.

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

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

Our students and staff are key to the intellectual capital of one of the UK’s most enterprising cities, Brighton & Hove, where the University is recognised as a major asset for economic growth and key contributor to the region’s cultural resources and cosmopolitan life. Research at Sussex benefits daily lives in a wide spectrum of activities, informing public policy and bringing new technologies for the benefit of society. The campus sits at the centre of the University’s research, teaching and learning activities providing fit-for-purpose IT, research facilities, libraries, learning and social spaces, which provide the appropriate infrastructure to sustain and grow the impact of our academic endeavour, both globally and regionally.

INCIDENTAL PRIVATE BENEFITS

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

STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

Council, as the governing body of the University, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to it in the Charter and Statutes and the Terms and Conditions for Higher Education Institutions published by the Office for Students and the Terms and Conditions of Research England Grant. This statement of internal control relates to the University’s arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities for the year ended 31 July 2020 and to the date of approval of the audited financial statements.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

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

A Register of Members’ Interests is maintained by the Chief Operating Officer and Secretary, which includes details of independent members of Council, and of senior officers and members of staff who have significant financial authority or access to privileged information. Council members’ Register of Interests is published on the University’s website. All staff are required to declare relevant conflicts of interest and recuse themselves from decision making processes when appropriate.

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

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

Corporate Governance (continued)

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

REVIEW OF EFFECTIVENESS

Council's review of the effectiveness of the system of internal control is informed by the work of internal auditors, not employed by the University.

It is also informed by the Audit and Risk Committee, which has oversight of internal audit and reports annually to Council for its approval of the effectiveness of risk management and the system of internal control; by the work of the Senior Executives and the risk owners within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors.

CAPACITY TO HANDLE RISK

As the governing body, Council has responsibility for the University's risk management framework and for reviewing the effectiveness of the system of internal control. For this purpose, the Audit and Risk Committee oversees and provides assurance on the operation of the internal control systems and risk management framework.

The University Executive Group, which meets to receive and consider reports on recommendations for action or decision to Council, coordinates the management of risk within the University's Schools and Professional Service Divisions and ensures that the risk register is kept up-to-date and that appropriate business continuity and disaster recovery plans are in place. It is supported for this purpose by internal audit. Risk management within Schools and Divisions is supplemented by risk assessments and monitoring by project managers for cross-organisational projects.

To reflect the specific risks relating to the coronavirus pandemic, the University established a Covid-19 specific risk register which is kept under regular review by the Covid-19 Executive Group which from February 2020 has met regularly to consider the University's response to the pandemic. The Covid-19 Risk Register was considered by ARC at a specific single agenda item meeting in May 2020 and will continue to be reviewed at regular ARC meetings going forward.

THE RISK AND CONTROL FRAMEWORK

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

- Council meets at least three times through the year to consider the plans and strategic direction of the University.
- Council requires regular reports from Senior Officers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- Council receives periodic reports from the Chair of the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness, and receives copies of the minutes of all Audit and Risk Committee meetings. The Audit and Risk Committee meets at least four times a year and receives regular reports from internal audit, internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, including the risk register, together with recommendations for improvement. The internal control framework and audit programme approved by Audit and Risk Committee is based on assessment of risk including an evaluation of the likelihood and impact of risks which could crystallise. The Committee also receives an Annual Report from the Director of Finance on compliance with the Financial Regulations and other key financial control policies and procedures. The risk management framework considers business, operational, compliance and financial risk. It operates at multiple levels with significant risks and/or themes being escalated to the Institutional Risk Register. Reports are provided to Audit and Risk Committee, which assures itself from reports and representations received and the work of the internal auditors that a comprehensive system of risk management is operational throughout the year.
- Audit and Risk Committee regularly reviews the University's risk tolerance and appetite statement which is approved by Council, to ensure that it remains relevant and appropriate to the current University and sector context.
- Risk management has been embedded at School and support unit level by ensuring that Heads of School and Directors of Professional Service Divisions, together with their management teams, undertake a detailed review of the risks facing each School or Division – risks are reviewed in each cycle of business, with this review informing the Institutional Risk Register (and status of risks contained therein).
- The Institutional Risk Register is reviewed by University Executive Group monthly prior to submission to Audit and Risk Committee, members of UEG use their knowledge of the University and the external environment to validate the Register.

Corporate Governance (continued)

- A suite of key performance indicators has been developed to enable Council's Strategic Performance and Resources Committee to monitor progress towards the achievement of strategic objectives, and risk management considerations are addressed specifically on all major projects and decision-making papers through the committee structure.

ROLE OF INTERNAL AND EXTERNAL AUDIT

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

INTERNAL CONTROL WEAKNESSES OR FAILURES

During the year ended 31 July 2020 and to the date of signing the financial statements, no significant internal control weaknesses or failures have been identified.

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

Responsibilities of the University's Council

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

Council is responsible for ensuring the proper maintenance of accounting records and the preparation of Financial Statements that give a true and fair view of the state of affairs of the University in accordance with the University's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions dated June 2019, other relevant accounting and financial reporting standards and within the Terms and Conditions for Higher Education Institutions agreed between the OfS and the University's Council.

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

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

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

- A full financial forecast for the next two financial years to 31 July 2022, including Income & Expenditure, Balance Sheet and Cash flow
- future student number forecasts and scenarios based upon latest available data sources
- the financial risks and opportunities facing the University
- stress testing on future baseline cash-flows
- the ability to meet future covenants

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

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



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

OPINION

We have audited the financial statements of the University of Sussex (“the University”) and its subsidiaries (the ‘Group’) for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement, Consolidated and University Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the Group’s and the University’s income and expenditure, gains and losses, changes in reserves and of the group’s cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 has 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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS REQUIRED BY THE OFFICE FOR STUDENTS (“OFS”) AND RESEARCH ENGLAND

In our opinion, in all material respects:

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

FINANCIAL STATEMENTS 2019-20

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

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

RESPONSIBILITIES OF COUNCIL

As explained more fully in the Responsibilities of the University's Council statement set out on page 24, Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Council 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 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 with the OfS and Research England.

USE OF OUR REPORT

This report is made solely to the trustees, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the University's Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the 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: 7 December 2020

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 2020 | | YEAR ENDED 31 JULY 2019 | |
|--|-------|-------------------------|----------------|-------------------------|-----------------|
| | | CONSOLIDATED | UNIVERSITY | CONSOLIDATED | UNIVERSITY |
| | | £'000 | £'000 | £'000 | £'000 |
| INCOME | | | | | |
| Tuition fees and education contracts | 1.1 | 198,405 | 198,405 | 191,456 | 191,456 |
| Funding body grants | 1.2 | 33,879 | 33,524 | 32,481 | 32,352 |
| Research grants and contracts | 1.3 | 36,947 | 36,947 | 38,033 | 38,033 |
| Other income | 1.4 | 45,195 | 44,732 | 56,199 | 55,488 |
| Investment income | 1.5 | 2,748 | 2,699 | 2,386 | 2,386 |
| Total income before endowments and donations | | 317,174 | 316,307 | 320,555 | 319,715 |
| Donations and endowments | 1.6 | 3,334 | 3,334 | 3,095 | 3,095 |
| TOTAL INCOME | | 320,508 | 319,641 | 323,650 | 322,810 |
| EXPENDITURE | | | | | |
| Staff costs before pension adjustment | 2.1 | 167,673 | 159,262 | 157,145 | 149,276 |
| Pension adjustment | 2.1 | (24,973) | (24,973) | 43,745 | 43,745 |
| Total staff costs | | 142,700 | 134,289 | 200,890 | 193,021 |
| Other operating expenses | 2.3 | 97,982 | 106,330 | 114,262 | 122,142 |
| Depreciation | 3.0 | 32,621 | 32,367 | 20,316 | 20,066 |
| Interest and other finance costs | 2.2 | 9,181 | 9,002 | 8,714 | 8,525 |
| TOTAL EXPENDITURE | | 282,484 | 281,988 | 344,182 | 343,754 |
| SURPLUS/(DEFICIT) BEFORE OTHER GAINS/(LOSSES) | | 38,024 | 37,653 | (20,532) | (20,944) |
| Loss on disposal of fixed assets | | (287) | (287) | - | - |
| Gain on investments | | 754 | 754 | 1,613 | 1,613 |
| Share of operating (deficit)/surplus in associate | | (202) | - | 34 | - |
| SURPLUS/(DEFICIT) BEFORE TAX | | 38,289 | 38,120 | (18,885) | (19,331) |
| Taxation | | (8) | (8) | (85) | (85) |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 38,281 | 38,112 | (18,970) | (19,416) |
| Actuarial (loss) in respect of pension schemes | 17 | (17,160) | (17,160) | (3,470) | (3,470) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | 21,121 | 20,952 | (22,440) | (22,886) |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | 11 | 803 | 803 | 2,008 | 2,008 |
| Unrestricted comprehensive income/(loss) for the year | | 19,728 | 20,149 | (25,298) | (24,894) |
| Non-controlling interest | | 590 | - | 850 | - |
| | | 21,121 | 20,952 | (22,440) | (22,886) |
| SURPLUS/(DEFICIT) FOR THE YEAR ATTRIBUTABLE TO: | | | | | |
| Non-controlling interest | | 590 | - | 850 | - |
| University | | 37,691 | 38,112 | (19,820) | (19,416) |

All items of income and expenditure relate to continuing activities

The accompanying notes and policies on pages 34 to 60 form part of these financial statements.

Balance Sheet

| | NOTES | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|--|-------|-------------------------|------------------|-------------------------|------------|
| | | CONSOLIDATED | UNIVERSITY | CONSOLIDATED | UNIVERSITY |
| | | £'000 | £'000 | £'000 | £'000 |
| NON-CURRENT ASSETS | | | | | |
| Fixed assets | 3 | 426,434 | 422,509 | 436,987 | 432,858 |
| Investments | 5 | 6,387 | 795 | 6,668 | 874 |
| | | 432,821 | 423,304 | 443,655 | 433,732 |
| CURRENT ASSETS | | | | | |
| Stock | | 50 | 50 | 54 | 51 |
| Trade and other receivables | 6 | 48,427 | 60,544 | 30,596 | 42,880 |
| Investments | 7 | 188,101 | 188,101 | 117,827 | 117,827 |
| Cash and cash equivalents | | 67,567 | 60,704 | 109,088 | 102,872 |
| | | 304,145 | 309,399 | 257,565 | 263,630 |
| Creditors: amounts falling due within one year | 8 | (95,904) | (89,853) | (74,518) | (69,780) |
| NET CURRENT ASSETS | | 208,241 | 219,546 | 183,047 | 193,850 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 641,062 | 642,850 | 626,702 | 627,582 |
| DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 6 | 1,536 | 1,536 | 12,647 | 12,647 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 9 | (196,938) | (196,281) | (206,493) | (205,609) |
| PROVISIONS | | | | | |
| Pension provisions | 10 | (72,006) | (72,006) | (82,757) | (82,757) |
| Other provisions | 10 | (4,118) | (4,118) | (49) | (49) |
| TOTAL NET ASSETS | | 369,536 | 371,981 | 350,050 | 351,814 |
| RESTRICTED RESERVES | | | | | |
| Income and expenditure reserve – endowment reserve | 11 | 14,409 | 14,409 | 13,606 | 13,606 |
| UNRESTRICTED RESERVES | | | | | |
| Income and expenditure reserve – unrestricted | | 352,370 | 357,207 | 333,427 | 337,843 |
| Capital Reserve | | 1,802 | - | 1,802 | - |
| Revaluation reserve | | 365 | 365 | 365 | 365 |
| | | 368,946 | 371,981 | 349,200 | 351,814 |
| Non-controlling interest | | 590 | - | 850 | - |
| TOTAL RESERVES | | 369,536 | 371,981 | 350,050 | 351,814 |

The financial statements were approved and authorised for issue by the Governing Body on 27 November 2020 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 2020 £'000 | YEAR ENDED 31 JULY 2019 £'000 |
|--|-------|-------------------------------------|-------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Surplus/(Deficit) for the year | | 38,281 | (18,970) |
| ADJUSTMENT FOR NON-CASH ITEMS | | | |
| Depreciation | 3 | 32,621 | 20,316 |
| Gain on investments | 5 | (986) | (1,613) |
| Decrease in stock | | 4 | - |
| (Increase) in debtors | 6 | (6,739) | (1,362) |
| Increase in creditors | 8 | 21,629 | 339 |
| (Decrease)/Increase in pension provision | | (27,911) | 42,535 |
| Increase/(Decrease) in other provisions | 10 | 4,069 | (213) |
| Share of operating (surplus)/deficit in associate | | 202 | (33) |
| ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES | | | |
| Investment income | 1.5 | (2,748) | (2,386) |
| Interest payable | 2.2 | 9,181 | 8,713 |
| Operating Lease Income | | (386) | (357) |
| Endowment income | 11 | (1,670) | (867) |
| Gain on early surrender of finance lease | 8 | (897) | - |
| Loss on disposal of fixed assets | | 287 | - |
| Capital Grant Income | | (2,351) | (2,651) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | 62,586 | 43,451 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital grant receipts | | 2,351 | 2,651 |
| Withdrawal of deposits | 7 | - | 59,195 |
| Investment income received | 1.5 | 2,767 | 2,450 |
| Payments made to acquire fixed assets | 3 | (21,347) | (11,305) |
| New short term deposits | 7 | (69,209) | - |
| | | (85,438) | 52,991 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | | (9,424) | (7,425) |
| Interest element of finance lease | | (277) | (351) |
| East Slope Fees and Enabling works | | (1,296) | (1,686) |
| Endowment cash received | | 885 | 867 |
| Distribution to non-controlling interest | | (850) | (794) |
| Repayments of amounts borrowed | 8 | (2,269) | (2,217) |
| Capital element of Service Concession | | (4,790) | (3,769) |
| Capital element of finance lease | | (648) | (560) |
| | | (18,669) | (15,935) |
| INCREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR | | (41,521) | 80,507 |
| Cash and cash equivalents at beginning of the year | | 109,088 | 28,581 |
| Cash and cash equivalents at end of the year | 19 | 67,567 | 109,088 |

Consolidated and University Statement of Changes in Reserves

| | Income and Expenditure account | | Capital Reserve | Revaluation Reserve | Total excluding non-controlling interest | Non controlling interest | Total |
|--|--------------------------------|----------------|-----------------|---------------------|--|--------------------------|----------------|
| | Endowment | Unrestricted | | | | | |
| | £'000 | £'000 | | | | | |
| CONSOLIDATED | | | | | | | |
| BALANCE AT 1 AUGUST 2018 | 11,598 | 358,725 | 1,802 | 365 | 372,490 | 794 | 373,284 |
| Distribution of Non Controlling Interest | - | - | - | - | - | (794) | (794) |
| | 11,598 | 358,725 | 1,802 | 365 | 372,490 | - | 372,490 |
| Deficit from the statement of comprehensive income | 2,510 | (22,330) | - | - | (19,820) | 850 | (18,970) |
| Other comprehensive loss | - | (3,470) | - | - | (3,470) | - | (3,470) |
| Release of restricted funds spent in year | (502) | 502 | - | - | - | - | - |
| Total comprehensive loss for the year | 2,008 | (25,298) | - | - | (23,290) | 850 | (22,440) |
| BALANCE AT 1 AUGUST 2019 | 13,606 | 333,427 | 1,802 | 365 | 349,200 | 850 | 350,050 |
| Distribution of Non Controlling Interest | - | - | - | - | - | (850) | (850) |
| | 13,606 | 333,427 | 1,802 | 365 | 349,200 | - | 349,200 |
| Surplus from the statement of comprehensive income | 1,969 | 35,722 | - | - | 37,691 | 590 | 38,281 |
| Other comprehensive loss | - | (17,160) | - | - | (17,160) | - | (17,160) |
| Release of restricted funds spent in year | (1,166) | 1,166 | - | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 803 | 19,728 | - | - | 20,531 | 590 | 21,121 |
| DONATION RESERVE TRANSFERRED | - | (785) | - | - | (785) | - | (785) |
| BALANCE AT 31 JULY 2020 | 14,409 | 352,370 | 1,802 | 365 | 368,946 | 590 | 369,536 |
| UNIVERSITY | | | | | | | |
| BALANCE AT 1 AUGUST 2018 | 11,598 | 362,737 | - | 365 | 374,700 | - | 374,700 |
| Deficit from the statement of comprehensive income | 2,510 | (21,926) | - | - | (19,416) | - | (19,416) |
| Other comprehensive loss | - | (3,470) | - | - | (3,470) | - | (3,470) |
| Release of restricted funds spent in year | (502) | 502 | - | - | - | - | - |
| Total comprehensive loss for the year | 2,008 | (24,894) | - | - | (22,886) | - | (22,886) |
| BALANCE AT 1 AUGUST 2019 | 13,606 | 337,843 | - | 365 | 351,814 | - | 351,814 |
| Surplus from the statement of comprehensive income | 1,969 | 36,143 | - | - | 38,112 | - | 38,112 |
| Other comprehensive loss | - | (17,160) | - | - | (17,160) | - | (17,160) |
| Release of restricted funds spent in year | (1,166) | 1,166 | - | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 803 | 20,149 | - | - | 20,952 | - | 20,952 |
| DONATION RESERVE TRANSFERRED | - | (785) | - | - | (785) | - | (785) |
| BALANCE AT 31 JULY 2020 | 14,409 | 357,207 | - | 365 | 371,981 | - | 371,981 |



Statement of Principal Accounting Policies and Estimation Techniques

1. BASIS OF PREPARATION

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

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

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

- No cash flow statement has been presented for the University.

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 2020. These are Sussex Innovation Centre Development Limited, Sussex UH Limited, Sussex Estates and Facilities LLP, Sussex Innovation Centre Management Limited, Sussex U H ESR Holdco Limited and Sussex U H ESR Intermediateco Limited.

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

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.

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

5. FINANCE LEASES

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

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

6. SERVICE CONCESSION ARRANGEMENTS

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

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

7. OPERATING LEASES

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

8. TAXATION

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

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

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

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

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.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

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.

DEFINED CONTRIBUTION PLAN

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

DEFINED BENEFIT PLAN

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

10. FOREIGN CURRENCY

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

11. FIXED ASSETS

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Land and buildings that had been revalued to fair value on or prior to the date of transition to the 2014 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

LAND AND BUILDINGS

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

INFRASTRUCTURE

Campus Infrastructure assets are depreciated over a useful economic life of 10 years.

EQUIPMENT

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

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

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

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

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

BORROWING COSTS

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

12. FINANCIAL INSTRUMENTS

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:

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

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

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

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

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

17. ACCOUNTING FOR JOINT VENTURES AND ASSOCIATES

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

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

18. INTRA-GROUP TRANSACTIONS

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

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

19. RESERVES

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

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

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.

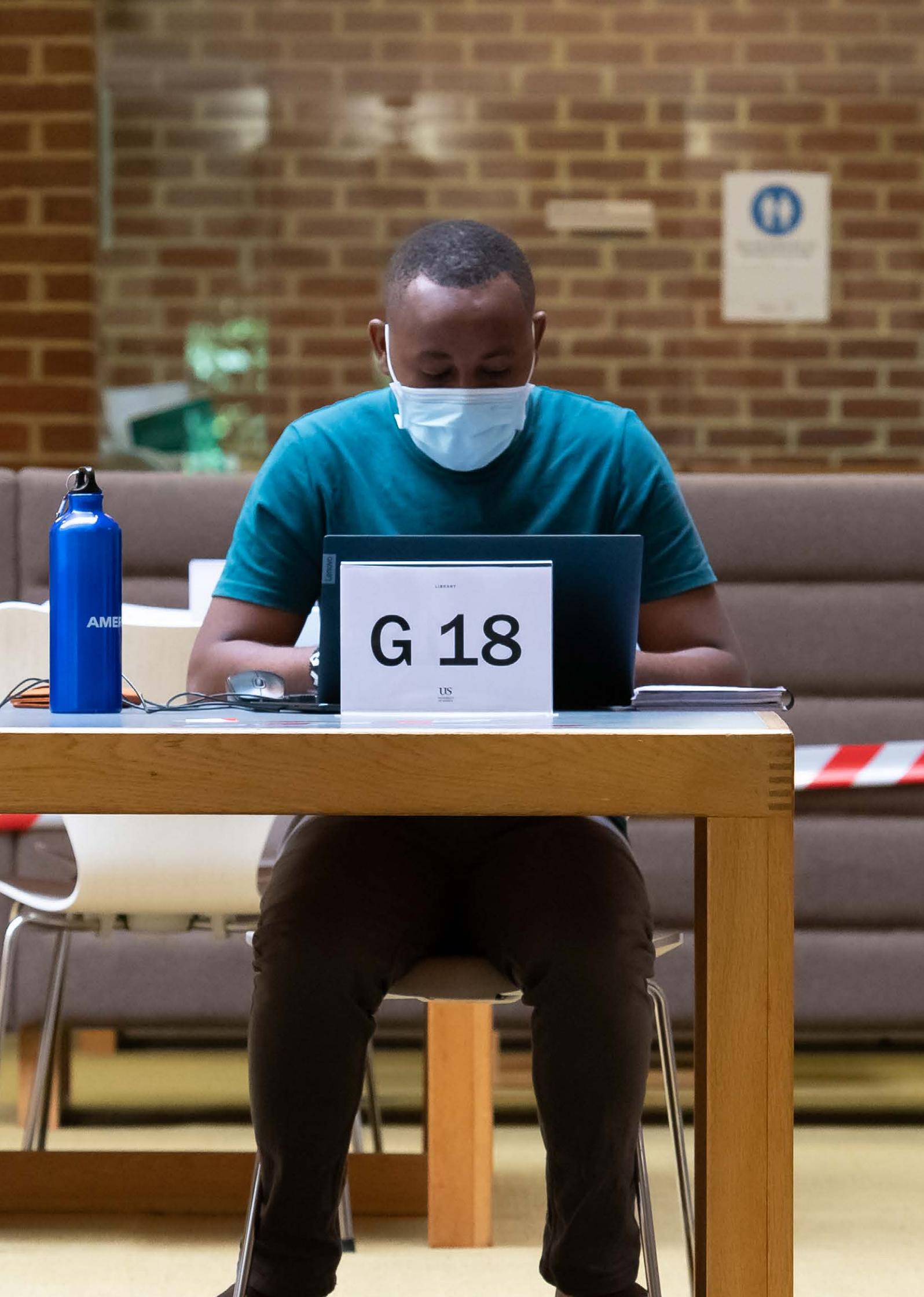
Other key sources of estimation uncertainty:

- 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.

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

- A full financial forecast for the next two financial years to 31 July 2022, including Income & Expenditure, Balance Sheet and Cash flow
- Constructed future student number forecasts and scenarios based upon latest available data sources
- Considered the financial risks and opportunities facing the University
- Conducted stress testing on future baseline cash-flows
- Reviewed the ability to meet future covenants

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



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Notes to the Financial Statements

NOTE 1 INCOME

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| 1.1 TUITION FEES AND EDUCATION CONTRACTS | | | | |
| Full-time home and EU students | 120,264 | 120,264 | 115,605 | 115,605 |
| Full-time international students | 72,258 | 72,258 | 70,842 | 70,842 |
| Part-time students | 3,503 | 3,503 | 1,872 | 1,872 |
| Research Training Support Grant | 31 | 31 | 136 | 136 |
| Short courses | 2,349 | 2,349 | 3,001 | 3,001 |
| | 198,405 | 198,405 | 191,456 | 191,456 |
| 1.2 FUNDING BODY GRANTS | | | | |
| RECURRENT GRANTS: | | | | |
| Teaching grants from OfS | 8,233 | 8,233 | 8,162 | 8,162 |
| Research grants from UKRI | 15,919 | 15,919 | 15,963 | 15,963 |
| Department for Education | 3,915 | 3,915 | 3,330 | 3,330 |
| Capital Grants | 2,351 | 2,351 | 2,651 | 2,651 |
| SPECIFIC GRANTS: | | | | |
| Higher Education Innovation Fund | 3,011 | 3,011 | 2,147 | 2,147 |
| Other grants | 450 | 95 | 228 | 99 |
| | 33,879 | 33,524 | 32,481 | 32,352 |
| 1.3 RESEARCH GRANTS AND CONTRACTS | | | | |
| Research councils | 16,046 | 16,046 | 16,277 | 16,277 |
| UK-based charities | 6,991 | 6,991 | 8,495 | 8,495 |
| European Commission | 6,825 | 6,825 | 6,388 | 6,388 |
| Other grants and contracts | 7,085 | 7,085 | 6,873 | 6,873 |
| | 36,947 | 36,947 | 38,033 | 38,033 |
| 1.4 OTHER INCOME | | | | |
| Residences, catering and other operations | 30,098 | 30,736 | 40,560 | 41,044 |
| Other services rendered | 5,278 | 4,177 | 6,185 | 4,990 |
| General academic services | 992 | 992 | 1,017 | 1,017 |
| NHS Income | 5,608 | 5,608 | 4,784 | 4,784 |
| Staff and student services | 1,301 | 1,301 | 1,476 | 1,476 |
| Central administrative | 1,016 | 1,016 | 626 | 626 |
| Other income | 902 | 902 | 1,551 | 1,551 |
| | 45,195 | 44,732 | 56,199 | 55,488 |
| 1.5 INVESTMENT INCOME | | | | |
| Investment income on endowments | 19 | 19 | 19 | 19 |
| Other investment income | 2,729 | 2,680 | 2,367 | 2,367 |
| | 2,748 | 2,699 | 2,386 | 2,386 |
| 1.6 DONATIONS AND ENDOWMENTS | | | | |
| New endowments | 885 | 885 | 867 | 867 |
| Donations with restrictions | 2,449 | 2,449 | 2,228 | 2,228 |
| | 3,334 | 3,334 | 3,095 | 3,095 |

FINANCIAL STATEMENTS 2019-20

NOTE 1 INCOME (CONTINUED)

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| 1.7 GRANT AND FEE INCOME | | | | |
| Grant income from the OfS | 8,981 | 8,981 | 9,332 | 9,332 |
| Grant income from other bodies | 62,603 | 62,248 | 61,181 | 61,052 |
| Fee income for taught awards (exclusive of VAT) | 190,179 | 190,179 | 183,080 | 183,080 |
| Fee income for research awards (exclusive of VAT) | 5,513 | 5,513 | 4,287 | 4,287 |
| Fee income from non-qualifying courses (exclusive of VAT) | 2,713 | 2,713 | 4,089 | 4,089 |
| Total grant and fee income | 269,989 | 269,634 | 261,969 | 261,840 |

Grant income from other bodies includes £757k (2019: £nil) in relation to the Coronavirus Job Retention Scheme.

NOTE 2 EXPENDITURE

2.1 STAFF COSTS

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|---------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| Salaries | 131,596 | 124,220 | 122,691 | 115,791 |
| Social security costs | 13,581 | 12,994 | 13,235 | 12,685 |
| Other pension costs | 22,496 | 22,048 | 21,219 | 20,800 |
| Staff costs before pension adjustment | 167,673 | 159,262 | 157,145 | 149,276 |
| Pension adjustment | (24,973) | (24,973) | 43,745 | 43,745 |
| Total Staff Costs | 142,700 | 134,289 | 200,890 | 193,021 |

The Pension adjustment arises on adopting the USS March 2018 valuation. This is further explained in note 17.

| | YEAR ENDED 31 JULY 2020 £'000 | YEAR ENDED 31 JULY 2019 £'000 |
|--|-------------------------------------|-------------------------------------|
| EMOLUMENTS OF THE VICE-CHANCELLOR PROFESSOR ADAM TICKELL: | | |
| Salary | 305 | 300 |
| Voluntary Reduction* | (8) | - |
| Non-taxable benefits: | | |
| Death in service and incapacity benefits | 6 | 6 |
| Total Remuneration | 303 | 306 |

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

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

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

The Vice Chancellor's salary is 8.3 times the median pay of staff calculated on a full-time equivalent basis (2019: 8.3 times).

The Vice Chancellor's remuneration is 7.0 times the median remuneration of staff calculated on a full-time equivalent basis (2019: 7.3 times).

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

NOTE 2 EXPENDITURE (CONTINUED)

THE VICE-CHANCELLOR'S REMUNERATION

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

Considerations of the Vice-Chancellor's salary were conducted with reference to Higher Education Statistics Agency (HESA) data regarding the remuneration of heads of institutions. Remuneration Committee (A) considered relevant comparator data for universities of a similar size in terms of student numbers (16,000–20,000 students); financial turnover (£250m–£350m); and for campus-based universities. It was noted that senior staff pay has been relatively static over the last three to five years, with major changes, either increases or decreases in the salaries of heads of institutions, normally arising from the appointment or re-appointment of a new Vice-Chancellor or equivalent.

The Vice Chancellor's remuneration is reviewed annually on the strength of an appraisal exercise conducted by the Chair of Council, reflecting performance against a set of objectives agreed at the beginning of the year. In 2019–20, due to the anticipated expiry of the Vice-Chancellor's initial contract term, a thorough exercise was conducted, supported by an external HR consultant, to underpin both a decision on the Vice-Chancellor's pay, and on whether or not Council should renew his contract.

Accordingly, and in line with a recommendation from the Chair of Council based on performance against objectives, the November 2019 meeting of Remuneration Committee (A) noted: "The Vice-Chancellor has led the University for nearly four years. He has put in place new University executive and leadership teams; and developed – and had approved – a new University Strategic Framework. He has led the University with a sure touch through unprecedented challenges including Covid-19 and industrial action.

Having been satisfied that the Vice-Chancellor's remuneration was below the mid-point of his peer group, Remuneration Committee (A) proposed a pay award of 2.5%, consisting of 1.8% Cost of Living (as awarded to all senior staff in August 2019), and 0.7% to signal the committee's recognition of a sustained strong performance over a number of years. The Vice-Chancellor subsequently declined the performance element on the grounds that no comparable award had been available to other senior staff. When the University began to experience the impact of the pandemic, the Vice Chancellor went further and made a voluntary reduction of salary of 10% for the remainder of the spring term.

FINANCIAL STATEMENTS 2019-20

NOTE 2 EXPENDITURE (CONTINUED)

The table below shows the number of other staff with a basic salary above £100,000 per annum, broken down into bands of £5,000.

| | NUMBER 2020 | NUMBER 2019 |
|----------------------|----------------|----------------|
| £100,000 to £104,999 | 12 | 20 |
| £105,000 to £109,999 | 15 | 11 |
| £110,000 to £114,999 | 5 | 3 |
| £115,000 to £119,999 | 2 | 4 |
| £120,000 to £124,999 | 7 | 5 |
| £125,000 to £129,999 | 6 | 6 |
| £130,000 to £134,999 | 6 | 6 |
| £135,000 to £139,999 | 2 | - |
| £140,000 to £144,999 | - | 5 |
| £145,000 to £149,999 | 4 | - |
| £150,000 to £154,999 | 1 | - |
| £155,000 to £159,999 | 1 | - |
| £165,000 to £169,999 | 1 | 1 |
| £170,000 to £174,999 | - | 1 |
| £175,000 to £179,999 | - | 1 |
| £180,000 to £184,999 | 1 | - |
| £190,000 to £194,999 | 1 | - |
| | 64 | 63 |

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 £1,004k in 2020 (£1,078k in 2019) excluding the remuneration of the Vice-Chancellor, which is detailed above.

No payments to senior staff in lieu of notice were made to senior post-holders during the year (2019: £Nil).

The total amount of severance payments in the year was £647,750 which was paid across 55 Individuals (2019: £258,168 across 44 individuals). This figure includes payments for severance, redundancy and loss of office. All severance payments including compensation for loss of office in respect of higher paid staff are approved by the Institution's Remuneration Committee. Amounts for compensation for loss of office and redundancy for all other staff are approved by Institution management in accordance with delegated authority.

A further £3.2m has been accrued in the year in relation to the University's Voluntary Severance Scheme (2019: £nil). A total of 113 employees (2019: nil) were accepted onto the scheme and duly notified prior to 31 July 2020. All the resulting severance payments fall into the following financial year.

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

| | NUMBER 2020 | NUMBER 2019 |
|-------------------------|----------------|----------------|
| Academic | 1,423 | 1,425 |
| Technical | 132 | 131 |
| Management & specialist | 1,209 | 1,166 |
| Other | 205 | 205 |
| | 2,969 | 2,927 |

TRUSTEE EXPENSES

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

The total expenses paid to or on behalf of 7 council members was £1,457 (2019: £3,276 to 6 council members).

These expenses comprise of travel expenses, catering expenses and training expenses. The University had no linked charities during the year including the period up to signing the financial statements.

FINANCIAL STATEMENTS 2019-20

NOTE 2 EXPENDITURE (CONTINUED)

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| 2.2 INTEREST AND OTHER FINANCE COSTS | | | | |
| Loans wholly repayable within five years | 3 | - | - | - |
| Loans not wholly repayable within five years | 7,340 | 7,164 | 7,424 | 7,235 |
| Finance leases | 277 | 277 | 351 | 351 |
| Net interest on pension liabilities | 1,561 | 1,561 | 939 | 939 |
| | 9,181 | 9,002 | 8,714 | 8,525 |

2.3 OTHER OPERATING EXPENDITURE

| | | | | |
|--|---------------|----------------|----------------|----------------|
| Academic fees and charges | 13,085 | 13,085 | 12,439 | 12,439 |
| Administrative and office costs | 1,029 | 944 | 1,356 | 1,301 |
| Foreign exchange gain/(loss) | 180 | 180 | (150) | (150) |
| External auditors remuneration for annual accounts audit | 140 | 127 | 105 | 70 |
| Books and periodicals | 1,464 | 1,464 | 1,869 | 1,869 |
| Management fees | 3,452 | 3,452 | 3,505 | 3,505 |
| Consultancy fees | 11,120 | 11,081 | 9,704 | 9,662 |
| Consumables and equipment | 12,356 | 12,356 | 17,347 | 17,303 |
| Marketing and publicity | 2,127 | 2,100 | 3,468 | 3,442 |
| Facilities costs | 3,976 | 12,724 | 10,202 | 18,643 |
| Rent, rates and insurance | 4,053 | 4,053 | 5,986 | 5,981 |
| Lease rentals | 2,711 | 2,662 | 1,962 | 1,800 |
| Scholarships, bursaries and prizes | 18,935 | 18,935 | 21,483 | 21,483 |
| Students union grant | 1,380 | 1,380 | 1,225 | 1,225 |
| Subscriptions, fees and charges | 9,316 | 9,297 | 9,649 | 9,618 |
| Training, travel and employment costs | 8,118 | 7,950 | 8,343 | 8,244 |
| Utilities and services | 4,540 | 4,540 | 5,769 | 5,707 |
| | 97,982 | 106,330 | 114,262 | 122,142 |

| YEAR ENDED 31 JULY 2020 | |
|-------------------------|------------|
| CONSOLIDATED | UNIVERSITY |
| £'000 | £'000 |

2.4 ACCESS AND PARTICIPATION EXPENDITURE

| | | |
|--|--------------|--------------|
| Access investment | 1,830 | 1,830 |
| Financial support provided to students | 5,901 | 5,901 |
| Support for disabled students | 988 | 988 |
| Research and evaluation expenditure | - | - |
| | 8,719 | 8,719 |

The 2019-20 Access and Participation Plan can be found on the University's website at the following address: <https://www.sussex.ac.uk/study/documents/universityofsussex-app-2019-2020-v1-10007806.pdf>

FINANCIAL STATEMENTS 2019-20

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 2019 | 52,373 | 413,804 | 874 | 13,108 | 46,185 | 12,486 | 538,830 |
| Additions | - | 389 | 1,537 | 1,008 | 2,122 | 17,299 | 22,355 |
| Transfers | 148 | 1,059 | 10,860 | - | - | (12,067) | - |
| Disposals | - | - | - | - | (5,479) | (277) | (5,756) |
| At 31 July 2020 | 52,521 | 415,252 | 13,271 | 14,116 | 42,828 | 17,441 | 555,429 |
| DEPRECIATION | | | | | | | |
| At 1 August 2019 | 6,464 | 54,836 | 143 | 3,769 | 36,631 | - | 101,843 |
| Depreciation charge | 996 | 22,273 | 1,333 | 4,669 | 3,350 | - | 32,621 |
| Disposals | - | - | - | - | (5,469) | - | (5,469) |
| At 31 July 2020 | 7,460 | 77,109 | 1,476 | 8,438 | 34,512 | - | 128,995 |
| NET BOOK VALUE | | | | | | | |
| At 31 July 2020 | 45,061 | 338,143 | 11,795 | 5,678 | 8,316 | 17,441 | 426,434 |
| At 31 July 2019 | 45,909 | 358,968 | 731 | 9,339 | 9,554 | 12,486 | 436,987 |

| | 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 2019 | 46,567 | 415,352 | 874 | 13,108 | 43,716 | 12,486 | 532,103 |
| Additions | - | 389 | 1,537 | 1,008 | 2,071 | 17,299 | 22,304 |
| Transfers | 148 | 1,058 | 10,860 | - | - | (12,066) | - |
| Disposals | - | - | - | - | (5,479) | (277) | (5,756) |
| At 31 July 2020 | 46,715 | 416,799 | 13,271 | 14,116 | 40,308 | 17,442 | 548,651 |
| DEPRECIATION | | | | | | | |
| At 1 August 2019 | 4,366 | 55,962 | 143 | 3,769 | 35,005 | - | 99,245 |
| Depreciation charge | 995 | 22,070 | 1,333 | 4,669 | 3,300 | - | 32,367 |
| Disposals | - | - | - | - | (5,470) | - | (5,470) |
| At 31 July 2020 | 5,361 | 78,032 | 1,476 | 8,438 | 32,835 | - | 126,142 |
| NET BOOK VALUE | | | | | | | |
| At 31 July 2020 | 41,354 | 338,767 | 11,795 | 5,678 | 7,473 | 17,442 | 422,509 |
| At 31 July 2019 | 42,201 | 359,390 | 731 | 9,339 | 8,711 | 12,486 | 432,858 |

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NOTE 3 FIXED ASSETS (CONTINUED)

At 31 July 2020 freehold land and buildings included £11.5m (2019: £11.5m) in respect of freehold land which is not depreciated.

The net book value of tangible fixed assets includes an amount of £271.7m (2019: £292.3m) of buildings held under finance leases. The depreciation charge on these assets for the year was £22.0m (2019: £11.8m)

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

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| CONSOLIDATED AND UNIVERSITY | | |
| Due in less than one year | 55 | 875 |
| Due between two and five years | 165 | 2,139 |
| Due in five years or more | 124 | 220 |
| | 344 | 3,234 |

None of the borrowing costs associated with tangible fixed assets have been capitalised. During the year £0.9m was written back on the Lewes Court finance lease as the lessor confirmed that sufficient payments had been made subsequent to year-end to surrender the building back to the University.

NOTE 4 SERVICE CONCESSION ARRANGEMENTS

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

On 31 March 2017 the University entered into a 54 year contract with ESRSA for the provision of residential accommodation services, providing accommodation for 2,117 students. The assets and liabilities relating to this contract are recognised on the University's Balance Sheet to the extent that the University is required to fulfil nomination commitments at each 31 July. At the end of the contract term the buildings will revert back to the University. During the initial 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 2020 is £5.7m (31 July 2019: £9.3m). The reduction of £3.6m is as a result of a depreciation charge of £4.7m for the year, and a service concession asset addition of £1.0m.

SERVICE CONCESSION ARRANGEMENT LIABILITIES

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2020 were £5.6m (31 July 2019: £9.3m), representing the present value of lease obligations for the following academic year. The sum of £4.6m was repaid during the year.

FUTURE COMMITMENTS

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

| | PAYABLE WITHIN ONE YEAR £'000 | PAYABLE IN BETWEEN ONE AND TWO YEARS £'000 | PAYABLE IN BETWEEN TWO AND FIVE YEARS £'000 | PAYABLE IN MORE THAN FIVE YEARS £'000 |
|----------------------|---|--|---|---|
| Liability repayments | 5,557 | - | - | - |
| Finance charge | 2 | - | - | - |
| | 5,559 | - | - | - |

FINANCIAL STATEMENTS 2019-20

NOTE 5 NON-CURRENT INVESTMENTS

CONSOLIDATED

| | ASSOCIATE COMPANIES £'000 | SUBSIDIARY COMPANIES £'000 | OTHER FIXED ASSETS INVESTMENTS £'000 | TOTAL £'000 |
|-----------------------------|---------------------------------|----------------------------------|---|----------------|
| At 1 August 2019 | 5,956 | - | 712 | 6,668 |
| Share of Comprehensive Loss | (202) | - | - | (202) |
| Loss in value | - | - | (79) | (79) |
| At 31 July 2019 | 5,754 | - | 633 | 6,387 |

UNIVERSITY

| | £'000 | £'000 | £'000 | £'000 |
|------------------|-------|-------|-------|-------|
| At 1 August 2019 | - | 162 | 712 | 874 |
| Loss in value | - | - | (79) | (79) |
| At 31 July 2020 | - | 162 | 633 | 795 |

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 group's share in the associates comprehensive income. Included in Consolidated Associate Companies is an amount of £5.7m relating to subordinated debt due from an associate entity East Slope Residencies Student Accommodation LLP.

OTHER NON-CURRENT INVESTMENTS CONSIST OF:

| | CONSOLIDATED AND UNIVERSITY | |
|---|-----------------------------|-----------------------|
| | 31 JULY 2020 £'000 | 31 JULY 2019 £'000 |
| Listed Securities | | |
| Mercantile Investment Trust | 218 | 243 |
| Legal & General Industrial Property Investment Fund | | |
| Feeder Unit Trust | 201 | 198 |
| Feedback PLC | 124 | 181 |
| | 543 | 622 |
| Unlisted Shares | | |
| CVCP Properties | 37 | 37 |
| The New Statesman | 1 | 1 |
| Interanalysis Ltd | 50 | 50 |
| InCrowd | 2 | 2 |
| | 90 | 90 |
| Total | 633 | 712 |

FINANCIAL STATEMENTS 2019-20

NOTE 5 NON-CURRENT INVESTMENTS (CONTINUED)

| | Share Class | Number | Ordinary Holding | University Value at cost 2020 £ | University Value at cost 2019 £ | Nature of Activity |
|---|-------------|-----------|------------------|------------------------------------|------------------------------------|---------------------------|
| Sussex Innovation Centre Management Ltd | Ord | 200 | 100% | 161,616 | 161,616 | Property Management |
| Sussex Innovation Centre Development Centre Ltd | Pref | 2,235 | - | 437 | 437 | |
| Sussex UH Ltd | Ord | 100 | 100% | 100 | 100 | Property Development |
| Sussex UH Ltd | Pref | 1,800,000 | - | 2 | 2 | |
| Sussex UH Ltd | Ord | 100 | 100% | 100 | 100 | Holding Company |
| USPAS Trustee Ltd | Ord | 100 | 100% | 100 | 100 | Pension Corporate Trustee |
| East Slope Housing Ltd | Ord | 2 | 100% | 2 | 2 | Inactive |
| Sussex EF Ltd | Ord | 100 | 100% | 100 | 100 | Inactive |
| Sussex UH ESR Holdco Ltd | Ord | 1 | 100% | 1 | 1 | Holding Company |
| Sussex UH ESR Intermediateco Ltd | Ord | 1 | 100% | 1 | 1 | Holding Company |
| Interanalysis Ltd | Ord | 20 | 20% | 50,000 | 50,000 | Software Technology |
| Feedback Plc* | Ord | 9,400,000 | 0.9% | 43,338 | 43,338 | Medical Imaging |
| CVCP Properties Plc | Ord | 36,582 | <1% | 36,582 | 36,582 | Investment Property |
| New Statesman Ltd | Ord | 1,626 | <1% | 1,626 | 1,626 | Media Publication |
| Enterprise Therapeutics Ltd | Ord | 12,371 | <1% | - | - | Drug Development |

*Listed investments are held at fair value.

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

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

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

NOTE 6 TRADE AND OTHER RECEIVABLES

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| Amounts falling due within one year: | | | | |
| Debtors and prepayments | 48,431 | 47,271 | 30,596 | 31,060 |
| Research debtors | (4) | (4) | - | - |
| Amounts due from subsidiary companies | - | 13,277 | - | 11,820 |
| | 48,427 | 60,544 | 30,596 | 42,880 |

Amounts due from subsidiary companies comprise Deed of Covenant payments £1,486k, Intercompany balances £3,714k and Intercompany Loans £8,077k.

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| Amounts falling due after more than one year: | | | | |
| Debtors | 1,536 | 1,536 | 12,647 | 12,647 |
| | 1,536 | 1,536 | 12,647 | 12,647 |

Amounts falling due after more than one year comprise £1,536k relating to East Slope Development Lease Premium.

FINANCIAL STATEMENTS 2019-20

NOTE 7 CURRENT INVESTMENTS

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|---------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| Short term investment in shares | 13,871 | 13,871 | 12,805 | 12,805 |
| Short term deposits | 174,230 | 174,230 | 105,022 | 105,022 |
| | 188,101 | 188,101 | 117,827 | 117,827 |

Current investments includes holdings in a number of investment funds which are held at fair value, and deposits held with banks and building societies operating in the London Market and licenced by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these bank deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2020 the average interest rate of these fixed investments was 1.16% per annum and the remaining average period for which the interest rate is fixed on bank deposits was 126 days.

NOTE 8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|----------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| Mortgages and other loans | 2,350 | 2,150 | 2,269 | 2,081 |
| Service Concession Arrangement | 5,557 | 5,557 | 4,767 | 4,767 |
| Obligations under finance leases | 26 | 26 | 649 | 649 |
| Research Creditor | - | - | 481 | 481 |
| Creditors and Accruals | 87,971 | 80,099 | 66,352 | 58,135 |
| Amounts due to Subsidiaries | - | 2,021 | - | 3,667 |
| | 95,904 | 89,853 | 74,518 | 69,780 |

FINANCIAL STATEMENTS 2019-20

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

| | YEAR ENDED 31 JULY 2020 | | YEAR ENDED 31 JULY 2019 | |
|---------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | CONSOLIDATED £'000 | UNIVERSITY £'000 | CONSOLIDATED £'000 | UNIVERSITY £'000 |
| Service Concession Arrangement | - | - | 4,572 | 4,572 |
| Obligations under finance lease | 238 | 238 | 1,161 | 1,161 |
| Unsecured loans | 176,684 | 176,416 | 179,034 | 178,566 |
| Creditors and Accruals | 20,016 | 19,627 | 21,726 | 21,310 |
| Amounts due to Subsidiaries | - | - | - | - |
| Amounts due to Associates | - | - | - | - |
| | 196,938 | 196,281 | 206,493 | 205,609 |

University Creditors and Accruals falling due after more than one year represents East Slope lease premium of £19,627k to be amortised over the remaining 52 years of the lease. In addition a further £389k related to deferred capital grants is included in the Consolidated figures.

Analysis of loans:

| | | | | |
|---|---------|---------|---------|---------|
| Due within one year or on demand (note 8) | 2,350 | 2,150 | 2,269 | 2,081 |
| Due between one and two years | 2,421 | 2,208 | 2,350 | 2,150 |
| Due between two and five years | 7,174 | 7,119 | 7,137 | 6,869 |
| Due in five years or more | 167,089 | 167,089 | 169,547 | 169,547 |
| Due after more than one year | 176,684 | 176,416 | 179,034 | 178,566 |
| Total secured and unsecured loans | 179,034 | 178,566 | 181,303 | 180,647 |

Included in loans are the following:

| LENDER | AMOUNT OUTSTANDING AT 31 JULY 2020 £'000 | TERM | INTEREST RATE % | BORROWER |
|---------------------------------|--|---------|-----------------------|--|
| Lloyds | 38,566 | to 2034 | 5.815 | University |
| Barclays | 40,000 | to 2039 | 5.85 | University |
| Private Placement Loan Series A | 50,000 | to 2044 | 2.76 | University |
| Private Placement Loan Series B | 18,000 | to 2049 | 2.78 | University |
| Private Placement Loan Series C | 32,000 | to 2049 | 2.84 | University |
| | 178,566 | | | |
| Barclays | 468 | to 2022 | 6.21 | Sussex Innovation Centre Development Ltd. |
| Total | 179,034 | | | |

NOTE 10 PROVISIONS FOR LIABILITIES

CONSOLIDATED AND UNIVERSITY

| | Obligation to fund deficit on USS Pension £'000 | Defined benefit obligations £'000 | Total pensions provisions £'000 | Other £'000 | Total £'000 |
|----------------------------------|--|--|--|----------------|-----------------|
| Opening balance at 1 August 2019 | (64,918) | (17,839) | (82,757) | (49) | (82,806) |
| Utilised in year | 338 | 2,600 | 2,938 | - | 2,938 |
| Reduction/(Addition) in 2019-20 | 24,973 | (17,160) | 7,813 | (4,069) | 3,744 |
| At 31 July 2020 | (39,607) | (32,399) | (72,006) | (4,118) | (76,124) |

A provision has been made for the University's Voluntary Severance Scheme, for all employees of the University who had been accepted onto the scheme and duly notified prior to 31 July 2020. All severance payments resulting from successful applications to this scheme fall into the following financial year.

FINANCIAL STATEMENTS 2019-20

NOTE 10 PROVISIONS FOR LIABILITIES (CONTINUED)

USS DEFICIT

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

NOTE 11 ENDOWMENT RESERVES

Restricted net assets relating to endowments are as follows:

| | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | Expendable endowments £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---|--|--|-----------------------------------|------------------------|------------------------|
| Opening balance at 1 August | | | | | |
| Capital 1 August | 5,425 | 65 | 7,331 | 12,821 | 10,818 |
| Accumulated income | 765 | 20 | - | 785 | 780 |
| | 6,190 | 85 | 7,331 | 13,606 | 11,598 |
| New endowments | 36 | - | 849 | 885 | 867 |
| Investment income | 19 | - | - | 19 | 19 |
| Expenditure | (19) | - | (1,147) | (1,166) | (502) |
| | 36 | - | (298) | (262) | 384 |
| Increase in market value of investments | 396 | 8 | 661 | 1,065 | 1,624 |
| At 31 July | 6,622 | 93 | 7,694 | 14,409 | 13,606 |
| Represented by: | | | | | |
| Capital | 5,821 | 73 | 7,694 | 13,588 | 12,821 |
| Accumulated income | 801 | 20 | - | 821 | 785 |
| | 6,622 | 93 | 7,694 | 14,409 | 13,606 |
| Analysis by type of purpose: | | | | | |
| Lectureships | 169 | - | - | 169 | 155 |
| Scholarships and bursaries | 1,637 | - | 877 | 2,514 | 2,309 |
| Research support | 2,836 | - | 1,225 | 4,061 | 3,534 |
| Prize funds | 798 | - | 46 | 844 | 775 |
| General | 1,182 | 93 | 5,546 | 6,821 | 6,833 |
| | 6,622 | 93 | 7,694 | 14,409 | 13,606 |
| Analysis by asset | | | | | |
| Fixed assets | | | | - | - |
| Current and non-current asset investments | | | | 13,871 | 12,805 |
| Cash and cash equivalents | | | | 538 | 801 |
| | | | | 14,409 | 13,606 |

FINANCIAL STATEMENTS 2019-20

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 2020 is reflected in the audited Financial Statements of both universities. Each university has included its share of the gross net assets and liabilities of the joint venture and its share of the gross assets and liabilities of the joint venture and its share of the turnover and surplus.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY 2020

| | UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2020 £'000 | UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2019 £'000 |
|---|---|---|
| INCOME | | |
| OfS Grant | 3,128 | 2,957 |
| NHS funds | 6,732 | 5,390 |
| Academic fees | 4,431 | 4,293 |
| Research grants and contracts | 1,355 | 1,315 |
| Other | 397 | 541 |
| Total income | 16,043 | 14,496 |
| EXPENDITURE | | |
| Staff costs | 9,119 | 8,212 |
| Depreciation | 163 | 187 |
| Other operating expenses | 7,019 | 6,833 |
| Total expenditure | 16,301 | 15,232 |
| Deficit on continuing operations | (258) | (736) |
| Surplus brought forward for the year | 6,997 | 7,733 |
| Surplus retained for the year | 6,739 | 6,997 |

BALANCE SHEET AS AT 31 JULY 2020

| | UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2020 £'000 | UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2019 £'000 |
|---------------------------------------|---|---|
| Fixed Assets | 835 | 998 |
| Current Assets | | |
| Debtors | 784 | 814 |
| Cash at banks and in hand | 8,293 | 9,900 |
| Current Liabilities | | |
| Creditors | (3,173) | (4,715) |
| Net current assets | 5,904 | 5,999 |
| Total net assets | 6,739 | 6,997 |
| Represented by: | | |
| Income and expenditure account | 6,739 | 6,997 |

FINANCIAL STATEMENTS 2019-20

NOTE 13 CAPITAL AND OTHER COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2020:

| | YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000 | YEAR ENDED 31 JULY 2019 CONSOLIDATED £'000 |
|---|---|---|
| Commitments contracted for | 5,166 | 5,306 |
| Authorised, approved but not contracted for | 30,695 | 7,677 |
| | 35,861 | 12,983 |

NOTE 14 OPERATING LEASE COMMITMENTS

The University entered into an operating lease in September 2007 on a new student residence comprising 450 rooms. The lease has a minimum term of 20 years with annual rents of £2.1m.

| | YEAR ENDED 31 JULY 2020 CONSOLIDATED | | YEAR ENDED 31 JULY 2019 CONSOLIDATED |
|---|---|----------------|--|
| | Land and Buildings £'000 | Total £'000 | Total £'000 |
| Annual rentals under operating leases payable | | | |
| In one year | 2,140 | 2,140 | 2,090 |
| Two to five years | 9,199 | 9,199 | 9,093 |
| Five or more | 5,010 | 5,010 | 7,664 |
| Total lease payments due | 16,349 | 16,349 | 18,847 |

NOTE 15 DEPARTMENT FOR EDUCATION TRAINING BURSARIES

| | YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000 | YEAR ENDED 31 JULY 2019 CONSOLIDATED £'000 |
|---------------------------------|---|---|
| Balance owed to DfE at 1 August | 356 | 417 |
| DfE Grants | 8,022 | 6,153 |
| Disbursement to students | (7,212) | (6,144) |
| Other Disbursements | (78) | (70) |
| Balance owed to DfE at 31 July | 1,088 | 356 |

The University holds training bursaries in its capacity as paying agent for the Department for Education (DfE). Grants and related disbursements from the funds are excluded from the Consolidated Income & Expenditure Account.

FINANCIAL STATEMENTS 2019-20

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 2020 Related party transactions in respect of the following relationships took place and were either complete or outstanding:

- (i) Professor A Tickell, the University's Vice Chancellor, who is a trustee of the Institute of Development Studies (IDS). The University receives and pays amounts in respect of tuition income and payroll on behalf of IDS. He is also a Universities and Colleges Employers Association (UCEA) Board Member, to whom the university pays a membership subscription.
- (ii) Sussex Estates & Facilities LLP is a 65% subsidiary of Sussex UH Ltd and supplies facilities management services to the University.
- (iii) Professor S Caddick, who is a member of Council, is a Professor of Chemistry at University College London, to which the University received research funding and transacts for subcontractors and a director of the Wellcome Trust, which provides research grants to the University.
- (iv) K Baker CBE, who is a member of Council, is a non-executive director of Brighton and Sussex Universities Hospital Trust (BSUH) and a Non-Executive Advisor to Western Sussex Hospitals NHS Foundation Trust, to which the University recharges salary costs. She is also a Partner-Official working on HE policy for the Department for Education, from which the University receives grants. She is also Non-Executive Director for The Pensions Regulator, to which the University pays a general levy.
- (v) S Nebhrajani, who was a member of Council until 1st December 2018, is the Chair of the Human Tissue Authority, to which the University paid licence fees.
- (vi) J Page, who is Director of the Sussex Centre for Language Studies, is a non-remunerated director of the charity Lewes Community Screen, to which the University paid studio hire fees.
- (vii) Professor J Bacon, who was Head of the School of Engineering and Informatics until August 2020, is a governor and director of Hurstpierpoint College, to which the University paid student placement fees.

- (viii) L McDermott, who is Creative Director of the Attenborough Centre, is a trustee of the charity Blast Theory, to which the University paid commission fees.
- (ix) J Harvell, who is Director of Library Services and University Librarian, is the Chair of Trustees for the Mass Observation Archive. The University recharges the archive salary costs and purchases research services.
- (x) East Slope Residencies 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.
- (xi) M Devlin, is a Trustee of The Royal College of Paediatrics and Child Health, with whom the University has a Research & Enterprise sub-contract.
- (xii) R Martin is Company Secretary/General Counsel for Vodafone Group plc, as well as a Director for several companies within the wider group, a subsidiary of which, Vodafone Limited, the University pays for mobile phone contracts.
- (xiii) F Vasilijevic is a Trustee with the University of Sussex Student Union, to which the University provides a grant.
- (xiv) M Fisher is the Governor and Chair of the Finance Committee for East Sussex College Group, to which the University pays rent for the use of rooms at Caburn House.
- (xv) Professor K O'Riordan is a Board Member for Marlborough Productions CIC, to which the University has paid fees to support artist contributions.

SUMMARY OF RELATED PARTY TRANSACTIONS

| | INCOME | | EXPENDITURE | | DEBTORS | | CREDITORS | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Student Loans Company | - | - | - | - | - | - | - | - |
| Sussex Estates and Facilities | 25 | 5 | 24,048 | 31,531 | 4 | 2 | 2,020 | 3,243 |
| University of Sussex Student Union | 151 | 170 | 1,449 | 1,371 | 7 | - | 19 | 30 |
| Institute of Development Studies | 251 | 135 | 173 | 129 | 11 | 2 | 63 | - |
| Brighton and Sussex Universities Hospital Trust (BSUH) | 5,597 | 1,533 | 977 | 736 | 457 | 2,050 | 56 | 560 |
| Wellcome Trust | 83 | 9 | 30 | 44 | 100 | 9 | - | 8 |
| East Slope Residencies Student Accommodation LLP | 419 | - | 5,797 | - | 87 | 5,745 | 611 | - |
| University College London | - | 77 | 166 | 302 | - | - | - | 4 |
| Vodafone Limited | - | - | 56 | - | - | - | 9 | - |
| Department For Education | 327 | - | 191 | - | - | - | - | - |
| The Royal College of Paediatrics and Child Health | - | - | 15 | - | - | - | - | - |
| UCEA | - | - | 14 | - | - | - | - | - |
| East Sussex College Group | - | - | 158 | - | - | - | - | - |

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NOTE 16 RELATED PARTY TRANSACTIONS (CONTINUED)

SUMMARY OF RELATED PARTY TRANSACTIONS (CONTINUED)

| | INCOME | | EXPENDITURE | | DEBTORS | | CREDITORS | |
|---|--------|-------|-------------|-------|---------|-------|-----------|-------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Western Sussex Hospitals NHS Foundation Trust | - | - | 206 | - | - | - | - | - |
| The Pensions Regulator | - | - | 15 | - | - | - | - | - |
| Marlborough Productions C.I.C | - | - | 8 | - | - | - | - | - |
| Human Tissue Authority | - | - | - | 13 | - | - | - | - |
| UCAS (The Universities and Colleges Admissions Service in the UK) | - | - | - | 158 | - | - | - | - |
| Mass Observation Archives | - | 252 | - | 10 | - | 16 | - | - |
| Lewes Community Screen | - | - | - | 1 | - | - | - | - |
| Hurstpierpoint College | - | 55 | - | 1 | - | - | - | - |
| Blast Theory | - | - | - | 12 | - | - | - | - |

NOTE 17 PENSION SCHEMES

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

| | FORECAST | ACTUAL | ACTUAL |
|------------------------|---------------|---------------|---------------|
| | YEAR ENDED | YEAR ENDED | YEAR ENDED |
| | 2021 | 2020 | 2019 |
| | £'000 | £'000 | £'000 |
| Contributions to USS | 20,000 | 19,701 | 16,456 |
| Contributions to USPAS | 4,500 | 4,341 | 4,201 |
| Contributions to USPSS | 1,600 | 1,424 | 1,283 |
| Other contributions | 620 | 590 | 567 |
| | 26,720 | 26,056 | 22,507 |

(1) 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 credit to the income and expenditure account is £5,611,000 (2019: £58,949,000).

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

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

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

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

| | 2020 | 2019 |
|----------------------------------|-------------|-------------|
| DISCOUNT RATE | 1.3% | 1.9% |
| PENSIONABLE SALARY GROWTH | 0.8% | N/A |

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

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

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

The mortality assumptions used in these figures are as follows:

| | PRE-RETIREMENT | POST RETIREMENT |
|----------------------------------|----------------------------|-----------------------------|
| MALE MEMBERS' MORTALITY | 71% of AMCO0 (duration 0) | 97.6% of SAPS S1NMA "light" |
| FEMALE MEMBERS' MORTALITY | 112% of AFC00 (duration 0) | 102.7% of RFV00 |

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2017 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 VALUATION | 2017 VALUATION |
|--|----------------|----------------|
| MALES CURRENTLY AGED 65 (YEARS) | 24.4 | 24.6 |
| FEMALES CURRENTLY AGED 65 (YEARS) | 25.9 | 26.1 |
| MALES CURRENTLY AGED 45 (YEARS) | 26.3 | 26.6 |
| FEMALES CURRENTLY AGED 45 (YEARS) | 27.7 | 27.9 |

| | 2018 VALUATION | 2017 VALUATION |
|-------------------------------------|----------------|----------------|
| SCHEME ASSETS | £63.7bn | £67.4bn |
| TOTAL SCHEME LIABILITIES | £67.3bn | £79.2bn |
| FRS 102 TOTAL SCHEME DEFICIT | £3.6bn | £11.8bn |
| FRS 102 TOTAL FUNDING LEVEL | 95% | 85% |

FINANCIAL STATEMENTS 2019-20

NOTE 17 PENSION SCHEMES (CONTINUED)

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

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

There are three categories of pension scheme members:

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

The results of the most recent formal actuarial valuation as at 31 March 2018 have been updated to 31 July 2020 by a qualified independent actuary.

ASSUMPTIONS

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

| | AT 31 JULY 2020 %PA | AT 31 JULY 2019 %PA |
|---|------------------------|------------------------|
| PRICE INFLATION (RPI) | 2.9% | 3.3% |
| PRICE INFLATION (CPI) | 2.3% | 2.3% |
| RATE OF INCREASE IN SALARIES 2019-20 | - | 1.5% |
| RATE OF INCREASE IN SALARIES 2020-21 | 0.8% | 2% |
| RATE OF INCREASE IN SALARIES THEREAFTER | 2.3% | 2.3% |
| RATE OF INCREASE OF PENSIONS IN PAYMENT FOR USPAS MEMBERS: | | |
| POST 88 GMP | 2.1% | 2.1% |
| PRE 09 PENSION | 2.3% | 2.3% |
| POST 09 PENSION | 2.1% | 2.1% |
| RATE OF INCREASE FOR DEFERRED PENSIONERS (NON GMP): | | |
| PRE 09 LEAVERS | 2.3% | 2.3% |
| POST 09 LEAVERS | 2.9% | 2.3% |

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 2020 | 21.9 | 23.2 | 24.2 | 25.6 |
| At 31 July 2019 | 21.8 | 23.1 | 24.0 | 25.5 |

FINANCIAL STATEMENTS 2019-20

NOTE 17 PENSION SCHEMES (CONTINUED)

SCHEME ASSETS AND EXPECTED RATE OF RETURN FOR USPAS

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

The assets in the scheme were:

| | FAIR VALUE AS AT | | |
|------------------|--------------------------|--------------------------|--------------------------|
| | AT 31 JULY 2020 £M | AT 31 JULY 2019 £M | AT 31 JULY 2018 £M |
| EQUITIES | 64,148 | 69,174 | 67,135 |
| GOVERNMENT BONDS | 28,878 | 26,281 | 36,268 |
| CORPORATE BONDS | 42,526 | 40,256 | 23,703 |
| ANNUITIES | 214 | 214 | 238 |
| CASH | 1,073 | 163 | 472 |
| TOTAL | 136,839 | 136,088 | 127,816 |

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

| | FAIR VALUE AS AT | | |
|--|---------------------------|---------------------------|---------------------------|
| | AT 31 JULY 2020 %PA | AT 31 JULY 2019 %PA | AT 31 JULY 2018 %PA |
| | 3.2 | 3.5 | 3.5 |

| | YEAR ENDED 31 JULY 2020 £'000 | YEAR ENDED 31 JULY 2019 £'000 |
|---|---|-------------------------------------|
| | ANALYSIS OF THE AMOUNT SHOWN IN THE BALANCE SHEET FOR USPAS: | |
| Scheme assets | 136,839 | 136,088 |
| Scheme liabilities | (169,238) | (153,927) |
| DEFICIT IN THE SCHEME - NET PENSION LIABILITY RECORDED WITHIN PENSION PROVISIONS | (32,399) | (17,839) |
| Current service cost | (1,108) | (1,287) |
| Past service costs | - | (1,386) |
| Total operating charge: | (1,108) | (2,673) |
| ANALYSIS OF THE AMOUNT CHARGED TO INTEREST PAYABLE/CREDITED TO OTHER FINANCE INCOME FOR USPAS PENSIONS | | |
| Interest cost | 2,710 | 3,311 |
| Expected return on assets | (778) | 5,879 |
| Interest on net deficit | (3,038) | (3,673) |
| NET CHARGE/CREDIT TO OTHER FINANCE INCOME | (1,106) | 5,517 |
| TOTAL PROFIT AND LOSS CHARGE BEFORE DEDUCTION FOR TAX ANALYSIS OF OTHER COMPREHENSIVE INCOME FOR USPAS PENSIONS: | | |
| Actual return on assets less interest | (778) | 5,879 |
| Actuarial (losses) on defined benefit obligation | (16,382) | (9,349) |
| TOTAL OTHER COMPREHENSIVE EXPENSE BEFORE DEDUCTION FOR TAX | (17,160) | (3,470) |

FINANCIAL STATEMENTS 2019-20

NOTE 17 PENSION SCHEMES (CONTINUED)

| | AT 31 JULY 2020 £'000 | AT 31 JULY 2019 £'000 |
|--|---------------------------------------|---------------------------------------|
| ANALYSIS OF MOVEMENT IN (DEFICIT) FOR USPAS PENSIONS DEFICIT AT BEGINNING OF YEAR | (17,839) | (15,195) |
| Contributions or benefits paid by the University | 4,341 | 4,201 |
| Current service cost | (1,108) | (1,287) |
| Past service cost | - | (1,386) |
| Other finance charge | (305) | (340) |
| Interest cost | (328) | (362) |
| (Loss)/gain recognised in other comprehensive income | (17,160) | (3,470) |
| DEFICIT AT END OF YEAR | (32,399) | (17,839) |
| | YEAR TO 31 JULY 2020 £'000 | YEAR TO 31 JULY 2019 £'000 |
| ANALYSIS OF MOVEMENT IN THE PRESENT VALUE OF USPAS LIABILITIES AT THE START OF THE YEAR | (153,927) | (143,011) |
| Current service cost (net of member contributions) | (1,131) | (1,322) |
| Past service cost | - | (1,386) |
| Interest cost recorded within other comprehensive income | (3,038) | (3,673) |
| Actuarial (loss)/gain | (16,382) | (9,349) |
| Actual benefit payments | 5,240 | 4,814 |
| PRESENT VALUE OF USPAS LIABILITIES AT THE END OF THE YEAR | (169,238) | (153,927) |
| | YEAR TO 31 JULY 2020 £'000 | YEAR TO 31 JULY 2019 £'000 |
| ANALYSIS OF MOVEMENT IN THE FAIR VALUE OF SCHEME ASSETS AT THE START OF THE YEAR | 136,088 | 127,816 |
| Expected return on assets | (778) | 5,879 |
| Admin expense | (305) | (340) |
| Interest income | 2,710 | 3,311 |
| Actuarial gain on assets | - | - |
| Actual contributions paid by the University | 4,341 | 4,201 |
| Actual member contributions (including notional contributions) | 23 | 35 |
| Actual benefit payments | (5,240) | (4,814) |
| FAIR VALUE OF SCHEME ASSETS AT THE END OF THE YEAR | 136,839 | 136,088 |

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

FINANCIAL STATEMENTS 2019-20

NOTE 17 PENSION SCHEMES (CONTINUED)

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 31 March 2018. This valuation revealed a funding shortfall of £28.3 million. The University agreed to pay annual contributions of 32.5% of members' Pensionable Earnings, less member contributions from 1 April 2019. The University also agreed to pay £275,085 per month from 1 April 2019 to 28 February 2025, increasing at 3.2% each year on 1 August. The University expects to pay £4.2m to the Scheme during the accounting year beginning 1 August 2020.

UNIVERSITY OF SUSSEX PENSION AND SAVING SCHEME (USPSS)

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

NOTE 18 FINANCIAL INSTRUMENTS

The University has the following financial instruments:

| | 2020 GROUP £'000 | 2020 UNIVERSITY £'000 | 2019 GROUP £'000 | 2019 UNIVERSITY £'000 |
|--|------------------------|-----------------------------|------------------------|-----------------------------|
| FINANCIAL ASSETS | | | | |
| Debt instruments measured at amortised cost | | | | |
| Long term loan receivable | 1,536 | 1,536 | 12,647 | 12,647 |
| Investments | | | | |
| Non current investments | 6,387 | 795 | 6,668 | 874 |
| Current asset investments | 188,101 | 188,101 | 117,827 | 117,827 |
| Measured at undiscounted amount receivable | | | | |
| Trade and other receivable | 48,427 | 60,544 | 30,596 | 42,880 |
| | 244,451 | 250,976 | 167,738 | 174,228 |
| Financial liabilities | | | | |
| Measured at amortised cost | | | | |
| Loans payable | 179,034 | 178,566 | 181,303 | 180,647 |
| Obligation under finance leases | 264 | 264 | 1,810 | 1,810 |
| Obligation under service concession arrangements | 5,557 | 5,557 | 9,339 | 9,339 |
| Measured at undiscounted amount receivable | | | | |
| Trade and other creditors | 87,971 | 82,120 | 66,833 | 62,283 |
| | 272,826 | 266,507 | 259,285 | 254,079 |

NOTE 19 ANALYSIS OF NET DEBT

| | AT 1 AUGUST 2019 £'000 | CASH FLOWS £'000 | OTHER NON-CASH CHANGES £'000 | AT 31 JULY 2020 £'000 |
|--|------------------------------|---------------------|---------------------------------------|-----------------------------|
| ANALYSIS OF CHANGES IN NET DEBT | | | | |
| Cash and cash equivalents | 109,088 | (41,521) | - | 67,567 |
| Loans | (181,303) | 11,693 | (9,424) | (179,034) |
| Obligations under finance leases | (1,810) | - | 620 | (265) |
| Total | (74,025) | (28,903) | (8,804) | (111,732) |



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