University of Sussex
Financial Statements 2009/2010

count on us

University of Sussex

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Visitor
Her Majesty The Queen

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BA (Hatfield)

Chair of Council
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Operating and Financial Review

The University of Sussex is a leading higher education institution based at Falmer near Brighton, dedicated to excellent academic achievement across a broad range of disciplines. We deliver intellectually demanding research-led training and intensive individual thematic research. We are committed to financial sustainability, which is essential for the continuing successful development of the University. We are a charity established by Royal Charter and our charitable objectives and outputs are set out in the attached Corporate Governance statement.

Scope of the financial statements and this report

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

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

Results for the year

The Group consolidated income and expenditure (gross including joint venture income and expenditure, since the medical school is a core part of our academic activities) and results after taxation for the year ended 31 July 2010 are summarised as follows:

	2009/10	2008/09	2007/08
	£m	£m	£m
Income	**166.0**	158.6	145.3
Expenditure	**165.7**	160.4	139.8
(Deficit)/surplus for the year before disposal of assets	**0.3**	(1.8)	5.5
(Deficit)/surplus for the year after disposal of assets	**0.3**	(1.6)	10.8

The University's total income rose by 3.3% compared with the previous year.

Within this, total recurrent grants from funding councils fell slightly due to the first impact of public finance cuts to Higher Education.

Our strategy targets increase and diversification of our income base. Consolidation of the University's reputation for teaching excellence is a key part of both delivering our core activity and diversifying income. The application of the new variable fee regime to our courses longer than three years, such as medical and science four-year undergraduate programmes, contributed an increase of around £3 million in fee income. International student fee income has grown by a further £3 million, as it did in 2008/09. At £17.8 million, this activity has already met one of the targets we set in 2008 in our *Making the future* strategy and is one of the first goals achieved, well ahead of our aim; we are continuing to increase our ambitions in this sphere, capitalising on the recognition of the excellence of our teaching and learning experience in both the National Student Survey and the International Student Barometer surveys. The University thus plans further expansion both in direct recruitment overseas and through the International Study Centre here on campus (run by Study Group International to prepare international students for full HE experience at Sussex); our plans include next stages of curriculum development and intensive recruitment effort in both subject areas and markets.

A further key institutional objective is to ensure that the University's research volume and quality improve. Income grew by around 3%, a less sharp rise than the previous years, which were assisted by increases in indirect cost recovery through the Full Economic Cost regime. Applications and awards are increasing year on year and our focus is to ensure we retain and increase market share in this area, which has inevitably become even more competitive given restrictions on funding in other areas. The quality of our outputs has recently been recognized by our strong performance in the Times Higher Education University World Rankings, which reflect the high citation index of the University's academic publications.

Pay unit costs increased as a result of nationally agreed cost of living rises, (settled for this year at 0.5%), and the impact of the local implementation of the sector wide Framework Agreement through a new unified pay and grading structure, (around 2%). Costs for the national academic and academic related pension scheme USS increased by 2% in October 2009, increasing costs by nearly £1.5 million. We have been implementing policy to increase the quality and functional suitability of our estate year on year; as result, spend on non-capitalised property maintenance funds was higher than last year where in contrast our cash spend was on projects more appropriately capitalised.

The bottom line result is just above break-even after charging £5.089 million of cost of change. The University has been engaged in a thorough review of activities in expectation that public sector cuts will be far harsher in future years. A Proposal for Change was approved by the University's committees and has resulted in 115 posts being removed, with small number of posts created as reinvestment. Ultimately the University has not had to make any staff compulsorily redundant and has managed to achieve the post reduction through staff accepting voluntary severance and early retirement packages, staff leaving for jobs in other institutions, redeployment and job-sharing arrangements. These actions, which also included non-staff cuts, will deliver around £5 million of annual savings in steady state and leave the University much better prepared financially and operationally to face the expected grant reductions to come.

Nonetheless, uncertainties over the financial future continue to loom, and our prognosis and responses are set out below in our assessment of future outlook.

Balance Sheet review

Capital projects

In common with much of the sector, the University is emerging from a period of chronic under-investment in infrastructure. The University has made major investments already and has aligned space and estates strategies with institutional priorities and has approved a number of developments, confirmed by the University Council as an initial programme of £110m of developments for the period to 2011/12. Projects have been carefully prioritised to support the institution's new corporate plan *Making the future*, addressing major academic, research and student services initiatives, while removing some of our poorer quality buildings and replacing them with new fit-for-purpose facilities. Our approach has been endorsed by the funding council, who have approved our Capital Infrastructure Fund Round 1 strategy submission.

The University is thus undertaking a series of major projects, making investments from funds from the HEFCE administered Capital and Investment Framework, together with match funding from internal resources and donations, coupled with access to bank borrowing. In total, capital investments in buildings of £22 million were made in 2009/10. Developments include a new teaching building at the heart of the campus, the first phase of a major redevelopment of the iconic Library building and the first phase of the University's major investment programme in catering facilities for staff and students. In addition, work has commenced on the delivery of a new 777 bed-space residence at Northfield (to replace existing less fit-for-purpose accommodation) and new facilities for social science research and teaching, centred around our expansion of Business and Management activity.

Financing, cashflow, and liquidity

The University adopted a formal policy on borrowing and financing in 2009. This resulted in setting maximum borrowings for the University, for the time being set at £105 million, of which around half to be secured as core borrowings on longer term non-amortising arrangements on an interest-only basis.

In accordance with these decisions, the University took out a £40 million long-term interest-only facility with Barclays Bank plc, which was drawn down in early 2009/10. This was used to repay the Allied Irish Bank facility in 2008/09, and the rest applied in August 2009 to repay two existing Barclays Bank facilities. In addition the University has secured access to £50 million of amortising term funding from Lloyds TSB Bank plc in order to undertake the building of the Northfield residences and secure funds to complete all elements of the capital programme to 2011/12. The latter facility remains undrawn in 2009/10 though we have prudently entered into some interest-rate management commitments over £30 million of the loan to protect against adverse long term interest rate movements.

Net current liabilities growth at the balance sheet date is largely associated with the accrual made for cost of change, largely payable by the end of September 2010

During the year, the University has had cash balances ranging from £10 million to £45 million, which it deposits on short term basis. This continues to be a turbulent period in the banking sector and we manage our funds in strict accordance with our Council-approved Treasury Management Policy.

The Consolidated Cash Flow Statement shows stability in the University's cash resources. The University generated £16 million of cash from operating activities before interest, paid £3 million in net interest, drew down £1.5 million of net loan funding and invested some £14 million in capital developments. This was achieved while increasing short term and overnight cash reserves less overdrafts which as at 31 July 2010 remained steady. Cash balances will fall over the medium term as the money committed in the capital programme is spent. With the financing in place and careful management of operational performance, the University remains in a strong cash position.

Pension funding

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

Volatility in annual balance sheet values of pension deficits has been a feature of defined benefit schemes in which the assets and liabilities can be separated, in our case with the University of Sussex Pension and Assurance Scheme (USPAS). This year the volatility experienced has been less than in past years: the net pension liability for USPAS has fallen slightly from £34.7 million at 31 July 2009, to £34.1 million. The trustees and the University will consider the impact of the Chancellor's announced intention to link official pensions inflation to CPI rather than RPI which is likely to have an impact on the scheme and reduce liabilities. In the view of the University, it is not prudent to account for any such impact before the financial and legal

Operating and Financial Review (continued)

situation around the official rate and the scheme specific circumstances have been completely evaluated.

The actuarial valuation of the USPAS scheme at 31 March 2009 was completed in spring 2010. The University agreed a Recovery Plan with the Trustees (which was accepted in September 2010 by The Pension Regulator), which includes repaying the £47 million deficit over a period of 20 years from June 2010 to May 2030, through increased employer cash contributions, with lower repayments in the first three years.

As a result of the 2006 valuation, the University reviewed benefits and costs of the USPAS scheme and, following consultations with the Trade Unions, the USPAS scheme was closed to new entrants joining the University after 1 April 2009 and the University opened a new defined contribution pension scheme with life and health assurance benefits on 1 April 2009, Sussex Group Stakeholder Scheme. This scheme is now approaching 100 active members.

In addition, the University has obligations to the national academic and academic related staff scheme, USS, which are treated under accounting rules as a defined contribution scheme, and therefore do not affect the University's reserve position. As noted above, employer contributions rose by 2% in October 2009, with no guarantee that further rises will not be required. The University has played an active role in the Employers Pensions Forum / Universities and Colleges Employers' Association (UCEA) review of pensions. This work has resulted in proposed changes to USS, which will be consulted on with members and prospective members under the Pensions Act regulations over the next few months. It is hoped that implementing these changes will be sufficient to prevent further changes to benefits and members' contributions in the short to medium term. Having said this, pension costs remain a huge concern for the University, as for the sector and the wider economy as a whole.

Reserves and financial performance

The minor reduction in liability on the USPAS scheme added to the modest surplus for the year have increased the University's Income and Expenditure Account from £0.5 million to £1.6 million. Together with increases in deferred capital grants, this increase means that total funds have risen from £61.7 million to £70.8 million.

The Council monitors performance of the institution through of Key Performance Indicators (KPIs) and risk monitoring at each meeting. In the financial domain these include a target of a surplus of 4% of annual turnover, specific borrowing and treasury management objectives. These objectives serve as a benchmark for evaluating plans and performance and are largely being met: for example, operational surplus excluding non-recurrent items has been in the range £3 million to £6 million over the last four years, only a little short of the £6-7 million indicated by the 4% objective.

Our KPIs and risk measurement and mitigation are specifically aligned to the University's objectives as set out in our plan *Making the future*. We publish annually an update against the strategic plan demonstrating progress and giving case studies of success. Performance is measured across a balanced range of targets, which include financial and non-financial measures. The University is addressing this growth not by incremental improvement but by targeted and focused projects, and the initial signs from plans implemented to date continue to be encouraging. Some targets such as recognition of student experience and increase in international numbers have been met early and will continue to be improved; others such as research grant and contract growth will prove more difficult in the current context given the potential contraction of government spending, which may well affect the quantum of research funding available. Our long-term focus remains unaltered and our specific objectives continue to be targeted and are the focus of action plans.

Future outlook

This continues to be a time of major change in Higher Education. A period of increasing income through the Full Economic Cost regime for funding research grants and contracts from public sponsors, the introduction of the new undergraduate fee regime and significant public capital funding streams is now clearly very shortly to be followed by a more difficult period as grant funding is cut to reduce public sector borrowing. Even during the period of increasing income available to higher education institutions, cost pressures from recent pay deals, the costs associated with the Framework Agreement harmonising staff pay and conditions and the rising costs of pension provision were eroding the benefits of higher revenue.

In the immediate future Sussex faces reducing cash grants from funding councils and continued losses in grant as a result of changing policy on funding students who have a University qualification studying for most equivalent or lower level degrees. Public grant funding cuts of 25-40% are being expected over a period of the next four years or so, the outcome of which will become clearer following the October 2010 Comprehensive Spending Review and the grant announcements for 2011/12 in spring 2011. Even though the horizon may become clearer by this stage, the tendency of funding councils to confirm funding for only the first eight months of the next financial year increases volatility and could tempt institutions into short term planning. Add to these current sector wide reviews of research cost weighting and teaching banding and consultation on changing areas of teaching funding, and it can readily be appreciated that this is clearly a declining funding environment.

The University has recognised that further reductions in revenue and capital funding are thus more than likely and our planning has faced head-on the difficult task of anticipating likely cuts in funding and taking a long term view when only short term data is firm. Our reduction of costs by some £5 million at the end of 2009/10 leaves the University in a stronger strategic position to move forward even in a difficult funding environment. We will continue to seek to adjust our cost base in a way that allows us to advance our core activities.

Addressing sector wide and local risks and opportunities has been at the heart of the new strategic vision being developed under the Vice-Chancellor into *Making the future* for the period to 2015, published in January 2009. The University has completed its first year of operation in its new academic structure, reorganised from August 2009 into twelve schools, with significant investment in academic leadership and management and restructured professional services support aimed at improving lines of communication and service delivery. Cost efficiency and effectiveness and focus on strategic mission coupled with targeted income growth mean that much of the academic strategy outlined in *Making the future* is still deliverable and that the University will continue to grow despite cuts in public funding.

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

Simon H D Fanshawe
Chair of Council

Professor Michael J G Farthing
Vice-Chancellor

Corporate Governance

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

Summary of the University's structure of corporate governance

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

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

Council is the governing body of the University, responsible for setting the general strategic direction of the institution, for ensuring proper accountability, and for the management of its finances, property and investments and the general business of the University. Council comprises independent, professional services, academic and student members appointed or elected under the Statutes of the University, the majority of whom are independent. The roles of Chair and Vice-Chair of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor. Council has a membership of 25. These are the Vice-Chancellor, Deputy Vice-Chancellor; six independent members elected by Court; nine independent members appointed by Council; four academic members of the Senate; two other members of the academic staff; one member of professional services staff and the President of the Students' Union. It meets four times a year and has six committees and two joint committees. The matters specially reserved to Council for decision are set out in a list specifically approved by Council; by its own decision and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE), Council holds to itself the responsibilities for the ongoing strategic direction of the University, the monitoring of institutional effectiveness and approval of major developments. It receives regular reports from the senior executives on the day-to-day operations of the University and its subsidiary companies. The Chair, Vice-Chair and Treasurer are appointed from amongst the independent members. The University is fully compliant with the key recommendations of the Committee of University Chairs (CUC) code.

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

Court provides a public forum where members can raise matters about the University. Court meets once a year to receive the Annual Report and Financial Statements. It is also responsible for electing the University's Chancellor.

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

Strategy and Resources Committee (SRC) is a joint committee of Council and Senate which oversees all aspects of resource allocation, financial planning, risk management, staffing matters and estate management. It is responsible, in particular, for advising Council on the overall financial strategy, treasury and investment matters, strategic capital investment, and the budgetary system. It has four sub-committees: Physical Resources Committee (responsible for the physical planning and environmental aspects of the University campus); Human Resources Committee (responsible for advising on the human resources strategy, staffing policies and staff terms and conditions of employment, and for general matters of staff management including equal opportunities, appraisal and reward, staff development and employer/employee relations); Information Services Committee (responsible for overseeing the library and information services strategy); and Scholarships, Bursaries and Awards Committee (responsible for overseeing policy on the award of bursaries and scholarships). SRC also receives reports from Senate Committees on Research and Teaching and Learning, considering them in the formulation of strategy and policy as appropriate. With effect from 1 September 2010 the Strategy and Resources Committee has been replaced by the Strategy and Performance Committee and the Finance Sub-Committee, created to consider annual budgets and financial forecasts, corporate finance, treasury and investment policy, purchasing policy and capital projects.

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

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

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

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

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

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

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

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

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

Statement of public benefit

The University is an exempt charity falling within paragraph (w) of Schedule 2 of the Charities Act 1993. Trustees who served during the year and up to the date of signing the financial statements are Prof RJ Allison, Mr C Brodie, Mrs CC Brooke, Dr SW Bunting, Mrs PA Burr, Prof J Cassell, Prof CR Chatwin, Dr AEW Chitty, Mrs F Clarkson CBE, Mrs PJ Coare, Mr SHD Fanshawe, Prof M J G Farthing, Mr M Fuhr OBE, Mr A Ghosh, Ms S James, Mr E Jenner MBE, Mr G Jones DL, Mr J Law, Prof PJ Layzell, Mr AJ Maris, Mrs S Mbubaegbu CBE, Ms L Rodrigues, Dr H Prance, Mr P Saraga CBE, Prof DN Stephens, Mr C Tait, Prof JCB Taylor, Prof JDM Watson, Prof BL Weiss, Mr T Wills, Mr RC Wilson, Mrs B Winter. Under the newly implemented provisions of the Charities act 2006 charities have an obligation to demonstrate explicitly how they provide public benefit. Under the 2006 Act The Higher Education Funding Council for England (HEFCE) is the principal regulator of English higher education institutions.

The University's Council, in setting and reviewing institutional objectives and activities, has taken into consideration the Charity Commission's guidance on the reporting of public benefit requiring, that there must be clearly identifiable benefits related to the aims of the charity; that the benefits must be to the public or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay fees; that people in poverty must not be excluded from the opportunity to benefit.

Aims and objectives

The objects of the University as set out in its Royal Charter, are 'to advance learning and knowledge by teaching and research, and to enable students to obtain the advantages of University education'.

The powers set out in the Charter make specific provisions for the advancement of education and knowledge, including: 'To provide instruction in such branches of learning as the University may think fit and to make provision for research and for the advancement and dissemination of knowledge.'

The University's Strategic Plan 2009-2015 *Making the future,* available on the University website, builds on the provisions and powers of the Charter and sets out a values-based vision which includes the following strategic goals:

- To develop the international renown of the University of Sussex as a research-intensive centre of creative thinking, learning and discovery, where excellence and innovation flourish and every individual is encouraged to make a lasting contribution to scholarship, knowledge and society
- To deliver teaching and learning programmes that are informed by current research, are attractive to students from all socio-economic and cultural backgrounds and that deliver skills for life
- To deliver a vibrant and well-rounded student experience consistent with the attributes of a Sussex graduate including opportunities to participate in a range of cultural and sporting activities, and maintain and provide a social and caring community with high levels of professional and mutual support
- To help businesses and organisations in the region develop higher staff skill levels through training, and to stimulate innovation through partnership with other institutions outside Sussex to benefit the wider society

Corporate Governance (continued)

- To become an employer of choice for the employee of choice
- To work in partnership with sector-leading organisations to achieve common goals and deliver mutual benefit
- To adopt best practice in our governance, leadership and management arrangements
- To create a sustainable university, with a well-functioning and reliable infrastructure, that is financially, socially and environmentally sound.

In setting out its strategy and laying plans to achieve these goals, the University's Council has paid due regard to its obligation to act for the public benefit. Current progress towards aims and objectives is detailed in the Annual Report 2009/10.

Statement on internal control

Scope of responsibility

Council, as the governing body of the University, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Financial Memorandum with HEFCE.

The purpose of the system of internal control

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

Review of effectiveness

Council's review of the effectiveness of the system of internal control is informed by the work of internal auditors, not employed by the University, who operate to the standards defined in Accountability and Audit: HEFCE Code of Practice. It is also informed by the Audit Committee, which has oversight of internal audit and which reports annually to Council for its approval of the effectiveness of risk management and the system of internal control; by the work of the Senior Executives and the risk owners within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors.

Capacity to handle risk

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

The risk and control framework

The following processes have been established:

- Council meets at least three times through the year to consider the plans and strategic direction of the University
- Council requires regular reports from Senior Executives on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects
- Council receives periodic reports from the Chair of the Audit Committee concerning internal control, and receives copies of the minutes of all Audit Committee meetings. The Audit Committee meets four times a year and receives regular reports from internal audit, which include internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, including the risk register, together with recommendations for improvement
- the Risk Management Strategy classifies risks as strategic (managed by SRC) and operational (managed by the Vice-Chancellor's Executive Group) and reports are provided to Audit Committee, which assures itself from reports and representations received and the work of the internal auditors that a comprehensive system of risk management is operational throughout the year
- risk management has been embedded at School and support unit level by ensuring that the annual planning cycle includes detailed review of the risks facing each School or support unit, by each School or support unit having a risk mitigation strategy and each risk being assigned to a manager
- a risk prioritisation methodology based on risk ranking has been established
- reports are received from those managers identified as having responsibility for managing key corporate risks
- an organisation-wide risk register is maintained of all the key corporate risks and is reviewed formally by Council once a year
- a system of key performance indicators has continued to be developed, and risk management considerations are addressed specifically on all major projects and decision-making papers through the committee structure

Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2010 and up to the date of approval of the Financial Statements; that it is regularly reviewed by Council and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for Higher Education.

Responsibilities of the University's Council

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

Council is responsible for ensuring the proper maintenance of accounting records and the preparation of financial statements that give a true and fair view of the state of affairs of the University in accordance with the University's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions dated June 2007, other relevant accounting and financial reporting standards and within the terms and conditions of a financial memorandum agreed between HEFCE and Council of the University.

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

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

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

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

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

Report of the independent auditors KPMG LLP to the Council of the University of Sussex

We have audited the Group and University financial statements (the "financial statements") of the University of Sussex for the year ended 31 July 2010 which comprise the primary statements such as the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

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

Respective Responsibilities of the University Council / Board of Governors and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated June 2008 and the Financial Memorandum with the Training and Development Agency for Schools.

We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group and the University's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated June 2008 and the Financial Memorandum with the Training and Development Agency for Schools.

Chris Wilson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditors
Chartered Accountants
1 Forest Gate, Brighton Road
Crawley, West Sussex RH11 9PT

Consolidated Income and Expenditure Account
for the year ended 31 July 2010

	Note	**2010 £'000**	2009 £'000
Income			
Funding council grants	1.1	**56,675**	56,932
Academic fees and support grants	1.2	**49,142**	42,177
Research grants and contracts	1.3	**29,607**	28,613
Other operating income	1.4	**30,044**	30,043
Endowment income and interest receivable	1.5	**529**	869
Total income: Group and share of joint ventures		**165,997**	158,634
Less: Share of joint ventures income	17	**(9,332)**	(8,808)
Group income		**156,665**	149,826
Expenditure			
Staff costs	2.1	**89,460**	86,947
Exceptional staff costs	2.5	**5,089**	-
Depreciation	2.4	**8,485**	7,830
Other operating expenses	2.3	**57,284**	54,632
Interest payable	2.2	**5,416**	5,214
Exceptional Finance Costs	2.5	**-**	5,773
Total expenditure: Group and share of joint ventures		**165,734**	160,396
Less: Share of joint ventures expenditure	17	**(9,113)**	(8,633)
Group expenditure		**156,621**	151,763
Group surplus/(deficit) on continuing operations after depreciation of fixed assets at cost and before tax		**44**	(1,937)
Surplus on disposal of assets		**-**	142
Group surplus/(deficit) on continuing operations after depreciation of fixed assets and disposal of assets at cost but before tax		**44**	(1,795)
Share of surplus in joint venture	17	**219**	175
Total surplus/(deficit) on continuing operations after depreciation of fixed assets and disposal of assets at cost but before tax		**263**	(1,620)
Taxation		**-**	-
Minority interest		**-**	-
Historic cost surplus/(deficit) on continuing operations after depreciation of fixed assets at cost, disposal of assets and tax		**263**	(1,620)

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

Consolidated Balance Sheet
as at 31 July 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	3	**150,118**	133,047
Investments	4	**322**	234
Investment in joint venture:			
Share of gross assets	17	**6,459**	5,436
Share of gross liabilities	17	**(2,183)**	(1,546)
Endowment investments	6	**5,112**	4,589
Current assets			
Stocks		**279**	242
Debtors	7	**12,753**	11,581
Investments	11.5	**27,556**	27,270
Cash at bank and in hand	11.5	**209**	223
		40,797	39,316
Creditors: amounts falling due within one year	8	**(47,605)**	(38,241)
Net current (liabilities)/assets		**(6,808)**	1,075
Total assets less current liabilities		**153,020**	142,835
Creditors: amounts falling due after more than one year	9	**(48,100)**	(46,379)
TOTAL NET ASSETS excluding pension liability		**104,920**	96,456
Pension liability	14	**(34,104)**	(34,748)
TOTAL NET ASSETS including pension liability		**70,816**	61,708
Represented by:			
Deferred capital grants	10	**62,094**	54,676
Endowments			
Permanent	13	**3,252**	2,826
Expendable	13	**1,860**	1,763
		5,112	4,589
Reserves			
Income and expenditure account excluding pension liability	12.1	**35,769**	35,284
Pension reserve	12.1	**(34,104)**	(34,748)
Income and expenditure account including pension liability		**1,665**	536
Capital reserve	12.3	**1,802**	1,802
Revaluation reserve	12.2	**143**	105
TOTAL FUNDS		**70,816**	61,708

The Financial Statements were approved by the Council on 26 November 2010 and signed on its behalf by:

Professor M J G Farthing
Vice-Chancellor

S H D Fanshawe
Chair of Council

R A Spencer
Director of Finance

University Balance Sheet
as at 31 July 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	3	**146,262**	129,059
Investment	4	**484**	396
Endowment investments	6	**5,112**	4,589
Current assets			
Stocks		**261**	242
Debtors	7	**16,635**	15,759
Investments	11.5	**27,556**	27,270
Cash at bank and in hand		**1**	-
		44,453	43,271
Creditors: amounts falling due within one year	8	**(47,969)**	(39,063)
Net current (liabilities)/assets		**(3,516)**	4,208
Total assets less current liabilities		**148,342**	138,252
Creditors: amounts falling due after more than one year	9	**(46,293)**	(44,462)
TOTAL NET ASSETS excluding pension liability		**102,049**	93,790
Pension liability	14	**(34,104)**	(34,748)
TOTAL NET ASSETS including pension liability		**67,945**	59,042
Represented by:			
Deferred capital grants	10	**61,509**	54,071
Endowments			
Permanent	13	**3,252**	2,826
Expendable	13	**1,860**	1,763
		5,112	4,589
Reserves			
Income and expenditure account excluding pension liability	12.1	**35,285**	35,025
Pension reserve	12.1	**(34,104)**	(34,748)
Income and expenditure account including pension liability		**1,181**	277
Revaluation reserve	12.2	**143**	105
TOTAL FUNDS		**67,945**	59,042

The Financial Statements were approved by the Council on 26 November 2010 and signed on its behalf by:

Professor M J G Farthing
Vice-Chancellor

S H D Fanshawe
Chair of Council

R A Spencer
Director of Finance

Consolidated Cash Flow Statement
for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	11.1	**15,757**	13,472
Returns on investments and servicing of finance	11.2	**(3,170)**	(2,584)
Capital expenditure and financial investment	11.3	**(14,013)**	(6,846)
Cash (outflow)/inflow before use of liquid resources and financing	11.5	**(1,426)**	4,042
Management of liquid resources		**(286)**	(8,526)
Financing	11.4	**1,456**	6,444
(Decrease)/increase in cash		**(256)**	1,960

Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2010 £'000	2009 £'000
(Decrease)/increase in cash in the year		**(256)**	1,960
Increase in short-term deposits	11.5	**286**	8,526
New finance acquired	11.4	**(40,000)**	(20,000)
Repayment of debt	11.4	**38,544**	13,556
Change in net funds		**(1,426)**	4,042
Net debt at 1 August	11.5	**(24,857)**	(28,899)
Net debt at 31 July	11.5	**(26,283)**	(24,857)

Statement of Consolidated Total Recognised Gains and Losses
for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Surplus/(deficit) after depreciation of assets at cost and tax		**263**	(1,620)
Appreciation/(depreciation) of endowment asset investments	6	**362**	(516)
Endowment income received for year	13	**329**	360
Endowment investment income retained for year	13	**134**	179
Endowment expenditure made during year	13	**(302)**	(329)
Unrealised surplus/(deficit) on revaluation of fixed asset investments	12.2	**38**	(35)
Actuarial gain on pension scheme	14	**867**	1,462
Total recognised surplus/(deficit) relating to the year		**1,691**	(499)

Statement of Principal Accounting Policies

1. Basis of preparation

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

2. Basis of accounting

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

3. Basis of consolidation

The consolidated financial statements include the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2010. These are Sussex Innovation Centre Development Limited, East Slope Housing Limited, University of Sussex Intellectual Property Limited and Sussex Innovation Centre Management Limited. The results of the Students' Union are not consolidated because it is an independent association with separate control.

4. Recognition of income

Funding Council Grants are accounted for in the period to which they relate.

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

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

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

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

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

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

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

5. Charitable Donations

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

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

6. Agency Arrangements

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

7. Leases and Hire Purchase Contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

8. Taxation

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

Statement of Principal Accounting Policies (continued)

purposes. Subsidiary companies are liable to corporation tax.

The University is registered for and subject to VAT on its business activities. The University's charitable non-business activities fall outside the scope of VAT. Any irrecoverable input VAT suffered on the acquisition of goods and services forms part of the cost, charged to the income and expenditure account, of those goods and services and of the values attributed to assets and liabilities in the balance sheet. The University's subsidiary companies are subject to taxes including corporation tax and VAT in the same way as any commercial organisation. The tax charged to the profit and loss account is based on the subsidiary companies' profit for the year and takes into account tax arising because of timing differences between the treatment of certain items for tax and accounting purposes.

In Sussex Innovation Centre Management Ltd deferred tax is recognised without discounting in respect of all material timing differences arising from the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by Financial Reporting Standard (FRS) 19 "Deferred Tax".

The remaining subsidiary companies have put a deed of covenant in place to pay over taxable profits to the University and therefore do not expect to incur any income or capital tax liabilities.

9. Pension schemes

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

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

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

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

10. Foreign currency translation

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

11. Equipment, land and buildings

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

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

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

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

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

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

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

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

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

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

12. Investments

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

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

13. Stocks

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

14. Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The Institution has a planned 5 year rolling maintenance programme, which is reviewed on an annual basis.

15. Cash flows and liquid resources

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

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

16. Provisions

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

17. Joint ventures

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

18. Intra-Group Transactions

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

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

Notes to the Financial Statements

NOTE 1 Income

	2010	2009
1.1 Funding council grants	**£'000**	£'000
Recurrent grant		
HEFCE grant	**47,419**	48,921
Training and Development Agency For Schools (TDA)	**1,695**	1,777
Specific grant		
Other	**4,311**	3,560
Deferred capital grants released in year		
Buildings	**2,238**	1,659
Equipment	**1,012**	1,015
	56,675	56,932
1.2 Tuition fees and education contracts		
Full-time students: UK/EU	**27,148**	24,120
Full-time students: international	**17,756**	13,855
Part-time and other	**2,974**	2,992
Research training support grants	**82**	169
Short courses	**1,182**	1,041
	49,142	42,177
1.3 Research grants and contracts		
Research councils	**16,369**	17,010
UK-based charities	**4,371**	3,638
European Commission	**3,621**	3,713
Other grants and contracts	**4,441**	3,585
Releases from deferred capital grants	**805**	667
	29,607	28,613
1.4 Other operating income		
Residences, catering and other operations	**17,168**	16,023
Other services rendered	**2,745**	1,974
Other income		
General academic services	**3,373**	2,716
NHS grants	**1,145**	1,331
Staff and student services	**978**	1,291
Central administrative	**2,654**	4,672
Other	**1,981**	1,961
Releases from deferred capital grants	**-**	75
	30,044	30,043
1.5 Endowment income and interest receivable		
Transferred from endowments (Note 13)	**302**	329
Income from short-term investments	**227**	540
	529	869

NOTE 2 Expenditure

2.1 Staff costs

	2010 £'000	2009 £'000
Wages and salaries	**74,271**	72,261
Social security costs	**6,415**	6,169
Other pension costs	**8,774**	8,517
	89,460	86,947

Emoluments of the Vice-Chancellor

	2010 £'000	2009 £'000
Salary	**227**	227
Pension contributions	**36**	31
	263	258

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

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

	2010 Number	2009 Number
Academic/clinical	**808**	808
Technical	**108**	115
Professional management and professional support	**809**	814
Other, including clerical and manual	**155**	201
	1,880	1,938

Trustee expenses

Amounts paid to or on behalf of trustees was £5,481 (2009: £5,626). The University had no linked charities during the year including the period up to signing the financial statements.

Remuneration of higher-paid staff (including the Vice-Chancellor but excluding employer's pension contributions)	2010 Number	2009 Number
£100,001-£110,000	**9**	4
£110,001-£120,000	**3**	5
£120,001-£130,000	**11**	3
£130,001-£140,000	**1**	2
£140,001-£150,000	**2**	-
£150,001-£160,000	**1**	1
£160,001-£170,000	**2**	1
£170,001-£180,000	**-**	2
£180,001-£190,000	**1**	-
£190,001-£200,000	**-**	-
£200,001-£210,000	**2**	1
£210,001-£220,000	**-**	-
£220,001-£230,000	**1**	1

There were no compensation payments for loss of office paid to former senior post-holders in 2010 (2009: £0).

NOTE 2 Expenditure (continued)

2.2 Interest payable	2010 £'000	2009 £'000
Loans wholly repayable within five years	**15**	503
Loans not wholly repayable within five years	**2,888**	2,094
Finance leases	**605**	629
Net interest on pension liabilities	**1,908**	1,988
	5,416	5,214

2.3 Other operating expenses	2010 £'000	2009 £'000
Residences, catering and other operations	**7,814**	7,685
Consumable and laboratory expenditure	**11,031**	12,220
Books and periodicals	**2,313**	2,008
Fellowships, scholarships and prizes	**3,106**	2,983
Heat, light, water and power	**1,948**	2,557
Repairs and general maintenance	**5,118**	2,137
Research grants and contracts	**10,450**	9,443
Auditors' remuneration*	**58**	62
Auditors' remuneration in respect of non-audit services	**8**	47
Equipment	**1,829**	2,470
Academic services	**1,437**	441
Staff and student	**1,152**	1,246
General education	**6,507**	6,319
Central administration and services	**1,800**	2,023
Premises – other costs	**2,317**	2,216
Other expenses	**396**	775
	57,284	54,632

* Includes £53,568 in respect of the University (2009: £50,524)

NOTE 2 Expenditure (continued)

2.4 Analysis of expenditure by activity	Staff costs	Exceptional Staff Costs	Depreciation	Other operating expenses	Interest payable	Exceptional finance costs	Total 2010	Total 2009
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Schools	49,208	-	4,266	7,440	-	-	**60,914**	61,190
Academic services	5,988	-	1,008	4,702	-	-	**11,698**	10,439
Research grants & contracts	10,164	-	811	10,432	-	-	**21,407**	20,876
Residences, catering and other operations	3,628	-	1,295	7,814	3,126	-	**15,863**	15,950
Premises	3,385	-	496	9,445	-	-	**13,326**	10,959
Administration	9,859	-	52	1,800	-	-	**11,711**	10,547
Other expenses	7,229	5,089	557	15,652	2,290	-	**30,818**	30,435
Total per income and expenditure account	**89,460**	**5,089**	**8,485**	**57,284**	**5,416**	**-**	**165,734**	**160,396**
Total comparative 2009	86,947	-	7,830	54,632	5,214	5,773	**160,396**	

	2010	2009
The depreciation charge has been funded by:	**£'000**	£'000
Deferred capital grants released	**3,876**	3,471
General income	**4,609**	4,359
	8,485	7,830

The charge for depreciation includes amounts of £0.018m funded by general income and £0.089m funded by deferred capital grants, in respect of the University's share of fixed asset equipment in the Brighton and Sussex Medical School.

2.5 Exceptional items	2010	2009
	£'000	£'000
Write off previously capitalised finance costs	**-**	3,437
Fixed interest break costs	**-**	2,336
Exceptional staff costs	**5,089**	-
	5,089	5,773

During the year 2009-10 the University incurred costs of £5.089m in respect of a planned reduction in staff numbers.

During the year 2008-09 the University committed to refinance £35.464m of long term loans. This resulted in a charge of £3.437m relating to the write off of capitalised costs of a previously restructured loan and £2.336m of break costs arising from an existing £28m loan.

NOTE 3 Tangible assets

Consolidated

	Total £'000	Freehold £'000	Leasehold £'000	Assets in course of construction £'000	Equipment £'000
Cost and valuation					
At 1 August 2009	**203,010**	22,132	142,004	6,049	32,825
Additions at cost	**25,444**	-	4,656	17,692	3,096
Transfer completed assets	**-**	-	12,419	(12,419)	-
Disposals at cost	**(1,720)**	-	(798)	-	(922)
At 31 July 2010	**226,734**	22,132	158,281	11,322	34,999
Depreciation					
At 1 August 2009	**69,963**	5,642	37,145	-	27,176
Disposals	**(1,720)**	-	(798)	-	(922)
Charge for year	**8,373**	475	5,218	-	2,680
At 31 July 2010	**76,616**	6,117	41,565	-	28,934
Net book value at 31 July 2010	**150,118**	**16,015**	**116,716**	**11,322**	**6,065**
Net book value at 31 July 2009	133,047	16,490	104,859	6,049	5,649

University

	Total £'000	Freehold £'000	Leasehold £'000	Assets in course of construction £'000	Equipment £'000
Cost and valuation					
At 1 August 2009	**197,602**	16,981	142,004	6,049	32,568
Additions at cost	**25,429**	-	4,656	17,692	3,081
Transfer completed assets	**-**	-	12,419	(12,419)	-
Disposals at cost	**(1,720)**	-	(798)	-	(922)
At 31 July 2010	**221,311**	16,981	158,281	11,322	34,727
Depreciation					
At 1 August 2009	**68,543**	4,443	37,145	-	26,955
Disposals	**(1,720)**	-	(798)	-	(922)
Charge for year	**8,226**	346	5,218	-	2,662
At 31 July 2010	**75,049**	4,789	41,565	-	28,695
Net book value at 31 July 2010	**146,262**	**12,192**	**116,716**	**11,322**	**6,032**
Net book value at 31 July 2009	129,059	12,538	104,859	6,049	5,613

Freehold land with a cost of £3.639m (2009: £3.639m) is included in Fixed Assets and is not subject to depreciation.

Included in the total net book value of leasehold land and buildings for the University and the Group is £3.843m (2009: £3.967m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.124m (2009: £0.124m).

NOTE 4 Fixed asset investments

	Consolidated		University	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Listed securities	**179**	141	**179**	141
Unlisted securities (includes investments in subsidiaries and associates)	**143**	93	**305**	255
	322	234	**484**	396

NOTE 5 Investment in subsidiary and associate companies and minority holdings

	Share class	No.	Ordinary holding	Value at cost 2010 £	Value at cost 2009 £	Nature of activity
Sussex Innovation Centre Development Ltd	Ord	100	100%	**100**	100	Property development
	Pref	1,800,000	-	**2**	2	
East Slope Housing Ltd	Ord	2	100%	**2**	2	Student lettings
University of Sussex Intellectual Property Ltd	Ord	100	100%	**100**	100	IP exploitation
Sussex University Developments Ltd	Ord	100	100%	**100**	100	Inactive
Dreamclean Ltd	Ord	100	100%	**100**	100	Inactive
USPAS Trustee Ltd	Ord	100	100%	**100**	-	Pension corporate trustee
Sussex Innovation Centre Management Ltd	Ord	200	100%	**161,616**	161,616	Property management
	Pref	2,235	-	**437**	437	
Interanalysis	Ord	20	20%	**50,000**	-	Software Training
LeNSE Ltd	Ord	100	11%	**50,000**	50,000	Computer networking
WZVI Limited	Ord	100	10%	**100**	-	Research & development
Adsfab Ltd	Ord C	6,000	-	**6,000**	6,000	Advertising agency
CVCP Properties PLC	Ord	36,582	<1%	**36,582**	36,582	Investment property
The New Statesman Ltd	Ord	1,626	<1%	**1,626**	1,626	Media publication

NOTE 6 Endowment asset investments

	Consolidated		University	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
At 1 August	**4,589**	4,895	**4,589**	4,895
Net additions	**161**	210	**161**	210
Appreciation/(depreciation)	**362**	(516)	**362**	(516)
At 31 July	**5,112**	4,589	**5,112**	4,589
Fixed interest stocks	**118**	132	**118**	132
Equities	**3,994**	3,504	**3,994**	3,504
Cash balances	**1,000**	953	**1,000**	953
Total endowment asset investments	**5,112**	4,589	**5,112**	4,589

Endowment Fund investments of £5.112m (2009: £4.589m) at market value are included in the Balance Sheet as Long Term Investments. Their market value is higher than cost by £0.1554m and in 2009: higher by £0.005m.

NOTE 7 Debtors

	Consolidated		University	
	2010	2009	**2010**	2009
Amounts falling due within one year:	**£'000**	£'000	**£'000**	£'000
Debtors and prepayments	**11,209**	11,019	**10,939**	10,849
Amounts due from subsidiary undertaking	**-**	-	**1,159**	1,301
	11,209	11,019	**12,098**	12,150
Amounts falling due after more than one year:				
Debtors	**1,544**	562	**1,444**	462
Amounts due from subsidiary undertaking	**-**	-	**3,093**	3,147
	1,544	562	**4,537**	3,609
Total debtors	**12,753**	11,581	**16,635**	15,759

NOTE 8 Creditors: amounts falling due within one year

	Consolidated		University	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Bank overdraft	**5,254**	5,012	**5,254**	5,012
Mortgages and other loans	**432**	727	**324**	619
Capitalised costs of refinance	**-**	-	**-**	-
Obligations under finance leases	**258**	232	**258**	232
Research creditor	**8,607**	5,724	**8,607**	5,724
Exceptional staff costs accrued	**4,452**	-	**4,452**	-
Creditors and accruals	**28,602**	26,546	**28,232**	26,346
Amounts owed to subsidiary undertakings	**-**	-	**842**	1,130
	47,605	38,241	**47,969**	39,063

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

	Consolidated		University	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Mortgages and other loans between one and five years	**1,512**	2,559	**1,007**	2,082
Mortgages and other loans in five years or more	**41,552**	38,528	**40,250**	37,088
Capitalised costs of refinance five years or more	**-**	-	**-**	-
Obligations under finance leases between one and five years	**1,407**	1,247	**1,407**	1,247
Obligations under finance leases in five years or more	**3,629**	4,045	**3,629**	4,045
	48,100	46,379	**46,293**	44,462

Of the above loans, £37.218m (2009: £21.262m) funded the purchase of land and buildings.

Amounts repayable in respect of bank loans outstanding at 31 July 2010 may be analysed as follows:

Lender	**Year loan obtained**	**Year of final repayment**	**Interest**	**Balance 2010 £'000**	**Balance 2009 £'000**
University					
Barclays Bank	2007	2016	Fixed	**-**	7,598
Barclays Bank	1999	2019	Variable	**-**	2,375
Barclays Bank	2009	2039	Fixed	**40,000**	-
Barclays Bank	2008	2031	Fixed	**-**	27,865
HSBC	1996	2016	Variable	**1,500**	1,750
HSBC	1992	2012	Variable	**47**	142
HSBC	1991	2011	Variable	**33**	59
				41,580	39,789
Subsidiary company					
Barclays Bank	2004	2022	Fixed	**1,916**	2,016
Barclays Bank	2000	2010	Variable	**-**	9
				43,496	41,814
Due within one year				**432**	727
Due between one and five years				**1,512**	2,559
Due in five years or more				**41,552**	38,528
				43,496	41,814

In October 2009 the University entered into a £50m Sterling loan facility with Lloyds TSB Bank plc. This loan consists of £5m fixed for 10 years, £5m fixed for 5 years and £20m fixed for 23 years all repayable by October 2034. The term and interest rate of the remaining £20m will be agreed with the bank by October 2012. At 31 July 2010 none of the committed facility had been drawn from the bank.

NOTE 10 Deferred capital grants

	Consolidated 2010 £'000	University 2010 £'000
At 1 August 2009		
Land and buildings	52,364	51,759
Equipment	1,850	1,850
Other	462	462
Total	54,676	54,071
Cash receivable		
Land and buildings	9,182	9,182
Equipment	2,131	2,131
Other	-	-
Total	11,313	11,313
Released to income and expenditure		
Land and buildings	2,596	2,576
Equipment	1,300	1,300
Other	-	-
Total	3,896	3,876
At 31 July 2010		
Land and buildings	58,950	58,365
Equipment	2,682	2,682
Other	462	462
Total	62,094	61,509

NOTE 11 Notes to consolidated cash flow statement

11.1 Reconciliation of consolidated surplus to net cash from operating activities	Note	2010	2009
		£'000	£'000
Surplus before tax		263	(1,620)
Depreciation		8,373	7,722
Deferred capital grants released to income	13	(3,896)	(3,330)
Investment income		(506)	(792)
Interest payable	2.2	5,416	5,214
Net pension cost		(1,685)	(1,218)
(Increase)/decrease in stocks		(37)	24
Increase in debtors		(1,172)	(748)
Investment in joint venture		(388)	(175)
Profit on property sales		-	(142)
Increase in creditors		4,300	2,764
Exceptional operating costs	2.5	5,089	5,773
Net cash inflow from operating activities		15,757	13,472

NOTE 11 Notes to consolidated cash flow statement (continued)

11.2 Returns on investments and servicing of finance

	2010	2009
	£'000	£'000
Income from endowments	134	179
Income from short-term investments	204	463
Interest paid	(3,508)	(3,226)
	(3,170)	(2,584)

11.3 Capital expenditure and financial investment

	2010	2009
	£'000	£'000
Tangible assets acquired (other than leased equipment)	(25,444)	(13,518)
Fixed asset investments	(50)	-
Endowment asset investments acquired	(161)	(210)
	(25,655)	(13,728)
Deferred capital grants received	11,313	6,287
Receipts from property sales	-	235
Endowments received	329	360
	(14,013)	(6,846)

11.4 Analysis of changes in consolidated financing during the year

	Total	Finance leases	Mortgages loans/other	Preference share capital
	£'000	£'000	£'000	£'000
Balance at 1 August 2009	49,140	5,524	41,814	1,802
Capital repayments	(38,544)	(227)	(38,317)	-
New finance acquired	40,000	-	40,000	-
Net amount drawn/(repaid) in year	1,456	(227)	1,683	-
Balances at 31 July 2010	**50,596**	**5,297**	**43,497**	**1,802**

11.5 Analysis of changes in net debt

	At 1August 2009	Cash flows	At 31 July 2010
	£'000	£'000	£'000
Cash at bank and in hand	223	(14)	209
Overdraft	(5,012)	(242)	(5,254)
	(4,789)	(256)	(5,045)
Short-term deposits	27,270	286	27,556
Debt due within one year	(959)	269	(690)
Debt due after more than one year	(46,379)	(1,725)	(48,104)
Net debt	**(24,857)**	**(1,426)**	**(26,283)**

NOTE 12 Movement on reserves

	Consolidated 2010 £'000	University 2010 £'000	Consolidated 2009 £'000	University 2009 £'000
12.1 Income and expenditure account reserve				
At 1 August	535	277	694	(613)
Surplus/(deficit) retained for the year	263	37	(1,620)	(572)
Actuarial gain on pension scheme	867	867	1,462	1,462
At 31 July	1,665	1,181	536	277
Balance represented by:				
Pension reserve	(34,104)	(34,104)	(34,748)	(34,748)
Income and expenditure account reserve excluding pension reserve	35,769	35,285	35,284	35,025
At 31 July	1,665	1,181	536	277

	2010 £'000	2009 £'000
12.2 Consolidated revaluation reserve		
At 1 August	105	140
Increase/(decrease) in the value of fixed asset investments	38	(35)
At 31 July	143	105

	2010 £'000	2009 £'000
12.3 Consolidated Capital reserve		
At 31 July	1,802	1,802

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

NOTE 13 Movement on endowments

	Permanent Restricted £'000	Permanent Unrestricted £'000	Permanent Total £'000	Expendable Restricted £'000	Total £'000
At 1st August 2009					
Capital	2,471	29	2,500	1,337	3,837
Accumulated income	319	7	326	426	752
	2,790	36	2,826	1,763	4,589
Additions	12	-	12	317	329
Appreciation of Endowment Asset Investments	358	4	362	-	362
Income	78	1	79	55	134
Expenditure	(27)	-	(27)	(275)	(302)
At 31 July 2010	**3,211**	**41**	**3,252**	**1,860**	**5,112**
Represented by:					
Capital	2,841	33	2,874	1,299	4,173
Accumulated income	370	8	378	561	939
	3,211	**41**	**3,252**	**1,860**	**5,112**

NOTE 14 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Sussex Pension and Assurance Scheme (USPAS). The schemes are defined benefit schemes, which are valued every three years by actuaries using the projected unit method. The rates of contribution payable are determined by the trustees on the advice of the actuaries. Both schemes provide benefits based on final pensionable salary. During the year the University opened its 'Group Stakeholder' defined contribution scheme which will become more significant in future years.

USS

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund, Universities Superannuation Scheme Limited. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Due to the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme specific funding regime introduced by the pensions act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions are derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by the government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

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

Standard mortality tables were used as follows:

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

NOTE 14 Pension schemes (continued)

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

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

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

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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

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

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, funding level has improved from 74% (as at March 2009) to 91%. This estimate is based on the funding level at the 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of funding level measured on a buyout basis at that date was approximately 57%.

NOTE 14 Pension schemes (continued)

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

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

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

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

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

The total pension cost for the University was £7.862 m (2009: £8.836 m). This includes £0 (2009: £0) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries

USPAS

The University operates a defined benefit scheme in the UK. An actuarial valuation was carried out at 31 March 2009 and updated to 31 July 2010 by a qualified independent actuary.

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

NOTE 14 Pension schemes (continued)

	At 31 July 2010 £'000	At 31 July 2009 £'000
Change in benefit obligation		
Benefit obligation at the beginning of the year	**91,996**	92,634
Current service cost	**1,045**	1,842
Interest cost	**5,733**	5,720
Scheme participants' contributions	**904**	867
Actuarial losses/(gains)	**3,718**	(5,591)
Benefits paid	**(3,963)**	(3,476)
Benefit obligation at the end of the year	**99,433**	91,996
Change in scheme assets		
Fair value of scheme assets at the beginning of the year	**57,248**	57,194
Expected return on scheme assets	**3,825**	3,732
Actuarial gains/(losses)	**4,585**	(4,129)
Employer contribution	**2,730**	3,060
Member contributions	**904**	867
Benefits paid	**(3,963)**	(3,476)
Fair value of scheme assets at the end of the year	**65,329**	57,248
Funded status		
Net liability recognised in the balance sheet	**(34,104)**	(34,748)

	2010 £'000	2009 £'000
Components of pension cost:		
Current service cost	**1,045**	1,842
Interest cost	**5,733**	5,720
Expected return on scheme assets	**(3,825)**	(3,732)
Total pension cost recognised in income and expenditure account	**2,953**	3,830

Actuarial (gains)/losses immediately recognised:

	2010 £'000	2009 £'000
Actual return on scheme assets	**(8,410)**	397
Less expected return on scheme assets	**(3,825)**	(3,732)
	(4,585)	4,129
Changes in assumptions	**3,718**	(5,591)
Total pension cost recognised in the STRGL	**(867)**	(1,462)
Cumulative amount of actuarial losses immediately recognised	**21,878**	26,463

NOTE 14 Pension schemes (continued)

Scheme assets

The weighted average asset allocation at the 31 July 2010 was:

	At 31 July 2010	**At 31 July 2010 £'000**	At 31 July 2009	At 31 July 2009 £'000
Equities	**60.3%**	**39,366**	61.5%	35,197
Bonds	**19.8%**	**12,933**	19.8%	11,345
Gilts	**19.5%**	**12,786**	18.1%	10,353
Cash	**0.4%**	**244**	0.6%	353
Total Market Value of Assets		**65,329**		57,248

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.10% assumption for the pension expense for the year ended 31 July 2010 and the 6.50% assumption for the pension expense for the year ended 31 July 2009.

	2010 £'000	2009 £'000
Actual return on plan assets	**(397)**	(4,213)
Financial assumptions		
Discount rate	**5.50%**	6.30%
Salary increases	**3.70%**	5.00%
Rate of increases of pensions in payment - Pensioners		
Inflation capped at 6% pa	**2.80%**	3.75%
Inflation capped at 3% pa	**2.50%**	3.00%
Rate of increases of pensions in payment – Non - pensioners		
Inflation capped at 6% pa	**4.00%**	3.75%
Inflation capped at 3% pa	**2.90%**	3.00%
Rate of increase for deferred pensioners (non GMP)	**2.70%**	3.75%
Expected return on assets	**6.10%**	6.70%

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

	2010		2009	
	Male	**Female**	Male	Female
Member age 65 (current life expectancy)	**21.1**	**23.8**	20.3	23.2
Member age 45 (life expectancy at age 65)	**23.0**	**25.7**	22.2	25.0

NOTE 14 Pension schemes (continued)

Five year history:

	2010	2009	2008	2007	2006
Benefit obligation	**99,433**	91,996	92,634	82,548	88,431
Fair value of scheme assets	**65,329**	57,248	57,194	60,719	55,795
Deficit	**(34,104)**	(34,748)	(35,440)	(21,829)	(32,636)
Experience Gains and Losses on Scheme Assets:					
Amount (£'000)	**4,585**	(4,129)	(8,222)	1,141	1,499
Percentage of Scheme Assets	**7%**	(7%)	(14%)	2%	3%
Experience Gains and Losses on Scheme Liabilities:					
Amount (£'000)	**-**	(1,900)	(1,500)	(1,499)	3,681
Percentage of the Present Value of Scheme Liabilities	**-**	(2%)	(2%)	(2%)	4%
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	**867**	1,462	(13,860)	11,890	(8,454)
Percentage of the Present Value of the Scheme Liabilities	**1%**	2%	(16%)	14%	(10%)

SGSS

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

	2011	**2010**	2009
	£'000 forecast	**£'000**	£'000
Contributions to USS	*7,750*	**7,862**	8,836
Contributions to USPAS	*2,748*	**2,292**	2,866
Contributions to SGSS	*191*	**174**	26
Other Contributions	*350*	**318**	288

NOTE 15 HEFCE Access funds

	2010	2009
	£'000	£'000
Balance at 1 August	**10**	-
Funding council grants	**226**	274
Disbursed to students	**(232)**	(264)
Balance unspent at 31 July	**4**	10

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

NOTE 16 TDA training bursaries

	2010	2009
	£'000	£'000
Balance at 1 August	104	110
TDA Grants	1,329	1,227
Disbursed to Students	(1,441)	(1,215)
Administration costs	(29)	(18)
Balance owing to TDA at 31 July	(37)	104

NOTE 17 Brighton and Sussex Medical School

Income and expenditure account for the period ended 31 July 2010	University of Sussex	University of Brighton	Joint venture total	Joint venture total
	2010	2010	2010	2009
Income	£'000	£'000	£'000	£'000
HEFCE grant	3,814	3,724	7,538	7,802
NHS funds	1,236	1,236	2,472	2,662
Academic fees	1,238	1,238	2,476	2,100
Research grants and contracts	1,317	974	2,291	1,475
Other	1,727	1,474	3,201	2,725
Total income	9,332	8,646	17,978	16,764
Expenditure				
Staff costs	4,720	4,285	9,005	8,875
Depreciation	112	101	213	205
Other operating expenses	4,281	4,131	8,412	7,314
Total expenditure	9,113	8,517	17,630	16,394
Surplus on continuing operations	219	129	348	370
Transfer from residue reserves	168	168	336	-
Surplus retained for the year	387	297	684	370

Balance sheet of the Community Chest as at 31 July 2010	University of Sussex	University of Brighton	Joint venture total	Joint venture total
	2010	2010	2010	2009
	£'000	£'000	£'000	£'000
Fixed assets	578	567	1,145	1,334
Current assets				
Debtors	501	501	1,002	483
Cash at bank and in hand	5,380	4,893	10,273	8,596
Current liabilities				
Creditors	(1,648)	(1,525)	(3,173)	(1,672)
Net current assets	4,233	3,869	8,102	7,407
Total net assets	4,811	4,436	9,247	8,741
Represented by:				
Deferred capital grants	535	535	1,070	1,248
Income and expenditure account	4,276	3,901	8,177	7,493
	4,811	4,436	9,247	8,741

NOTE 17 Brighton and Sussex Medical School (continued)

Explanatory notes

1. Background

The Brighton & Sussex Medical School (BSMS) is an equal partnership between the Universities of Sussex and Brighton. However, it is agreed that the University of Sussex will be allocated 100% of the income and expenditure relating to Oncology Research.

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

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

2. Accounting arrangements

The income and expenditure of the BSMS for the year ended 31 July 2010 is reflected in the audited Financial Statements of both Universities as reflected in the table on the previous page. Each University has included its share of the gross assets and liabilities of the joint venture and its share of the turnover and surplus.

3. Cash at bank and in hand

The balance of £10.273m as held on behalf of the School at 31 July 2010 by the University of Sussex to meet expenditure commitments in 2009/10 to be settled by claims for reimbursement of expenditure from each University.

NOTE 18 Capital commitments

	2010	2009
Authorised and contracted for at 31 July	**£'000**	£'000
Wholly or partly funded from loans and consolidated reserves	**20,821**	3,401
Wholly or partly funded from external grants	**-**	4,424
	20,821	7,825

NOTE 19 Operating lease commitment

The University entered into an operating lease in September 2007 on a new student residence comprising 450 rooms. The lease has a minimum term of 20 years with annual rentals of £1.4m.

	2010	2009
	£'000	£'000
Annual rentals under operating leases payable and expiring after five years	**1,400**	1,400

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