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BA (Hull) PhD (London)

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BSc (Strathclyde) MSc (Glasgow) Phd
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S o e of t e fin n i st te ents n t is re ort

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.

esults for t e ye r

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:

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

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

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it l ro e ts

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.

in n in s flo n li ui ity

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.

ension fun in

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 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.

eserves n fin n i l erfor n e

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.

uture outloo

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

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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

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

e lt S fety n nviron ent o ittee 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.

u ity n iversity o ittee 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.

ri ton n Susse e i S oo oint o r 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.

u it o ittee 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.

onor ry e rees o ittee, 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.

e i e n e or, 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 **e ister of e ers' nterests** 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.

St te ent of u i enefit

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.

i s n o e tives

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:

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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

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.

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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

onsol i te l n e S eet
as at 31 July 2010

	Note	’	2009 £’000
i e ssets			
Tangible assets	3		133,047
Investments	4		234
Investment in joint venture:			
Share of gross assets	17		5,436
Share of gross liabilities	17		(1,546)
n o ent invest ents	6		4,589
urrent ssets			
Stocks			242
Debtors	7		11,581
Investments	11.5		27,270
Cash at bank and in hand	11.5		223
			39,316
re itors amounts falling due within one year	8		(38,241)
et urrent i ities / ssets			1,075
ot l ssets l ess urrent l i ities			142,835
re itors amounts falling due after more than one year	9		(46,379)
SS S e l u in ension l i ity			96,456
ension l i ity	14		(34,748)
SS S in l u in ension l i ity			61,708
e resente y			
eferre it l r nts	10		54,676
n o ents			
Permanent	13		2,826
Expendable	13		1,763
			4,589
eserves			
Income and expenditure account excluding pension liability	12.1		35,284
Pension reserve	12.1		(34,748)
Income and expenditure account including pension liability			536
Capital reserve	12.3		1,802
Revaluation reserve	12.2		105
U S			61,708

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

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University n e S eet
as at 31 July 2010

	Note	2010 £'000	2009 £'000
i e ssets			
Tangible assets	3		129,059
Investment	4		396
n o ent invest ents	6		4,589
urrent ssets			
Stocks			242
Debtors	7		15,759
Investments	11.5		27,270
Cash at bank and in hand			-
			43,271
re itors amounts falling due within one year	8		(39,063)
et urrent i ities / ssets			4,208
ot ssets ess urrent i ities			138,252
re itors amounts falling due after more than one year	9		(44,462)
SS S e u in ension i ity			93,790
ension i ity	14		(34,748)
SS S in u in ension i ity			59,042
e resente y			
eferre it r nts	10		54,071
n o ents			
Permanent	13		2,826
Expendable	13		1,763
			4,589
eserves			
Income and expenditure account excluding pension liability	12.1		35,025
Pension reserve	12.1		(34,748)
Income and expenditure account including pension liability			277
Revaluation reserve	12.2		105
U S			59,042

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

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	Note		2009
		’	£’000
Net cash inflow from operating activities	11.1		13,472
Returns on investments and servicing of finance	11.2		(2,584)
Capital expenditure and financial investment	11.3		(6,846)
Cash (outflow)/inflow before use of liquid resources and financing	11.5		4,042
Management of liquid resources			(8,526)
Financing	11.4		6,444
(Decrease)/increase in cash			1,960

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			2009
		’	£’000
(Decrease)/increase in cash in the year			1,960
Increase in short-term deposits	11.5		8,526
New finance acquired	11.4	(	(20,000)
Repayment of debt	11.4		

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.

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

. Sto s

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

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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.

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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.

. rovisions

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.

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	’	2009
		£’000
. un in oun il r nts		
e urrent r nt		
HEFCE grant		48,921
Training and Development Agency For Schools (TDA)		1,777
S e ifi r nt		
Other		3,560
Deferred capital grants released in year		
Buildings		1,659
Equipment		1,015
		56,932
. uition fees n e u tion ontr ts		
Full-time students: UK/EU		24,120
Full-time students: international		13,855
Part-time and other		2,992
Research training support grants		169
Short courses		1,041
		42,177
. ese r r nts n ontr ts		
Research councils		17,010
UK-based charities		3,638
European Commission		3,713
Other grants and contracts		3,585
Releases from deferred capital grants		667
		28,613
. t er o er tin in o e		
Residences, catering and other operations		16,023
Other services rendered		1,974
Other income		
General academic services		2,716
NHS grants		1,331
Staff and student services		1,291
Central administrative		4,672
Other		1,961
Releases from deferred capital grants		75
		30,043
. n o ent in o e n interest re eiv le		
Transferred from endowments (Note 13)		329
Income from short-term investments		540
		869

en iture

. St ff osts	’	2009 £’000
Wages and salaries		72,261
Social security costs		6,169
Other pension costs		8,517
		86,947

olu ents of t e i e n ellor	’	2009 £’000
Salary		227
Pension contributions		31
		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:	u er	2009 Number
Academic/clinical		808
Technical		115
Professional management and professional support		814
Other, including clerical and manual		201
		1,938

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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)	u er	2009 Number
£100,001-£110,000		4
£110,001-£120,000		5
£120,001-£130,000		3
£130,001-£140,000		2
£140,001-£150,000		-
£150,001-£160,000		1
£160,001-£170,000		1
£170,001-£180,000		2
£180,001-£190,000		-
£190,001-£200,000		-
£200,001-£210,000		1
£210,001-£220,000		-
£220,001-£230,000		1

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

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. nterest y le	’	2009 £’000
Loans wholly repayable within five years		503
Loans not wholly repayable within five years		2,094
Finance leases		629
Net interest on pension liabilities		1,988
		5,214

. t er o er tin e enses	’	2009 £’000
Residences, catering and other operations		7,685
Consumable and laboratory expenditure		12,220
Books and periodicals		2,008
Fellowships, scholarships and prizes		2,983
Heat, light, w1 Tf78e f s n .		

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. n ysis of e en iture y tivity	Staff costs	Exceptional Staff Costs	Depreciation	Other operating expenses	Interest payable	Exceptional finance costs	ot	Total 2009
	£'000	£'000	£'000	£'000	£'000	£'000	'	£'000
Schools	49,208	-	4,266	7,440	-	-		61,190
Academic services	5,988	-	1,008	4,702	-	-		10,439
Research grants & contracts	10,164	-	811	10,432	-	-		20,876
Residences, catering and other operations	3,628	-	1,295	7,814	3,126	-		15,950
Premises	3,385	-	496	9,445	-	-		10,959
Administration	9,859	-	52	1,800	-	-		10,547
Other expenses	7,229	5,089	557	15,652	2,290	-		30,435
ot er in o e n								
e en iture ount								
Total comparative 2009	86,947	-	7,830	54,632	5,214	5,773		

		2009
The depreciation charge has been funded by:	**' eferr**	**i**

n i le ssets

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	ot l £'000	Freehold £'000	Leasehold £'000	Assets in course of construction £'000	Equipment £'000
ost n v lu tion					
At 1 August 2009		22,132	142,004	6,049	32,825
Additions at cost		-	4,656	17,692	3,096
Transfer completed assets		-	12,419	(12,419)	-
Disposals at cost		-	(798)	-	(922)
At 31 July 2010		22,132	158,281	11,322	34,999
e re i tion					
At 1 August 2009		5,642	37,145	-	27,176
Disposals		-	(798)	-	(922)
Charge for year		475	5,218	-	2,680
At 31 July 2010		6,117	41,565	-	28,934
et oo v lue t ul y					
Net book value at 31 July 2009	133,047	16,490	104,859	6,049	5,649

University

	ot l £'000	Freehold £'000	Leasehold £'000	Assets in course of construction £'000	Equipment £'000
ost n v lu tion					
At 1 August 2009		16,981	142,004	6,049	32,568
Additions at cost		-	4,656	17,692	3,081
Transfer completed assets		-	12,419	(12,419)	-
Disposals at cost		-	(798)	-	(922)
At 31 July 2010		16,981	158,281	11,322	34,727
e re i tion					
At 1 August 2009		4,443	37,145	-	26,955
Disposals		-	(798)	-	(922)
Charge for year		346	5,218	-	2,662
At 31 July 2010		4,789	41,565	-	28,695
et oo v lue t ul y					
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).

i e sset investments

	onsoli te		University	
		2009		2009
	’	£’000	’	£’000
Listed securities		141		141
Unlisted securities (includes investments in subsidiaries and associates)		93		255
		234		396

nvestment in su si i ry n sso i te o nies n inority o in s

re itors ounts f in ue it in one ye r

	onso i te		University	
	'	2009	'	2009
		£'000		£'000

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

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

eferre it r nts

	onsoli te	University
	,	,
t u ust		
Land and buildings		
Equipment		
Other		
Total		
s re eiv le		
Land and buildings		
Equipment		
Other		
Total		
ele se to in o e n e en iture		
Land and buildings		
Equipment		
Other		
Total		
t uly		
Land and buildings		
Equipment		
Other		
Total		

otes to onsoli te s flo st te ent

. e on ili tion of onsoli te sur lus to net s fro o er tin tivities	Note		2009
		,	£'000
Surplus before tax			(1,620)
Depreciation			7,722
Deferred capital grants released to income	13		(3,330)
Investment income		(	(792)
Interest payable	2.2		5,214
Net pension cost			(1,218)
(Increase)/decrease in stocks			24
Increase in debtors			(748)
Investment in joint venture			(175)
Profit on property sales			(142)
Increase in creditors			2,764
Exceptional operating costs	2.5		5,773
Net cash inflow from operating activities			13,472

otes to onsoli te s flo st te ent ontinue

. eturns on invest ents n servi in of fin n e	’	2009
		£’000
Income from endowments		179
Income from short-term investments		463
Interest paid		(3,226)
		(2,584)

. it l e en iture n fin n i l invest ent	’	2009
		£’000
Tangible assets acquired (other than leased equipment)		(13,518)
Fixed asset investments		-
Endowment asset investments acquired		(210)
		(13,728)
Deferred capital grants received		6,287
Receipts from property sales		235
Endowments received		360
		(6,846)

. n lysis of n es in onsoli te fin n in urin t e ye r	ot l	in n e le ses	ort es lo ns/ot er	referen e s re it l
	£’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	-
l n es t u ly				

. n lysis of n es in net e t	t u ust	s flo s	t u ly
	£’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)
et e t			

ove ent on reserves	onso i te	University	Consolidated	University
			2009	2009
	,	,	£'000	£'000
. n o e n e en iture ount reserve				
At 1 August			694	(613)
Surplus/(deficit) retained for the year			(1,620)	(572)
Actuarial gain on pension scheme			1,462	1,462
t u y			536	277
n e re resente y				
Pension reserve			(34,748)	(34,748)
Income and expenditure account reserve excluding pension reserve			35,284	35,025
t u y			536	277

		2009
		£'000
. onso i te rev u tion reserve		
At 1 August		140
Increase/(decrease) in the value of fixed asset investments		(35)
At 31 July		105

		2009
		£'000
. onso i te it reserve		
At 31 July		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.

ove ent on en o ents	er nent estri te	er nent Unrestri te	er nent ot	en e estri te	ot
	£'000	£'000	£'000	£'000	£'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)
t u y					
Represented by:					
Capital	2,841	33	2,874	1,299	4,173
Accumulated income	370	8	378	561	939

ension s e es

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

ension s e es ontinue

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%.

ension s e es ontinue

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:

ssu tion	n e in ssu tion	t on s e e i ities
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

US S

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).

ension s e es ontinue

	t uly	At 31 July 2009 £'000
n e in enefit o i tion		
Benefit obligation at the beginning of the year		92,634
Current service cost		1,842
Interest cost		5,720
Scheme participants' contributions		867
Actuarial losses/(gains)		(5,591)
Benefits paid		(3,476)
Benefit obligation at the end of the year		91,996
n e in s e e ssets		
Fair value of scheme assets at the beginning of the year		57,194
Expected return on scheme assets		3,732
Actuarial gains/(losses)		(4,129)
Employer contribution		3,060
Member contributions		867
Benefits paid		(3,476)
Fair value of scheme assets at the end of the year		57,248
un e st tus		
et i ity re o nise in t e n e s eet		(34,748)

		2009 £'000
o onents of ension ost		
Current service cost		1,842
Interest cost		5,720
Expected return on scheme assets		(3,732)
Total pension cost recognised in income and expenditure account		3,830

tu ri ins /losses i e i te y re o nise

		2009 £'000
Actual return on scheme assets		397
Less expected return on scheme assets		(3,732)
		4,129
Changes in assumptions		(5,591)
Total pension cost recognised in the STRGL		(1,462)
u u tive ount of tu ri osses i e i te y re o nise		26,463

ension s e es ontinue

S e e ssets

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

	t u/y	t u/y	At 31 July 2009	At 31 July 2009
		,		£'000
Equities	.		61.5%	35,197
Bonds	.		19.8%	11,345
Gilts	.		18.1%	10,353
Cash	.		0.6%	353
Total Market Value of Assets				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

ension s e e es ontinue

ive ye r istory

		2009	2008	2007	2006
enefit o li tion		91,996	92,634	82,548	88,431
ir v lue of s e e ssets		57,248	57,194	60,719	55,795
efi it		(34,748)	(35,440)	(21,829)	(32,636)
erien e ins n osses on S e e ssets					
Amount (£'000)		(4,129)	(8,222)	1,141	1,499
Percentage of Scheme Assets		(7%)	(14%)	2%	3%
erien e ins n osses on S e e i ilities					
Amount (£'000)		(1,900)	(1,500)	(1,499)	3,681
Percentage of the Present Value of Scheme Liabilities		(2%)	(2%)	(2%)	4%
ot l ount re o nise in t e st te ent of tot l re o nise ins n losses					
Amount (£'000)		1,462	(13,860)	11,890	(8,454)
Percentage of the Present Value of the Scheme Liabilities		2%	(16%)	14%	(10%)

S SS

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

ess fun s

		2009
	'	£'000
Balance at 1 August		-
Funding council grants		274
Disbursed to students		(264)
Balance unspent at 31 July		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.

tr inin urs ries

		2009
	’	£’000
Balance at 1 August		110
TDA Grants		1,227
Disbursed to Students		(1,215)
Administration costs		(18)
Balance owing to TDA at 31 July		104

ri ton n Susse e i l S oo l

n o e n e en iture ount for t e erio en e u y	University of Susse	University of ri ton	oint venture tot l	Joint venture total
				2009
n o e	’	’	’	£’000
HEFCE grant				7,802
NHS funds				2,662
Academic fees				2,100
Research grants and contracts				1,475
Other				2,725
Total income				16,764
en iture				
Staff costs				8,875
Depreciation				205
Other operating expenses				7,314
Total expenditure				16,394
Sur lus on ontinuin o er tions				370
r nsfer fro resi ue reserves				-
Sur lus ret ine for t e ye r				370

l n e s eet of t e o unity est s t u y	University of Susse	University of ri ton	oint venture tot l	Joint venture total
				2009
	’	’	’	£’000
i e ssets				1,334
urrent ssets				
Debtors				483
Cash at bank and in hand				8,596
urrent li ilities				
Creditors				(1,672)
et urrent ssets				7,407
ot l net ssets				8,741
e resente y				
eferre it r nts				1,248
n o e n e en iture ount				7,493
				8,741

ri ton n Susse e i l S oo l ontinue

l n tory notes

. roun

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.

. ountin rr n e ents

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.

. s t n n in n

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.

it l o it ents

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

er tin l e se o it ent

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.

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