UNIVERSITY OF SUSSEX

FINANCIAL STATEMENTS 2020–2021

UNIVERSITY OF SUSSEX

Strategic Report (continued)

ACCOUNTS

Strategic Report (continued)

The impact of Covid-19 on funding opportunities and the transition from Horizon 2020 to Horizon Europe has resulted in lower bid activity and a dip in research grant award values during the year. Nevertheless, award numbers remain strong. We saw an overall increase in the number of awards up to 258 from 232 last year, with awards valued at £37m. Of this, 17 of the awards were valued at over £0.5m, with 7 of them at over £1m.

A number of significant awards were received during the year:

Strategic Report (continued)

The University is based at its campus in Falmer and during the year spent £19.5m as part of ongoing investment in our strategic capital programme. This includes £8.4m spend on long term maintenance projects and other operating expenditure items, and £11.1m spend on major capital and infrastructure projects. Significant projects in progress during 2020–21 include the Student Centre fit out, Biomedical Research Facility, Lecture Theatre refurbishment and general infrastructure. We also took the opportunity to maintain and upgrade buildings on campus and teaching spaces, along with IT upgrades to support students and hybrid working for staff.

FINANCING, CASHFLOW AND LIQUIDITY

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

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

The University took out a £40m long-term non-amortising interest only facility with Barclays Bank plc – which w[redacted]DC

Strategic Report (continued)

As part of the budgeting process, and the two-year forecast up to 31 July 2023 we have considered the likely financial outturn for the University over this period. Our forecast has been based upon the latest emerging trends, student registration data and application of the Financial Review Guidelines. We tested our early assumptions, allowing for a deterioration in performance and an improved position.

Our projected outcomes clearly demonstrate the University's ability to meet its future financial obligations and, in our judgement, to continue operating successfully as a going concern. We will continue to monitor the risks and opportunities facing the University and respond accordingly to these with management plans to ensure that we continue to have a financially secure institution.

There continues to be uncertainty in the national and global economy and thereby the Higher Education Sector as a result. We are awaiting the Government's response to the Augar Review. There is a continued freeze on tuition fees until the 2022-23 academic year. Whether this freeze continues into the future, or whether there are lower headline fee levels, minimum entry requirements, student number controls or changes to foundation years funding; sector change is undoubtedly coming. We have also noted that the funding to UKRI has reduced by £540m. We continue to consider these strategic challenges and explore our responses to these. This will include a drive to make the University a leaner and fitter institution for the future. While we need to be prepared and on the front foot to navigate change, we should equally realise the opportunities these circumstances present us, by leveraging what it is we excel at.

Discussions continue to try to mitigate the impact of future growth in employers' and employees' contributions to the USS scheme. Universities UK (UUK) wrote to the USS Trustee in October to share the collective response of employers to the Trustee's consultation on finalising the 2020 valuation. There was strong, albeit reluctant, support among employers for finalising the valuation in the form proposed. While backing the proposal as a whole, employers expressed concern at a number of the details and these have been fed back to the Trustee, via UUK. The USS Trustee will be facilitating an employer consultation with members later this year and UCU will soon be balloting members over possible industrial action, we believe it is more important than ever that staff have access to clear and transparent information about the 2020 valuation of USS. Colleagues will also have the chance to feed back their thoughts on the proposal when the employer consultation with members begins. It is likely that there will be further pressure on pay in the future, as inflation continues to run ahead of the Government's targets and employee pension contributions rise. There is also the increase in national insurance contributions from April 2022.

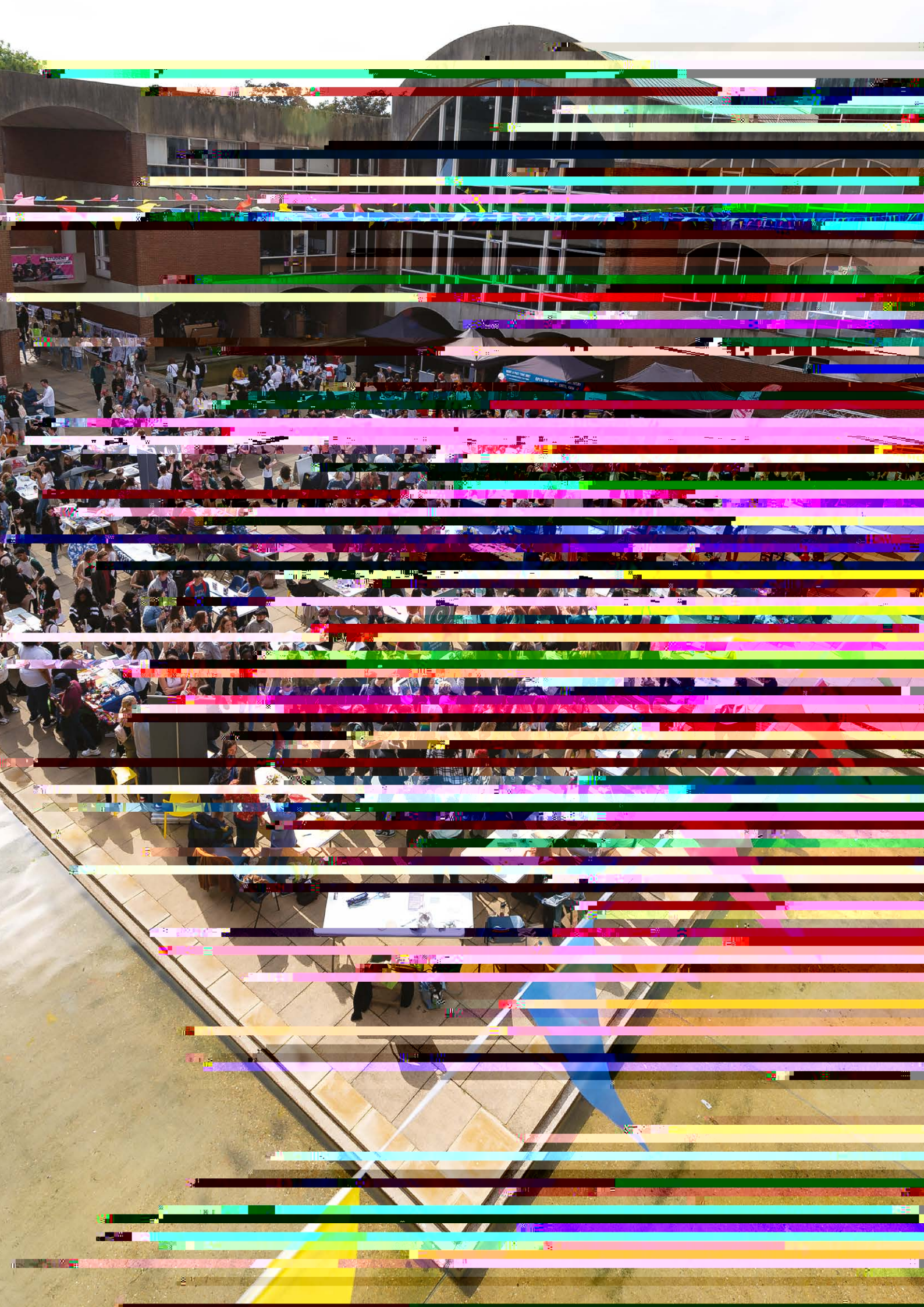
The University is continually seeking to offer better value for money to students and to the taxpayer. We continue to focus on increasing core and non-core income, reviewing costs across the University and making investments in the student experience. We continue to focus on teaching innovation and investing in a number of high value but relatively low-cost investments in technology enhanced learning and student engagement technologies and have a coherent roadmap outwards to 2025. We are also nearing the completion of our exciting new Student Centre, to open in 2022 that will undoubtedly provide a unique experience to our student community.

Change has been a clear theme in this Strategic Report and this extends to our management team as well. Our Vice-Chancellor Adam Tickell will sadly be leaving us shortly to assume his new post at the University of Birmingham. Council would like to take the opportunity to thank Adam for his support and achievements throughout his tenure, especially for creating the Sussex 2025 strategy and navigating the University through some of the most difficult times in its short history. Council has appointed David Maguire as the interim Vice-Chancellor to ensure that we maintain the focus and pace of the Size and Shape programme, until a permanent replacement is appointed. A seamless handover has happened to support this transition.

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

Dame Denise Holt
Chair of Council

Professor David Maguire
Interim Vice-Chancellor



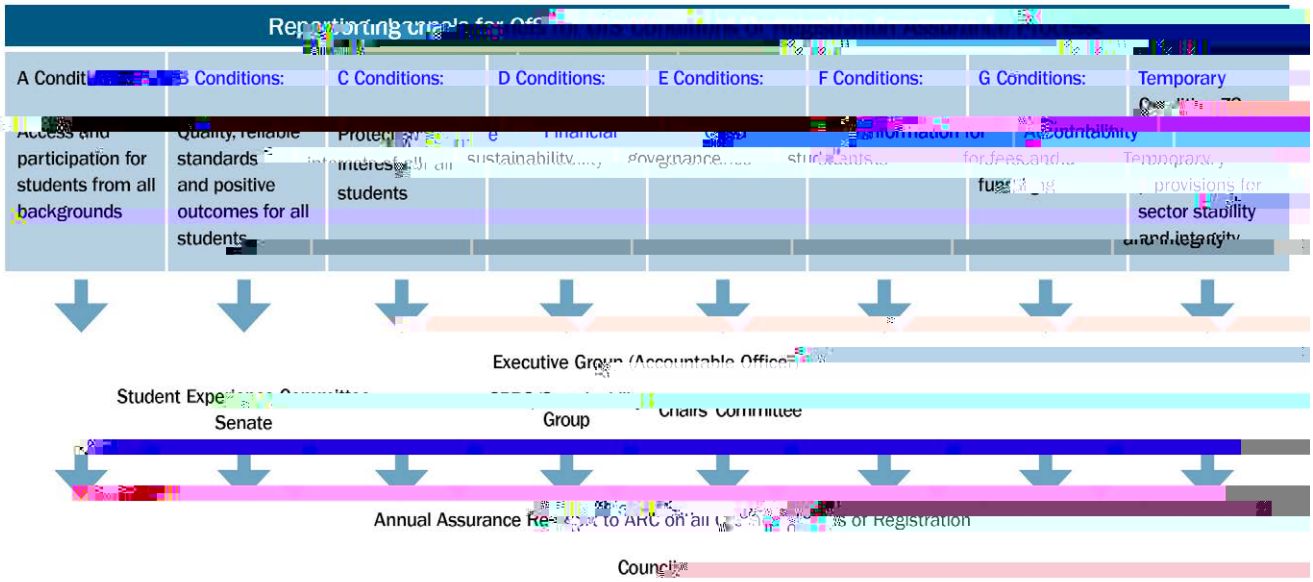
Corporate Governance

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 published in September 2020, and the Office for Students' (OfS's) Public Interest Governance Principles. Its purpose is to help the reader of the financial statements understand how the principles have been applied, and in line with the OfS's Accounts Direction sets out a description of the University's corporate governance arrangements and a statement of the responsibilities of the governing body. This statement applies to the financial year to 31 July 2021 and the period up to the date of approval of the financial statements.

Corporate Governance (continued)

OFS CONDITIONS OF REGISTRATION



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

SUMMARY OF THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

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

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

CHARTER AND STATUTE BODIES

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

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Corporate Governance (continued)

MEMBERSHIP OF COUNCIL AND ATTENDANCE

Independent members of Council are appointed for three-year terms, which can be extended twice making a total permissible period on Council of nine years. Members of Council are also trustees of the University as an exempt charity under the meaning of the Charities Act 2011. Those members listed below were members of Council during 2020–21 or have joined Council between the year-end and the date of the financial statements being signed.

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

Attendance during 2020–21 at ordinary sessions of Council is as set out below. There were three full meetings of Council during the 2020–21 academic year, in November 2020, March 2021 and July 2021. There were two additional teleconferences held in October 2020 and May 2021 regarding single agenda items.

Corporate Governance (continued)

Corporate Governance (continued)

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

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

COMMITTEES OF COUNCIL

The committee structure of Council, as implemented from 1 August 2020, was in place through the 2020–21 year and to date.

Corporate Governance (continued)

Chairs' Committee was set up in August 2018 to fulfil the role of a Nominations Committee and to coordinate the activities of Council sub-committees. It is chaired by the Chair of Council and membership comprises all Council Committee Chairs and the Vice-Chancellor, with an additional co-opted independent member of Council who has responsibility for the fundraising link between Council and the University. In 2020–21 and to the date of signing these financial statements Chairs' Committee met six times.

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

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

SUB-COMMITTEES REPORTING TO THE UNIVERSITY EXECUTIVE GROUP

Human Resources Committee; Health, Safety and Environment Committee; and Equality and Diversity Committee were management committees reporting to the University Executive Group during 2020–21. In September 2020 it was agreed to consolidate the Human Resources Committee and Equality and Diversity Committees into one new Committee, the People, Culture and Inclusion Committee.

VICE-CHANCELLOR

Corporate Governance (continued)

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.

The objects of the University as set out in its Royal Charter are 'to advance learlvsC ch the oppoEMC /P ØLang (en-GB)/MCID 1668 ØBDC BT8 0 0 8 56.6929 656.496 530Øto a0.1 ce enefistu7ablectioobtaipor)-4learsit

Corporate Governance (continued)

- Audit and Risk Committee annually reviews the University's risk tolerance and appetite statement, which is approved by Council, to ensure that it remains relevant and appropriate to the current University and sector context.
- Risk management has been embedded at School and support unit level by ensuring that Heads of School and Directors of Professional Service Divisions, together with their management teams, undertake a detailed review of the risks facing each School or Division – risks are reviewed in each cycle of business, with this review informing the Institutional Risk Register (and status of risks contained therein).
- The Institutional Risk Register is reviewed by University Executive Group monthly prior to submission to Audit and

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2021 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the financial statements of the University of Sussex ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Balance sheet, the Consolidated Cash Flow Statement, the Consolidated and University Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board members with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

USE OF OUR REPORT

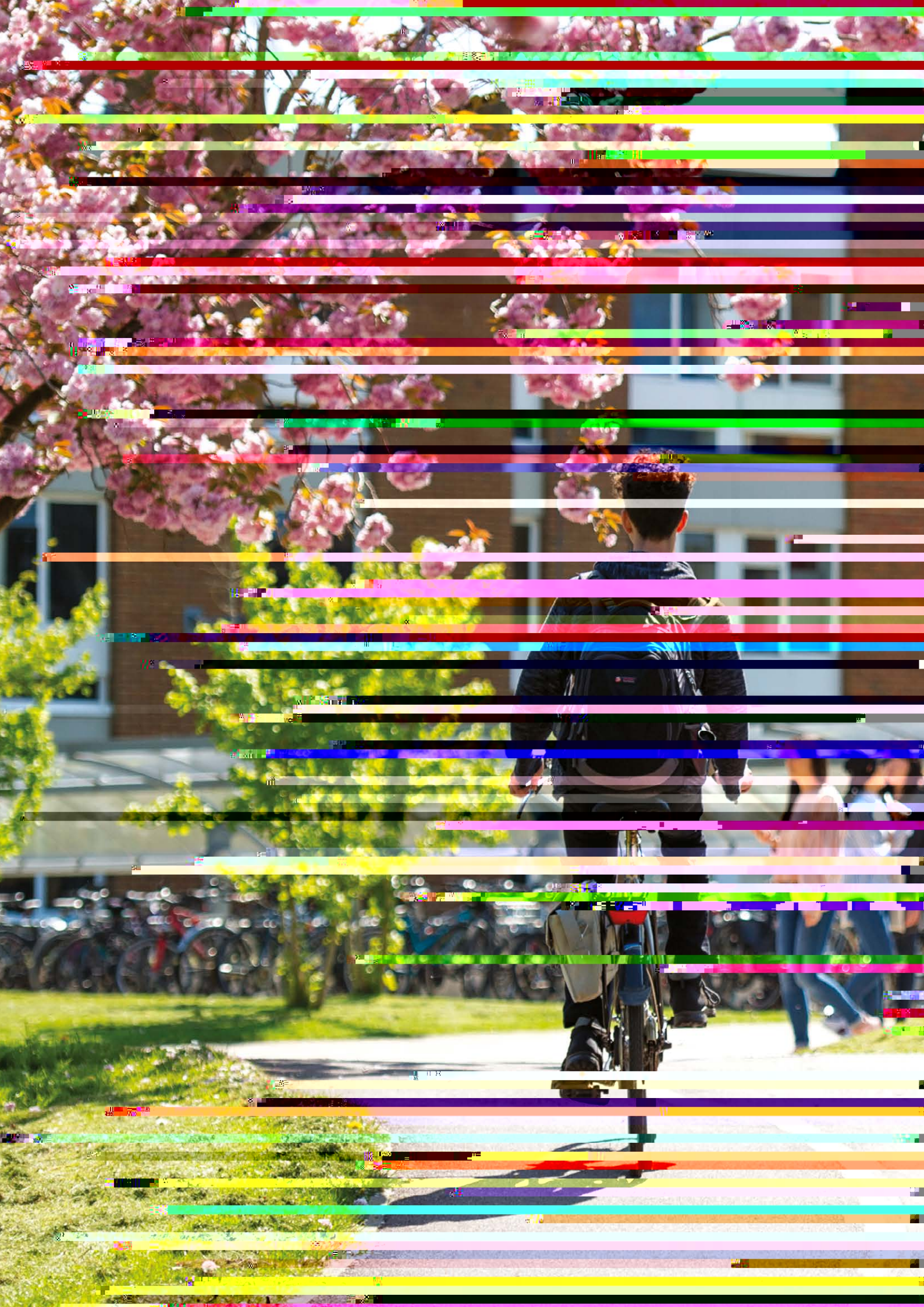
This report is made solely to the council, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the University's Council those matters we are required to state to them in an auditor's report and for no other purpose.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

James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick

United Kingdom

Date: 2 December 2021

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



Statement of Comprehensive Income

Balance Sheet

	NOTES	YEAR ENDED 31 JULY 2021 CONSOLIDATED £'000	YEAR ENDED 31 JULY 2021 UNIVERSITY £'000	YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000	YEAR ENDED 31 JULY 2020 UNIVERSITY £'000
NON-CURRENT ASSETS					
Fixed assets	3	421,749	417,881	426,434	422,509
Investments	5	6,431	894	6,387	795
		428,180	418,775	432,821	423,304
CURRENT ASSETS					
Stock		72	41	50	50
Trade and other receivables	6	41,432	53,824	48,427	60,544
Investments	7	230,859	230,859	188,101	188,101
Cash and cash equivalents		48,216	42,993	67,567	60,704
		320,579	327,717	304,145	309,399

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Consolidated Cash Flow Statement

	NOTES	YEAR ENDED 31 JULY 2021 £'000	YEAR ENDED 31 JULY 2020 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		22,604	38,281
ADJUSTMENT FOR NON-CASH ITEMS			
Depreciation	3	24,272	32,621
Gain on investments	5	(3,316)	(986)
(Increase)/Decrease in stock		(22)	4
Decrease/(Increase) in debtors	6	8,908	(6,739)
(Decrease)/Increase in creditors	8	(5,175)	21,629
Decrease in pension provision		(5,331)	(27,911)
(Decrease)/Increase in other provisions	10	(2,597)	4,069
Share of operating deficit in associate		-	202
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES			
Investment income	1.5	(4,173)	(2,748)
Interest payable	2.2	8,291	

Consolidated and University Statement of Changes in Reserves

	Income and Expenditure account				Total excluding non-controlling interest	Non controlling interest	Total
	Endowment	Unrestricted	Capital Reserve	Revaluation Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CONSOLIDATED							
BALANCE AT 1 AUGUST 2019	13,606	333,427	1,802	365	349,200	850	350,050
Distribution of non-controlling interest							

Statement of Principal Accounting Policies and Estimation Techniques

1. BASIS OF PREPARATION

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

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

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

- No cash flow statement has been presented for the University.
- Related party transactions with wholly owned group entities are not disclosed.

2. BASIS OF ACCOUNTING

The consolidated financial statements include the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2021. These are Sussex Innovation Centre Development Limited, Sussex UH Limited, Sussex Estates and Facilities LLP, Sussex Innovation Centre Management Limited, Sussex U H ESR Holdco Limited and Sussex U H ESR Intermediateco Limited.

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

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Strategic Report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities. Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the forseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

3. INCOME RECOGNITION

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

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

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

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

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

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

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

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

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

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

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

AGENCY ARRANGEMENTS

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

4. EMPLOYMENT BENEFITS

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

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

5. FINANCE LEASES

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

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

6. SERVICE CONCESSION ARRANGEMENTS

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

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

7. OPERATING LEASES

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

8. TAXATION

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

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

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

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

INFRASTRUCTURE

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

EQUIPMENT

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

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

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

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

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

IMPAIRMENT

A review for potential indicators of impairment is carried out at each reporting date. If events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable, a calculation of the impact is completed and arising impairment values charged against the asset and to the SOCIE.

BORROWING COSTS

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

12. FINANCIAL INSTRUMENTS

The University has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments. Financial assets and liabilities are recognised when the Institution becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment

Investments in equity instruments which are not subsidiaries, associates, or joint ventures, and trading portfolios are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

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

13. STOCKS

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell.

14. REPAIRS AND MAINTENANCE

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

15. CASH AND CASH EQUIVALENTS

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

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

16. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

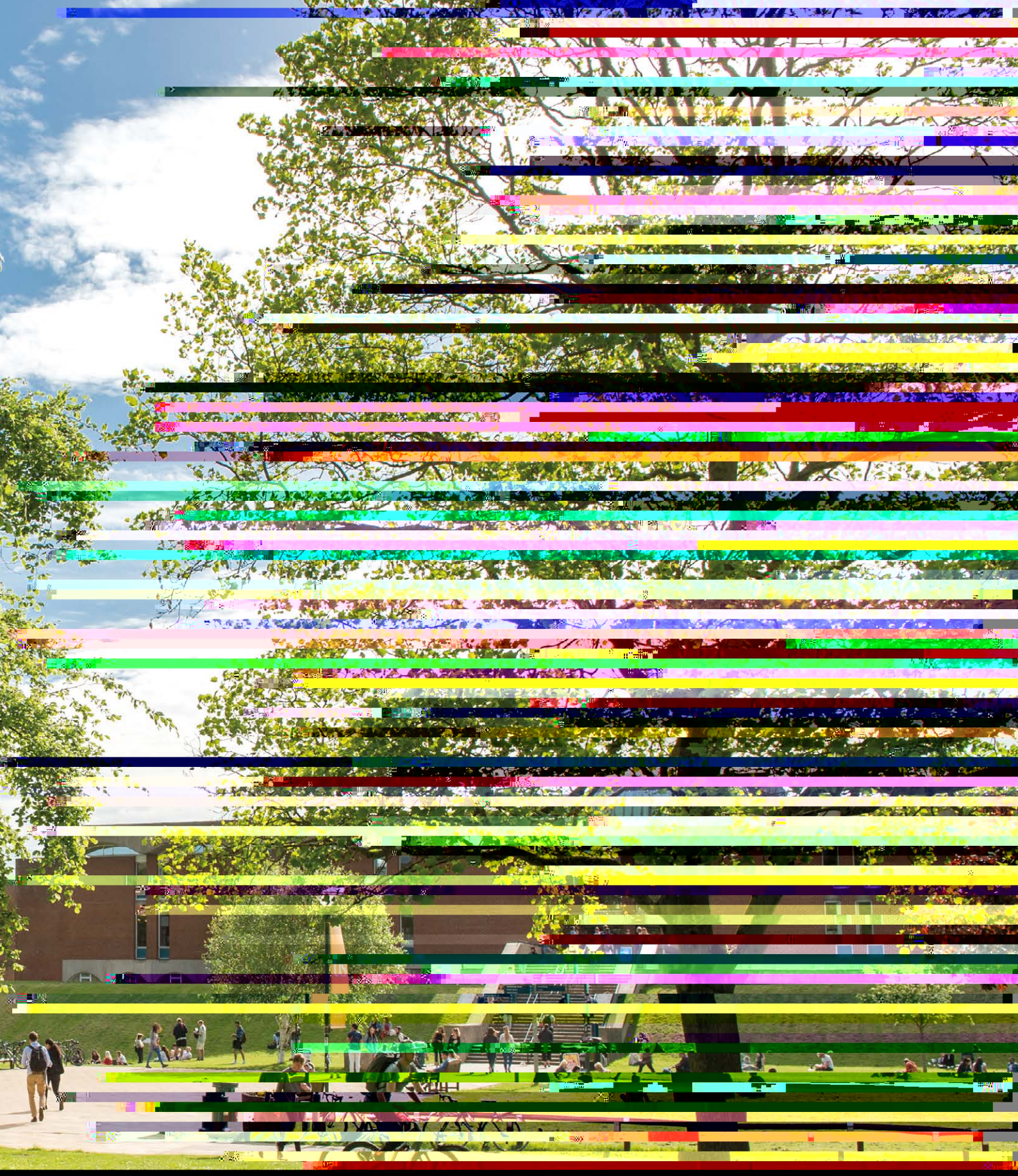
Provisions are recognised in the financial statements when:

(a) the University has a present obligation (legal or constructive) as a result of a past event; or

(b) it is probable that an outflow of economic benefits will be required to settle the obligation; or

(c) a reliable estimate can be made of the amount of the obligation.

Statement of Principal Accounting Policies and Estimation Techniques (continued)



Notes to the Financial Statements

NOTE 1 INCOME

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
1.1 TUITION FEES AND EDUCATION CONTRACTS				

NOTE 1 INCOME (CONTINUED)

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
1.7 GRANT AND FEE INCOME				
Grant income from the OfS	9,795	9,795	8,981	8,981
Grant income from other bodies	63,654	62,769	63,585	63,230
Fee income for taught awards (exclusive of VAT)	193,482	193,482	190,179	190,179
Fee income for research awards (exclusive of VAT)				

NOTE 2 EXPENDITURE (CONTINUED)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of

NOTE 3 FIXED ASSETS

CONSOLIDATED

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Infrastructure £'000	Service Concession £'000	Fixtures Fittings and Equipment £'000	Assets in the Course of construction £'000	Total £'000
COST AND VALUATION							
At 1 August 2020	52,521	415,252	13,271	14,116	42,828	17,441	555,429
Additions	-	136	2,071	10,418	1,109	8,197	21,931
Asset write-down	-	-	-	-	-		

NOTE 3 FIXED ASSETS (CONTINUED)

At 31 July 2021 freehold land and buildings included £11.5m (2020: £11.5m) in respect of freehold land which is not depreciated.

The net book value of tangible fixed assets includes an amount of £258.7m (2020: £271.7m) of buildings held under finance leases. The depreciation charge on these assets for the year was £13.0m (2020: £22.0m).

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

CONSOLIDATED AND UNIVERSITY	2021 £'000	2020 £'000
Due in less than one year	55	55
Due between two and five years	165	165
Due in five years or more	69	124
	289	344

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

NOTE 4 SERVICE CONCESSION ARRANGEMENTS

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

On 31 March 2017 the University entered into a 54-year contract with ESRSA for the provision of residential accommodation services, providing accommodation for 2,117 students. The assets and liabilities relating to this contract are recognised on the University's Balance Sheet to the extent that the University is required to fulfil nomination commitments at each 31 July. At the end of the contract term the buildings will revert back to the University. During the initial 4-year construction period the University is required to nominate at least 75% of the available rooms each December for the following academic year. This commits the University to pay for these rooms. It is anticipated that student rents received will fully fund this obligation.

In December 2020 the University nominated rooms for use in the following academic year 2021-22. This is the final year in which the University is subject to the minimum 75% nomination requirement. As the construction period has completed, rooms in all buildings in the residential development were eligible for nomination and use in 2021-22.

SERVICE CONCESSION ARRANGEMENT ASSETS

The asset value of the service concession in the Balance Sheet as at 31 July 2021 is £10.4m (31 July 2020: £5.7m). The movement is a result of a depreciation charge of £5.7m for the year, and a service concession asset addition of £10.4m. The service concession asset addition represents the estimated rental value of the rooms nominated for use by the University over the 2021-22 academic year.

SERVICE CONCESSION ARRANGEMENT LIABILITIES

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2021 were £10.4m (31 July 2020: £5.6m), representing the present value of lease obligations for the following academic year. This is equivalent to the estimated rental payments due to ESRSA LLP for the rooms nominated for use in 2021-22. The sum of £5.6m was repaid during the year, which related to the final clearing of commitments made across the 4 year construction period.

FUTURE COMMITMENTS

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

	PAYABLE WITHIN ONE YEAR £'000	PAYABLE IN BETWEEN ONE AND TWO YEARS £'000	PAYABLE IN BETWEEN TWO AND FIVE YEARS £'000	PAYABLE IN MORE THAN FIVE YEARS £'000
Liability repayments	10,418	-	-	-
Finance charge	5	-	-	-
	10,423	-	-	-

NOTE 5 NON-CURRENT INVESTMENTS

CONSOLIDATED

	ASSOCIATE COMPANIES £'000	SUBSIDIARY COMPANIES £'000	OTHER FIXED ASSETS INVESTMENTS £'000	TOTAL £'000
At 1 August 2020	5,754	-	633	6,387
Repayment of subordinated debt	(55)	-	-	(55)
Gain in value	-	-	99	99
At 31 July 2021	5,699	-	732	6,431

UNIVERSITY

	£'000	£'000	£'000	£'000
At 1 August 2020	-	162	633	795
Gain in value	-	-	99	99
At 31 July 2021	-	162	732	894

The non-current investments have been valued at market value where available, otherwise at cost less impairment. The investment in the associate company relates to the introduction of additional share capital to enable it to fund the extension to its facilities plus the groups's share in the associates comprehensive income. Included in Consolidated Associate Companies is an amount of £5.7m relating to subordinated debt due from an associate entity East Slope Residencies Student Accommodation LLP.

OTHER NON-CURRENT INVESTMENTS CONSIST OF:

	CONSOLIDATED AND UNIVERSITY 31 JULY 2021 £'000	31 JULY 2020 £'000
Listed Securities		
Mercantile Investment Trust	329	218
Legal & General Industrial Property Investment Fund Feeder Unit Trust	246	201
Feedback PLC	67	124
	642	543
Unlisted Shares		
CVCP Properties	37	37
The New Statesman	1	1
Interanalysis Ltd	50	50
InCrowd	2	2
	90	90
Total	732	633

NOTE 7 CURRENT INVESTMENTS

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
Short term investment in shares	17,143	17,143	13,871	13,871
Short term deposits	213,716	213,716	174,230	174,230
	230,859	230,859	188,101	188,101

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

At 31 July 2021 the average interest rate of these fixed deposits was 0.47% per annum and the remaining average period for which the interest rate is fixed on these deposits was 529 days. The fair value of these deposits was not materially different from the book value.

NOTE 8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
Mortgages and other loans	2,421	2,208	2,350	2,150
Service concession arrangement	10,418	10,418	5,557	5,557
Obligations under finance leases	28	28	26	26
Creditors and accruals	82,800	75,575	87,971	80,099
Amounts due to subsidiaries	-	3,244	-	2,021
	95,667	91,473	95,904	89,853

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

	YEAR ENDED 31 JULY 2021		YEAR ENDED 31 JULY 2020	
	CONSOLIDATED £'000	UNIVERSITY £'000	CONSOLIDATED £'000	UNIVERSITY £'000
Obligations under finance lease	210	210	238	238
Unsecured loans	174,263	174,208	176,684	176,416
Creditors and accruals	18,873	18,508	20,016	19,627
	193,346	192,926	196,938	196,281

NOTE 10 PROVISIONS FOR LIABILITIES (CONTINUED)

USS DEFICIT

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

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 17. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028.

NOTE 11 ENDOWMENT RESERVES

Restricted net assets relating to endowments are as follows:

NOTE 12 INVESTMENT IN JOINT VENTURE

BACKGROUND

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

ACCOUNTING ARRANGEMENTS

The income and expenditure of the BSMS for the year ended 31 July 2021 is reflected in the audited Financial Statements of both universities. Each university has included its share of the gross net assets and liabilities of the joint venture and its share of the gross assets and liabilities of the joint venture and its share of the turnover and surplus.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY 2021	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2021 £'000	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2020 £'000
INCOME		
OfS Grant	2,836	3,128
NHS funds	7,383	6,732
Academic fees	5,226	4,431
Research grants and contracts	1,601	1,355
Other	294	397
Total income	17,340	16,043
EXPENDITURE		
Staff costs	9,381	9,119
Depreciation	154	163
Other operating expenses	6,691	7,019
Total expenditure	16,226	16,301
Surplus/(de□cit) on continuing operations	1,114	(258)
Surplus brought forward for the year	6,739	6,997
Surplus retained for the year	7,853	6,739

BALANCE SHEET AS AT 31 JULY 2021	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2021 £'000	UNIVERSITY OF SUSSEX YEAR ENDED 31 JULY 2020 £'000
Fixed assets	701	835
Current assets		
Debtors	1,219	784
Cash at banks and in hand	10,430	8,293
Current Liabilities		
Creditors	(4,497)	(3,173)
Net current assets	7,152	5,904
Total net assets	7,853	6,739
Represented by:		
Income and expenditure account	7,853	6,739

NOTE 13 CAPITAL AND OTHER COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2021:

	YEAR ENDED 31 JULY 2021 CONSOLIDATED £'000	YEAR ENDED 31 JULY 2020 CONSOLIDATED £'000
Commitments contracted for	9,067	5,166
Authorised, approved but not contracted for	24,801	30,695
	33,868	35,861

NOTE 14 OPERATING LEASE COMMITMENTS

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

	YEAR ENDED 31 JULY 2021 CONSOLIDATED	YEAR ENDED 31 JULY 2020 CONSOLIDATED
	Land and Buildings	TotaR0[CONSOLID)20 (A)65 1.Ds<Lang (en-GB)/MC26 ang

NOTE 17 PENSION SCHEMES (CONTINUED)

The mortality assumptions used in these figures are as follows:

	PRE-RETIREMENT	POST RETIREMENT
MALE MEMBERS' MORTALITY	71% of AMC00 (duration 0)	97.6% of SAPS S1NMA "light"
FEMALE MEMBERS' MORTALITY	112% of AFC00 (duration 0)	102.7% of RFV00

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2016 projections with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females were also adopted.

The current life expectancies on retirement at age 65 are:

	2021	2020
MALES CURRENTLY AGED 65 (YEARS)	24.6	24.4
FEMALES CURRENTLY AGED 65 (YEARS)	26.1	25.9
MALES CURRENTLY AGED 45 (YEARS)	26.6	26.3
FEMALES CURRENTLY AGED 45 (YEARS)	27.9	27.7

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

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NOTE 17 PENSION SCHEMES (CONTINUED)

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

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

There are three categories of pension scheme members:

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

The results of the most recent formal actuarial valuation as at 31 March 2018 have been updated to 31 July 2021 by a qualified independent actuary.

ASSUMPTIONS

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

	AT 31 JULY 2021 %PA	AT 31 JULY 2020 %PA
PRICE INFLATION (RPI)	3.20%	2.90%
PRICE INFLATION (CPI)	2.70%	2.30%
RATE OF INCREASE IN SALARIES 2020-21	-	0.80%
RATE OF INCREASE IN SALARIES 2021-22	2.00%	2.00%
RATE OF INCREASE IN SALARIES THEREAFTER	2.70%	2.30%
RATE OF INCREASE OF PENSIONS IN PAYMENT FOR USPAS MEMBERS:		
POST 88 GMP	2.30%	2.10%
PRE 09 PENSION	2.70%	2.30%
POST 09 PENSION	2.30%	2.10%
RATE OF INCREASE FOR DEFERRED PENSIONERS (NON GMP):		
PRE 09 LEAVERS	2.70%	2.30%
POST 09 LEAVERS	3.20%	2.90%

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

	MALE		FEMALE	
	PENSIONER	NON-PENSIONER (CURRENTLY AGED 45)	PENSIONER	NON-PENSIONER (CURRENTLY AGED 45)
At 31 July 2021	21.9	23.2	24.3	25.7
At 31 July 2020	21.9	23.2	24.2	25.6

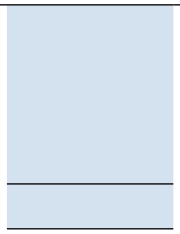
NOTE 17 PENSION SCHEMES (CONTINUED)

SCHEME ASSETS AND EXPECTED RATE OF RETURN FOR USPAS

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

The assets in the scheme were:

		64,148	69,174



NOTE 17 PENSION SCHEMES (CONTINUED)

	AT 31 JULY 2021 £'000	AT 31 JULY 2020 £'000
ANALYSIS OF MOVEMENT IN (DEFICIT) FOR USPAS PENSIONS DEFICIT AT BEGINNING OF YEAR	(32,399)	(17,839)
Contributions or benefits paid by the University	4,337	4,341
Current service cost	(1,143)	(1,108)
Past service cost	-	-
Other finance charge	(390)	(305)
Interest cost	(403)	(328)
Gain/(Loss) recognised in other comprehensive income	13,542	(17,160)
DEFICIT AT END OF YEAR	(16,456)	(32,399)

SUPPLEMENTARY SCHEDULE

We have an obligation as part of our participation in the US Federal Loans program to include Supplemental Information which complies with Federal Register/Vol. 84, No. 184 / Monday, September 23, 2019 / Rules and Regulations.

The data is prepared using UK GAAP and does not include any adjustments that would be required to comply with US GAAP.

REFERENCE	EXPENDABLE NET ASSETS		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000		CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000	
Balance sheet Statement of changes in reserves	Statement of Financial Position – Net assets without donor restrictions	Income and expenditure reserve + Revaluation reserve		386,321		354,537
Balance sheet Statement of changes in reserves	Statement of Financial Position – Net assets with donor restrictions	I&E - endowment reserve + Non-controlling interest		18,771		14,999
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors	737			

REFERENCE	EXPENDABLE NET ASSETS		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000		CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000	
Statement of comprehensive income	Statement of Activites – Non-Operating (Investment return appropriated for spending), Investments, net of annual spending gain (loss), Other components of net periodic pension costs, Pension-related changes other than net periodic pension, changes other than net periodic pension, Change in value of split-interest agreements and Other gains (loss) – (Total from Statement of Activities prior to adjustments)	Investment income + Gain on investments + Actuarial gain/(loss) in respect of pension schemes		(19,141)		13,860
Statement of comprehensive income	Statement of Activites – (Investment return appropriated for spending) and Investments, net of annual spending, gain (loss)					

REFERENCE	MODIFIED ASSETS (CONTINUED)		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000		CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000	
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors	737		666	
Note 16	Statement of Financial Position – Related party receivable and Related party note disclosure	Related party transactions in debtors		737		666
REFERENCE	NET INCOME RATIO		CONSOLIDATED YEAR ENDED 31 JULY 2021 £'000		CONSOLIDATED YEAR ENDED 31 JULY 2020 £'000	
Balance sheet Consolidated cash flow statement	Statement of Activities – Change in Net Assets Without Donor Restrictions	Change in Net Assets – Change in I&E – endowment reserve – Distribution to non-controlling interest		32,630		20,318
Statement of comprehensive income	Statement of Activities – (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	Total income – Investment income		311,907		317,473