

**UNIVERSITY OF BRIGHTON**

**Report and Financial Statements**

**Year ended 31 July 2010**

**University of Brighton  
Mithras House  
Lewes Road  
Brighton  
East Sussex BN2 4AT**

## **REPORT AND FINANCIAL STATEMENTS 2009-2010**

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## OPERATING AND FINANCIAL REVIEW

### Introduction

This review provides a summary of the University's finances and operations. It covers:

- The development, performance and operation of the University during the financial year ending 31 July 2010 and the main underlying trends and factors;
- The position of the University as at 31 July 2010;
- The main trends and factors which are likely to affect the University's future development, performance and position, including the Government's response to Lord Browne's report on the future of tuition fees.

### Review of the year

The summary income and expenditure account for the year ended 31 July 2010 was as follows:

|                                | <b>2010</b> | <b>2009</b> | <b>Change</b> |
|--------------------------------|-------------|-------------|---------------|
|                                | <b>£m</b>   | <b>£m</b>   | <b>%</b>      |
| Income                         | 163.1       | 151.2       | +7.9%         |
| Staffing Costs                 | 92.0        | 89.1        | +3.3%         |
| Other Expenditure              | 60.9        | 60.6        | +0.5%         |
| Total Expenditure              | 152.9       | 149.7       | +2.1%         |
| Current Cost Operating Surplus | 10.2        | 1.5         | +580.0%       |
| Depreciation Adjustment        | 1.6         | 1.5         | 0.0%          |
| Historical Cost Surplus        | 11.8        | 3.0         | +293.3%       |

Income increased by 7.9%. The largest increases were to tuition fees (£8.5 million / 14% increase) and research grants and contracts (£1.3 million / 22% increase). The increase in tuition fees reflects growth in student numbers, the continuing impact of the introduction of variable fees for full time undergraduates, consequential increases in fees for other student groups and improvements in billing and collection performance. Student numbers<sup>1</sup> have increased year on year as follows:

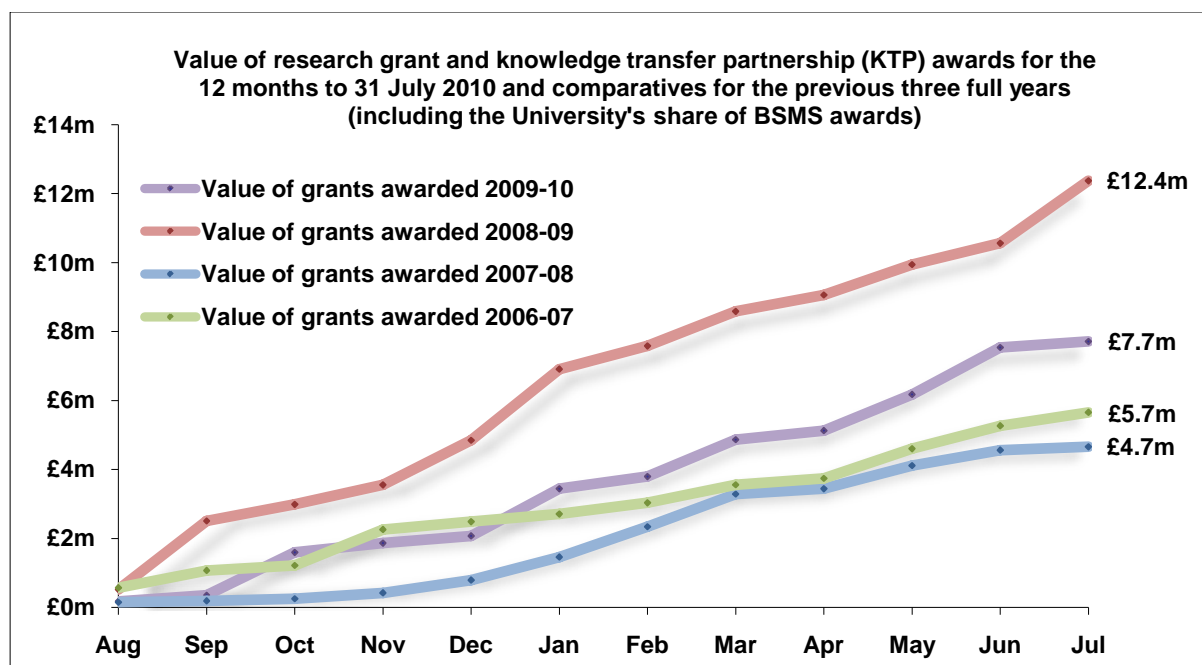
|   |               | <b>2010</b>      | <b>2009</b>      | <b>Change</b>    | <b>Change</b> |
|---|---------------|------------------|------------------|------------------|---------------|
|   |               | <b>Headcount</b> | <b>Headcount</b> | <b>Headcount</b> | <b>%</b>      |
| <b>UK, Island and EU Domiciled Students</b>     |               |                  |                  |                  |               |
| Full Time                                       | Undergraduate | 13,789           | 13,383           | +406             | +3.0%         |
|   | Postgraduate  | 1,403            | 1,145            | +258             | +22.5%        |
| Part Time                                       | Undergraduate | 3,861            | 4,183            | -322             | -7.7%         |
|   | Postgraduate  | 2,952            | 2,750            | +202             | +7.3%         |
| <b>Non UK, Island and EU Domiciled Students</b> |               |                  |                  |                  |               |
| All Modes                                       | Undergraduate | 725              | 693              | +32              | +4.6%         |
|   | Postgraduate  | 704              | 680              | +24              | +4.0%         |
| <b>Total</b>                                    |               | <b>23,434</b>    | <b>22,834</b>    | <b>+600</b>      | <b>+2.6%</b>  |

Full time undergraduate UK/EU student numbers were constrained by government limits during the year and funded growth was limited to numbers at the University Centre Hastings and co-funded numbers with employers for the Centre for Work and Learning. In view of the constraints on funded undergraduate UK/EU student numbers the University has adopted a strategy of growing numbers of international and other full cost students as well as postgraduate numbers. Over the last year there has been significant

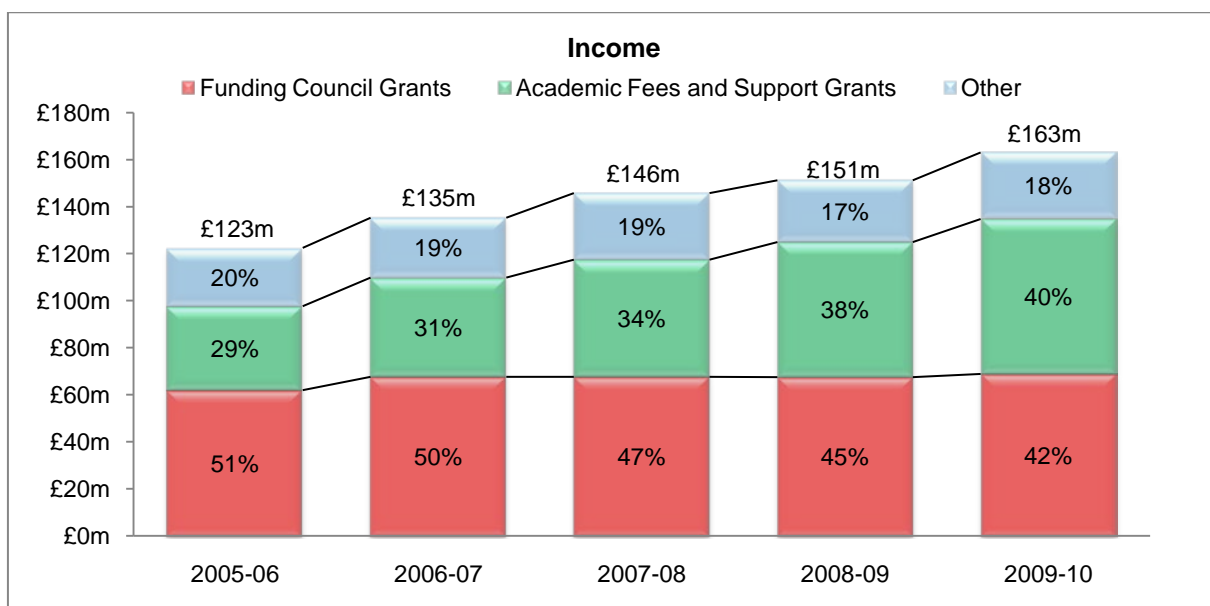
<sup>1</sup> Source: University of Brighton Academic Health Statistical Data – Student Profile (including Partner Colleges)

success in growing full-time postgraduate participation, particularly in the professional areas of health, education, management and engineering. It is not certain whether this level of recruitment can be maintained over the next few years, given the anticipated changes to sector funding and the overall economic climate. Growth in international student participation was in line with expectations and again was concentrated in education, management and engineering. The reduction in part time undergraduate provision reflects the lower student participation in language courses, reflecting a change to the recruitment targets in this area. The Government’s response to the recently published report by Lord Browne of Madingley “An Independent Review of Higher Education Funding and Student Finance” may well have an effect on student numbers from 2012-13 onwards.

The increase in research grants and contracts reflects a continuing focus on growing this area of activity despite highly competitive external conditions. Ambitious targets for growing research grant income were set for the year. 80% of the target was achieved during 2009-10, with research income for the year increasing by 22%. This partially reflected the increase in the value of research contracts awarded in 2008-09. Research contracts awarded in 2009-10 were lower than the previous year, but higher than those won in prior years. The University’s research strategy is concerned with increasing the capacity to both win and deliver research contracts. As the strategy is not yet fully implemented, there is a trade-off between contracts won and income earned in year.

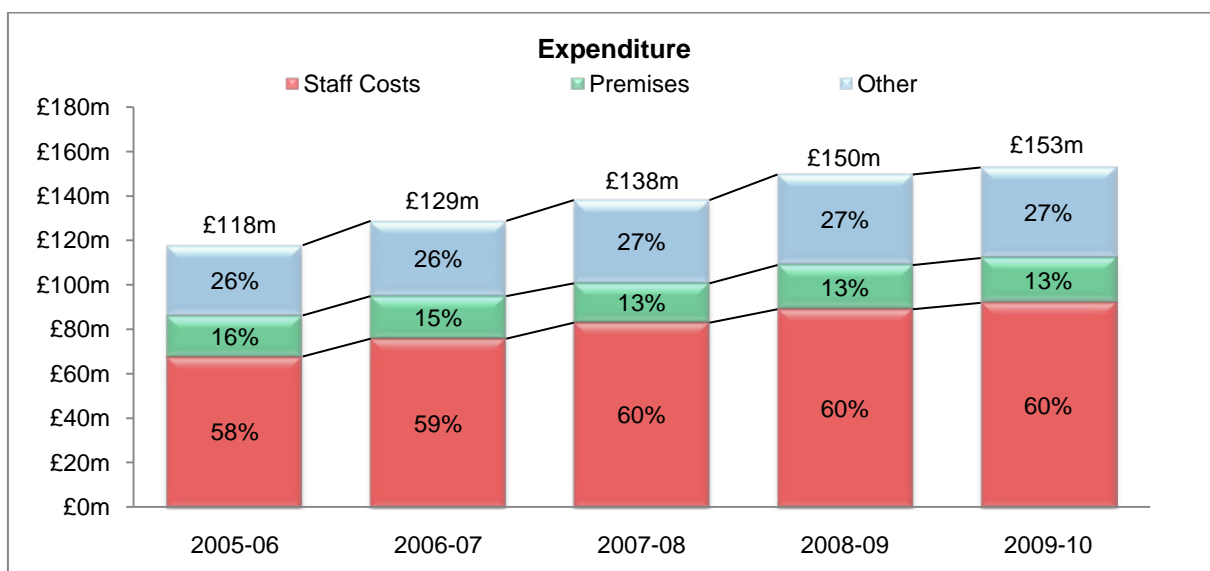


Income from Economic and Social Engagement (EASE) activities exceeded target by 7%. Courses for Business and the Community contributed most to this achievement by generating £5.2 million, which was £0.8 million above target. The increases to research and EASE income streams together with the growth in tuition fees has further helped the year on year diversification of income sources in line with the University’s strategy of reducing reliance on funding council grants.



Staff costs increased by 3.3%. This reflects the ongoing impact of incremental progression, increases in staff numbers (which in total rose by 1.5%) and a 0.5% pay award.

Other expenditure increased only slightly year on year, with increases being offset by reductions elsewhere. Areas of reduction included agency and contract staff, bad debts, consultancy and energy, which reflects concerted efforts to manage expenditure in these areas. Maintenance of buildings and grounds reduced by £1.5 million (23%), as a number of improvement projects were completed in 2008-09, and commitments against other projects were deferred. Grants to students increased by 24% - an indication of the effects of the recession and the University's commitment to support students during difficult economic circumstances. 625 additional students were able to access the University's bursary schemes during 2009-10, with the average bursary award increasing by 3%.



The historical cost surplus for the year of £11.8 million significantly exceeded the target for the year of £3.5 million. The largest component of the variance arose as a result of under spending against devolved budgets by academic and central departments. The University's financial model has historically allowed limited carry forward of budget under spends year on year; however, the model was changed for 2009-10 in the light of the anticipated future funding pressures to encourage departments to make savings to assist with anticipated future funding reductions. Departments have responded by generating some £6.1 million of additional savings in year, split evenly between academic and central areas.

## Balance sheet position as at 31 July 2010

The consolidated balance sheet shows the following position:

|                              | 2010         | 2009         | Change        |
|------------------------------|--------------|--------------|---------------|
|                              | £m           | £m           | %             |
| Fixed Assets                 | 186.2        | 171.6        | +8.5%         |
| Current Assets               | 66.8         | 47.7         | +40.0%        |
| Creditor due within One Year | -38.2        | -33.1        | +15.4%        |
| Net Pension Liability        | -29.6        | -40.5        | -26.9%        |
| Net Assets                   | <u>146.6</u> | <u>124.8</u> | <u>+17.5%</u> |

The value of fixed assets has increased by 8.5% year on year reflecting the completion of the £23.4 million Huxley Building – the new home for Pharmacy and Biomolecular Sciences.

A number of factors contributed to the increase in current assets. Cash and short-term investments increased mainly as a result of constrained spending by budget managers during the year and the draw-down of loans, which replaced cash initially used to finance the Checkland Building. Debtors increased by £3.5 million in 2009-10 mainly due to a prepayment of £3.2 million relating to the purchase of the new building for the University Centre Hastings. The increase was off-set by a reduction in trade debtors of £1.4 million, reflecting the significant effort applied during the year to reduce student related debt.

The increase to current creditors largely relates to the deferment of grants in advance of spend on capital projects which is expected to be incurred in 2010-11.

## Cash flow statement for the year ended 31 July 2010

|                                    | 2010        | 2009         |
|------------------------------------|-------------|--------------|
|                                    | £m          | £m           |
| Net cash inflow / (-) outflow      | 0.1         | -16.7        |
| Increase to short-term investments | -18.0       | -23.0        |
| Financing                          | 15.5        | 11.5         |
| Decrease in Cash                   | <u>-2.4</u> | <u>-28.2</u> |

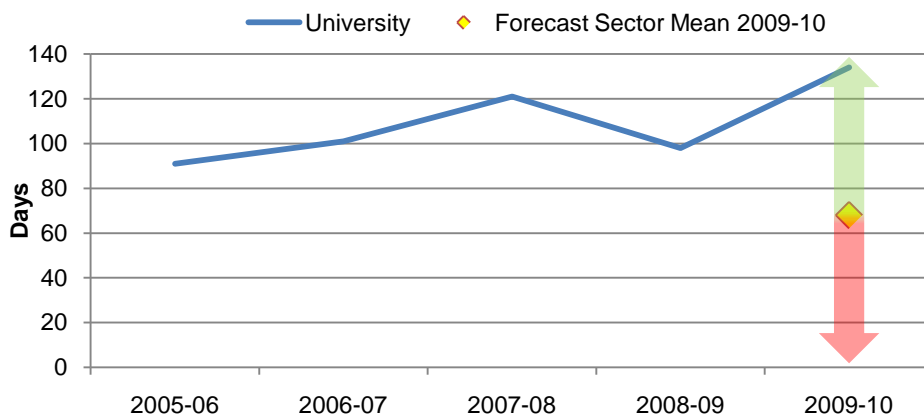
The cash flow statement shows a decrease in the University's cash position of £2.4 million. Cash balances with immediate access stood at £14.1 million as at 31 July 2010, equating to approximately one month of expenditure. In addition to these cash balances the University had short-term investments of £41.0 million held on deposit for periods ranging from between one and fourteen months. The University's Treasury Management strategy is to achieve competitive interest rates, but to ensure that the maximum possible security of investment is maintained. The Treasury Management Policy restricts investments to within 12 months, without express Board approval. The combined balance of cash and short-term investments increased by £15.6 million during the year.

## Financial Performance

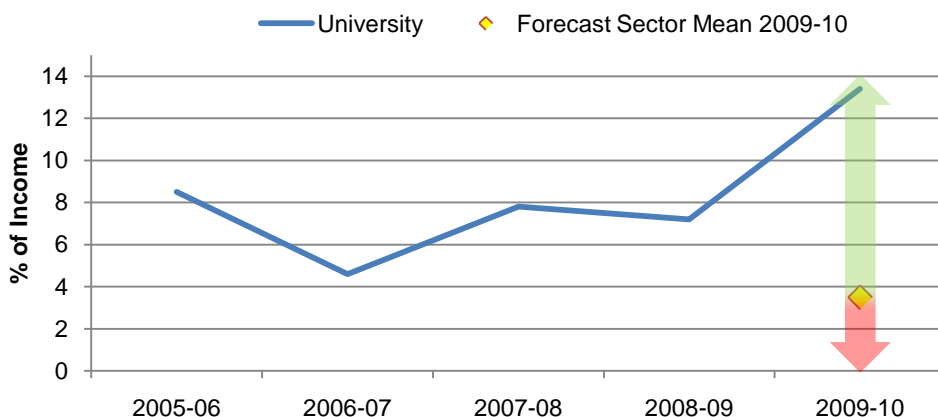
The following measures provide further analysis of the University's financial performance compared with the 2009-10 forecast averages for the sector (compiled by the Higher Education Funding Council for England (HEFCE) from individual institutional financial forecasts). The indicator bar shows whether the University's performance is more favourable (green) or less favourable (red) than the forecast sector average for 2009-10.

Net liquidity: provides an indication of expenditure coverage (in days) and the ability to respond quickly to short-term financial pressures (the higher the days the greater the coverage). The improvement in the coverage in 2009-10 relates to the increase in cash holdings and short-term investments against

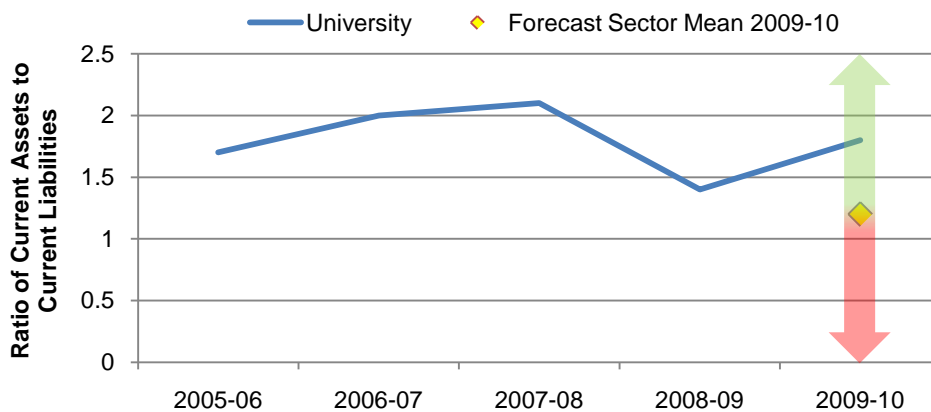
relatively constrained expenditure. The overall forecast sector mean for 2009-10 was 68 days coverage (source: HEFCE).



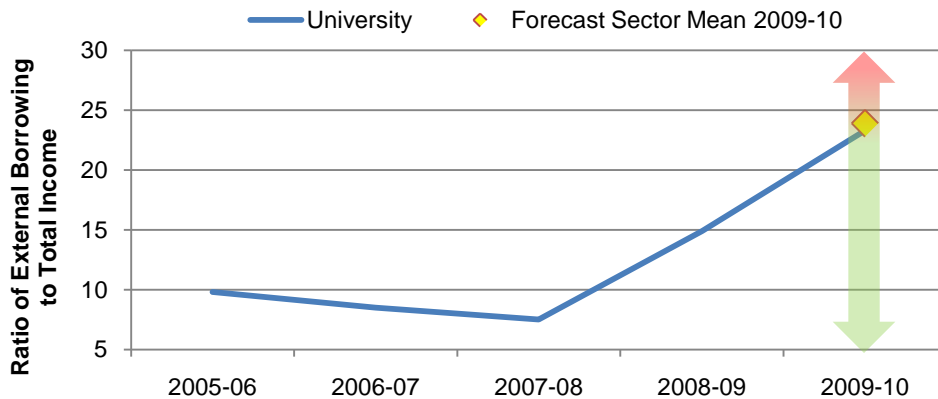
Net cash flow: provides an indication of the financial sustainability of the institution's core business. An increase in the percentage shows that net cash flow has increased against total income. The overall forecast sector mean for 2009-10 was 3.5% (source: HEFCE).



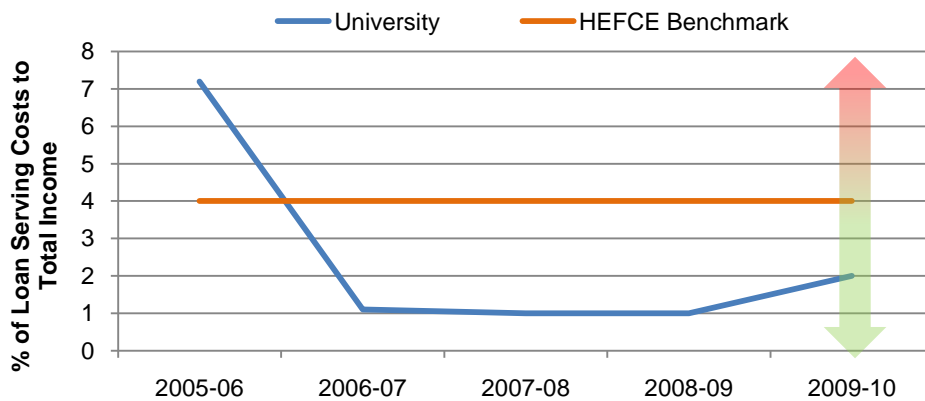
Current assets to current liabilities: shows the extent to which current assets can cover current liabilities. 2009-10 shows a modest improvement from the previous year, primarily due to the increase to current assets. The overall forecast sector mean for 2009-10 was 1.2 (source: HEFCE).



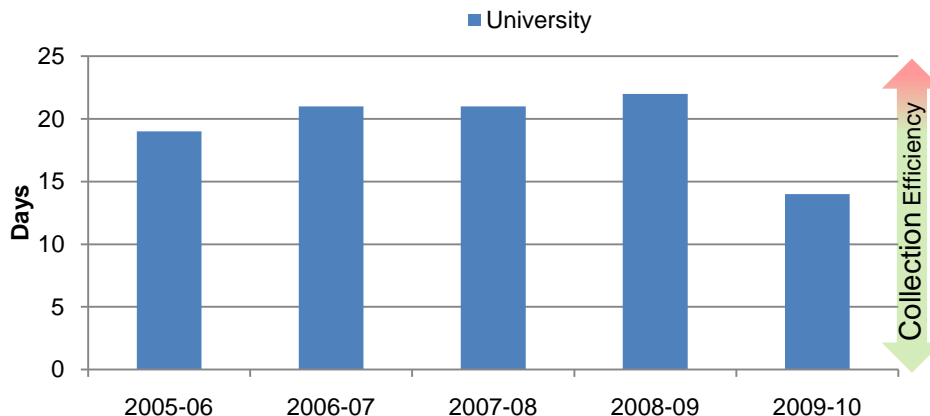
Ratio of external borrowing to total income: indicates the level of exposure to borrowing. The increase to the ratio reflects the draw-down of the £17.0 million loan facilities. This moves the University close to the forecast sector mean for 2009-10, which was 23.9% (source: HEFCE).



Ratio of loan servicing costs to total income: shows the percentage of income committed to loan servicing. The increase for 2009-10 relates to the draw-down of £17.0 million of the loan facility in respect of the Checkland Building. This is compared with the sector benchmark of 4%, over which institutions must obtain approval from HEFCE for additional borrowing.



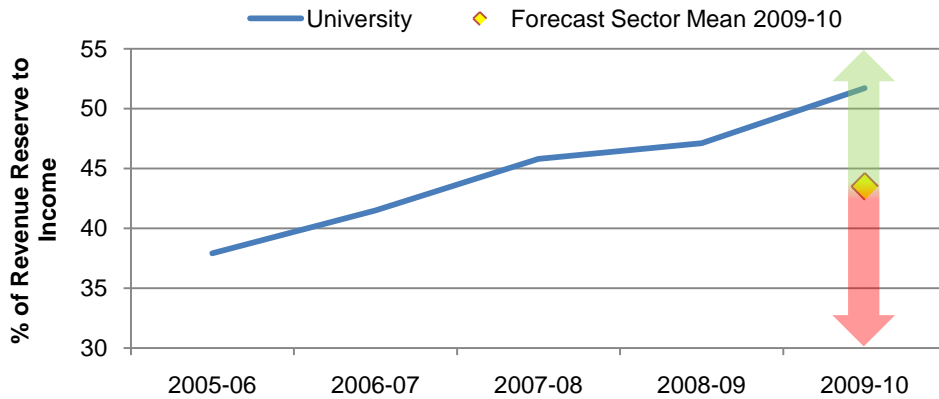
Trade debtor collection days: is the ratio between trade debtors and income (excluding funding grants) expressed in days and indicates the efficiency of debt collection. A reduction in the number of days shows an increase in the efficiency of debt collection. The improvement in this measure reflects the significant work that has been undertaken to enhance tuition fee billing procedures and debt collection policy. There is no sector comparison for this measure, but it is used internally to assess performance.



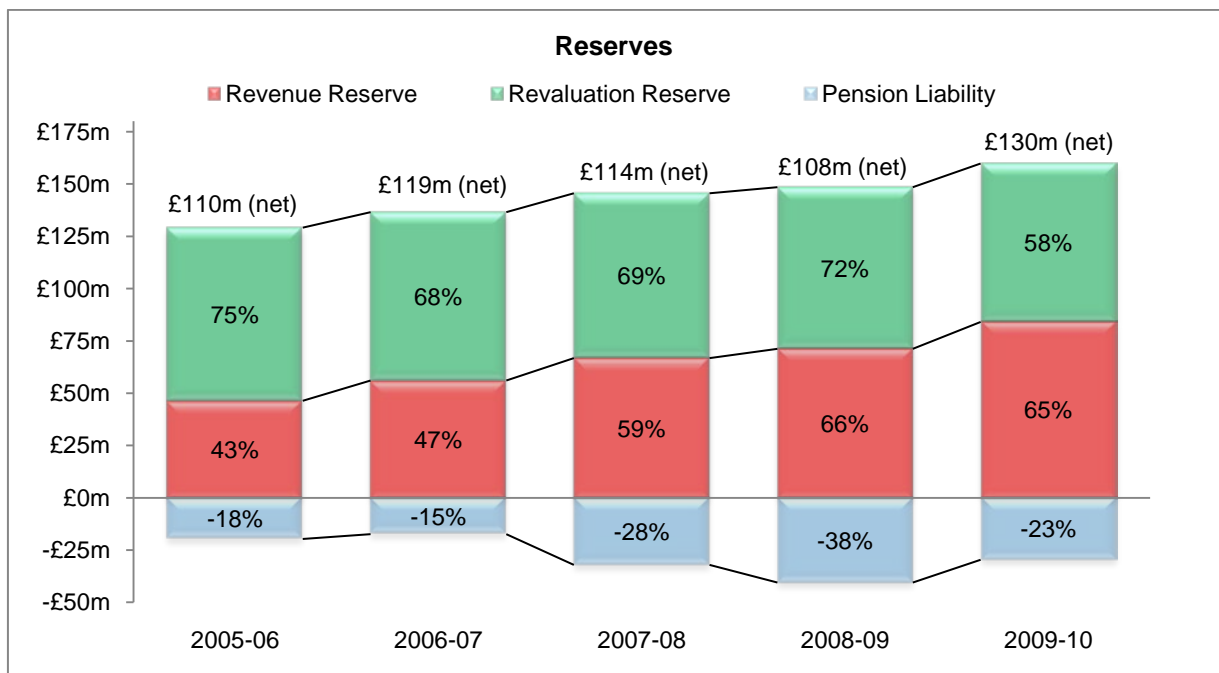
The financial performance for 2009-10 was in line with the University's financial strategy and Corporate Plan which anticipated growing revenue reserves for future investment and sustainability. The increase to the University's future investment reserve for 2009-10 was £8.2 million, which exceeded the target by £4.7 million. Overall revenue (discretionary) reserves increased by £13 million during the year and further



improved the ratio between the revenue reserve (excluding pension asset / liabilities) and total income. The forecast mean for the sector for 2009-10 was 43.5% (source: HEFCE).



The revenue reserve now forms the majority of the reserve total, but is expected to reduce marginally over future years as accumulated internal investment funds are used to finance major projects and implement efficiency programmes.



### Future Plans

The UK higher education community is currently faced with a number of uncertainties that could have a significant impact on the financial structure of the sector. The Comprehensive Spending Review (CSR) will result in substantial reductions to public funding for institutions, specifically for teaching. The Government's response to Lord Browne's recommendations for tuition fees and student support indicates a means to off-set some of the expected funding reductions through increased tuition fees, but the potential for diversification of fee levels in the sector is likely to change the competitive landscape of higher education. The already competitive market for international students is also expected to intensify as public funding is restricted and with international universities providing alternatives to the UK higher education experience.

To respond to this competitive environment the University will be reviewing its tuition fee structure to ensure that it continues to be attractive to prospective students and is likely to generate sufficient income to achieve its strategic aims. The University will also be reviewing its bursary and scholarship schemes to

determine whether these provide sufficient public benefit for widening access, encourage student recruitment, support high student continuation rates and meet any Government requirement in relation to higher tuition fees.

The outcomes of the National Student Survey (NSS) 2010 will be considered in the formulation of the academic strategy, which will also focus on capacity and quality, the balance between academic and professional programmes and the alignment of the University's provision with research and EASE. The University intends to expand its provision in Hastings with the opening of a second University Centre building scheduled for late 2011. A progressive enhancement to purpose built student accommodation in Brighton is underway, with the first phase expected to be completed before the beginning of the 2012-13 academic year. It is anticipated that this will ease the pressure for affordable housing in the City. Other plans are well advanced for the provision of additional purpose built academic buildings at two of the campuses in Brighton.

The University will continue to review its operations to ensure these are efficient and sustainable from an environmental, social and economic perspective. With the support of the Carbon Trust the institution is in the process of developing a Carbon Management Plan, which is expected to be approved by March 2011. For 2010-11 the University successfully bid for a University Modernisation Fund grant worth £3.4 million. This, together with the University's own resources, will be used to finance 'invest to save' projects, to ensure that the efficiencies implemented do not undermine the quality of the University's provision or the student experience.

### **Key Risks and Risk Management**

In establishing the future plans attention has been given to the key risks that are likely to affect the institution. The increasing competitive higher education environment indicates that income from students is potentially more volatile as the emphasis of funding transfers from grants to fees. UK, EU and international student recruitment and continuation rates are therefore critical for the University's sustainability. The ability of the University to attract potential students is subject to a number of factors including fee levels, reputation, academic performance and league table position.

Developing capacity to deliver quality research is essential if the University is to benefit from funding derived from the Research Excellence Framework (REF) and to compete successfully for research contracts.

The University's work with business and the community has been historically strong as exemplified by its support of SME's through the ProfitNet programme, the Community and University Partnership Programme (CUPP) and the social and economic regeneration of Hastings in support of the University Centre Hastings and the Hastings' academies. It is recognised that these need to be built on, as well as developing other key strategic partnerships, if the University is to fulfil its mission to strengthen society and underpin the economy.

The University's approach to risk management is included in the Corporate Governance Statement on page 12.

## **PUBLIC BENEFIT STATEMENT**

This year, for the first time, we are reporting on how we have delivered our charitable purposes for the public benefit. This arises from our status as an exempt charity and is a requirement of the Charities Act 2006. We welcome this opportunity to identify, in a more structured form, the ways in which our teaching, research and economic and social engagement activities benefit the wider public.

The Governors confirm that in setting our objectives and planning our activities we have given careful consideration to the Charity Commission's general guidance on public benefit and the specific guidance from HEFCE on the content of this public benefit report and, in each case, have had due regard to that guidance.

### **Corporate Plan**

The University is a higher education institution, established for the purposes of teaching and research. Its primary purpose is the enhancement of education and the creation and transmission of knowledge.

The University is committed to:

- delivering socially purposeful higher education that serves and strengthens society and underpins the economy; contributes critically to the public good; enriches those who participate; and equips our graduates to contribute effectively as citizens to their chosen professions and communities, locally, nationally and internationally;
- developing a creative and energetic institution with a knowledge base of national and international quality, fully committed to mutual engagement with its local communities and economy alongside an international reputation for the quality and impact of its work;
- finding creative and effective ways in which to strengthen the relationship between learning and teaching, disciplinary and professional practice, research and economic and social engagement.

### **Student admissions and widening participation**

The University offers a wide range of professional and academic provision from foundation degrees to doctoral study. Our student body of over 22,000 is diverse in terms of age, background and experience and we are committed to increasing accessibility and diversity across all activity. In 2009-10 92.9% of full time undergraduate entrants were from state schools, 30.0% of full time undergraduate entrants were from NS socio-economic classification 4-7, and 9.9% of full time undergraduate entrants were from low participation neighbourhoods.

The Corporate Plan places widening participation within the scope of social engagement, encompassing both individual student access to education and community access to institutional resources for mutual benefit. Major levers for increasing participation and adding value to local communities and employers include:

- A substantial foundation degree offering with progression routes to honours degrees, largely delivered through a network of partner colleges. In 2009-10 1,656 students were studying for foundation degrees in a wide range of subjects;
- The establishment of University Centre Hastings. Over six years it has emerged as a national exemplar of education-led regeneration, to widen participation and facilitate access to higher education for the people of Hastings and the surrounding area;
- Community engagement which is primarily taken forward by the Community University Partnership Programme (CUPP).

The University offers a generous bursary package to students from lower income families, with additional support to students who have been in care, and scholarships for disabled students. 2009-10 saw the University pay out the highest amount to date, being £5,204,620 on bursaries and a further £215,000 on

scholarships. Additionally £144,661 was spent on outreach activities, which included delivery of events to almost 7,000 students from primary and secondary schools, further education and sixth form colleges. Our recruitment of care leavers has increased by 50% each year since gaining the Frank Buttle Kite Mark in 2008, and in 2009-10 stood at 18. Further information is available in our Access Agreement and Widening Participation Strategic Assessment.

### **Teaching and the student experience**

The University is committed to providing a high quality learning experience for all our students, with teaching staff being supported by institutional development programmes. In 2010 the University made 14 awards for teaching excellence. The majority of students undertake work placements as part of their course, and they are also encouraged to contribute to the local community and to develop experience through volunteering. The award winning student volunteering scheme, *Active Student*, has enabled hundreds of students to undertake volunteering work with community, voluntary and public sector organisations around Sussex and provided them with valuable evidence for their CVs.

Over 26% of the University's courses are professionally accredited, accounting for 43% of all students. The University not only educates future professionals for a wide range of public services but works in partnership to help shape professional formation and practice with 64 PSRBs.

### **Research**

The University is evolving a research culture of international standing across a broad range of disciplines that enhances the University's intellectual capital in support of economic, cultural and social well-being. The University's research partners are drawn from across the UK and across the globe, and include a significant range of local partners reflecting the importance of our role in the local and regional community. Research activity includes public sector collaborations with the NHS, local and national government departments and agencies and a number of charity partners. Our research around themes such as aging, sustainability and inclusivity engages with partners to ensure direct application to improve the quality of lives. Our publication "Transforming Research" sets out detailed examples from across the disciplines.

### **Economic and Social Engagement**

The University aims to become recognised as a leading UK University for the quality and range of its work in economic and social engagement and productive partnerships.

The University has a number of initiatives which help companies to develop their products, services, technologies, and systems, stimulate growth and develop their workforce. These include Knowledge Transfer Partnerships – for example a recently awarded government Knowledge Transfer Partnership worth more than £140,000 will provide self-help to diabetics to reduce chronic illness. Another initiative, Profitnet, enables small and medium-sized enterprises to learn from each other, whilst academic partnerships are exemplified by our Southern Water Excellence with Industry Masters programme, which seeks to create high quality graduates for the future of the water industry.

Social engagement activities include not only support for widening participation initiatives but engagement with local employers to support work based routes to learning, through our Centre for Work and Learning, and a range of community initiatives such as "On our Doorsteps" and the "South East Coastal Communities Project". This work incorporates activity to develop audit tools for the success of social and community engagement, which by definition is less susceptible to quantitative or economic measures. However CUPP was highly commended in the Social Responsibility category at the 2009 Green Gown awards, which recognises exceptional initiatives being undertaken by universities and colleges across Britain to become more environmentally and socially sustainable. CUPP also received an honourable mention at the prestigious 2010 Community-Campus Partnerships for Health awards. Through a strong student community engagement programme and a broad range of local and regional projects CUPP now encompasses over 130 academics, 1,000 students and 500 community partners.

## MEMBERSHIP OF THE BOARD OF GOVERNORS

Membership of the Board of Governors for the year ended 31 July 2010.

|  |   |
|--|---|
| Twelve independent members   | Lord Mogg (Chairman)<br>Ms K Allen<br>Dr Y Burne<br>Judge M Fawcett<br>Mr M Geerts<br>Mr J Harley<br>Ms R Lowe<br>Ms J Lythell<br>Mr S Maycock<br>Dr T Simpson<br>Mr C Thomson<br>Vacancy |
| Two teachers at the University,<br>nominated by the Academic Board | Dr E Ostler<br>Ms M Wallis  |
| Four co-opted members  | Professor P Ashworth<br>Ms B Brewer<br>Ms E Quirk (from 20.11.09)<br>Vacancy  |
| The Vice-Chancellor of the University                              | Professor J Crampton  |
| One student of the University,<br>nominated by the students        | Mr N Harrison   |

### Attendance at meetings of the Board of Governors during 2009-10

During 2009-2010 five meetings of the Board were held, in November and December 2009, February, May and June 2010. The attendance record of members was as follows:-

| Name                 | No. of meetings<br>attended | Name         | No. of meetings<br>attended |
|----------------------|-----------------------------|--------------|-----------------------------|
| Ms K Allen           | 4                           | Ms R Lowe    | 4                           |
| Professor P Ashworth | 5                           | Ms J Lythell | 4                           |
| Ms B Brewer          | 5                           | Mr S Maycock | 5                           |
| Dr Y Burne           | 3                           | Lord Mogg    | 5                           |
| Professor J Crampton | 5                           | Dr E Ostler  | 4                           |
| Judge M Fawcett      | 4                           | Ms E Quirk*  | 2                           |
| Mr M Geerts          | 3                           | Dr T Simpson | 4                           |
| Mr J Harley          | 4                           | Mr C Thomson | 5                           |
| Mr N Harrison        | 5                           | Ms M Wallis  | 5                           |

\* Ms E Quirk was eligible to attend two meetings in 2009-10

## CORPORATE GOVERNANCE

The University is a higher education corporation with exempt charity status incorporated under the Education Reform Act 1988.

The following statement is given to assist readers of the financial statements to obtain an understanding of the Governance procedures applied by the University's Board of Governors.

The Board of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that has been in place for the year ended 31 July 2010 and up to the date of approval of the annual accounts and that the procedures for identifying compliance with the key principles for corporate governance can be demonstrated. The University accords with the internal control guidance on the combined code as deemed appropriate for higher education. The Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 2006 and guidance provided by the Committee of University Chairmen (CUC) in March 2009. Its purpose is to help the reader of the financial statements understand how the principles have been applied. The University considers itself to be fully compliant with the CUC code.

**The Board of Governors** is the University's Governing Body and is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Governors meets five times a year; and has several committees. These include a Finance and Employment Committee and an Audit Committee which play key roles in ensuring the financial probity of the institution and the identification and the management of risk.

The Board of Governors is sensitive to risk management and its consideration permeates all of its deliberations. It receives regular and comprehensive financial and control reports from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

**The Finance and Employment Committee** inter alia recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It has responsibility to make recommendations to the Board of Governors on the development and redevelopment of the University's estate and on the financial implications of such development. It does not have any decision-making powers. It meets four times a year.

**The Audit Committee** meets three times a year with the University's external and internal auditors in attendance. The committee considers detailed reports from both auditors, together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business, monitors adherence to the regulatory requirements and monitors the management of risk by the University's senior management team. The Committee has the authority to call for any information from University officers, from internal and external auditors and from others whom it considers necessary to consult in order to discharge its responsibilities.

**The Nominations Committee** ensures that the membership of the Board of Governors is refreshed at appropriate times by individuals of appropriate standing.

**The Remuneration Committee** determines the salaries of senior post-holders.

**The Student Affairs Committee** advises the Board of Governors on all matters concerning the experience of students as members of the University community. It meets three times a year.

**The Disbursement Advisory Group**, a new committee of the Board of Governors – formed during 2009-10 – monitors the administration of philanthropic income received by the University, ensures regard is given to the principles of public benefit promulgated by the Charity Commission in the administration of philanthropic income and makes recommendations for the disbursement of unrestricted funds in line with institutional priorities as determined by the Board. It meets three times a year.

Each of these committees is formally constituted with terms of reference and chaired by an independent member of the board, and reports regularly to the main Board.

**The Senior Management Team** receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The University maintains a Register of Interests of members of the Board of Governors and of senior officers which may be consulted by arrangement with the Clerk to the Board of Governors.

Lord Mogg.....Chair of the Board of Governors

Dated : 26 November 2010

## RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the Education Reform Act 1988 and the University's Instrument and Articles of Government, the Board of Governors of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Instrument and Articles of Government, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors through its designated office holder is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the surplus or deficit and cash flows for that financial year.

In causing the financial statements to be prepared, the Board of Governors has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed;
- financial statements are prepared on the going concern basis as the University has adequate resources to continue in operation for the foreseeable future.

The Board of Governors has taken reasonable steps to ensure that funds from the Higher Education Funding Council for England and the Training Development Agency for Schools grants are used only for the purpose 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.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following requirements to:

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure;
- define clearly the responsibilities of, and the authority delegated to, budget managers and senior budget managers;
- ensure a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- make regular reviews of academic performance and financial results involving variance reporting and updates of forecast out-turns;
- ensure clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- maintain comprehensive financial regulations, detailed financial controls and procedures, approved by the Audit Committee and Board of Governors;
- maintain a professional internal audit team whose annual programme is approved by the Audit Committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF UNIVERSITY OF BRIGHTON**

We have audited the group and University financial statements (the "financial statements") of the University of Brighton for the year ended 31 July 2010 which comprise the group income and expenditure account, the group and University balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with accounting policies set out therein.

This report is made solely to the Board of Governors, as a body, in accordance with paragraph 13(2) of the University's articles of government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors 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 Board of Governors, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the University's Board of Governors and Auditors**

The University's Board of Governors responsibilities for preparing the Operating and Financial Review and the group financial statements in accordance with the Account Directions 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 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and international standards on auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the Financial Memorandum with the Training and Development Agency for Schools. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

We read the Operating and Financial Review, and other information contained in the Annual Report and the Corporate Governance statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

### **Basis of opinion**

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

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

or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion:

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

**M G Fallon**  
**For and on behalf of KPMG LLP, Senior Statutory Auditor**  
KPMG LLP  
*Chartered Accountants*

1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

26 November 2010

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
**Year ended 31 July 2010**

|  | Note   | 2010<br>£'000  | 2009<br>£'000  |
|--|--------|----------------|----------------|
| <b>INCOME</b>  |        |                |                |
| Funding Council grants   | 2      | 68,911         | 67,607         |
| Academic fees and support grants   | 3      | 65,905         | 57,436         |
| Research grants and contracts  | 4      | 7,395          | 6,056          |
| Other operating income   | 5      | 20,442         | 18,920         |
| Endowment and investment income  | 6      | 444            | 1,163          |
|  |        | <hr/>          | <hr/>          |
| TOTAL INCOME   |        | 163,097        | 151,182        |
| Less share of joint venture income   | 31     | (8,814)        | (7,956)        |
|  |        | <hr/>          | <hr/>          |
| <b>GROUP INCOME</b>  |        | <b>154,283</b> | <b>143,226</b> |
|  |        | <hr/>          | <hr/>          |
| <b>EXPENDITURE</b>   |        |                |                |
| Staff costs  | 7      | 91,996         | 89,079         |
| Depreciation   | 11     | 3,911          | 3,208          |
| Other operating expenses   | 8      | 53,528         | 55,093         |
| Interest payable   | 9      | 3,459          | 2,363          |
|  |        | <hr/>          | <hr/>          |
| TOTAL EXPENDITURE  |        | 152,894        | 149,743        |
| Less share of joint venture expenditure  | 31     | (8,516)        | (7,761)        |
|  |        | <hr/>          | <hr/>          |
| <b>GROUP EXPENDITURE</b>   |        | <b>144,378</b> | <b>141,982</b> |
|  |        | <hr/>          | <hr/>          |
| <b>Surplus after depreciation of assets at valuation and before tax</b>  |        | 9,905          | 1,244          |
| Share of surplus in joint venture  | 31     | 298            | 195            |
|  |        | <hr/>          | <hr/>          |
| <b>Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>                                      |        | 10,203         | 1,439          |
| Surplus for the year transferred to accumulated income in endowment funds  | 18     | 15             | 26             |
|  |        | <hr/>          | <hr/>          |
| <b>Surplus for the year retained within general reserves</b>   | 10, 17 | 10,218         | 1,465          |
|  |        | <hr/>          | <hr/>          |
| <b>Surplus on continuing operations before tax</b>   |        | 10,218         | 1,465          |
| <b>Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount</b> | 16     | 1,538          | 1,551          |
|  |        | <hr/>          | <hr/>          |
| <b>HISTORICAL COST SURPLUS</b>   |        | <b>11,756</b>  | <b>3,016</b>   |
|  |        | <hr/> <hr/>    | <hr/> <hr/>    |

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

**BALANCE SHEET**  
**As at 31 July 2010**

|  | Note  | Consolidated          |                       | University            |                       |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |       | 2010<br>£'000         | 2009<br>£'000         | 2010<br>£'000         | 2009<br>£'000         |
| <b>FIXED ASSETS</b>  |       |                       |                       |                       |                       |
| Tangible assets  | 11    | 182,180               | 167,990               | 184,511               | 170,369               |
| Investments  | 20    | 84                    | 84                    | 184                   | 84                    |
| Joint venture assets   | 31    | 5,961                 | 4,977                 | -                     | -                     |
| Joint venture liabilities                                      | 31    | (2,060)               | (1,374)               | -                     | -                     |
|  |       | <u>186,165</u>        | <u>171,677</u>        | <u>184,695</u>        | <u>170,453</u>        |
| <b>CURRENT ASSETS</b>  |       |                       |                       |                       |                       |
| Short term investments   | 30    | 41,008                | 23,005                | 41,000                | 22,997                |
| Stock  | 1(e)  | 77                    | 118                   | 61                    | 98                    |
| Debtors  | 12    | 11,687                | 8,204                 | 15,129                | 10,912                |
| Cash at bank and in hand                                       | 28    | 14,029                | 16,402                | 13,787                | 15,995                |
|  |       | <u>66,801</u>         | <u>47,729</u>         | <u>69,977</u>         | <u>50,002</u>         |
| <b>CREDITORS: amounts falling due within one year</b>          | 13    | (38,195)              | (33,093)              | (37,634)              | (32,137)              |
| <b>NET CURRENT ASSETS</b>                                      |       | <u>28,606</u>         | <u>14,636</u>         | <u>32,343</u>         | <u>17,865</u>         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | <u>214,771</u>        | <u>186,313</u>        | <u>217,038</u>        | <u>188,318</u>        |
| <b>CREDITORS: amounts falling due after more than one year</b> | 14    | (38,514)              | (21,071)              | (38,514)              | (21,071)              |
| <b>NET ASSETS EXCLUDING PENSION LIABILITY</b>                  |       | <u>176,257</u>        | <u>165,242</u>        | <u>178,524</u>        | <u>167,247</u>        |
| Net Pension Liability  | 19(d) | (29,610)              | (40,463)              | (29,610)              | (40,463)              |
| <b>NET ASSETS INCLUDING PENSION LIABILITY</b>                  |       | <u><b>146,647</b></u> | <u><b>124,779</b></u> | <u><b>148,914</b></u> | <u><b>126,784</b></u> |
| <b>Deferred Capital Grants</b>                                 | 15    | 16,285                | 16,665                | 16,285                | 16,665                |
| Endowments   | 18    | 26                    | 41                    | 26                    | 41                    |
| <b>CAPITAL AND RESERVES</b>                                    |       |                       |                       |                       |                       |
| Revenue reserve excluding pension liability                    |       | 84,134                | 71,186                | 86,401                | 73,191                |
| Pension Liability  | 19(d) | (29,610)              | (40,463)              | (29,610)              | (40,463)              |
| Revenue reserve including pension liability                    | 17    | 54,524                | 30,723                | 56,791                | 32,728                |
| Revaluation reserve  | 16    | 75,812                | 77,350                | 75,812                | 77,350                |
| Total Reserves   |       | <u>130,336</u>        | <u>108,073</u>        | <u>132,603</u>        | <u>110,078</u>        |
| <b>Total Funds</b>   |       | <u><b>146,647</b></u> | <u><b>124,779</b></u> | <u><b>148,914</b></u> | <u><b>126,784</b></u> |

These financial statements were approved by the Board of Governors on 26 November 2010  
Signed on behalf of the Board of Governors

Lord Mogg .....Governor and Chair of Governing Body

Professor Julian Crampton .....Governor and Vice-Chancellor

The notes on pages 20 to 47 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 July 2010**

|   | Note | 2010<br>£'000 | 2009<br>£'000 |
|---|------|---------------|---------------|
| Net cash inflow from operating activities                                     | 23   | 20,266        | 10,885        |
| Returns on investments and servicing of finance                               | 24   | (1,611)       | 206           |
| Capital expenditure and financial investment                                  | 25   | (18,541)      | (27,769)      |
| <b>Net cash inflow/(outflow) before use of liquid resources and financing</b> |      | 114           | (16,678)      |
| Management of liquid resources  |      |               |               |
| Deposit – Increase to short term investments                                  |      | (18,003)      | (22,997)      |
| Financing   | 26   | 15,516        | 11,474        |
| <b>Decrease in cash</b>   | 28   | (2,373)       | (28,201)      |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**  
**Year ended 31 July 2010**

|  |    | 2010<br>£'000   | 2009<br>£'000  |
|--|----|-----------------|----------------|
| <b>Decrease in cash in the year</b>        |    | (2,373)         | (28,201)       |
| Repayment of debt                          |    | 1,485           | 526            |
| Receipt of new loan                        |    | (17,000)        | (12,000)       |
| <b>Changes in net debt from cash flows</b> | 28 | (17,888)        | (39,675)       |
| Net funds at beginning of year             | 28 | (6,071)         | 33,604         |
| <b>Net debt at end of year</b>             | 28 | <b>(23,959)</b> | <b>(6,071)</b> |

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 July 2010**

|   |    | 2010<br>£'000 | 2009<br>£'000  |
|---|----|---------------|----------------|
| Surplus after depreciation of assets at valuation and tax   |    | 10,218        | 1,465          |
| Actuarial gain/(liability) recognised pensions. Note 19(d)* |    | 12,045        | (7,010)        |
| Reduction in endowments                                     | 18 | (15)          | (26)           |
| Unrealised loss on investments                              | 30 | -             | (6)            |
| <b>Total recognised gains/(losses) relating to the year</b> |    | <b>22,248</b> | <b>(5,577)</b> |

Of the £12,045k actuarial gain, £8,971k relates to the change in the rate of increase to future pensions from a RPI to CPI basis. The cost of CPI is assumed to be lower than RPI. The exact accounting treatment of this change in policy has not yet been finalised by Accounting Standards Board.

**RECONCILIATION**

|  | 2010<br>£'000  | 2009<br>£'000  |
|--|----------------|----------------|
| Opening reserves and endowments              | 108,114        | 113,691        |
| Total recognised gains/(losses) for the year | 22,248         | (5,577)        |
| <b>Total reserves and endowments</b>         | <b>130,362</b> | <b>108,114</b> |

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Year ended 31 July 2010**

#### **1. ACCOUNTING POLICIES**

##### **a) Accounting convention**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007) and applicable accounting standards.

Repair and maintenance of buildings costs are treated in line with the requirements of FRS 15 'Tangible Fixed Assets' in that they are treated as revenue expenditure unless there is a clear indication that such repairs will enhance the economic benefits of the tangible asset, in excess of the previously assessed standard of performance.

FRS 18 'Accounting Policies' has been adopted and the Board is satisfied that the current accounting policies are the most appropriate for the University.

##### **b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertakings as well as the University's share of the joint venture, the Brighton and Sussex Medical School (Note 31).

Although the University exercises a measure of control over the Students' Union, this is not considered to be control as defined by Financial Reporting Standard 2. Therefore, the consolidated financial statements do not include the results of the Students' Union.

##### **c) Recognition of income**

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended is transferred from the income and expenditure account to specific endowments.

Income grants received during the year in support of general or specific revenue activities of the University are credited directly to the Income and Expenditure Account.

Capital grants are released to the Income and Expenditure Account over the estimated useful lives of the related assets purchased with the grants.

Capital grants received in advance of expenditure are carried forward as receipts in advance. The amount of capital grants relating to the non-depreciated element of fixed assets is carried forward as a creditor.

##### **d) Tangible fixed assets**

###### **i) Land and buildings**

Land and buildings are stated at cost, or in the case of buildings in use at 31 July 1999, at valuation.

Land and buildings were valued on 31 July 1999 at depreciated replacement cost by Stiles Harold Williams, a firm of independent chartered surveyors.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 July 2010

The transitional rules set out in FRS 15 'Tangible Fixed Assets' have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Buildings in the course of construction are accounted for at cost, based on the value of architects certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

- ii) Rentals in respect of operating leases are charged to the income and expenditure account as incurred.
- iii) Depreciation is charged so as to write off fixed assets in equal annual instalments over their estimated useful lives. The minimum rates of depreciation are as follows:

|                          |               |
|--------------------------|---------------|
| Vehicles                 | 20% per annum |
| Computer equipment       | 33% per annum |
| Other equipment          | 20% per annum |
| Buildings                | 2% per annum  |
| Land is not depreciated. |               |

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

- iv) Equipment and vehicles are shown as disposed of within the books of accounts once fully depreciated.

Assets purchased for less than £10,000 are not capitalised and are written off to the income and expenditure account in the year of purchase.

#### e) **Stocks**

Stocks, which consist of goods for resale, are stated at the lower of cost and net realisable value.

#### f) **Taxation**

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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 regard to Value Added Tax (VAT) and so is only able partially to recover the VAT input tax suffered.

#### g) **Research grants and contracts**

Income from ongoing research grants and contracts is included in the income and expenditure account to match the amount of expenditure incurred during the year.

#### h) **Accounting for pensions**

The University staff are able to join either the Teachers Pension Scheme operated by the Department for Children, Schools and Families or the Local Government Pension Scheme operated by the East Sussex County Council, as detailed in note 19(d). Additionally, the University has agreed with the Universities Superannuation Scheme that new staff who are

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2010**

in membership as at the date of joining the University of Brighton may remain members of that scheme. These are defined benefit schemes and contributions, including the capitalised cost of enhanced early retirement, are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

### **i) Leased assets**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value at the inception of the leases and are depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding. Income and costs in respect of operating leases are credited/charged on a straight line basis over the lease term.

### **j) Investments**

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for permanent impairment in their value. Current asset investments, which may include listed investments, are stated at the lower of cost and net realisable value.

### **k) Provisions**

Provisions are recognised when the University has a present legal or constructive obligation 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**2. FUNDING COUNCIL GRANTS**

|  | <b>2010</b>   | <b>2009</b>   |
|--|---------------|---------------|
|  | <b>£'000</b>  | <b>£'000</b>  |
| <b>Recurrent Grants</b>                              |               |               |
| Higher Education Funding Council for England (HEFCE) | 56,174        | 54,809        |
| Training and Development Agency for Schools (TDA)    | 8,058         | 7,244         |
| <b>TOTAL RECURRENT GRANTS</b>                        | <b>64,232</b> | <b>62,053</b> |
| <b>Specific Grants (HEFCE)</b>                       |               |               |
| Aim Higher   | 1,432         | 1,119         |
| Strategic Development Fund                           | -             | 704           |
| CETL - Learning Through Design                       | 455           | 603           |
| Higher Education Innovation Funds                    | 180           | 585           |
| Learning & Teaching Development                      | 517           | 564           |
| Teaching & Research Capital Investment Fund          | 405           | 447           |
| CUPP (SECCP)   | 405           | 332           |
| Support Access Administration                        | 15            | 15            |
| Centre for Work and Learning                         | 505           | -             |
| Other  | 116           | 124           |
| Sub Total HEFCE Specific Grants                      | 4,030         | 4,493         |
| <b>Specific Grants (TDA)</b>                         |               |               |
| Mainstream Additional Experience (14-19)             | 46            | -             |
| Mainstream RRCG                                      | 17            | -             |
| Masters in Teaching and Learning                     | 11            | -             |
| Black and Minority Ethnic Recruitment                | 8             | -             |
| Leading Literacy Schools                             | 8             | -             |
| Spanish Primary Languages Programme                  | 8             | -             |
| Graduate Teacher Programme                           | -             | 150           |
| PPD  | -             | 80            |
| Science – Additional Specialism                      | -             | 52            |
| Training Bursary Administration element              | -             | 42            |
| Capital Support                                      | 4             | 33            |
| Employment based recruitment premiums                | -             | 32            |
| Maths Development Programme                          | -             | 26            |
| Referral Premiums                                    | -             | 24            |
| Other  | -             | 91            |
| Sub Total TDA Specific Grants                        | 102           | 530           |
| <b>TOTAL SPECIFIC GRANTS</b>                         | <b>4,132</b>  | <b>5,023</b>  |
| <b>Deferred Capital Grants (HEFCE)</b>               |               |               |
| Buildings  | 334           | 270           |
| Equipment  | 213           | 261           |
| <b>TOTAL DEFERRED CAPITAL GRANTS</b>                 | <b>547</b>    | <b>531</b>    |
|  | <b>68,911</b> | <b>67,607</b> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**3. ANALYSIS OF ACADEMIC FEES AND SUPPORT GRANTS**

|                                  | <b>2010</b>          | <b>2009</b>          |
|----------------------------------|----------------------|----------------------|
|                                  | <b>£'000</b>         | <b>£'000</b>         |
| Home and EU domiciled students   |                      |                      |
| Full Time Undergraduate          | 51,292               | 43,124               |
| Full Time Postgraduate           | 1,617                | 2,483                |
| Part Time Undergraduate          | 1,181                | 1,162                |
| Part Time Postgraduate           | 1,793                | 1,818                |
| Sub total                        | <u>55,883</u>        | <u>48,587</u>        |
| Non EU domiciled students        | <u>8,295</u>         | <u>7,514</u>         |
| Total HE Course Fees             | 64,178               | 56,101               |
| Non Credit Bearing Course Fees   | 1,418                | 903                  |
| Research Training Support Grants | 309                  | 432                  |
|                                  | <u><b>65,905</b></u> | <u><b>57,436</b></u> |

**4. RESEARCH GRANTS AND CONTRACTS**

|                                   | <b>2010</b>         | <b>2009</b>         |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>£'000</b>        | <b>£'000</b>        |
| European Commission               | 1,943               | 1,494               |
| UK Government                     | 2,301               | 2,220               |
| Research Council                  | 987                 | 801                 |
| UK based charities                | 894                 | 537                 |
| UK industry & public corporations | 856                 | 723                 |
| Other                             | 414                 | 281                 |
|                                   | <u><b>7,395</b></u> | <u><b>6,056</b></u> |

**5. OTHER OPERATING INCOME**

|                                      | <b>2010</b>          | <b>2009</b>          |
|--------------------------------------|----------------------|----------------------|
|                                      | <b>£'000</b>         | <b>£'000</b>         |
| Residences, catering and conferences | 12,700               | 12,152               |
| Other services rendered              | 5,615                | 5,456                |
| Other income                         | 2,127                | 1,312                |
|                                      | <u><b>20,442</b></u> | <u><b>18,920</b></u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**6. ENDOWMENT AND INVESTMENT INCOME**

|   | <b>2010</b>  | <b>2009</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Interest receivable from short term investments and bank deposits | 444          | 1,162        |
| Income from Expendable Endowments (note 18)                       | -            | 1            |
|   | <u>444</u>   | <u>1,163</u> |

**7. STAFF**

|  | <b>2010</b>    | <b>2009</b>    |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Consolidated</b>  |                |                |
| Wages and salaries   | 75,981         | 73,585         |
| Social security costs                                      | 6,086          | 5,780          |
| Other pension costs (note 19)                              | 9,929          | 9,714          |
|  | <u>91,996</u>  | <u>89,079</u>  |
| <b>University's share of Joint Venture</b>                 |                |                |
| Wages and salaries   | 3,458          | 3,476          |
| Social security costs                                      | 355            | 274            |
| Other pension costs (note 19)                              | 472            | 354            |
|  | <u>4,285</u>   | <u>4,104</u>   |
| <b>University and Subsidiaries excluding Joint Venture</b> |                |                |
| Wages and salaries   | 72,523         | 70,109         |
| Social security costs                                      | 5,731          | 5,506          |
| Other pension costs (note 19)                              | 9,457          | 9,360          |
|  | <u>87,711</u>  | <u>84,975</u>  |
| <b>Emoluments of the Vice-Chancellor</b>                   | <b>£</b>       | <b>£</b>       |
| Professor Julian Crampton                                  |                |                |
| Salary   | 200,000        | 200,000        |
| Pension contributions (note 19)                            | 31,334         | 28,000         |
| Benefits in kind   | 2,271          | 4,065          |
|  | <u>233,605</u> | <u>232,065</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

The remuneration of other higher paid staff, excluding employer's pension costs, was as follows:

|                     | <b>2010</b> | <b>2009</b> |
|---------------------|-------------|-------------|
|                     | <b>No.</b>  | <b>No.</b>  |
| £100,000 - £110,000 | 8           | 6           |
| £110,000 - £120,000 | 2           | 3           |
| £120,000 - £130,000 | 3           | 2           |
| £130,000 - £140,000 | 1           | 2           |
| £140,000 - £150,000 | 1           | -           |
| £150,000 - £160,000 | 1           | 1           |
| £160,000 - £170,000 | 1           | 1           |
| £170,000 - £180,000 | -           | 2           |
| £180,000 - £190,000 | 1           | -           |
| £200,000 - £210,000 | 2           | 1           |

15 (2009 – 13) of the above staff are employed by the joint venture (see Note 31)

|  | <b>2010</b>  | <b>2009</b>  |
|--|--------------|--------------|
|  | <b>No.</b>   | <b>No.</b>   |
| <b>Average staffing numbers (full time equivalent)</b> |              |              |
| Senior managers  | 12           | 12           |
| Teaching and Research                                  | 913          | 895          |
| Administrative   | 966          | 962          |
| Technical  | 130          | 135          |
| Manual and craft                                       | 231          | 215          |
|  | <u>2,252</u> | <u>2,219</u> |

These staff numbers exclude BSMS staff employed on the Joint Venture and exclude all casual staff.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**8 ANALYSIS OF OTHER OPERATING EXPENSES**

|                                       | <b>2010</b>   | <b>2009</b>   |
|---------------------------------------|---------------|---------------|
|                                       | <b>£'000</b>  | <b>£'000</b>  |
| Agency and contract staff             | 2,918         | 3,394         |
| Auditors' remuneration*               | 67            | 66            |
| Bad debt expense                      | (142)         | 220           |
| Books and periodicals                 | 1,590         | 1,571         |
| Catering and bar provisions           | 1,341         | 1,429         |
| Cleaning and waste disposal           | 819           | 872           |
| Consultancy                           | 1,492         | 1,756         |
| Energy                                | 2,252         | 2,531         |
| Enhanced pension capital and interest | 20            | 101           |
| Equipment and materials               | 7,615         | 7,418         |
| Exam and registration fees            | 51            | 45            |
| External examiners                    | 203           | 241           |
| Facilities management fee             | 816           | 850           |
| Field course expenses                 | 423           | 454           |
| Grants to students                    | 6,174         | 4,980         |
| Insurances                            | 408           | 499           |
| Maintenance of buildings and grounds  | 4,921         | 6,428         |
| Mentorship payments                   | 867           | 735           |
| Other employee expenses               | 723           | 793           |
| Partner colleges                      | 4,576         | 4,598         |
| Printing                              | 1,020         | 1,205         |
| Publicity and advertising             | 1,057         | 1,264         |
| Rent, rates and water                 | 6,132         | 5,631         |
| Student accommodation                 | 266           | 244           |
| Students Union grant                  | 774           | 871           |
| Subscriptions                         | 532           | 575           |
| Telephones and postage                | 982           | 970           |
| Transport                             | 2,226         | 2,161         |
| Miscellaneous                         | 3,405         | 3,191         |
|                                       | <b>53,528</b> | <b>55,093</b> |

\* In addition, the current external auditors have been paid £32,444 (VAT inclusive) for other services in the year (2009: £52,780).

**9. INTEREST PAYABLE**

|  | <b>2010</b>  | <b>2009</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Bank and other loans not wholly repayable within 5 years | 106          | 137          |
| Bank and other loans wholly repayable within 5 years     | 1,587        | 564          |
| Interest on pension scheme liabilities (note 19d)        | 1,677        | 1,441        |
| Finance leases   | 89           | 221          |
|  | <b>3,459</b> | <b>2,363</b> |

**10. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR**

|  | <b>2010</b>   | <b>2009</b>  |
|--|---------------|--------------|
|  | <b>£'000</b>  | <b>£'000</b> |
| University surplus for the year                            | 10,480        | 1,355        |
| Depreciation on intra group asset sale                     | 50            | 50           |
| (Deficit)/Surplus generated by the subsidiary undertakings | (312)         | 60           |
|  | <b>10,218</b> | <b>1,465</b> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**11. TANGIBLE FIXED ASSETS**

|                                       | <b>Land and<br/>Buildings<br/>£'000</b> | <b>Vehicles<br/>£'000</b> | <b>Equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------------------|---|---------------------------|----------------------------|------------------------|
| <b>Consolidated</b>                   |   |                           |                            |                        |
| <b>Valuation/Cost</b>                 |   |                           |                            |                        |
| At 1 August 2009 - valuation          | 150,665                                 | -                         | -                          | 150,665                |
| - cost                                | 45,567                                  | 263                       | 2,096                      | 47,926                 |
| Additions                             | 17,393                                  | -                         | 708                        | 18,101                 |
| Disposals                             | (4,428)                                 | -                         | (406)                      | (4,834)                |
| As at 31 July 2010                    | <u>209,197</u>                          | <u>263</u>                | <u>2,398</u>               | <u>211,858</u>         |
| <b>Accumulated Depreciation</b>       |   |                           |                            |                        |
| At 1 August 2009                      | 29,492                                  | 72                        | 1,037                      | 30,601                 |
| Depreciation on disposals             | (4,428)                                 | -                         | (406)                      | (4,834)                |
| Charge for the year                   | 3,327                                   | 53                        | 531                        | 3,911                  |
| As at 31 July 2010                    | <u>28,391</u>                           | <u>125</u>                | <u>1,162</u>               | <u>29,678</u>          |
| <b>Net Book Value</b>                 |   |                           |                            |                        |
| At 31 July 2010                       | <u>180,806</u>                          | <u>138</u>                | <u>1,236</u>               | <u>182,180</u>         |
| At 31 July 2009                       | <u>166,740</u>                          | <u>191</u>                | <u>1,059</u>               | <u>167,990</u>         |
| <b>Analysis of Funding</b>            |   |                           |                            |                        |
| Inherited                             | 75,812                                  | -                         | -                          | 75,812                 |
| Financed by capital grant             | 15,915                                  | -                         | 369                        | 16,284                 |
| Other                                 | 89,079                                  | 138                       | 867                        | 90,084                 |
| <b>Net Book Value at 31 July 2010</b> | <u>180,806</u>                          | <u>138</u>                | <u>1,236</u>               | <u>182,180</u>         |

The transitional rules set out in FRS 15 'Tangible Fixed Assets' have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Land and buildings were valued on 31 July 1999 at depreciated replacement cost by a firm of independent chartered surveyors.

Included within land and buildings is property with a net book value of:

|                                      | <b>2010</b> | <b>2009</b> |
|--------------------------------------|-------------|-------------|
| Freehold properties                  | £172.3m     | £121.6m     |
| Held under finance lease             | £3.4m       | £3.5m       |
| Assets in the course of construction | £5.1m       | £41.6m      |

The depreciation charge of assets held under finance lease for the year was £80,840 (2009: £80,840). If the inherited land and buildings had not been valued they would have been included at the following amounts:

|                                      |            |
|--------------------------------------|------------|
| Cost                                 | £          |
| Aggregate depreciation based on cost | Nil        |
| Net book value based on cost         | <u>Nil</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**11. TANGIBLE FIXED ASSETS (CONTINUED)**

|                                       | Land and<br>Buildings<br>£'000 | Vehicles<br>£'000 | Equipment<br>£'000 | Total<br>£'000 |
|---------------------------------------|--------------------------------|-------------------|--------------------|----------------|
| <b>University of Brighton</b>         |                                |                   |                    |                |
| <b>Valuation/Cost</b>                 |                                |                   |                    |                |
| At 1 August 2009 - valuation          | 145,357                        | -                 | -                  | 145,357        |
| - cost                                | 52,567                         | 263               | 2,096              | 54,926         |
| Additions                             | 17,393                         | -                 | 708                | 18,101         |
| Disposals                             | (4,428)                        | -                 | (406)              | (4,834)        |
| As at 31 July 2010                    | <u>210,889</u>                 | <u>263</u>        | <u>2,398</u>       | <u>213,550</u> |
| <b>Accumulated Depreciation</b>       |                                |                   |                    |                |
| At 1 August 2009                      | 28,805                         | 72                | 1,037              | 29,914         |
| Depreciation on Disposals             | (4,428)                        | -                 | (406)              | (4,834)        |
| Charge for the Year                   | 3,376                          | 52                | 531                | 3,959          |
| As at 31 July 2010                    | <u>27,753</u>                  | <u>124</u>        | <u>1,162</u>       | <u>29,039</u>  |
| <b>Net book value</b>                 |                                |                   |                    |                |
| At 31 July 2010                       | <u>183,136</u>                 | <u>139</u>        | <u>1,236</u>       | <u>184,511</u> |
| At 31 July 2009                       | <u>169,119</u>                 | <u>191</u>        | <u>1,059</u>       | <u>170,369</u> |
| <b>Analysis of Funding</b>            |                                |                   |                    |                |
| Inherited                             | 75,812                         | -                 | -                  | 75,812         |
| Financed by capital grant             | 15,915                         | -                 | 369                | 16,284         |
| Other                                 | 91,409                         | 139               | 867                | 92,415         |
| <b>Net book value at 31 July 2010</b> | <u>183,136</u>                 | <u>139</u>        | <u>1,236</u>       | <u>184,511</u> |

The transitional rules set out in FRS 15 'Tangible Fixed Assets' have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Land and buildings were valued on 31 July 1999 at depreciated replacement cost by a firm of independent chartered surveyors.

Included within land and buildings is property with a net book value of:

|                                      | 2010    | 2009    |
|--------------------------------------|---------|---------|
| Freehold properties                  | £174.6m | £124.0m |
| Held under finance lease             | £3.4m   | £3.5m   |
| Assets in the course of construction | £5.1m   | £41.6m  |

The depreciation charge of assets held under finance lease for the year was £80,840 (2009: £80,840). If the inherited land and buildings had not been valued they would have been included at the following amounts:

|                                      |            |
|--------------------------------------|------------|
| Cost                                 | £          |
| Aggregate depreciation based on cost | Nil        |
| Net book value based on cost         | <u>Nil</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**12. DEBTORS**

|                                | <b>Consolidated</b> |              | <b>University</b> |               |
|--------------------------------|---------------------|--------------|-------------------|---------------|
|                                | <b>2010</b>         | <b>2009</b>  | <b>2010</b>       | <b>2009</b>   |
|                                | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>      | <b>£'000</b>  |
| <b>Due within one year:</b>    |                     |              |                   |               |
| Trade debtors                  | 3,504               | 4,990        | 3,172             | 4,311         |
| Prepayments and accrued income | 8,183               | 3,214        | 11,957            | 6,601         |
| <b>TOTAL DEBTORS</b>           | <b>11,687</b>       | <b>8,204</b> | <b>15,129</b>     | <b>10,912</b> |

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|  | <b>Consolidated</b> |               | <b>University</b> |               |
|--|---------------------|---------------|-------------------|---------------|
|  | <b>2010</b>         | <b>2009</b>   | <b>2010</b>       | <b>2009</b>   |
|  | <b>£'000</b>        | <b>£'000</b>  | <b>£'000</b>      | <b>£'000</b>  |
| Finance Lease                          | 125                 | 89            | 125               | 89            |
| Building project loans                 | 2,009               | 1,378         | 2,009             | 1,378         |
| Trade creditors                        | 1,164               | 955           | 1,164             | 955           |
| Amount owed to subsidiary undertakings | -                   | -             | 461               | 506           |
| PAYE creditors                         | 1,824               | 1,807         | 1,824             | 1,807         |
| HM Revenue and Customs – VAT           | 321                 | 311           | 292               | 273           |
| Superannuation funds                   | 1,187               | 1,164         | 1,187             | 1,164         |
| Other creditors                        | 1,994               | 1,893         | 1,733             | 1,570         |
| Accruals and deferred income           | 29,571              | 25,496        | 28,839            | 24,395        |
|  | <b>38,195</b>       | <b>33,093</b> | <b>37,634</b>     | <b>32,137</b> |



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|  | Consolidated  |               | University    |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>£'000 | 2009<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
| Loan re: building project - student residences (i) | 4,656         | 4,821         | 4,656         | 4,821         |
| Grand Parade 4 <sup>th</sup> Wing building (ii)    | 792           | 1,108         | 792           | 1,108         |
| Loan re Academic Accommodation (iii)               | 26,556        | 11,084        | 26,556        | 11,084        |
| Finance lease (iv)                                 | 3,850         | 3,993         | 3,850         | 3,993         |
| H M Revenue and Customs – VAT (v)                  | 15            | 65            | 15            | 65            |
| Accruals and Deferred Income (vi)                  | 2,645         | -             | 2,645         | -             |
|  | <u>38,514</u> | <u>21,071</u> | <u>38,514</u> | <u>21,071</u> |

- (i) This comprises a bank loan bearing interest fixed at 9.16% per annum, repayable by instalments by April 2022.

This loan is secured by fixed charges over various University properties.

- (ii) Bank loan with interest fixed at 8.79% per annum, repayable by 2013. Loan secured by fixed charge over the freehold of various University properties.

- (iii) Bank loan in three tranches with interest rates fixed at between 5.3507% and 5.5057%. Loan secured by fixed charge over the freehold of various University properties.

- (iv) In 1995 the University entered into a lease and leaseback transaction of one of its freehold properties. The University received £4m proceeds and entered into a finance lease for 30 years.

The finance lease is secured by a first fixed charge over the freehold of various University properties.

The repayments are based on variable interest rates, which were 0.66375% at 31 July 2010.

- (v) Repayment due under the capital goods scheme.

- (vi) Advance payment regarding operating lease.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**  
**(continued)**

|   | <b>Consolidated</b> |               | <b>University</b>                  |               |
|---|---------------------|---------------|------------------------------------|---------------|
|   | <b>2010</b>         | <b>2009</b>   | <b>2010</b>                        | <b>2009</b>   |
|   | <b>£'000</b>        | <b>£'000</b>  | <b>£'000</b>                       | <b>£'000</b>  |
| <b>Analysis of Loan Repayments</b>                              |                     |               |                                    |               |
| <b>Total Loans</b>  |                     |               |                                    |               |
| In one year or less or on demand                                | 2,009               | 1,378         | 2,010                              | 1,378         |
| In more than one year but not more than two years               | 2,036               | 1,649         | 2,035                              | 1,649         |
| In more than two years but not more than five years             | 5,818               | 4,702         | 5,818                              | 4,702         |
| In more than five years   | 24,150              | 10,662        | 24,150                             | 10,662        |
|   | <u>34,013</u>       | <u>18,391</u> | <u>34,013</u>                      | <u>18,391</u> |
| <br>  |                     |               |                                    |               |
| <b>Obligations under Finance Leases Falling Due as follows:</b> |                     |               | <b>Consolidated and University</b> |               |
|   |                     |               | <b>2010</b>                        | <b>2009</b>   |
|   |                     |               | <b>£'000</b>                       | <b>£'000</b>  |
| Minimum lease payments payable                                  |                     |               |                                    |               |
| Within one year   |                     |               | 125                                | 89            |
| Within two to five years  |                     |               | 3,850                              | 3,993         |
|   |                     |               | <u>3,975</u>                       | <u>4,082</u>  |

The 2010 figures assume that the University will choose to end this contract at its next available break clause.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**15. DEFERRED CAPITAL GRANTS (HEFCE)**

|   | <b>Consolidated and University<br/>Funding<br/>Councils<br/>£'000</b> |
|---|---|
| <b>As at 1 August 2009</b>                |   |
| Equipment                                 | 415   |
| Buildings                                 | 16,250  |
|   | <hr/> 16,665  |
| <b>Cash Received</b>                      |   |
| Equipment                                 | 167   |
| Buildings                                 | -   |
|   | <hr/> 167   |
| <b>Released to Income and Expenditure</b> |   |
| Equipment                                 | (213)   |
| Buildings                                 | (334)   |
|   | <hr/> (547)   |
| <b>As at 31 July 2010</b>                 |   |
| Equipment                                 | 369   |
| Buildings                                 | 15,916  |
|   | <hr/> <hr/> 16,285  |

**16. REVALUATION RESERVE**

|  | <b>Consolidated<br/>£'000</b> | <b>University<br/>£'000</b> |
|--|-------------------------------|-----------------------------|
| Revaluations as at 1 August 2009                                     | 77,350                        | 77,350                      |
| Transfers from revaluation reserve to revenue reserve in respect of: |                               |                             |
| - Depreciation   | (1,538)                       | (1,538)                     |
| As at 31 July 2010   | <hr/> <hr/> 75,812            | <hr/> <hr/> 75,812          |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**17. REVENUE RESERVE**

|   | <b>Consolidated<br/>£'000</b> | <b>University<br/>£'000</b> |
|---|-------------------------------|-----------------------------|
| Surplus after depreciation of assets at valuation                                   | 10,218                        | 10,480                      |
| FRS 17 actuarial surplus  | 12,045                        | 12,045                      |
| Transfers from revaluation reserve in respect of<br>depreciation on revalued assets | 1,538                         | 1,538                       |
|   | <hr/>                         | <hr/>                       |
| Historical Cost Surplus   | 23,801                        | 24,063                      |
| Balance as at 1 August 2009   | 30,723                        | 32,728                      |
|   | <hr/>                         | <hr/>                       |
| Balance at 31 July 2010   | <b>54,524</b>                 | <b>56,791</b>               |
|   | <hr/> <hr/>                   | <hr/> <hr/>                 |

**18. ENDOWMENTS**

|                          | <b>Restricted<br/>Expendable<br/>£'000</b> | <b>Restricted<br/>Permanent<br/>£'000</b> | <b>Restricted<br/>Total<br/>£'000</b> |
|--------------------------|--|---|---------------------------------------|
| Capital Value            | 27   | 12  | 39                                    |
| Accumulated Income       | -  | 2   | 2                                     |
|                          | <hr/>                                      | <hr/>                                     | <hr/>                                 |
| As at 1 August 2009      | 27   | 14  | 41                                    |
| Income for the year      | -  | -   | -                                     |
| Expenditure for the year | (15)                                       | -   | (15)                                  |
|                          | <hr/>                                      | <hr/>                                     | <hr/>                                 |
| As at 31 July 2010       | (15)                                       | -   | (15)                                  |
|                          | <hr/>                                      | <hr/>                                     | <hr/>                                 |
| Represented by:          |  |   |                                       |
| Capital Value            | 12   | 12  | 24                                    |
| Accumulated Income       | -  | 2   | 2                                     |
|                          | <hr/>                                      | <hr/>                                     | <hr/>                                 |
|                          | 12   | 14  | 26                                    |
|                          | <hr/>                                      | <hr/>                                     | <hr/>                                 |

**Consolidated and University  
£'000**

|                              | <b>Year Ended<br/>2010</b> | <b>Year ended<br/>2009</b> |
|------------------------------|----------------------------|----------------------------|
| Balance as at 1 August 2009  | 41                         | 67                         |
| (Decrease) in cash balances  | (15)                       | (26)                       |
|                              | <hr/>                      | <hr/>                      |
| Balance as at 31 July 2010   | 26                         | 41                         |
|                              | <hr/> <hr/>                | <hr/> <hr/>                |
| Represented by Bank Balances | 26                         | 41                         |
|                              | <hr/> <hr/>                | <hr/> <hr/>                |

Endowments are held as cash.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 July 2010

#### 19. PENSIONS

##### (a) Pension Contributions

The two principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that new staff who are in membership as at the date of joining the University of Brighton may remain members of that scheme. The assets of the Schemes are held in separate administered funds. The schemes are defined benefit schemes, which are valued every three years for LGPS and every five years for TPS and by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. TPS provides benefits based on final pensionable salary for academic staff, LGPS provides similar benefits for support staff, including research and manual staff, subject to the rules of eligibility. USS provides similar benefits. Pension costs are assessed using the projected unit method.

##### (b) TPS

The TPS is an unfunded pension scheme which is externally funded and contracted out of the State Second Pension (S2P). The Secretary of State for Children, Schools and Families makes statutory regulations under the Superannuation Act 1972, which govern it.

Under the definitions set out in the Financial Reporting Standard FRS 17 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has used the exemption in FRS 17 and contributions to the scheme have been accounted for as if it were a defined contribution scheme.

##### (c) USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 130,000 active members and the university has 68 active members participating in the scheme.

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.

Because of the mutual nature of the scheme, the institution 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 July 2010

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 (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were 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 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 historic Scheme experience, with a 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

Use of these mortality tables reasonably reflects the actual USS experience, but also provides an element of conservatism to allow for further 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 value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. 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 the Scheme was 107% funded; on a buy-out basis (ie 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 the FRS17 formula as if USS was a single employer scheme, using an 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 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 for 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,

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 July 2010

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). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years 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 an 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 the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution'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 on a technical provisions basis at date of the last triennial valuation are set out below:

| Assumption                 | Change in assumption   | Impact on scheme liabilities      |
|----------------------------|--|-----------------------------------|
| Valuation rate of interest | Increase/decrease by 0.5%  | Decrease/increase 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 last actuarial 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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

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.

**(d) LGPS**

The University is a member of the East Sussex County Council (ESCC) Local Government Pension Scheme, a funded defined benefit scheme in the UK. It is contracted out of the State Second Pension (S2P). A full actuarial valuation was carried out at 31 March 2007 and was updated to 31 July 2009 by a qualified independent actuary for the purposes of FRS 17 disclosures.

The major assumptions set by the Governing Body having taken independent actuarial advice and then used by the actuary were:

|   | <b>2010</b> | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|-------------|
| Rate of increase in salaries*           | 4.4%        | 4.4%        | 5.3%        |
| Rate of increase in pensions in payment | 2.9%        | 3.4%        | 3.8%        |
| Discount rate                           | 5.6%        | 6.0%        | 6.4%        |
| Inflation assumption                    | 2.9%        | 3.4%        | 3.8%        |

\* The rate of salary increase is estimated to be 1% in the first two years, and 4.4% in subsequent periods.

The assets in the LGPS and the expected rate of return were:

|          | <b>Year ended 31 July 2010</b> |                             | <b>Year ended 31 July 2009</b> |                             | <b>Year ended 31 July 2008</b> |                             |
|----------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
|          | <b>Long term return %</b>      | <b>Fund value £ million</b> | <b>Long term return %</b>      | <b>Fund Value £ million</b> | <b>Long term return %</b>      | <b>Fund value £ million</b> |
| Equities | 7.3                            | 75.156                      | 7.3                            | 68.262                      | 7.8                            | 58.156                      |
| Bonds    | 4.8                            | 9.527                       | 5.3                            | 8.865                       | 5.7                            | 12.528                      |
| Property | 5.3                            | 9.527                       | 5.3                            | 6.206                       | 7.7                            | 8.402                       |
| Cash     | 4.4                            | <u>11.644</u>               | 4.3                            | <u>5.319</u>                | 4.8                            | <u>10.689</u>               |
|          |                                | <b><u>105.854</u></b>       |                                | <b><u>88.652</u></b>        |                                | <b><u>89.775</u></b>        |



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

The following amounts relating to the University of Brighton were measured in accordance with the requirements of FRS 17:

| <b>Analysis of amount shown in the balance sheet</b> | <b>2010<br/>£ million</b> | <b>2009<br/>£ million</b> |
|--|---------------------------|---------------------------|
| University's estimated asset share                   | 105.854                   | 88.652                    |
| Present value of University's scheme liabilities     | (135.464)                 | (129.115)                 |
| Deficit in the scheme – Net Pension Liability        | <u>(29.610)</u>           | <u>(40.463)</u>           |

| <b>Analysis of amount charged to operating surplus</b> | <b>2010<br/>£ million</b> | <b>2009<br/>£ million</b> |
|--|---------------------------|---------------------------|
| Current service cost                                   | 4.415                     | 4.554                     |
| Past service cost                                      | -                         | 0.122                     |
|  | <u>4.415</u>              | <u>4.676</u>              |

| <b>Analysis of other amount (debited)/credited to other finance (cost)/income</b> | <b>2010<br/>£ million</b> | <b>2009<br/>£ million</b> |
|---|---------------------------|---------------------------|
| Expected return on pension finance assets   | 6.149                     | 6.437                     |
| Interest on pension scheme liabilities  | (7.826)                   | (7.878)                   |
| Net (charge)  | <u>(1.677)</u>            | <u>(1.441)</u>            |

| <b>Analysis of amounts recognised in statement of total recognised gains and losses (STRGL)</b> | <b>2010<br/>£ million</b> | <b>2009<br/>£ million</b> |
|---|---------------------------|---------------------------|
| Actual return less expected return on pension scheme assets                                     | 7.400                     | (11.149)                  |
| Changes in assumptions underlying the present value of scheme liabilities                       | <u>4.645</u>              | <u>4.139</u>              |
| Actuarial gain/(loss) recognised in STRGL   | <u>12.045</u>             | <u>(7.010)</u>            |

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The University has considered the Local Government Pension Scheme rules and associated members' literature and has concluded that, as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL'). At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change in the financial statements for the following year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

| <b>Analysis of movement in the market value of the scheme assets</b> | <b>2010<br/>£ million</b> | <b>2009<br/>£ million</b> |
|--|---------------------------|---------------------------|
| As at 1 August 2009  | 88.652                    | 89.775                    |
| Contributions by members   | 1.940                     | 1.862                     |
| Contributions by the employer  | 4.900                     | 4.732                     |
| Benefits paid  | (3.187)                   | (2.809)                   |
| Assets distributed on Settlements                                    | -                         | (0.196)                   |
| Expected return on assets  | 6.149                     | 6.437                     |
| Actuarial gain/(loss)  | 7.400                     | (11.149)                  |
| As at 31 July 2010   | <u>105.854</u>            | <u>88.652</u>             |

| <b>Analysis of movements in the present value of the scheme's liabilities</b> | <b>2010<br/>£ million</b> | <b>2009<br/>£ million</b> |
|---|---------------------------|---------------------------|
| At beginning of year  | 129.115                   | 121.843                   |
| Current service cost  | 4.415                     | 4.554                     |
| Contributions by members  | 1.940                     | 1.862                     |
| Past service cost   | (8.971)                   | 0.122                     |
| Benefits paid   | (3.187)                   | (2.809)                   |
| Interest costs  | 7.826                     | 7.893                     |
| Impact of settlements and curtailments  | -                         | (0.211)                   |
| Actuarial gain/(loss)   | 4.326                     | (4.139)                   |
| At end of year  | <u>135.464</u>            | <u>129.115</u>            |

| <b>Amounts for the current and previous accounting period</b> | <b>Year ended 2010<br/>£ million</b> | <b>Year ended 2009<br/>£ million</b> | <b>Year ended 2008<br/>£ million</b> | <b>Year ended 2007<br/>£ million</b> | <b>Year ended 2006<br/>£ million</b> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Fair value of employer assets                                 | 105.854                              | 88.652                               | 89.775                               | 93.682                               | 82.147                               |
| Present value of defined benefit obligation                   | (135.464)                            | (129.115)                            | (121.843)                            | (111.072)                            | (101.872)                            |
| (Deficit)   | (29.610)                             | (40.463)                             | (32.068)                             | (17.390)                             | (19.725)                             |
| Experience gains/(losses) on assets                           | 7.400                                | (11.149)                             | (13.110)                             | 3.246                                | 4.265                                |
| Experience (losses)/gains on liabilities                      | (0.027)                              | 0.078                                | (2.002)                              | 0.218                                | 0.072                                |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**Mortality Assumptions**

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are as follows and are based on the PFA92 and PMA92 tables, year of birth, medium cohort projection for pensioners and non-pensioners

|                      |      |
|----------------------|------|
| Retiring today       |      |
| Males                | 21.9 |
| Females              | 24.8 |
| Retiring in 20 years |      |
| Males                | 23.0 |
| Females              | 25.9 |

**(e) Successor Authority**

Were the University of Brighton to close and there were no successor establishment, the Secretary of State would become the compensating authority.

**(f) Employer contribution rates as notified by scheme administrators**

|      |                      |       |
|------|----------------------|-------|
| TPS  | 01.04.00 to 31.03.02 | 7.40% |
|      | 01.04.02 to 31.03.03 | 8.35% |
|      | 01.04.03 to 31.12.06 | 13.5% |
|      | 01.01.07 to date     | 14.1% |
| LGPS | 01.04.04 to 31.03.05 | 10.1% |
|      | 01.04.05 to 31.03.06 | 12.1% |
|      | 01.04.06 to 31.03.07 | 14.1% |
|      | 01.04.07 to 31.03.08 | 15.7% |
|      | From 01.04.08        | 16.7% |
| USS  | 01.01.97 to 30.09.09 | 14.0% |
|      | 1.10.09 to date      | 16.0% |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**20. INVESTMENTS HELD AS FIXED ASSETS**

|                      | <b>Consolidated</b>         |                             | <b>University</b>           |                             |
|----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                      | <b>2010</b><br><b>£'000</b> | <b>2009</b><br><b>£'000</b> | <b>2010</b><br><b>£'000</b> | <b>2009</b><br><b>£'000</b> |
| Associated companies | 84                          | 84                          | 184                         | 84                          |
|                      | <u>84</u>                   | <u>84</u>                   | <u>184</u>                  | <u>84</u>                   |

As at 31 July 2010, the University's interests in subsidiary and associated undertakings were as follows:

| <b>Consolidated Subsidiaries</b>           | <b>Interest</b> | <b>Cost</b> | <b>Class of Shares</b> | <b>Activity</b>  |
|--|-----------------|-------------|------------------------|--|
| University of Brighton Trading Company Ltd | 100%            | £100,000    | Ord.                   | Provider of commercial services to public and private sector.                              |
| Brighton Environmental Body Ltd            | Subsidiary      |             | *                      | Currently dormant.   |
| University of Brighton Foundation +        | -               |             | -                      | Charitable trust for the advancement of education.   |
| <b>Associate Companies</b>                 | <b>Interest</b> | <b>Cost</b> | <b>Class of Shares</b> | <b>Activity</b>  |
| CVCP Properties Ltd                        | 0.8%            | £34,158     | Ord.                   | Purchase of lease and refurbishment of Woburn House, the London office of Universities UK. |
| LeNSE Ltd                                  | 11.1%           | £50,000     | Ord.                   | Provider of University IT network infrastructure in South-East.                            |

All of the above entities were registered in England and Wales.

\* Company limited by guarantee  
+ Consolidated due to controlling interest

**21. LEASE OBLIGATIONS**

At 31 July 2010 the University was committed to making the following payments during the next year in respect of operating leases for land and buildings:

|                            | <b>Consolidated and University</b><br><b>2010</b><br><b>£'000</b> |
|----------------------------|---|
| Leases which expire:       |   |
| Between one and two years  | 25  |
| Between two and five years | 81  |
| After five years           | 2,789   |
|                            | <u>2,895</u>  |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**22. CAPITAL COMMITMENT**

|                                | <b>Consolidated</b> |               | <b>University</b> |               |
|--------------------------------|---------------------|---------------|-------------------|---------------|
|                                | <b>2010</b>         | <b>2009</b>   | <b>2010</b>       | <b>2009</b>   |
|                                | <b>£'000</b>        | <b>£'000</b>  | <b>£'000</b>      | <b>£'000</b>  |
| Commitments contracted 31 July | 3,898               | 11,123        | 3,898             | 11,123        |
| Authorised, not committed      | 21,028              | 7,450         | 21,028            | 7,450         |
|                                | <u>24,926</u>       | <u>18,573</u> | <u>24,926</u>     | <u>18,573</u> |

**23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|  | <b>2010</b>   | <b>2009</b>   |
|--|---------------|---------------|
|  | <b>£'000</b>  | <b>£'000</b>  |
| Surplus before tax   | 10,218        | 1,465         |
| Depreciation and impairment charge                           | 3,911         | 3,208         |
| Deferred capital grants and lease premium released to income | (547)         | (531)         |
| Investment income, excluding credit on pension scheme        | (444)         | (1,163)       |
| Interest payable, excluding charge on pension scheme         | 1,782         | 922           |
| Decrease in stocks   | 41            | 19            |
| (Increase)/Decrease in debtors                               | (3,208)       | 166           |
| Increase in creditors  | 7,619         | 5,615         |
| Actuarial gain/(loss) on Local Government Pension Scheme     | 12,045        | (7,010)       |
| Unrealised loss on investments                               | -             | (6)           |
| Investment in Joint Venture                                  | (298)         | (195)         |
| (Decrease)/Increase in pension liability                     | (10,853)      | 8,395         |
|  | <u>20,266</u> | <u>10,885</u> |

**24. RETURN ON INVESTMENTS AND SERVICING OF FINANCE**

|  | <b>2010</b>    | <b>2009</b>  |
|--|----------------|--------------|
|  | <b>£'000</b>   | <b>£'000</b> |
| Interest received                        | 169            | 1,145        |
| Movements on Endowment Fund              | (15)           | (26)         |
| Interest paid on loans and finance lease | (1,765)        | (913)        |
|  | <u>(1,611)</u> | <u>206</u>   |

**25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

|                                  | <b>2010</b>     | <b>2009</b>     |
|----------------------------------|-----------------|-----------------|
|                                  | <b>£'000</b>    | <b>£'000</b>    |
| Payments to acquire fixed assets | (18,708)        | (27,769)        |
| Deferred capital grants received | 167             | -               |
|                                  | <u>(18,541)</u> | <u>(27,769)</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**26. FINANCING**

|   | <b>2010</b><br><b>£'000</b> | <b>2009</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Receipt of new loans                          | 17,000                      | 12,000                      |
| Repayment of building loans and finance lease | (1,484)                     | (526)                       |
|   | <u><b>15,516</b></u>        | <u><b>11,474</b></u>        |

**27. ANALYSIS OF CHANGES IN FINANCING**

|                              | <b>2010</b><br><b>Finance</b><br><b>leases</b><br><b>£'000</b> | <b>2010</b><br><b>Mortgages</b><br><b>&amp; loans</b><br><b>£'000</b> | <b>2009</b><br><b>Finance</b><br><b>leases</b><br><b>£'000</b> | <b>2009</b><br><b>Mortgages</b><br><b>&amp; loans</b><br><b>£'000</b> |
|------------------------------|--|---|--|---|
| Balance as at 1 August       | 4,082  | 18,391  | 4,166  | 6,833   |
| New loans subscribed         | -  | 17,000  | -  | 12,000  |
| Capital repayments           | (107)  | (1,378)   | (84)   | (442)   |
| <b>Balance as at 31 July</b> | <u><b>3,975</b></u>  | <u><b>34,013</b></u>  | <u><b>4,082</b></u>  | <u><b>18,391</b></u>  |

**28. ANALYSIS OF CHANGES IN NET DEBT**

|                          | <b>At</b><br><b>1 August 2009</b><br><b>£'000</b> | <b>Cash</b><br><b>Flows</b><br><b>£'000</b> | <b>Other</b><br><b>changes</b><br><b>£'000</b> | <b>At</b><br><b>31 July 2010</b><br><b>£'000</b> |
|--------------------------|---|---|--|--|
| Cash at bank             | 16,402  | (2,373)                                     | -  | 14,029   |
| Debt due within one year | (1,467)   | (667)                                       | -  | (2,134)  |
| Debt due after one year  | (21,006)  | (14,848)                                    | -  | (35,854)   |
|                          | <u><b>(6,071)</b></u>                             | <u><b>(17,888)</b></u>                      | <u><b>-</b></u>                                | <u><b>(23,959)</b></u>                           |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**29. ACCESS TO LEARNING FUNDS**

|                                    | <b>Consolidated and University</b> |                 |
|------------------------------------|------------------------------------|-----------------|
|                                    | <b>2010</b>                        | <b>2009</b>     |
|                                    | <b>£'000</b>                       | <b>£'000</b>    |
| Brought forward from previous year | 4                                  | 122             |
| Funding Council Grants             | 492                                | 450             |
|                                    | <u>496</u>                         | <u>572</u>      |
| Disbursement to students           | (458)                              | (565)           |
| Audit fees                         | (1)                                | (3)             |
|                                    | <u>(459)</u>                       | <u>(568)</u>    |
| <b>Balance unspent at 31 July</b>  | <b><u>37</u></b>                   | <b><u>4</u></b> |

Access to Learning Fund grants are solely available for full-time undergraduate EU/UK students. The University acts as a paying agent only. The grants and related disbursements are therefore excluded from the income and expenditure account. The balance unspent is included in accruals and deferred income per note 13.

**30. SHORT TERM INVESTMENTS**

**Consolidated**

|                          | <b>2010</b>                                 |  | <b>2009</b>                                 |  |
|--------------------------|---|--|---|--|
|                          | <b>Consolidated<br/>Book Cost<br/>£'000</b> | <b>Consolidated<br/>Market Value<br/>£'000</b> | <b>Consolidated<br/>Book Cost<br/>£'000</b> | <b>Consolidated<br/>Market Value<br/>£'000</b> |
| Unit Trusts              | 8   | 8  | 9   | 8  |
| Short term Bank Deposits | 41,000                                      | 41,000   | -   | -  |
| Treasury Bills           | -   | -  | 23,002                                      | 22,997   |
|                          | <u>41,008</u>                               | <u>41,008</u>                                  | <u>23,011</u>                               | <u>23,005</u>                                  |

**University**

|                          | <b>2010</b>                               |  | <b>2009</b>                               |  |
|--------------------------|---|--|---|--|
|                          | <b>University<br/>Book Cost<br/>£'000</b> | <b>University<br/>Market Value<br/>£'000</b> | <b>University<br/>Book Cost<br/>£'000</b> | <b>University<br/>Market Value<br/>£'000</b> |
| Short term Bank Deposits | 41,000                                    | 41,000                                       | -   | -  |
| Treasury Bills           | -   | -  | 23,002                                    | 22,997                                       |
|                          | <u>41,000</u>                             | <u>41,000</u>                                | <u>23,002</u>                             | <u>22,997</u>                                |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2010**

**31. BRIGHTON & SUSSEX MEDICAL SCHOOL**

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

|   | <b>Brighton<br/>£'000</b> | <b>Sussex<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>2009<br/>£'000</b> |
|---|---------------------------|-------------------------|------------------------|-----------------------|
| <b>Income</b>                           |                           |                         |                        |                       |
| HEFCE grant                             | 3,723                     | 3,814                   | 7,537                  | 7,802                 |
| NHS funds                               | 2,199                     | 2,199                   | 4,398                  | 2,662                 |
| Academic fees                           | 1,238                     | 1,238                   | 2,476                  | 2,100                 |
| Research grants & contracts             | 974                       | 1,317                   | 2,291                  | 1,475                 |
| Other                                   | 680                       | 932                     | 1,612                  | 2,725                 |
|   | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Total Income</b>                     | <b>8,814</b>              | <b>9,500</b>            | <b>18,314</b>          | <b>16,764</b>         |
|   | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Expenditure</b>                      |                           |                         |                        |                       |
| Staff costs                             | 4,285                     | 4,720                   | 9,005                  | 8,875                 |
| Other operating expenses                | 4,231                     | 4,394                   | 8,625                  | 7,519                 |
|   | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Total Expenditure</b>                | <b>8,516</b>              | <b>9,114</b>            | <b>17,630</b>          | <b>16,394</b>         |
|   | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Surplus on continuing operations</b> | <b>298</b>                | <b>386</b>              | <b>684</b>             | <b>370</b>            |

**Balance Sheet of the Community Chest  
As at 31 July 2010**

|                                  | <b>Brighton<br/>£'000</b> | <b>Sussex<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>2009<br/>£'000</b> |
|----------------------------------|---------------------------|-------------------------|------------------------|-----------------------|
| <b>Fixed Assets</b>              | <b>567</b>                | <b>579</b>              | <b>1,146</b>           | <b>1,334</b>          |
| <b>Current Assets</b>            |                           |                         |                        |                       |
| Debtors                          | 501                       | 501                     | 1,002                  | 483                   |
| Cash at bank and in hand         | 4,893                     | 5,380                   | 10,273                 | 8,596                 |
|                                  | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Total Current Assets</b>      | <b>5,394</b>              | <b>5,881</b>            | <b>11,275</b>          | <b>9,079</b>          |
|                                  | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Current Liabilities</b>       |                           |                         |                        |                       |
| Creditors                        | (1,525)                   | (1,648)                 | (3,173)                | (1,672)               |
|                                  | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Total Current Liabilities</b> | <b>(1,525)</b>            | <b>(1,648)</b>          | <b>(3,173)</b>         | <b>(1,672)</b>        |
|                                  | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Net Assets</b>                | <b>4,436</b>              | <b>4,812</b>            | <b>9,248</b>           | <b>8,741</b>          |
| <b>Deferred Capital Grants</b>   | <b>(535)</b>              | <b>(535)</b>            | <b>(1,070)</b>         | <b>(1,248)</b>        |
|                                  | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |
| <b>Revenue Reserves</b>          | <b>3,901</b>              | <b>4,277</b>            | <b>8,178</b>           | <b>7,493</b>          |
|                                  | <hr/>                     | <hr/>                   | <hr/>                  | <hr/>                 |



## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 July 2010

#### Explanatory Notes:

##### (i) Background

The Brighton & Sussex Medical School (BSMS) was formed as an equal partnership between the Universities of Brighton and Sussex. BSMS, in turn, has partnership arrangements with the Brighton & Sussex Universities Hospital Trust (BSUHT) and other NHS Trusts in Kent, Surrey and Sussex area. However, it is currently agreed that the University of Sussex will be allocated 100% of the income and expenditure relating to oncology research.

Under the administrative arrangements for the School it was agreed that while the financial statements of each university will formally incorporate only a part of BSMS activities, each will carry an identical note which sets out the total financial position of BSMS. All revenue income received in respect of BSMS by each University is to be transferred to a "community chest", managed initially by the University of Sussex. Expenditure incurred by each university on behalf of BSMS is reimbursed from the community chest.

In September 2003 the School received its first cohort of students. Facilities have been provided at each of the universities, at BSUHT and at other Trusts in the area. These developments are being funded by HEFCE at the universities and at the NHS Trusts by specific capital grants from the NHS.

##### (ii) Accounting arrangements

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

##### (iii) Cash at bank and in hand

The balance of £10.273m was held on behalf of the School at 31 July 2010 by the University of Sussex to meet expenditure commitments in future years, to be settled by claims for reimbursement of expenditure from each University.

##### (iv) Capital Commitments

As at 31 July 2010 the school had a capital commitment, authorised but not committed of £nil (2009: £nil).

## 32. TRUSTEES

Expenses reimbursed to members of the Board of Governors and of its committees were as follows:

|  | 2010<br>£'s | 2009<br>£'s |
|--|-------------|-------------|
| Travel and subsistence in respect of attending meetings and training courses | 11,487      | 12,725      |

#### Remuneration

No trustee received any remuneration for their services as a trustee to the University.

#### Related Party Transactions

The University has a lease on two properties from Hastings and Bexhill Renaissance Limited. Professor Julian Crampton, Vice-Chancellor is a director of Hastings and Bexhill Renaissance Limited. The rentals for the financial year amounted to £88,500 (2009: £88,500). Professor Julian Crampton is also a Director of the South East England Development Agency who have provided a £2.95m grant to Hastings and Bexhill Renaissance Limited towards the cost of a new building in which the University is in negotiation regarding purchase.

## **OFFICERS & PROFESSIONAL ADVISERS**

### **SENIOR MANAGEMENT TEAM**

|                           |   |  |
|---------------------------|---|--|
| Professor Julian Crampton | - | Vice-Chancellor                            |
| Professor Stuart Laing    | - | Deputy Vice-Chancellor                     |
| Professor Bruce Brown     | - | Pro-Vice-Chancellor – Research             |
| Colin Monk                | - | Pro-Vice-Chancellor – Business & Marketing |
| Sue McHugh                | - | Director of Finance                        |
| Carol Burns               | - | Registrar and Secretary                    |

### **CONTACT ADDRESS**

Mithras House  
Lewes Road  
Brighton  
East Sussex  
BN2 4AT

### **BANKERS**

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139-142 North Street  
Brighton  
East Sussex  
BN1 7RU

### **FUND MANAGERS**

Cazenove Fund Management Limited  
12 Moorgate  
London  
EC2R 6DA

### **SOLICITORS**

Burt Brill & Cardens  
30 Old Steyne  
Brighton  
East Sussex  
BN1 1FL

Berwin Leighton Paisner  
Adelaide House  
London Bridge  
London  
EC4R 9HA

### **AUDITORS**

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Chartered Accountants  
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Crawley  
RH11 9PT