

UNIVERSITY OF BRIGHTON

Report and Financial Statements

Year ended 31 July 2011

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

REPORT AND FINANCIAL STATEMENTS 2010-2011

CONTENTS	Page
Operating and Financial Review	1
Public Benefit Statement	10
Membership of the Board of Governors	12
Corporate governance	13
Responsibilities of the Board of Governors	15
Auditor's report	16
Consolidated income and expenditure account	18
Consolidated and University balance sheet	19
Consolidated cash flow statement	20
Reconciliation of net cash flow to movement in net funds	20
Statement of consolidated total recognised gains and losses	20
Notes to the financial statements	21
Officers and professional advisors	48

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 ended 31 July 2011 and the main underlying trends and factors;
- The position of the University as at 31 July 2011;
- The main trends and factors which are likely to affect the University's future development, performance and position, including the implications of the White Paper "Students at the Heart of the System".

Review of the year

The summary income and expenditure account for the year ended 31 July 2011 was as follows:

	2011 £m	2010 £m	Change %
Income	172.6	163.1	+5.8%
Staffing Costs	92.6	92.0	+0.7%
Other Expenditure	65.6	60.9	+7.7%
Total Expenditure	158.2	152.9	+3.5%
Current Cost Operating Surplus	14.4	10.2	+41.2%
Depreciation Adjustment	3.4	1.5	+126.7%
Historical Cost Surplus	17.8	11.7	+52.1%

Income increased by 5.8%. The largest increase related to academic fees (£5.6 million / 9% increase) reflecting net growth in student numbers and the one-off increases to UK/EU students including those awarded through the University Modernisation Fund (UMF). Continued improvements to academic fee billing and debt collection performance also contributed to the increase.

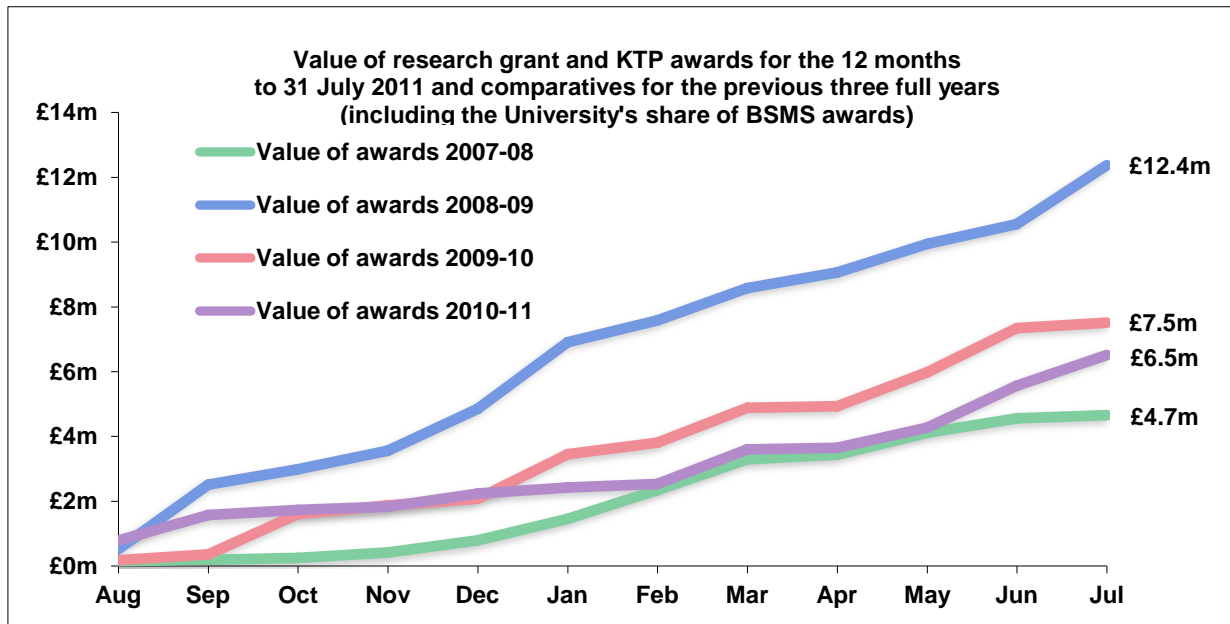
Active student numbers¹ as at 31 July have increased slightly year on year as follows:

		2011 Headcount	2010 Headcount	Change Headcount	Change %
UK, Island and EU Domiciled Students					
Full Time	Undergraduate	13,415	12,939	+476	+3.68%
	Postgraduate	1,095	1,127	-32	-2.84%
Part Time	Undergraduate	3,213	3,245	-32	-0.99%
	Postgraduate	2,176	2,330	-154	-6.61%
Non UK, Island and EU Domiciled Students					
Full Time	Undergraduate	605	567	+38	+6.70%
	Postgraduate	416	404	+12	+2.97%
Part Time	Undergraduate	122	252	-130	-51.59%
	Postgraduate	85	145	-60	-41.38%
Total		21,127	21,009	+118	+0.56%

Full time undergraduate UK/EU student numbers increased temporarily by the additional numbers awarded under the UMF bid initiative and the University's share of the one-off 2% increase to controlled student admissions. Part-time numbers continued to decline due to a fall in demand for some of this provision. International student numbers reduced overall, but increased for full-time students. This follows the visa restrictions applied to international students on part-time courses. In aggregate the income level from international students improved by 24% as the average fee paid per student increased. Overall full-time provision increased by 3.29% and part-time reduced by 6.30%, as measured by head count.

¹ Source: Higher Education Statistics Agency (HESA) 2009-10 and HESA 2010-11 University submission

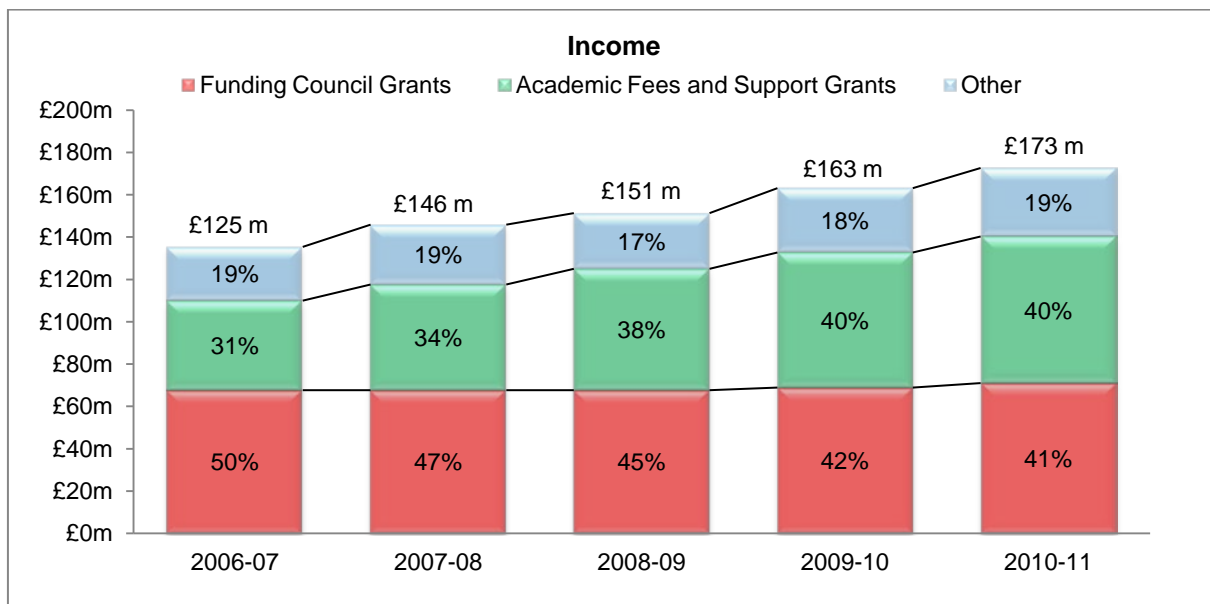
Following an extremely successful year in winning research grants and contracts in 2008-09, the rate at which these were awarded to the University in 2009-10 and 2010-11 has slowed. Income generated from research grants and contracts in-year increased by 12% compared with 2009-10 and is higher by £2.2 million compared with 2008-09.



Although the number of research awards fell in 2010-11, the average amount of award per contract remained relatively stable compared to 2009-10 and a significant improvement from that achieved in 2007-08, but was below the level achieved in 2008-09.

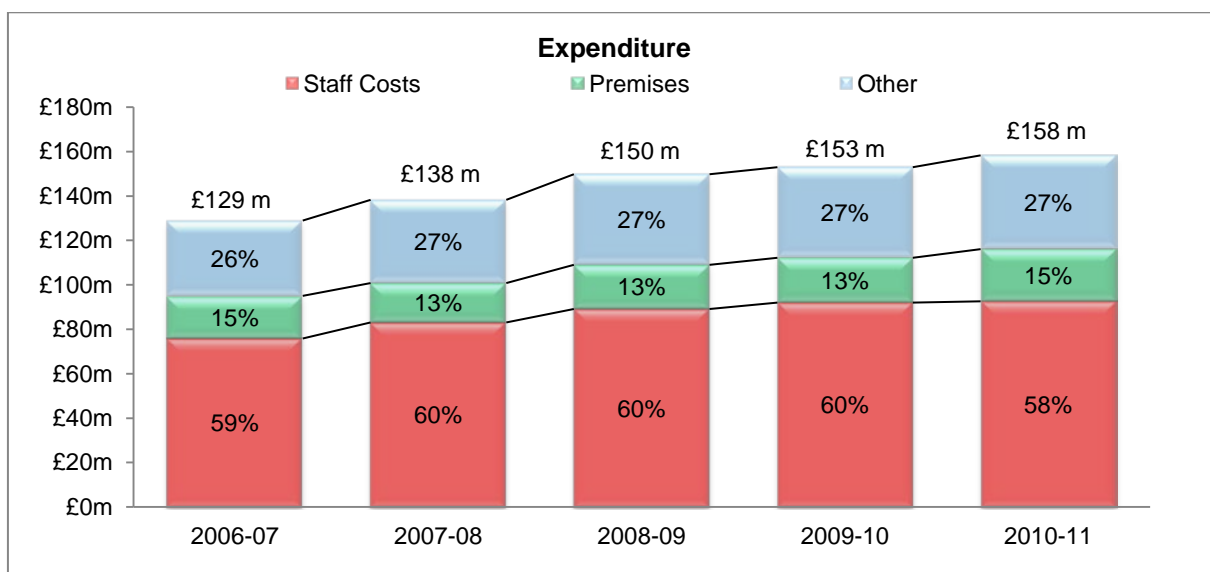
Year of Award	No. of Awards	Total Value of Awards £'000	Average Award Value £'000
2010-11	96	6,508.9	67.8
2009-10	108	7,501.7	69.5
2008-09	149	12,370.0	83.0
2007-08	108	4,656.8	43.1

Income from Economic and Social Engagement (EASE) activities exceeded target by 17%. Courses for Business and the Community contributed most to this achievement by generating £5.2 million, which was £1.1 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. With the expected implementation of the new higher regulated fee regime from September 2012, it is expected that funding council grants will reduce to around 15% of income by 2014-15.



Staff costs increased by just under 0.7% reflecting the pay award of 0.4%, the cost of increments and the relatively stable number of staff in post.

Other expenditure rose by 7.7% as a result of internal investment initiatives in materials and equipment, which increased by £1.1 million (13%) and expenditure on buildings and grounds, which increased by £0.6 million (11%). Payments to partner colleges also increased due to the temporary additions to controlled student numbers and grants to students increased by £0.5 million (8%) largely due to an additional 325 students being in receipt of a university bursary award.



The historical cost surplus for the year of £17.8 million significantly exceeded the target for the year of £5.1 million. The largest component of the variance arose as a result of under spending against devolved budgets by academic and non-academic departments. In response to the reductions applied to the University's grant funding and in anticipation of future funding pressures, departments across the University were required to implement a range of efficiency measures to ensure that expenditure remained within budget with the scope to increase devolved reserves in the short-term. Departments responded by generating £15 million of additional savings in year compared with approved budgets.

Balance sheet position as at 31 July 2011

The consolidated balance sheet shows the following position:

	2011	2010	Change
	£m	£m	%
Fixed Assets	189.5	186.2	+1.8%
Current Assets	84.1	66.8	+25.9%
Creditors	-83.0	-76.7	+8.2%
Net Pension Liability	-19.2	-29.6	-35.1%
Net Assets	171.4	146.6	+16.9%

A number of factors contributed to the increase in current assets. Cash and short-term investments increased by over £20 million mainly as a result of constrained spending by budget managers during the year and the planned increase to the operating surplus.

The increase to creditors largely relates to the deferment of grants in advance of spend on capital projects which is expected to be incurred in 2011-12.

Cash flow statement for the year ended 31 July 2011

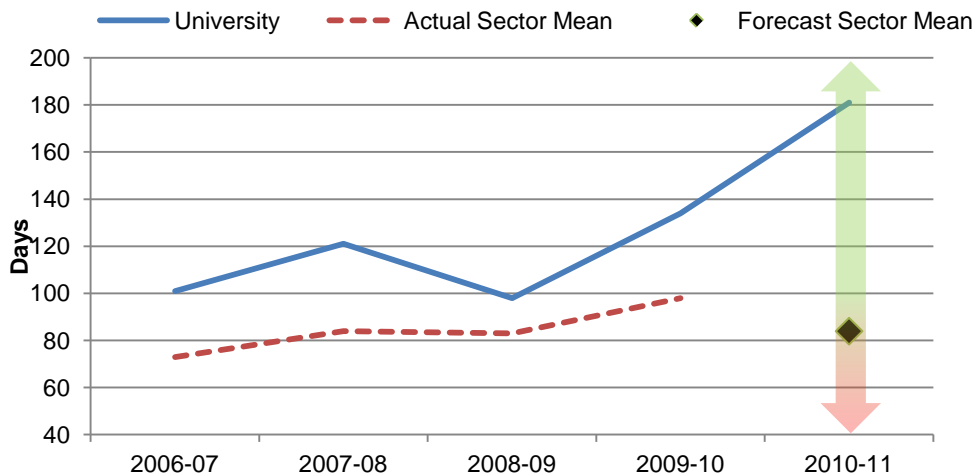
	2011	2010
	£m	£m
Net cash inflow / (-) outflow	22.2	0.1
Increase to short-term investments	-20.8	-18.0
Financing	-2.0	15.5
Decrease in Cash	-0.6	-2.4

The cash flow statement shows a decrease in the University's cash position of £0.6 million. This figure excludes the amount of cash invested in short-term deposits, which increased by £20.8 million during the year. Cash balances with immediate access stood at £13.5 million as at 31 July 2011, equating to approximately one month of expenditure. In addition, the total amount of cash held on term deposits at 31 July 2011 totalled £61.8 million for periods of between one and 32 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 £20.2 million during the year.

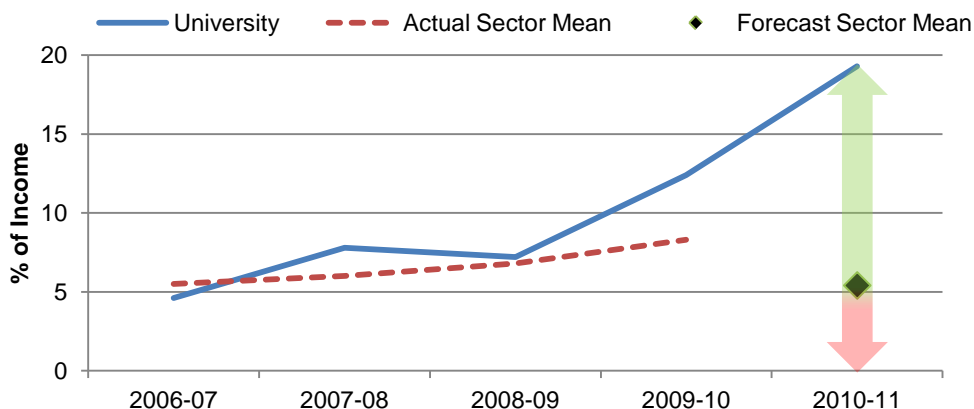
Financial Performance

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

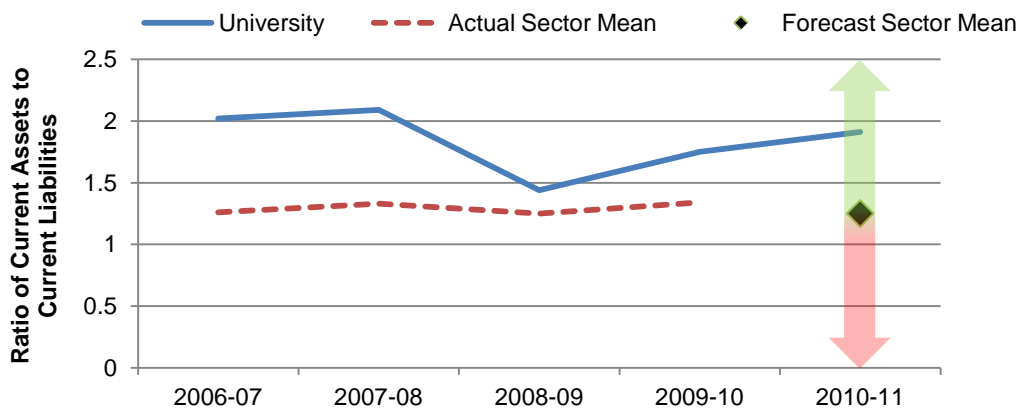
Net liquidity: provides an indication of expenditure coverage (in days) and the ability to respond quickly to short-term financial pressures (the higher the days the greater the coverage). The improvement in the coverage in 2010-11 relates to the increase in cash holdings and short-term investments against relatively constrained expenditure. The overall forecast sector mean for 2010-11 was 98 days coverage with the University being at 181 days.



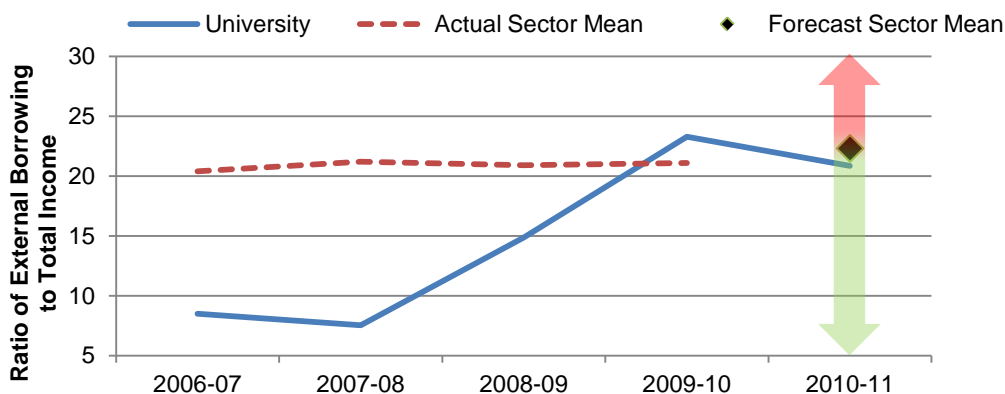
Net cash flow: shows the cash generated from operations as a percentage of total income. It provides an indication of the financial sustainability of the institution's core business. An increase in the percentage shows that net cash flow has increased against total income. The overall forecast sector mean for 2010-11 was 5.4% with the University's actual at 19.3%.



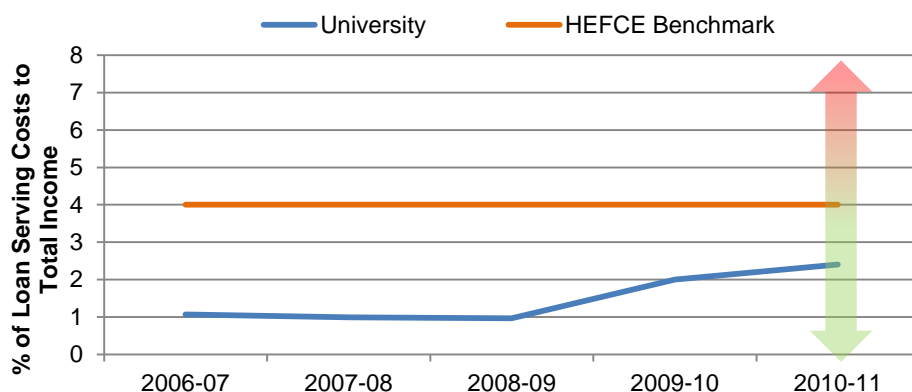
Current assets to current liabilities: shows the extent to which current assets can cover current liabilities. 2010-11 shows a continued improvement in this measure, primarily due to the increase to current assets. The overall forecast sector mean for 2010-11 was 1.25, with the University's actual up from 1.75 to 1.91.



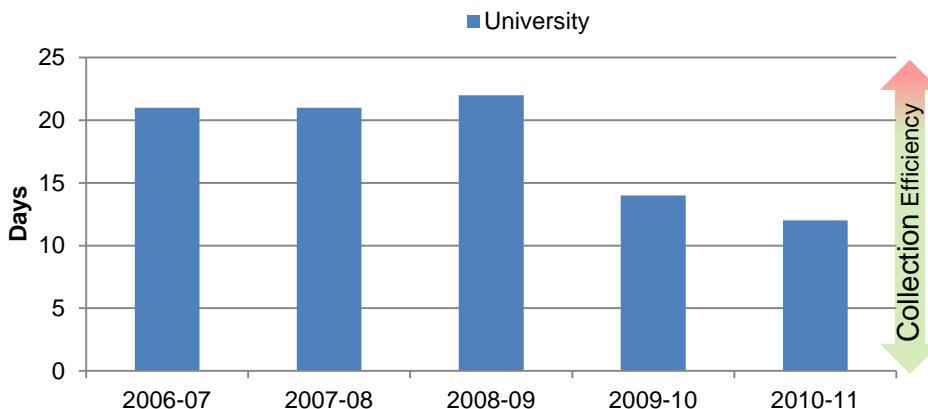
Ratio of external borrowing to total income: indicates the amount of borrowing as a percentage of total income. Historically the University has had very low levels of borrowing, but this has increased in recent years to fund academic and student accommodation developments. Borrowing is now close to the sector mean as the University's capital investment programme has accelerated through the use of loan facilities. The forecast sector mean for 2010-11 for this measure was 22.3%, with the University's actual being at 20.8%.



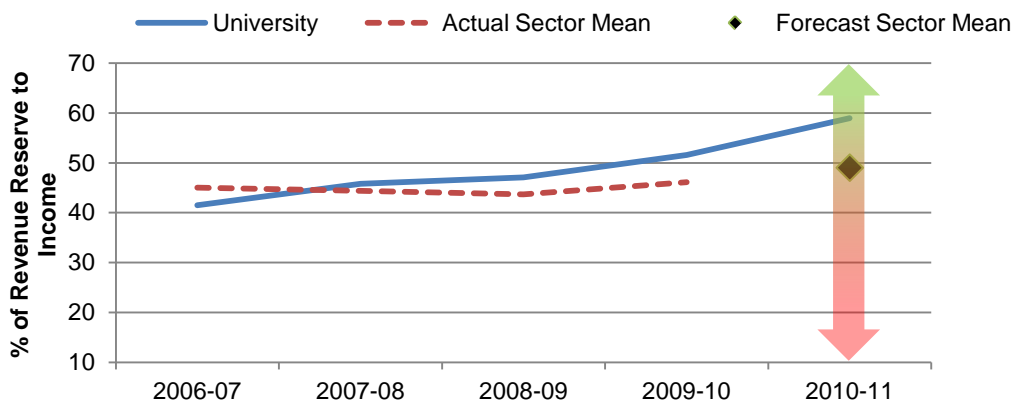
Ratio of loan servicing costs to total income: shows the percentage of income committed to loan servicing. The increase to 2.4% for 2010-11 relates to the draw-down of the loan facilities in respect of the capital programme. This is compared with the sector benchmark of 4%, over which institutions must obtain approval from HEFCE for additional borrowing.



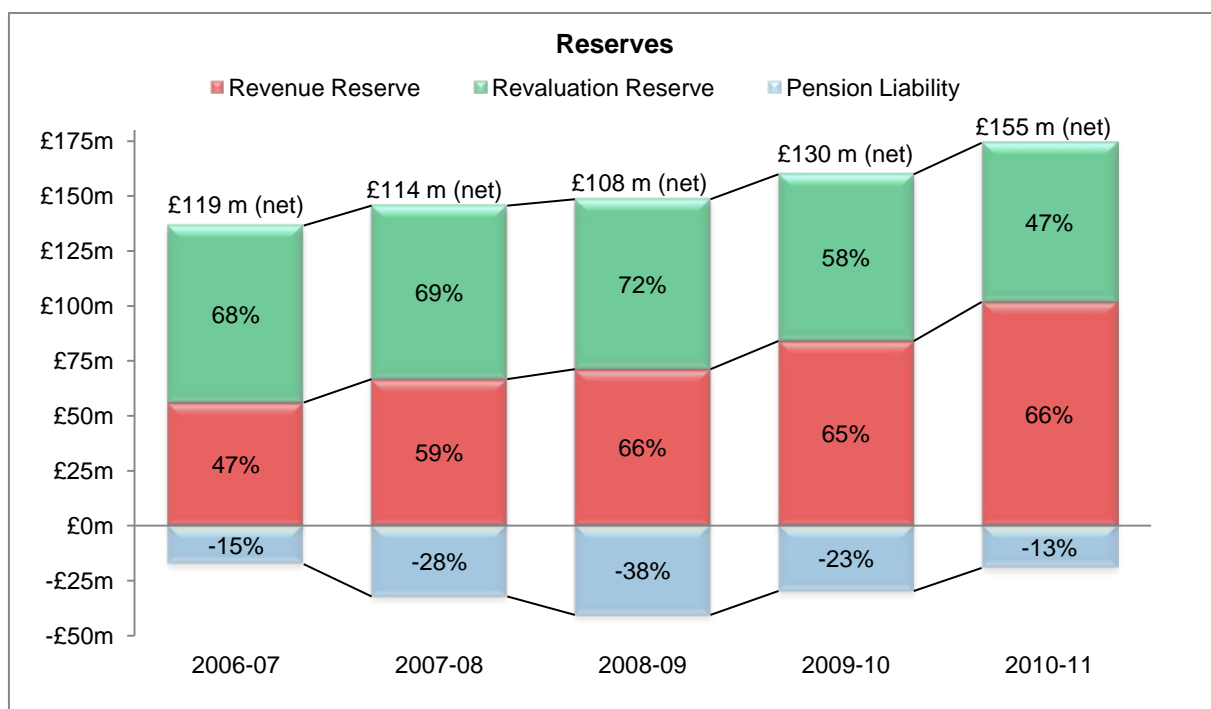
Trade debtor collection days: is the ratio between trade debtors and income (excluding funding grants) expressed in days and indicates the efficiency of debt collection. A reduction in the number of days shows an increase in the efficiency of debt collection. The improvement in this measure reflects the work that is on-going to reduce the level of student debt owed to the University. There is no sector comparison for this measure, but it is used internally to assess performance.



The financial performance for 2010-11 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 2010-11 was £7.2 million, which exceeded the target by £2.1 million. Overall revenue (discretionary) reserves increased by £17.6 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 2010-11 was 49%, with the University's actual being at 59%.



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



Actual performance compared to targets

The following table sets out financial performance metrics for 2010-11 compared to targets as set out in the forecast submitted to HEFCE in April 2011:

Metrics	Actual	Forecast
Historical cost surplus as a % of total income	10.3%	4.6%
Net liquidity	181 days	126 days
External borrowing as a % of total income	20.8%	20.9%
Discretionary reserves as a % of total income	59.0%	53.6%
Net cash flow as a % of total income	19.3%	13.4%
Staff costs as a % of total income	53.6%	55.4%

Future Plans

The White Paper “Students at the Heart of the System”, which was published by the Government in June 2011, set out a new vision for the higher education sector which would see a shift from public to private funding, a greater degree of de-regulation and an increase in competition between existing and new providers within the sector. The White Paper envisaged that students would have more choice about the price they would pay for their education and more influence over the quality of their learning experience.

The University has already signalled its intention to charge the maximum £9,000 for regulated fee students from 2012-13. This decision reflected a number of factors including the quality of our provision, the high cost of many of our subject areas and the need to ensure that the student experience will not diminish as a result of further funding reductions. Our Fair Access Agreement for 2012-13 has been approved by OFFA. This commits 25% of the additional fee income (estimated to be £7.2 million by 2014-15) to support the widening participation agenda and students from disadvantaged backgrounds in the form of outreach activities, retention interventions and bursary schemes.

The University’s budget policy over the last few years has been to implement efficiencies to off-set the impact of funding grant reductions as well as to create capacity for future internal investment. This policy has been effective in generating a significant level of discretionary reserves that will now be used to support the University’s key objectives. An ‘Invest to Gain’ programme was launched in 2010-11. This fund of nearly £3 million has been allocated to projects that further enhance the student experience, as well as improving service delivery in academic and non-academic departments. Most of the projects are expected to be completed during 2011-12.

The University continues to invest heavily in improvements to the estate and physical environment. During 2011-12 the redevelopment of Varley Halls is continuing, a new academic building in Hastings is due for completion and the refurbishment of the Cockcroft Building at Moulsecoomb is due to commence. We will continue to work with Brighton and Hove City Council to achieve mixed use developments at Preston Barracks and Circus Street, incorporating new academic buildings and student accommodation.

From 2011-12 the University’s International College is becoming operational. The International College is a partnership with Kaplan which will be providing courses to international students to prepare them for entry into higher education. This development is intended to broaden the learning experience for all students as well as further diversify the University’s income streams.

In March 2011 the University’s Carbon Management Plan was endorsed by the Carbon Trust. The Plan sets an ambitious target of reducing the University’s carbon emissions by 50% in five years. To assist in achieving this target and ensure the University meets its environmental statutory obligations, the University is planning to establish a sustainable development team, which will use cost savings from reduced energy usage to invest in further carbon reduction initiatives.

During 2010-11 the University undertook preparatory work for the establishment of a new Doctoral College. The College is launched from the start of the 2011-12 academic year. This initiative is intended to enhance the experience and support provided to postgraduate research students. The University’s plans in relation to a submission to the Research Excellence Framework are well advanced.

The University’s current Corporate Plan ends in 2012. Work is underway to develop a new Corporate Plan reflecting the very different environment for universities going forwards.

Alongside the development of the new Corporate Plan the University will be reviewing its Estate Strategy. Key elements of the strategy are to ensure that the University has fit-for-purpose learning spaces, to increase purpose built student accommodation and to augment the student experience on each of our campuses. The University is also reviewing its approach to space utilisation.

Key Risks and Risk Management

In establishing future plans attention has been given to the key risks that are likely to affect the institution. The implementation of the new funding regime from 2012-13 introduces a number of new and significant risks to the University and other institutions in the sector. Maintaining student numbers is critical for long-term sustainability in an environment that is expected to become increasingly competitive. 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.

The outcomes of the National Student Survey (NSS) 2011 indicated progress from the previous year, but also identified areas for improvement. These are being considered as part of the University annual academic health review.

Sector data regarding student non-continuation rates indicates that the University is higher than its own benchmark and the performance of other institutions. A University wide programme has been initiated to consider the causes of non-continuation and the best practices that have been successfully used by other institutions to improve performance in this area.

Following the publication of the White Paper the Higher Education Funding Council for England published its consultative document as to how the controls on student numbers would be implemented. From these, it is apparent that the University's student control number will be reduced to allow for more competition for places in the sector. Due to its intention to charge a fee of above £7500, the University is excluded from much of this competition. As a result the University is currently in discussion with its partner colleges as to how the indicative student and (consequential funding) reductions can be managed over the next few years, without impacting detrimentally on the quality of the University of Brighton student experience.

The University performed well in the previous Research Assessment Exercise in 2008. Improving on this performance required the University to develop its capacity to deliver quality research. Internal changes to the University's management structure will allow it to focus on supporting its submission to the Research Excellence Framework (REF) 2013 thereby mitigating the risk of loss of reputation and reduction of income from research grants and contracts, which might result from a deterioration in performance.

The University's approach to risk management is included in the Corporate Governance Statement on page 13.

PUBLIC BENEFIT STATEMENT

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 21,000 is diverse in terms of age, background and experience and we are committed to increasing accessibility and diversity across all activity. In 2010-11 93.7% of full time undergraduate entrants were from state schools, 29.4% of full time undergraduate entrants whose families are from non-professional or managerial backgrounds, and 9.6% of full time undergraduates from low higher education 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 2010-11 1,820 students were studying for foundation degrees in a wide range of subjects;
- The University of Brighton in Hastings has a particular remit to work with young people in schools and colleges to encourage more to consider the benefits of higher education in an area where progression has historically been low. The university is also lead sponsor in a project to create two new academies in the area in partnership with BT and East Sussex County Council;
- 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. 2010-11 saw the University pay out the highest amount to date, being £5.5 million on bursaries and increasing the number of students who benefited by 325. A further £210,000 was spent on scholarships for 210 students. The University also facilitated a range of 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 more than 50% each year since gaining the Frank Buttle Kite Mark in 2008, and in 2010-11 stood at 36. 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 2010-11 the University made 15 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 experience to

enhance 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 Professional, Statutory and Regulatory Bodies (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.

A recently awarded £1 million project funded by Arts and Humanities Research Council is led by the University to establish a consortium with the University of Sussex, the Council for Industry and Higher Education and Wired Sussex. The project aims to examine, measure and explain the dynamics that fuel the creative, digital and IT (CDIT) economy in the Brighton area, providing relevant SMEs access to the best university research to help develop business opportunities and economic growth.

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 £125,000 will pilot the eco-retrofit capabilities of offices for environment and financial benefits, with the intention to extend this to social housing. 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" (SECC). In June the University's CUPP produced a major resource detailing the approaches taken by the projects funded by the SECC to encourage organisations to work effectively with communities.

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. This programme received international recognition after being placed second in the MacJannet Prize for Global Citizenship.

The University recognises that it has a leading part to play in demonstrating social responsibility. During 2010-11 its ambitious Carbon Management Plan, which seeks to reduce the University's carbon emissions by 50% in five years, was approved by the Carbon Trust. The work already undertaken to reduce the University's carbon footprint was recognised when it climbed 10 places to 21st in the People & Planet's annual Green League for higher education in 2011.

MEMBERSHIP OF THE BOARD OF GOVERNORS

Membership of the Board of Governors for the year ended 31 July 2011.

Twelve independent members	Lord Mogg (Chairman) Ms K Allen Dr Y Burne Judge M Fawcett Mr M Geerts Mr J Harley Ms R Lowe Ms J Lythell Mr S Maycock Mrs C Miller (from 01.10.10) Dr T Simpson Mr C Thomson
Two teachers at the University, nominated by the Academic Board	Dr E Ostler Ms M Wallis
Four co-opted members	Professor P Ashworth Ms B Brewer Professor B Gourley (from 27.04.11) Ms V Weeks
The Vice-Chancellor of the University	Professor J Crampton
One student of the University, nominated by the students	Ms S Mallender

Attendance at meetings of the Board of Governors during 2010-11

During 2010-2011 five meetings of the Board were held, in October and November 2010, February, April and June 2011. The attendance record of members was as follows:-

Name	No. of meetings attended	Name	No. of meetings attended
Ms K Allen	2	Ms J Lythell	3
Professor P Ashworth	4	Ms S Mallender	5
Ms B Brewer	4	Mr S Maycock	5
Dr Y Burne	3	Mrs C Miller**	4
Professor J Crampton	5	Lord Mogg	5
Judge M Fawcett	4	Dr E Ostler	5
Mr M Geerts	5	Dr T Simpson	5
Professor B Gourley*	0	Mr C Thomson	5
Mr J Harley	5	Ms M Wallis	5
Ms R Lowe	3	Ms V Weeks	5

* Professor B Gourley was eligible to attend two meetings in 2010-11

** Mrs C Miller was eligible to attend for four meetings in 2010-11.

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 2011 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 : 25 November 2011

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.

In regard to the publication of these accounts on the Internet, The Board of Governors recognise their responsibility for:

- (a) The maintenance and integrity of the University of Brighton website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF THE 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 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors, 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 Board of Governors and auditor

As explained more fully in the Statement of Responsibilities of Board of Governors set out on page 14, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31st July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

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

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

25 November 2011

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
Year ended 31 July 2011

	Note	2011 £'000	2010 £'000
INCOME			
Funding Council grants	2	70,912	68,911
Academic fees and support grants	3	69,301	63,706*
Research grants and contracts	4	8,297	7,395
Other operating income	5	23,078	22,641*
Endowment and investment income	6	1,017	444
TOTAL INCOME		172,605	163,097
Less share of joint venture income	31	(9,410)	(8,814)
GROUP INCOME		163,195	154,283
EXPENDITURE			
Staff costs	7	92,573	91,996
Depreciation	11	6,654	3,911
Other operating expenses	8	56,284	53,528
Interest payable	9	2,665	3,459
TOTAL EXPENDITURE		158,176	152,894
Less share of joint venture expenditure	31	(9,180)	(8,516)
GROUP EXPENDITURE		148,996	144,378
Surplus after depreciation of assets at valuation and before tax		14,199	9,905
Share of surplus in joint venture	31	230	298
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		14,429	10,203
Surplus for the year transferred to accumulated income in endowment funds	18	12	15
Surplus for the year retained within general reserves	10, 17	14,441	10,218
Surplus on continuing operations before tax		14,429	10,203
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	16	3,364	1,538
HISTORICAL COST SURPLUS		17,793	11,741

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

* Re-analysed income for 2009-10, see note 34.

BALANCE SHEET
As at 31 July 2011

	Note	Consolidated		University	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
FIXED ASSETS					
Tangible assets	11	185,258	182,180	187,538	184,511
Investments	20	84	84	184	184
Joint venture assets	31	6,682	5,961	-	-
Joint venture liabilities	31	(2,551)	(2,060)	-	-
		<u>189,473</u>	<u>186,165</u>	<u>187,722</u>	<u>184,695</u>
CURRENT ASSETS					
Short term investments	30	61,759	41,008	61,750	41,000
Stock	1(e)	94	77	75	61
Debtors	12	8,759	11,687	12,783	15,129
Cash at bank and in hand	28	13,463	14,029	12,582	13,787
		<u>84,075</u>	<u>66,801</u>	<u>87,190</u>	<u>69,977</u>
CREDITORS: amounts falling due within one year	13	(43,916)	(38,195)	(43,055)	(37,634)
NET CURRENT ASSETS		<u>40,159</u>	<u>28,606</u>	<u>44,135</u>	<u>32,343</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>229,632</u>	<u>214,771</u>	<u>231,857</u>	<u>217,038</u>
CREDITORS: amounts falling due after more than one year	14	(39,036)	(38,514)	(39,036)	(38,514)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>190,596</u>	<u>176,257</u>	<u>192,821</u>	<u>178,524</u>
Net Pension Liability	19(d)	(19,188)	(29,610)	(19,188)	(29,610)
NET ASSETS INCLUDING PENSION LIABILITY		<u>171,408</u>	<u>146,647</u>	<u>173,633</u>	<u>148,914</u>
Deferred Capital Grants	15	16,362	16,285	16,362	16,285
Endowments	18	14	26	14	26
RESERVES					
Revenue reserve excluding pension liability		101,772	84,134	103,997	86,401
Pension Liability	19(d)	(19,188)	(29,610)	(19,188)	(29,610)
Revenue reserve including pension liability	17	82,584	54,524	84,809	56,791
Revaluation reserve	16	72,448	75,812	72,448	75,812
Total Reserves		<u>155,032</u>	<u>130,336</u>	<u>157,257</u>	<u>132,603</u>
Total Funds		<u>171,408</u>	<u>146,647</u>	<u>173,633</u>	<u>148,914</u>

These financial statements were approved by the Board of Governors on 25 November 2011
Signed on behalf of the Board of Governors

Lord MoggGovernor and Chair of Governing Body

Professor Julian CramptonGovernor and Vice-Chancellor

The notes on pages 21 to 47 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	23	33,351	20,251
Returns on investments and servicing of finance	24	(1,843)	(1,596)
Capital expenditure and financial investment	25	(9,302)	(18,541)
Net cash inflow before use of liquid resources and financing		<u>22,206</u>	<u>114</u>
Management of liquid resources			
Deposit – Increase to short term investments		(20,751)	(18,002)
Financing	26	(2,021)	15,515
Decrease in cash	28	<u>(566)</u>	<u>(2,373)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
Year ended 31 July 2011

		2011 £'000	2010 £'000
Decrease in cash in the year		(566)	(2,373)
Repayment of debt		2,127	1,485
Receipt of new loan		(106)	(17,000)
Changes in net funds from cash flows	28	<u>1,455</u>	<u>(17,888)</u>
Net funds at beginning of year	28	(23,959)	(6,071)
Net funds at end of year	28	<u>(22,504)</u>	<u>(23,959)</u>

Net funds excludes cash held as short term investments which totalled £61.8m as at 31.07.11 (£41.0m at 31.07.11)

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 July 2011

	2011 £'000	2010 £'000
Surplus after depreciation of assets at valuation and tax	14,429	10,203
Actuarial gain recognised in respect of pensions. Note 19(d)	10,255	12,045
Total recognised gains relating to the year	<u>24,684</u>	<u>22,248</u>

RECONCILIATION

	2011 £'000	2010 £'000
Opening reserves and endowments	130,362	108,114
Total recognised gains for the year	24,684	22,248
Total reserves and endowments at 31 July	<u>155,046</u>	<u>130,362</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

- 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 £20,000 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 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

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.

2. FUNDING COUNCIL GRANTS

	2011	2010
	£'000	£'000
Recurrent Grants		
Higher Education Funding Council for England (HEFCE)	56,380	56,174
Training and Development Agency for Schools (TDA)	7,903	8,058
TOTAL RECURRENT GRANTS	64,283	64,232
Specific Grants (HEFCE)		
University Modernisation Fund	2,131	-
Aim Higher	1,630	1,432
Learning & Teaching Development	573	517
Teaching & Research Capital Investment Fund	551	405
Centre for Work and Learning	497	505
CUPP (SECCP)	234	405
Higher Education Innovation Funds	58	180
CETL - Learning Through Design	39	455
Support Access Administration	-	15
Other	158	116
Sub Total HEFCE Specific Grants	5,871	4,030
Specific Grants (TDA)		
Masters in Teaching and Learning	24	11
Leading Literacy Schools	12	8
Spanish Primary Languages Programme	9	8
Mainstream RRCG	6	17
Capital Support	5	4
Other	2	-
Mainstream Additional Experience (14-19)	-	46
Black and Minority Ethnic Recruitment	-	8
Sub Total TDA Specific Grants	58	102
TOTAL SPECIFIC GRANTS	5,929	4,132
Deferred Capital Grants (HEFCE)		
Buildings	369	334
Equipment	331	213
TOTAL DEFERRED CAPITAL GRANTS	700	547
	70,912	68,911

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

3. ANALYSIS OF ACADEMIC FEES AND SUPPORT GRANTS

	2011	2010
	£'000	£'000
Home and EU domiciled students		
Full Time		
Undergraduate	51,860	48,794
Postgraduate	1,645	1,617
Part Time		
Undergraduate	1,330	1,181
Postgraduate	1,676	1,793
Sub total	<u>56,511</u>	<u>53,385</u>
Non EU domiciled students	<u>10,707</u>	<u>8,594</u>
Total HE Course Fees	67,218	61,979
Non Credit Bearing Course Fees	1,733	1,418
Research Training Support Grants	350	309
	<u>69,301</u>	<u>63,706</u>

4. RESEARCH GRANTS AND CONTRACTS

	2011	2010
	£'000	£'000
European Commission	2,395	1,943
UK Government	2,682	2,301
Research Council	1,135	987
UK based charities	1,010	894
UK industry & public corporations	952	856
Other	123	414
	<u>8,297</u>	<u>7,395</u>

5. OTHER OPERATING INCOME

	2011	2010
	£'000	£'000
Residences, catering and conferences	13,033	12,700
Other services rendered	4,984	5,615
Other income	5,061	4,326
	<u>23,078</u>	<u>22,641</u>

6. ENDOWMENT AND INVESTMENT INCOME

	2011	2010
	£'000	£'000
Interest receivable from short term investments and bank deposits	<u>1,017</u>	<u>444</u>
	<u>1,017</u>	<u>444</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

7. STAFF

	2011	2010
	£'000	£'000
Consolidated		
Wages and salaries	76,774	75,981
Social security costs	6,147	6,086
Other pension costs (note 19)	9,652	9,929
	<u>92,573</u>	<u>91,996</u>
University's share of Joint Venture		
Wages and salaries	3,896	3,458
Social security costs	303	355
Other pension costs (note 19)	387	472
	<u>4,586</u>	<u>4,285</u>
University and Subsidiaries excluding Joint Venture		
Wages and salaries	72,878	72,523
Social security costs	5,844	5,731
Other pension costs (note 19)	9,265	9,457
	<u>87,987</u>	<u>87,711</u>
Emoluments of the Vice-Chancellor		
	£	£
Professor Julian Crampton		
Salary	200,000	200,000
Pension contributions (note 19)	32,000	31,334
Benefits in kind	2,271	2,271
	<u>234,271</u>	<u>233,605</u>

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

	2011	2010
	No.	No.
£100,000 - £110,000	5	8
£110,000 - £120,000	7	2
£120,000 - £130,000	1	3
£130,000 - £140,000	1	1
£140,000 - £150,000	-	1
£150,000 - £160,000	1	1
£160,000 - £170,000	-	1
£170,000 - £180,000	1	-
£180,000 - £190,000	1	1
£190,000 - £200,000	1	-
£200,000 - £210,000	-	2
£210,000 - £220,000	1	-

14 (2010 – 15) of the above staff are employed by the joint venture (see Note 31)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

	2011	2010
	No.	No.
Average staffing numbers (full time equivalent)		
Senior managers	12	12
Teaching and Research	868	867
Administrative	860	873
Technical	114	118
Manual and craft	186	199
	<u>2,040</u>	<u>2,069</u>

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

8 ANALYSIS OF OTHER OPERATING EXPENSES

	2011	2010
	£'000	£'000
Agency and contract staff	2,933	2,918
Auditors' remuneration*	58	67
Bad debt expense	170	(142)
Books and periodicals	1,644	1,590
Catering and bar provisions	1,344	1,341
Cleaning and waste disposal	876	819
Consultancy	1,273	1,492
Energy	2,050	2,252
Enhanced pension capital and interest	18	20
Equipment and materials	8,763	7,615
Exam and registration fees	49	51
External examiners	313	203
Facilities management fee	866	816
Field course expenses	486	423
Grants to students	6,693	6,174
Insurances	452	408
Maintenance of buildings and grounds	5,570	4,921
Mentorship payments	920	867
Other employee expenses	610	723
Partner colleges	5,166	4,576
Printing	911	1,020
Publicity and advertising	953	1,057
Rent, rates and water	6,271	6,132
Student accommodation	396	266
Students Union grant	799	774
Subscriptions	565	532
Telephones and postage	910	982
Transport	2,395	2,226
Miscellaneous	2,830	3,405
	<u>56,284</u>	<u>53,528</u>

* In addition, the current external auditors have been paid £44,626 (VAT inclusive) for other services in the year (2010: £32,444).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

9. INTEREST PAYABLE

	2011	2010
	£'000	£'000
Bank and other loans not wholly repayable within 5 years	82	106
Bank and other loans wholly repayable within 5 years	1,910	1,587
Interest on pension scheme liabilities (note 19d)	569	1,677
Finance leases	104	89
	<u>2,665</u>	<u>3,459</u>
	<u><u>2,665</u></u>	<u><u>3,459</u></u>

10. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	2011	2010
	£'000	£'000
University surplus for the year	14,399	10,480
Depreciation on intra group asset sale	50	50
Deficit generated by the subsidiary undertakings	(8)	(312)
	<u>14,441</u>	<u>10,218</u>
Group Surplus for the year	<u><u>14,441</u></u>	<u><u>10,218</u></u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

11. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Vehicles £'000	Equipment £'000	Total £'000
Consolidated				
Valuation/Cost				
At 1 August 2010 - valuation	118,057	-	-	118,057
- cost	91,140	263	2,398	93,801
Additions	8,163	-	1,569	9,732
Disposals	(688)	(47)	(510)	(1,245)
As at 31 July 2011	<u>216,672</u>	<u>216</u>	<u>3,457</u>	<u>220,345</u>
Accumulated Depreciation				
At 1 August 2010	28,391	125	1,162	29,678
Depreciation on disposals	(688)	(47)	(510)	(1,245)
Charge for the year	5,795	48	811	6,654
As at 31 July 2011	<u>33,498</u>	<u>126</u>	<u>1,463</u>	<u>35,087</u>
Net Book Value				
At 31 July 2011	<u>183,174</u>	<u>90</u>	<u>1,994</u>	<u>185,258</u>
At 31 July 2010	<u>180,806</u>	<u>138</u>	<u>1,236</u>	<u>182,180</u>
Analysis of Funding				
Inherited	63,253	-	-	63,253
Financed by capital grant	15,547	-	815	16,362
Other	104,374	90	1,179	105,643
Net Book Value at 31 July 2011	<u>183,174</u>	<u>90</u>	<u>1,994</u>	<u>185,258</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:

	2011	2010
Freehold properties	£172.0m	£172.3m
Held under finance lease	£3.3m	£3.4m
Assets in the course of construction	£7.8m	£5.1m

The depreciation charge of assets held under finance lease for the year was £80,840 (2010: £80,840). If the land and buildings inherited from East Sussex County Council on corporation 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 2011

11. TANGIBLE FIXED ASSETS (CONTINUED)

	Land and Buildings £'000	Vehicles £'000	Equipment £'000	Total £'000
University of Brighton				
Valuation/Cost				
At 1 August 2010 - valuation	112,749	-	-	112,749
- cost	98,140	263	2,398	100,801
Additions	8,163	-	1,569	9,732
Disposals	(688)	(47)	(510)	(1,245)
As at 31 July 2011	<u>218,364</u>	<u>216</u>	<u>3,457</u>	<u>222,037</u>
Accumulated Depreciation				
At 1 August 2010	27,753	124	1,162	29,039
Depreciation on disposals	(688)	(47)	(510)	(1,245)
Charge for the Year	5,845	49	811	6,705
As at 31 July 2011	<u>32,910</u>	<u>126</u>	<u>1,463</u>	<u>34,499</u>
Net book value				
At 31 July 2011	<u>185,454</u>	<u>90</u>	<u>1,994</u>	<u>187,538</u>
At 31 July 2010	<u>183,136</u>	<u>139</u>	<u>1,236</u>	<u>184,511</u>
Analysis of Funding				
Inherited	63,253	-	-	63,253
Financed by capital grant	15,547	-	815	16,362
Other	106,654	90	1,179	107,923
Net book value at 31 July 2011	<u>185,454</u>	<u>90</u>	<u>1,994</u>	<u>187,538</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:

	2011	2010
Freehold properties	£174.3m	£174.6m
Held under finance lease	£3.3m	£3.4m
Assets in the course of construction	£7.8m	£5.1m

The depreciation charge of assets held under finance lease for the year was £80,840 (2010: £80,840). If the land and buildings inherited from East Sussex County Council on corporation 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 2011

12. DEBTORS

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	3,381	3,504	2,966	3,172
Amounts owed by subsidiary undertakings	-	-	400	-
Prepayments and accrued income	5,378	8,183	9,417	11,957
TOTAL DEBTORS	8,759	11,687	12,783	15,129

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Finance Lease	123	125	123	125
Building project loans	2,035	2,009	2,035	2,009
Salix Loan	30	-	30	-
Trade creditors	1,158	1,164	1,158	1,164
Amount owed to subsidiary undertakings	-	-	-	461
PAYE creditors	1,835	1,824	1,835	1,824
HM Revenue and Customs – VAT	872	321	818	292
Superannuation funds	559	1,187	559	1,187
Other creditors	1,865	1,994	1,554	1,733
Accruals and deferred income	35,439	29,571	34,943	28,839
	43,916	38,195	43,055	37,634

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

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Loan re: building project - student residences (i)	4,464	4,656	4,464	4,656
Grand Parade 4 th Wing building (ii)	475	792	475	792
Loan re Academic Accommodation (iii)	25,030	26,556	25,030	26,556
Finance lease (iv)	3,734	3,850	3,734	3,850
H M Revenue and Customs – VAT (v)	6	15	6	15
Accruals and Deferred Income (vi)	5,251	2,645	5,251	2,645
Salix Loan (vii)	76	-	76	-
	39,036	38,514	39,036	38,514

(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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

- (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 0.82188% at 31 July 2011.

- (v) Repayment due under the capital goods scheme.
- (vi) Advance payment regarding operating lease.
- (vii) Interest free loans under the Carbon Reduction Programme to fund improvements to energy efficiency.

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Analysis of Loan Repayments				
Total Loans				
In one year or less or on demand	2,065	2,009	2,065	2,010
In more than one year but not more than two years	2,093	2,036	2,093	2,035
In more than two years but not more than five years	5,663	5,818	5,663	5,818
In more than five years	22,289	24,150	22,289	24,150
	<u>32,110</u>	<u>34,013</u>	<u>32,110</u>	<u>34,013</u>

	Consolidated and University	
	2011	2010
	£'000	£'000
Obligations under Finance Leases Falling Due as follows:		
Minimum lease payments payable		
Within one year	123	125
Within two to five years	3,734	3,850
	<u>3,857</u>	<u>3,975</u>

The 2011 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 2011

15. DEFERRED CAPITAL GRANTS (HEFCE)

	Consolidated and University Funding Councils £'000
As at 1 August 2010	
Equipment	369
Buildings	15,916
	<hr/> 16,285
Cash Received	
Equipment	777
Buildings	-
	<hr/> 777
Released to Income and Expenditure	
Equipment	(331)
Buildings	(369)
	<hr/> (700)
As at 31 July 2011	
Equipment	815
Buildings	15,547
	<hr/> 16,362

In accordance with the University's accounting policy for recognition of income 1(c), capital grants are released to the Income and Expenditure account over the estimated useful lives of the related assets purchased with the grants. This matches the University's fixed asset policy which depreciates computer equipment over three years, other equipment over five years and buildings over 50 years. The majority of capital grants are applied to the acquisition of buildings.

16. REVALUATION RESERVE

	Consolidated £'000	University £'000
Revaluations as at 1 August 2010	75,812	75,812
Transfers from revenue reserve to revenue reserve for depreciation	(3,364)	(3,364)
	<hr/> 72,448	<hr/> 72,448
As at 31 July 2011	<hr/> <hr/> 72,448	<hr/> <hr/> 72,448

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

17. REVENUE RESERVE

	Consolidated £'000	University £'000
Surplus for the year retained in general reserves	14,441	14,399
FRS 17 actuarial surplus	10,255	10,255
Transfers from revaluation reserve in respect of depreciation on revalued assets	<u>3,364</u>	<u>3,364</u>
Movement in the year	28,060	28,018
Balance as at 1 August 2010	54,524	56,791
Balance at 31 July 2011	<u><u>82,584</u></u>	<u><u>84,809</u></u>

18. ENDOWMENTS

	Restricted Expendable £'000	Restricted Permanent £'000	Restricted Total £'000
Capital Value	12	12	24
Accumulated Income	<u>-</u>	<u>2</u>	<u>2</u>
As at 1 August 2010	12	14	26
Income for the year	-	-	-
Expenditure for the year	<u>(12)</u>	<u>-</u>	<u>(12)</u>
As at 31 July 2011	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Represented by:			
Capital Value	-	12	12
Accumulated Income	<u>-</u>	<u>2</u>	<u>2</u>
	<u>-</u>	<u>14</u>	<u>14</u>

**Consolidated and University
£'000**

	2011	2010
Balance as at 1 August 2010	26	41
(Decrease) in cash balances	<u>(12)</u>	<u>(15)</u>
Balance as at 31 July 2011	<u>14</u>	<u>26</u>
Represented by Bank Balances	<u>14</u>	<u>26</u>

Endowments are held as cash.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

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.

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

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial 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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

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 a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service 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. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide 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, increased 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 as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three 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). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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 as at the date of the last triennial actuarial 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 (move to long cohort future improvements from the medium cohort adopted at the valuation)	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 trustees 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 major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically 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 needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cashflow 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 although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. 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 will be based on data as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

(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 2010 and was updated to 31 July 2011 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:

	2011	2010	2009
Rate of increase in salaries*	4.5%	4.4%	4.4%
Rate of increase in pensions in payment	2.7%	2.9%	3.4%
Discount rate	5.3%	5.6%	6.0%
Inflation assumption	2.7%	2.9%	3.4%

* The rate of salary increase is estimated to be 1% to 31 July 2012, and 4.5% in subsequent periods.

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

	Year ended 31 July 2011		Year ended 31 July 2010		Year ended 31 July 2009	
	Long term return %	Fund value £ million	Long term return %	Fund Value £ million	Long term return %	Fund value £ million
Equities	7.0	88.624	7.3	75.156	7.3	68.262
Bonds	4.6	11.661	4.8	9.527	5.3	8.865
Property	5.1	9.329	5.3	9.527	5.3	6.206
Cash	4.0	6.997	4.4	11.644	4.3	5.319
		<u>116.611</u>		<u>105.854</u>		<u>88.652</u>

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

Analysis of amount shown in the balance sheet	2011 £ million	2010 £ million
University's estimated asset share	116.611	105.854
Present value of University's scheme liabilities	(135.799)	(135.464)
Deficit in the scheme – Net Pension Liability	<u>(19.188)</u>	<u>(29.610)</u>

Analysis of amount charged to operating surplus	2011 £ million	2010 £ million
Current service cost	4.097	4.415
Past service cost	0.013	-
	<u>4.110</u>	<u>4.415</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

Analysis of other amount debited to other finance cost	2011 £ million	2010 £ million
Expected return on pension finance assets	7.052	6.149
Interest on pension scheme liabilities	(7.621)	(7.826)
Net (charge)	<u>(0.569)</u>	<u>(1.677)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2011 £ million	2010 £ million
Actual return less expected return on pension scheme assets	1.494	7.400
Changes in assumptions underlying the present value of scheme liabilities	8.761	4.645
Actuarial gain recognised in STRGL	<u>10.255</u>	<u>12.045</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). In the year ended 31 July 2010, the University considered the Pension Fund scheme rules and associated members' literature and 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') in the 2009/10 financial statements. Following the issue of Urgent Issues Task Force ('UITF') Abstract 48 in December 2010, the University has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

Analysis of movement in the market value of the scheme assets	2011 £ million	2010 £ million
As at 1 August 2010	105.854	88.652
Contributions by members	1.911	1.940
Contributions by the employer	4.846	4.900
Benefits paid	(4.546)	(3.187)
Expected return on assets	7.052	6.149
Actuarial gain	1.494	7.400
As at end of year	<u>116.611</u>	<u>105.854</u>

Analysis of movements in the present value of the scheme's liabilities	2011 £ million	2010 £ million
At beginning of year	135.464	129.115
Current service cost	4.097	4.415
Contributions by members	1.911	1.940
Past service cost	0.013	(8.971)
Benefits paid	(4.546)	(3.187)
Interest costs	7.621	7.826
Actuarial gain/(loss)	(8.761)	4.326
As at end of year	<u>135.799</u>	<u>135.464</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

Amounts for the current and previous accounting periods	Year ended 2011 £ million	Year ended 2010 £ million	Year ended 2009 £ million	Year ended 2008 £ million	Year ended 2007 £ million
Fair value of employer assets	116.611	105.854	88.652	89.775	93.682
Present value of defined benefit obligation	(135.799)	(135.464)	(129.115)	(121.843)	(111.072)
(Deficit)	(19.188)	(29.610)	(40.463)	(32.068)	(17.390)
Experience gains/(losses) on assets	1.494	7.400	(11.149)	(13.110)	3.246
Experience gains/(losses) on liabilities	9.985	(0.027)	0.078	(2.002)	0.218

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	21.3
Females	23.4
Retiring in 20 years	
Males	23.3
Females	25.7

(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	01.04.02 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%
	01.04.08 to 31.03.11	16.7%
	01.04.11 to 31.07.11	17.0%
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 2011

20. INVESTMENTS HELD AS FIXED ASSETS

	Consolidated		University	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Associated companies	84	84	184	184
	<u>84</u>	<u>84</u>	<u>184</u>	<u>184</u>

As at 31 July 2011, the University's interests in subsidiary and associated undertakings were as follows:

Consolidated Subsidiaries	Interest	Cost	Class of Shares	Activity
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.
Associate Companies	Interest	Cost	Class of Shares	Activity
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 2011 the University was committed to making the following payments during the next year in respect of operating leases for land and buildings:

	Consolidated and University 2011 £'000
Leases which expire:	
Between one and two years	134
Between two and five years	239
After five years	4,138
	<u>4,511</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

22. CAPITAL COMMITMENT

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Commitments contracted 31 July	19,640	3,898	19,640	3,898
Authorised, not committed	35,294	21,028	35,294	21,028
	<u>54,934</u>	<u>24,926</u>	<u>54,934</u>	<u>24,926</u>

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

	2011	2010
	£'000	£'000
Surplus before tax	14,429	10,203
Depreciation and impairment charge	6,654	3,911
Deferred capital grants and lease premium released to income	(700)	(547)
Investment income, excluding credit on pension scheme	(1,017)	(444)
Interest payable, excluding charge on pension scheme	2,665	1,782
(Increase)/Decrease in stocks	(17)	41
Decrease(Increase) in debtors	3,106	(3,208)
Increase in creditors	8,628	7,619
Actuarial gain on Local Government Pension Scheme	10,255	12,045
Investment in Joint Venture	(230)	(298)
Decrease in pension liability	(10,422)	(10,853)
	<u>33,351</u>	<u>20,251</u>

24. RETURN ON INVESTMENTS AND SERVICING OF FINANCE

	2011	2010
	£'000	£'000
Interest received	839	169
Interest paid on loans and finance lease	(2,682)	(1,765)
	<u>(1,843)</u>	<u>(1,596)</u>

25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2011	2010
	£'000	£'000
Payments to acquire fixed assets	(10,079)	(18,708)
Deferred capital grants received	777	167
	<u>(9,302)</u>	<u>(18,541)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

26. FINANCING

	2011 £'000	2010 £'000
Receipt of new loans	106	17,000
Repayment of building loans and finance lease	(2,127)	(1,485)
	<u>(2,021)</u>	<u>15,515</u>

27. ANALYSIS OF CHANGES IN FINANCING

	2011 Finance leases £'000	2011 Mortgages & loans £'000	2010 Finance leases £'000	2010 Mortgages & loans £'000
Balance as at 1 August	3,975	34,013	4,082	18,391
New loans subscribed	-	106	-	17,000
Capital repayments	(118)	(2,009)	(107)	(1,378)
Balance as at 31 July	<u>3,857</u>	<u>32,110</u>	<u>3,975</u>	<u>34,013</u>

28. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2010 £'000	Cash Flows £'000	Other changes £'000	At 31 July 2011 £'000
Cash at bank	14,029	(566)	-	13,463
Debt due within one year	(2,134)	(54)	-	(2,188)
Debt due after one year	(35,854)	2,075	-	(33,779)
	<u>(23,959)</u>	<u>1,455</u>	<u>-</u>	<u>(22,504)</u>

29. ACCESS TO LEARNING FUNDS

	2011 £'000	2010 £'000
Brought forward from previous year	34	4
Funding Council Grants	432	492
Interest allocated	2	1
	<u>468</u>	<u>497</u>
Disbursement to students	(438)	(447)
Audit fees	(14)	(16)
	<u>(452)</u>	<u>(463)</u>
Balance unspent at 31 July	<u>16</u>	<u>34</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

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

	2011		2010	
	Consolidated Book Cost £'000	Consolidated Market Value £'000	Consolidated Book Cost £'000	Consolidated Market Value £'000
Unit Trusts	9	9	8	8
Short term Bank Deposits	61,750	61,750	41,000	41,000
Treasury Bills	-	-	-	-
	<u>61,759</u>	<u>61,759</u>	<u>41,008</u>	<u>41,008</u>

University

	2011		2010	
	University Book Cost £'000	University Market Value £'000	University Book Cost £'000	University Market Value £'000
Short term Bank Deposits	61,750	61,750	41,000	41,000
Treasury Bills	-	-	-	-
	<u>61,750</u>	<u>61,750</u>	<u>41,000</u>	<u>41,000</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

31. BRIGHTON & SUSSEX MEDICAL SCHOOL

Income and Expenditure Account for the year ended 31 July 2011

	Brighton £'000	Sussex £'000	Total £'000	2010 £'000
Income				
HEFCE grant	3,754	3,834	7,588	7,537
NHS funds	2,377	2,377	4,754	4,398
Academic fees	1,395	1,394	2,789	2,476
Research grants & contracts	1,309	1,753	3,062	2,291
Other	575	955	1,530	1,612
	<hr/>	<hr/>	<hr/>	<hr/>
Total Income	9,410	10,313	19,723	18,314
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure				
Staff costs	4,586	5,019	9,605	9,005
Other operating expenses	4,594	5,008	9,602	8,625
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditure	9,180	10,027	19,207	17,630
	<hr/>	<hr/>	<hr/>	<hr/>
Surplus on continuing operations	230	286	516	684

**Balance Sheet of the Community Chest
As at 31 July 2011**

	Brighton £'000	Sussex £'000	Total £'000	2010 £'000
Fixed Assets	466	466	932	1,146
Current Assets				
Debtors	731	734	1,465	1,002
Cash at bank and in hand	5,485	6,178	11,663	10,273
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	6,216	6,912	13,128	11,275
	<hr/>	<hr/>	<hr/>	<hr/>
Current Liabilities				
Creditors	(2,105)	(2,370)	(4,475)	(3,173)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	(2,105)	(2,370)	(4,475)	(3,173)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets	4,577	5,008	9,585	9,248
Deferred Capital Grants	(446)	(446)	(892)	(1,070)
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue Reserves	4,131	4,562	8,693	8,178
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

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 75% 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 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 2011 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 £11.663m was held on behalf of the School at 31 July 2011 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 2011 the School had a capital commitment, authorised but not committed of £nil (2010: £nil).

32. TRUSTEES

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

	2011	2010
	£	£
Travel and subsistence in respect of attending meetings and training courses	6,310	11,487

Remuneration

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

33. RELATED PARTY TRANSACTIONS

- (a) Professor Julian Crampton, Vice-Chancellor, is a director of the South East England Development Agency (SEEDA) and Hastings & Bexhill Renaissance Limited (HBRL). The trading name of HBRL is Sea Space and it is a company connected to SEEDA.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

During the year the University engaged in property transactions with Sea Space. On 31 March 2011 the University purchased:

- The long lease of an academic building in Havelock Road, Hastings, which the University had previously leased. The rental for the year prior to 31 March 2011 was £46,603 (2010: £64,772). The consideration for the purchase was £1. Sea Space had previously funded the purchase of the lease and major refurbishment of this building.
- The freehold of a partly constructed new academic building in Priory Square, Hastings. The consideration for the purchase was £1 and the obligation to complete the building to deliver higher education in Hastings. SEEDA provided a £2.95m grant to Sea Space which was applied to acquire the site and commence construction of this building.

In addition, during the year the University leased short-term accommodation in Lacuna Place, Hastings from Coastal Land (Sussex) LLP, which is a company connected to Sea Space. The rent during the year was £133,932 (2010: Nil)

- (b) The President of the University of Brighton Students' Union (UBSU) is a member of the Board of Governors. During the year this post was held by Ms S Mallender. In addition, the Board of Governors co-opted the Chair of the Student Union Council to its membership. During the year this post was held by Ms V Weeks. During the year the University paid £799,100 (2010: £773,900) in grant to the UBSU. It also bought services from UBSU of £29,258 (2010: £19,815) and invoiced the UBSU for £4,449 (2010: £3,687) of services.
- (c) The University is the lead sponsor to the Hastings Academy Trust, a Charitable Company Limited by Guarantee, which was formed in March 2010. The Trust oversees the operation of two Academy Schools within the Hastings area of East Sussex. Professor Julian Crampton, Vice Chancellor, is chair of the Board of Directors of the Trust and Mrs S McHugh, Director of Finance to the University, is Company Secretary to the Trust. In addition, three members of the University's Board of Governors are also Directors of the Hastings Academy Trust; Dr Y Burne OBE, Mr C Thompson and Ms C Miller CBE.

During the year, the University has financed some implementation costs for the two academies prior to receiving the Implementation Grant from the Government. As at 31 July 2011, the University was owed £405k (2010: Nil) and this sum is included within the debtors figure. Costs of approx £21k are not covered by the implementation grant and have been met by the University.

During this implementation period, various University officers have been assisting the Trust and no recharge for staff time has been, or will be, made.

34. RE-ANALYSIS OF PREVIOUS YEAR INCOME

Income from the NHS in regard to Brighton and Sussex Medical School joint venture has been re-analysed in the 2010 accounts. This income amounting to £2.199m was allocated to Academic Fees and Support Grants whereas it is now more appropriate to allocate this to Other Income.

The effect on the 2010 accounts is as follows:

	Published £'000	Adjusted £'000	Variance £'000
Academic Fees and Support Grants	65,905	63,706	(2,199)
Other Operating Income	20,442	22,641	2,199
	<u>155,258</u>	<u>155,258</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2011

35. LINKED CHARITIES

The University has two linked charities, the purpose of which are to provide prize funds to students. The transactions in the year were as follows:

	£000
Balance as at 1 August 2010	22
Income for the year	0
Expenditure in the year	0
	<hr/>
Balance as at 31 July 2011	22
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

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

Barclays Bank PLC
139-142 North Street
Brighton
East Sussex
BN1 7RU

SOLICITORS

Burt Brill & Cardens 30 Old Steyne Brighton East Sussex BN1 1FL	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
---	--

AUDITORS

KPMG LLP
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT