University Campus Suffolk Ltd
Annual report and financial statements
for the year ended 31 July 2010

Registered number: 05078498

University Campus Suffolk Ltd

Annual report for the year ended 31 July 2010

Contents

Directors and advisors

Directors	Professor C Riordan (Chair) Professor E Acton Professor M Saks (appointed 1 May 2010) Professor R J Anderson (resigned 31 August 2009) Ms C A M Edey Mr J D Hehir (deceased 10 November 2009) Mr R Williams (appointed 26 January 2010) Mrs A J Hill Mr S L Holmes (resigned 31 July 2010) Mr D Edwards (appointed 1 August 2010) Mr R Lister (appointed 1 September 2009, resigned 30 April 2010) Professor D J Muller Dr A H Rich Mr B J Summers Dr E A Williams
Company Secretary	Mr T J Greenacre
Registered office	Waterfront Building Neptune Quay Ipswich Suffolk IP4 1QJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium St Georges Street Norwich Norfolk NR3 1AG
Bankers	Barclays Bank plc 1 Princes Street Ipswich Suffolk IP1 1PB
Solicitors	Mills & Reeve LLP 1 St James Court Whitefriars Norwich Norfolk NR3 1RU

The directors present their report and the audited financial statements of the company for the year ended 31 July 2010.

Business review and principal activities

The principal activity of the company for the year under review was that of higher education, together with such activities as are relevant for its facilitation. Additional activities include the provision of consultancy and applied research services.

One of the distinguishing features of UCS is the Learning Network, with higher education being delivered at Ipswich and five independently operated centres across Suffolk and Norfolk. This allows students to study more closely to their home and increases the range of specialist subjects taught at foundation degree and undergraduate level across the UCS portfolio. Widening participation remains a key theme of the UCS mission and UCS remains committed to offering a broad provision across the whole Learning Network.

Higher Education Funding Council for England (HEFCE) funding for UCS is issued jointly to University of East Anglia (UEA) and University of Essex in the form of a ring-fenced grant by reference to its associated student numbers. The grant letter is formally issued to the Vice-Chancellors of both Universities. Under this arrangement UCS receives its HEFCE funding via UEA who act as the banker organisation for the joint venture. The two Universities are jointly responsible to HEFCE for the proper use and allocation of the funding received via each institution's financial memorandum with HEFCE. UCS has a separate financial memorandum with each of the two Universities which mirrors this requirement.

At the end of its third full year of operation UCS delivered 2,637 of 2,877 full time equivalents (FTEs) available within the HEFCE contract. From 2010/11 the HEFCE contract increases to 3,077 funded FTEs, providing scope for further growth over the next two years:

	2008/9 Achieved	2009/10 Achieved	2010/11 Planned	2011/12 Planned
HEFCE FTEs	2,302	2,637	2,877	3,077
Growth %	6%	15%	9%	7%

UCS has also successfully delivered its contracted student numbers within the East of England Strategic Health Authority contracts, which cover both pre-registration and post-registration education and training.

The year saw continued progress on the next phase of the UCS capital programme. This includes a new building on the Ipswich Waterfront which will provide a range of specialist teaching facilities including clinical skills labs, physiology and sports science labs. The majority of funding for the building has been provided by capital grants from HEFCE, the East of England Development Agency, Suffolk County Council and Ipswich Borough Council. The balance of funding is by way of an additional borrowing facility which has been agreed with Barclays Bank. The new building will open to students in January 2011 and, in recognition of the substantial contribution to the establishment of UCS made by the late James Hehir as Chief Executive of Ipswich Borough Council and as a member of the UCS Board, it has been decided to name the new facility the James Hehir Building.

Further capital developments completed during the year include a substantial refurbishment programme on the northern part of the campus including the Library Building. Capital funding remains available to develop the Learning Network facilities outside of the Ipswich hub.

UCS successfully works with private sector landlords and developers to ensure that we have sufficient high quality accommodation available to all students that require it. In September 2010 a purpose built block of residences, developed by the Watkins Jones Group, opened. The residences block contains 590 student rooms.

Business review and principal activities (continued)

Looking forward, UCS continues to develop its strategic plans in order to achieve its student growth targets over the next two years. UCS will also seek to maintain its strong track record of delivery within its Strategic Health Authority contracts. In an uncertain public funding environment, flexibility to respond to market conditions is seen as vital to achieving UCS' objective of developing new and diverse income streams.

Directors

The directors who held office during the year and up to the date of signing the financial statements are listed on page 1 of the annual report.

Financial highlights

In its third year of operations, UCS generated a surplus of £1,630k (2009: deficit: £996k).

Key financial indicators

The company's key financial indicators during the year were as follows:

	2010	2009
	£'000	£'000
Total income	**34,822**	30,680
Surplus before exceptional items	**1,621**	554
Surplus before exceptional items as a proportion of total income	**5%**	2%
Surplus/(deficit) after exceptional items	**1,621**	(996)
Surplus/(deficit) after exceptional items as a proportion of total income	**5%**	(3)%

The increase in the surplus as a proportion of total income to 5% (2009: 2%) is partly due to a non-recurring gain of £500k, reflecting the value of gifted land which has been developed during the year (see note 4 to the financial statements). After excluding this non-cash item, the surplus for the year amounted to 3% of total income.

	2010	2009
	£'000	£'000
Proportion of income generated from:		
• HEFCE Contract	**41%**	43%
• Strategic Health Authority Contracts	**22%**	24%
• Tuition Fees	**26%**	22%
• Other Income	**11%**	11%

The increase in the proportion of income generated from tuition fees to 26% (2009: 22%) is the consequence of UCS' increasing student population, with a particular factor being a higher proportion of full-time students.

	2010	2009
	£'000	£'000
Total balance sheet funds	**52,162**	43,582

The increase in total balance sheet funds to £52,162k (2009: £43,582) is the result of: deferred capital grants received in respect of ongoing capital developments; the operating surplus generated in the year; and the actuarial gain resulting from a change in the measure of inflation used to calculate pension increases (see note 25 to the financial statements).

Financial outlook

UCS has budgeted for a small operational surplus in 2010/11. At the time of these financial statements being prepared, substantial changes to the future funding of higher education are being planned by the government, the impact of which is not yet entirely clear. Further consideration of the going concern status of the company is set out on page 9.

Principal risks and uncertainties and financial risk management
UCS has in place a risk register which is reviewed at least annually by the Audit and Risk Committee. The key risks identified are informed by the UCS strategic plan and are also linked to the internal audit planning process. A substantial review of the risk register was undertaken during the year under review, and this now includes a system of scoring designed to assess the likelihood and impact of the risks identified. In this way the register identifies for each risk:

- the gross risk (before any mitigating actions are undertaken);
- the mitigating actions identified and the senior manager responsible; and
- the net risk (assuming that such actions are undertaken and successful).

This method allows the Audit and Risk Committee and senior managers to monitor the mitigating actions required. Outlined below are the key risks and the mitigating actions identified.

Government funding
The government has made clear its intention to substantially reduce public expenditure over the next four years. Lord Browne's review of higher education funding and the government's Comprehensive Spending Review are likely to have far reaching impacts on university funding in future. This will affect HEFCE revenue and capital grants and SHA contracts. It will take some time for the full impact of these changes to become clear, however UCS seeks to mitigate the risks to its future public funding streams in the following ways:

- maintain strong strategic relationships with key funding stakeholders and commissioning bodies;
- develop new and diverse income streams including international, commercial and philanthropic sources;
- optimise student tuition fees, whilst reviewing academic provision in the light of a potential emerging new market for higher education (in respect of the proposed removal of a cap on tuition fees); and
- manage the cost effectiveness of activities.

Student recruitment
As an evolving institution, UCS is dependent upon growing its student base to reach a critical mass of students. Failure to maintain a sufficiently attractive offer to prospective students and therefore meet student number targets will impact on UCS's ability to secure future funded growth. If a new student market emerges for higher education (as a result of the proposed removal of the cap on tuition fees), UCS' offer and market positioning are likely to assume even greater importance. These risks are mitigated in a number of ways:

- develop a proactive approach to marketing and curriculum development;
- promote high quality teaching and learning and the enhancement of the student experience;
- maintain responsive student engagement and feedback mechanisms;
- encourage student participation in the National Student Survey;
- ensure the availability of adequate student accommodation and facilities; and
- monitor league tables and UCS' performance against sector performance indicators.

Staff recruitment and retention
UCS' ability to recruit high quality academic staff is key to the future growth of the business and so the directors place a significant emphasis on the recruitment, retention and performance of academic staff.

Principal risks and uncertainties and financial risk management (continued)

Exposure to credit and liquidity risk
Credit risk is the risk that one party to a contract will cause financial loss for another party by failing to discharge its obligations. Liquidity risk is the risk that an organisation will encounter difficulty in meeting its financial obligations. UCS' policies are aimed at minimising such risks and the key mitigating actions are:

- management and regular monitoring of debt collection activities;
- regular monitoring and forecasting of cashflow;
- regular monitoring of major investment and capital programmes;
- financial contingency planning; and
- management of loan facility drawdown.

Tangible fixed assets
The directors consider that the market value of UCS' tangible fixed assets is not significantly different from their book value.

Employee involvement and equal opportunities
UCS is fully committed to a policy that provides all employees with equality of opportunity for employment, career development and selection on the basis of ability, qualifications and suitability for the job. Senior management, managers and employees are required to promote equality of opportunity and to take full account of the policy in their day to day work.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned: UCS is a "two ticks" employer. In the event of members of staff becoming disabled, all reasonable steps are taken to ensure that their employment with UCS continues and that appropriate training and/or reasonable adjustments to their employment conditions are arranged.

Consultation with employees takes place through a number of meetings throughout the year, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the general progress of UCS as a whole.

Consultative meetings include formal consultation with trade union representatives, periodic attendance by senior managers at local team meetings, and project specific group work. UCS undertakes a biennial staff survey which seeks the views of staff about a wide range of issues affecting their employment; results and subsequent action plans are published widely.

Disclosure of information to auditors
Each of the directors confirm that, so far as they are aware, at the date of signing these financial statements there is no relevant audit information of which the company's auditors are unaware. They also confirm that they have taken all steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Availability of financial statements on the web site
The annual financial statements are available on the UCS web site. The maintenance and integrity of the UCS web site is the responsibility of the Board. 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 web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution to reappoint the auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

Directors' responsibilities statement
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

TJ Greenacre

T J Greenacre
Company Secretary
1 November 2010

Statement of corporate governance and internal control

The following statement is given to assist readers of the financial statements in gaining an understanding of the governance structures of UCS and to indicate UCS' arrangements for implementation of best practice for internal control and risk management.

UCS is a company limited by guarantee, and is jointly controlled by University of East Anglia and University of Essex.

The primary documents of governance are the company's Memorandum and Articles of Association, and the principal statutory body of UCS is its Board of Directors ("the Board"). All full members of the Board are directors of the company under the Companies Act 2006.

Principles and ethos of UCS
UCS aims to conduct its activities in accordance with the seven principles set out in the Nolan Committee report on Standards in Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. UCS is committed to exhibiting best practice in all aspects of corporate governance and applies the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 2008, as applicable to higher education institutions, and specifically complying with guidance issued by the Committee of University Chairmen in March 2009.

UCS Board structure
The Board meets four times a year and has four sub-committees: Planning and Resources Committee; Nominations Committee; Remuneration Committee; and Audit and Risk Committee. All these Committees are formally constituted with written terms of reference, specified membership and delegated powers. Day to day management of UCS is the responsibility of the Executive Team which is headed by the Provost and Chief Executive. The Provost and Chief Executive is an ex-officio director of the company.

In respect of development, strategic management and financial responsibilities, the Board receives advice from the Planning and Resources Committee. The Committee met four times during the year.

The Nominations Committee makes recommendations for the appointment of directors and external, co-opted members of the Board's sub committees (who are not directors of the company). The committee met once during the year.

The Remuneration Committee determines the annual remuneration and conditions of senior staff, including the Provost and Chief Executive. The Remuneration Committee is also responsible for recommending general changes in pay and conditions to the Board. The committee met once during the year.

The Audit and Risk Committee met five times during the year. Its main responsibilities include:

- advising the Board on risk management through a review of the risk register, identifying any new urgent or critical risks, and ensuring appropriate audit work on risk management is performed;
- reporting to the Board annually on the effectiveness of the internal control system and the pursuit of value for money, together with an opinion on risk management and data assurance;
- advising on the appointment of the internal auditor and approving the internal audit plan;
- receiving an annual report from the internal auditor, which includes an opinion of the effectiveness of the UCS system of internal control, and which reports on each assignment including recommendations;
- advising the Board as necessary on the appointment of external auditors, receiving their reports and reviewing their performance and effectiveness.

Academic authority for UCS is controlled by the Joint Academic Committee (JAC) which is not a sub-committee of the UCS Board, and reports to the Senates of the two partner universities, University of East Anglia and University of Essex. The Senates of the partner universities are responsible for the promotion of academic work both in teaching and research, for the regulation of educational arrangements and for the maintenance of academic discipline.

Statement of internal control

The Board is responsible for the company'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.

As part of the process for identifying, evaluating and managing UCS' significant risks, a comprehensive review of the risk register has been undertaken by the Audit and Risk Committee and the Executive Team, and the outcomes reported to the Board for review.

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

- clear definitions of the responsibilities of, and authority delegated to, heads of academic departments and administrative sections;
- a short and medium term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- regular reviews of key performance indicators and reviews of financial performance involving variance reporting and updates of financial outturns;
- defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approval levels set by the Board;
- a professional internal audit team whose annual programme is approved by the Audit and Risk Committee;
- a risk register which is scored according to the likelihood and impact of the key risks, which are informed by the strategic plan and also linked to internal audit planning process.

As part of the review of the effectiveness of the system of internal controls, plans are put in place to address any weaknesses identified and ensure continuous improvement of the system of internal controls as necessary.

Proper allocation of funds

The directors have chosen to provide comfort to the Councils of the two partner universities, University of East Anglia and University of Essex, confirming, that, in all material respects, income, ultimately derived from Higher Education Funding Council for England and Learning and Skills Council grants, and income for specific purposes and from other restricted funds administered by UCS have been applied only for the purposes for which they were received.

To enable them to provide this comfort, the directors have taken reasonable steps to:

- ensure that funds originating from HEFCE are used only for the purposes for which they have been given and in accordance with their Financial Memoranda with University of East Anglia and University of Essex and any other conditions that University of East Anglia and University of Essex may prescribe from time to time;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of UCS and to prevent and detect fraud;
- secure the economical, efficient, and effective management of UCS' resources and expenditure.

Going concern
The directors have prepared projections in support of the company's cash requirements in addition to its ongoing compliance with the terms of the bank facilities. These projections include the directors' best estimate of the impact of the government's Comprehensive Spending Review, in addition to taking account of the company's capital expenditure programme and the additional funding available to the company in respect of the new £8m loan facility which was undrawn at the year end (see note 14 to the financial statements for further details).

The directors have given this matter careful consideration and, cognisant of the above uncertainties, the Board is satisfied that UCS has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

By order of the Board

TJ Greenacre

T J Greenacre
Company Secretary

1/November 2010

Statement of public benefit

UCS is a company limited by guarantee and an exempt charity, and is jointly controlled by University of East Anglia and University of Essex. Both institutions are exempt charities under the terms of Charities Act 2006.

In setting and reviewing UCS' objectives and activities, the Board has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. This statement is included in recognition of the reporting requirement introduced by the Higher Education Funding Council for England (HEFCE) as the principal regulator of English higher education institutions under the Charities Act 2006.

Background

UCS was founded in 2007, building on the previous experience of Suffolk College – from which UCS emerged as the higher education wing. It consists of the Ipswich hub together with the UCS Learning Network which provides a higher education offering through the following "partner colleges":

- Great Yarmouth College
- Lowestoft College
- Otley College
- Suffolk New College
- West Suffolk College.

Vision and mission

UCS' vision is to be a fully functioning, cohesive, student-centred higher education institution. Our high quality and innovative teaching and learning, focused on vocationally relevant areas, will be cost effective and underpinned by selected nationally and internationally recognised research and scholarship.

Our mission is to be a distinctive 'can do' higher education provider that aspires to the highest standards in teaching and learning, research and enterprise, and works flexibly with a range of partners to fulfil mutual objectives at local, regional, national and international level.

Objectives

The specific strategic objectives of UCS are:

- To provide a high quality student experience
- To produce confident, employable, enterprising students
- To act as a beacon of aspiration and achievement in promoting widening participation in Suffolk and beyond
- To recruit increasing numbers of students of ever-higher calibre in the national and international marketplace
- To suitably balance undergraduate and postgraduate study
- To promote national/international research informing our teaching
- To diversify our external income streams in a challenging environment
- To sustainably balance income against expenditure
- To serve the needs of our collaborative partners in the wider communities in which we operate, including professional bodies and employers.

In order to do this we shall:

- Attract, support and retain excellent staff, including academics skilled in teaching and learning, research and enterprise
- Develop an effective and efficient infrastructure supporting students and staff
- Work closely and collaboratively with University of Essex and University of East Anglia and other key partners
- Refine and promote externally the University Campus Suffolk brand.

Access and widening participation
UCS is dedicated to serving our communities by being a beacon for aspiration and achievement. We are committed to addressing the widening participation agenda and to making higher education accessible to all within the local community. UCS is involved with a number of outreach activities which aim to widen participation and encourage more people to consider higher education:

- *Schools and Colleges Liaison*
  The student recruitment team at UCS works with schools and colleges to inform students about the higher education opportunities available to them.
- *Aimhigher and Widening Participation*
  The Aimhigher and UCS teams work together to promote widening participation in higher education. Our role is to raise the awareness, aspirations and attainment of young people from under-represented groups in higher education. Our activities are aimed particularly at young people from disadvantaged social and economic backgrounds and people with disabilities. We run a number of widening participation events including residential and non-residential summer schools.
- *LEAP*
  The LEAP Project was formed in 2007 by UCS, Suffolk Learning and Skills Council, Suffolk County Council and the East of England Development Agency. The aim of LEAP is to make access to education and skills as local as possible in response to the rural nature of the county and recognising the problems of transport to education provision. LEAP delivers free and impartial high quality information, advice and guidance to everyone seeking education or training opportunities. LEAP also works with businesses wanting to improve the skills of their workforce.
- *Bursaries*
  UCS understands how difficult it can be for students to afford to study and therefore within our Access Agreement we offer a generous bursary scheme to full-time students from low income households.

Community engagement
UCS is committed to actively engaging with the wider community across Suffolk and Great Yarmouth through a range of partnership projects, community activities and outreach work. Community engagement is about communicating and sharing knowledge with the local community, enriching cultural life and providing a service to our communities. All of our activity should be mutually beneficial both to the public and to UCS and complement our primary contribution to society of providing education. We have recently established a Community Engagement Office which consolidates our existing activity via a Community Engagement Survey.

Sustainability policy
As an educational institution, UCS exists for the benefit of its students, staff, and society as a whole. Consequently, UCS aims, as far as it can, to work sustainably - in ways which will not compromise the wellbeing of present and future generations. The UCS Sustainability Policy exists to guide decisions and to prompt tangible actions in accord with this aim.

The policy covers the following aspects of the organisation's work:

- Waste Management
  UCS seeks to minimise the effects of the waste it produces. This means minimising the volume of waste and managing its disposal in accord with the aim set out above.
- Energy Management
  UCS seeks to source and consume energy in ways which minimise the depletion of non-renewable fuels and the production of carbon dioxide. This means minimising consumption, and considering sources and forms of energy used.
- Water Management
  UCS seeks to use water in ways which minimise its consumption and the associated energy and environmental effects.

Sustainability policy(continued)

- Procurement & Supplies
  UCS seeks to select and source materials, products and capital goods in ways which minimise environmental effects and the depletion of non-renewable resources.
- Travel and Transport
  UCS seeks to promote sustainable travel and transport patterns which minimise environmental effects and encourage sustainable practices. A sustainable travel plan will be compiled as the central source of detailed policy guidance on this matter.
- Building and Estates Development
  UCS plans and implement its future development, in terms of new and refurbished buildings, landscaping, and maintenance in accord with the aims set out above.
- Learning & Teaching
  UCS encourages learning and teaching strategies which align with the above aim, and which promote specific aspects of the Sustainability Policy.
- Curriculum Development
  UCS seeks to ensure that every course curriculum includes consideration of future trends and sustainable practices relevant to the subject studied. UCS will seek to enable students to take informed decisions related to sustainability.
- Research
  UCS encourages original research and the use of research methods which extend knowledge relating to sustainability and are in accord with the aims set out above.

Understanding sustainability will be increasingly important in future employment and research. So UCS is keen that students understand the issues relevant to sustainability as it relates to their studies, research and their wider interests. UCS is a large and complex organisation, and works with many other institutions, companies and bodies. In all aspects of the work with other organisations UCS seeks to give sustainability high priority.

UCS ensures that it complies with legislation and best practice. We continually review our environmental performance across the range of our activities, and the capital development of the campus site and office buildings has been planned with the aim of minimising UCS' carbon footprint. The Waterfront Building has been designed with environmental and sustainability considerations in mind and was successful in achieving a rating of "Excellent" using the Building Research Establishment Environmental Assessment Method ("BREEAM").

Independent auditors' report to the members of University Campus Suffolk Ltd

We have audited the financial statements of University Campus Suffolk Ltd for the year ended 31 July 2010 which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards and the Statement of Recommended Practice - Accounting for Further and Higher Education (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2010 and of its 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 the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

C Maw

Christopher Maw (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich

4 November 2010

Income and expenditure account for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Income			
Funding body grants	2	**14,215**	13,193
Tuition fees and education contracts	3	**16,887**	14,359
Other income (including non-recurring gain of £500,000 (2009: £nil))	4	**3,708**	3,060
Endowment and investment income	5	**12**	68
Total income		**34,822**	30,680
Expenditure			
Staff costs	6	**13,502**	13,185
Other operating expenses	8	**15,831**	13,851
Depreciation	10	**2,956**	2,301
Interest and other finance costs	7	**912**	789
Total expenditure		**33,201**	30,126
Surplus before exceptional items and taxation		**1,621**	554
Exceptional items	9	**-**	(1,550)
Surplus/(deficit) after exceptional items and before taxation		**1,621**	(996)
Taxation		**-**	-
Surplus/(deficit) after exceptional items and taxation		**1,621**	(996)
Transferred from endowment funds		**9**	-
Surplus/(deficit) for the financial year retained/(deducted) from general reserves	18	**1,630**	(996)

All items of income and expenditure arise from continuing operations.

There is no difference between the results stated above, and their historical cost equivalents.

Note:

	2010 £'000	2009 £'000
Surplus before exceptional items and taxation	**1,621**	554
Less: non-recurring gain (note 4)	**(500)**	-
Surplus before exceptional items, non-recurring gain and taxation	**1,121**	554

Statement of total recognised gains and losses for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Surplus/(deficit) for the financial year (before endowment transfer)		**1,621**	(996)
Actuarial loss in respect of pension scheme	25	**(20)**	(1,069)
Exceptional actuarial gains - effect of change of the measurement of inflation from RPI to CPI	25	**351**	-
New endowments	17	**144**	-
Total gains and losses recognised since last annual report		**2,096**	(2,065)
Opening reserves and endowments		**(2,702)**	(637)
Total recognised gains/(losses) for the year (as above)		**2,096**	(2,065)
Closing reserves and endowments		**(606)**	(2,702)

University Campus Suffolk Ltd

Balance sheet as at 31 July 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	10	**69,043**	56,619
Endowment assets	11	**135**	-
Current assets			
Debtors	12	**2,635**	1,542
Cash at bank and in hand		**1,467**	10,837
		4,102	12,379
Creditors: amounts falling due within one year	13	**(5,896)**	(7,276)
Net current (liabilities)/assets		**(1,794)**	5,103
Total assets less current liabilities		**67,384**	61,722
Creditors: amounts falling due after more than one year	14	**(12,500)**	(12,500)
Provisions for liabilities	15	**(870)**	(3,539)
Net assets excluding pension liability		**54,014**	45,683
Pension liability	25	**(1,852)**	(2,101)
Net assets including pension liability		**52,162**	43,582
Represented by:			
Deferred capital grants	16	**52,768**	46,284
Specific endowments	17	**135**	-
Reserves			
Income and expenditure account excluding pension reserve		**1,111**	(601)
Pension reserve		**(1,852)**	(2,101)
Income and expenditure account including pension reserve	18	**(741)**	(2,702)
Total funds		**52,162**	43,582

The financial statements on pages 15 to 33 were approved by the Board of Directors on 1 November 2010 and were signed on its behalf by:

Professor M. Saks
Provost and Chief Executive

Professor C. Riordan
Chair of Board of Directors

Registered Number: 05078498

Cash flow statement for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Cash (outflow)/inflow from operating activities	19	**(2,540)**	6,796
Returns on investments and servicing of finance			
Interest received		**12**	68
Interest paid		**(809)**	(593)
Net cash outflow from returns on investments and servicing of finance		**(797)**	(525)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(14,934)**	(12,127)
New endowments received		**144**	-
Deferred capital grants received		**8,892**	7,818
Net cash outflow from capital expenditure		**(5,898)**	(4,309)
Cash (outflow)/inflow before financing		**(9,235)**	1,962
Financing			
New bank loans		-	4,500
(Decrease)/increase in cash in the year	20	**(9,235)**	6,462

Reconciliation of net cash flow to movement in net debt		**£'000**	£'000
(Decrease)/increase in cash in the year		**(9,235)**	6,462
Cash outflow from increase in debt		-	(4,500)
Movement in net debt		**(9,235)**	1,962
Net debt at 1 August		**(1,663)**	(3,625)
Net debt at 31 July	20	**(10,898)**	(1,663)

1 Statement of accounting policies

Basis of preparation
The financial statements are prepared in accordance with the historical cost convention and in accordance with United Kingdom Accounting Standards. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Format of financial statements
The financial statements contain information about University Campus Suffolk Ltd ("UCS") as an individual company and do not include those of the students' union, as it is a separate entity in which the company has no financial interest, no control or significant influence over policy decisions. The financial statements have been prepared to conform with the Companies Act 2006 and also with the Statement of Recommended Accounting Practice (SORP): Accounting for Further and Higher Education dated July 2007, the use of which has been mandated by the terms of the funding arrangements in place between UCS, University of East Anglia, University of Essex and the Higher Education Funding Council for England.

Income recognition
Funding body grants are accounted for in the period to which they relate.

Tuition fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Bursaries are accounted for gross as expenditure and not deducted from income.

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

Grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, such as to match the rate of the depreciation charge on the asset for which the grant was awarded.

Investment income is credited to the income and expenditure account on a receivable basis.

Income from restricted endowments is expended in accordance with the restrictions of the endowment.

Agency arrangements
Funds that UCS receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the UCS where it is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. Disclosures in relation to these arrangements are included in the note 26 to the financial statements.

Taxation
UCS is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, UCS is exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 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. UCS receives no similar exemption in respect of value added tax. Irrecoverable value added tax on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Gifts in kind, including donated tangible fixed assets
Gifts in kind are reflected in 'other income' or 'deferred capital grants' as appropriate.

1 Statement of accounting policies (continued)

Accounting for charitable donations
Unrestricted charitable donations are recognised when the donation has been received or, if before, receipt, there is sufficient evidence of certainty that the donation will be received and its value can be measured with sufficient reliability.

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:
1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution;
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income;
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Tangible fixed assets
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition. Donated tangible fixed assets are included at deemed cost based on a valuation at the date of donation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, over the expected useful economic lives of the assets in equal annual instalments at the following principal rates:

Freehold buildings	2-2.5%
Fixtures, fittings and equipment	12.5% - 25%

Freehold land and assets in the course of construction are not depreciated.

Inherited fixed assets
Assets inherited from Suffolk New College are stated in the balance sheet at their fair value on transfer based on depreciated replacement cost.

Acquisition with the aid of specific grants
Where assets are acquired with the aid of specific grants, they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related assets on a basis consistent with the depreciation policy. In accordance with the provisions of the SORP, deferred capital grants are accounted for as part of total funds.

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

Provisions, contingent liabilities and contingent assets
Provisions are recognised in the financial statements when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

1 Statement of accounting policies (continued)

Accounting for retirement benefits
The company contributes to the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS). Both schemes are defined benefit schemes, but the USS scheme is a multi-employer scheme and it is not possible to identify the assets of the scheme which are attributable to UCS. In accordance with FRS 17 this scheme is accounted for on a defined contribution basis and contributions to this scheme are included as expenditure in the period in which they are payable. UCS is able to identify its share of assets and liabilities of the LGPS and thus fully adopts FRS 17 "Retirement benefits". Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated in accordance with FRS 17 requirements at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

The amounts charged to the income and expenditure account are as follows. The current and past service costs and gains and losses on settlements and curtailments are included as part of staff costs. The expected return on assets, net of the impact of the unwinding of the discount on the scheme's liabilities, is shown within interest payable or other income. Actuarial gains and losses, including differences between expected and actual return on assets, are recognised immediately in the statement of total recognised gains and losses. Further details regarding the scheme, including the impact of the June 2010 budget in relation to future pension increases, are contained in note 25 to the financial statements.

Accounting for enhanced pension obligations
Liabilities in respect of enhanced pension obligations are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to UCS' liabilities. The actuarial valuations are updated at each balance sheet date. Movements in the liability are recognised in the income and expenditure account in the period in which they arise.

Exceptional items
Exceptional and non-recurring costs are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of UCS's underlying financial performance. Transactions which may give rise to exceptional and non-recurring costs are principally restructuring related costs and costs related to liabilities assumed by the company relating to the transfer of staff transferred from Suffolk New College.

2 Funding body grants	**2010 £'000**	2009 £'000
Recurrent grants		
Higher Education Funding Council for England ("HEFCE") – via University of East Anglia	**12,962**	11,989
Specific grants		
Aim Higher	**563**	554
Teaching Quality Enhancement Fund	**-**	128
Other grants	**5**	21
	568	703
Deferred capital grants released in year		
Buildings	**260**	205
Equipment	**425**	296
	685	501
Total funding body grants	**14,215**	13,193

3 Tuition fees and education contracts

	2010 £'000	2009 £'000
Tuition fees		
Full-time home and EU students	**7,076**	5,252
Full-time international students	**151**	128
Part-time students	**1,638**	1,471
	8,865	6,851
Education contracts		
Strategic Health Authorities	**7,706**	7,248
General Social Care Council	**257**	174
Other contracts	**59**	86
	8,022	7,508
Total tuition fees and education contracts	**16,887**	14,359

4 Other income

	2010 £'000	2009 £'000
Deferred capital grants released in year	**1,723**	1,401
Other income	**1,485**	1,659
Unrealised gain on gifted land	**500**	-
	3,708	3,060

On 9 September 2008, UCS was conditionally gifted a plot of land on the Ipswich waterfront by Ipswich Borough Council. The relevant conditions were met in the year under review. In accordance with the provisions of the SORP the fair value of the land at the date the land unconditionally reverted to UCS (as determined by Savills, independent Chartered Surveyors) has been recognised in the income statement within other income.

5 Endowment and investment income

	2010 £'000	2009 £'000
Income from deposits	**12**	68

6 Staff costs

	2010 £'000	2009 £'000
Wages and salaries	**10,976**	10,810
Social security costs	**853**	846
Other pension costs (note 25)	**1,673**	1,529
Total	**13,502**	13,185

Staff costs relate to staff directly employed by University Campus Suffolk Ltd. Staff employed in the Learning Network colleges to deliver Higher Education are disclosed in the financial statements of the relevant colleges.

Directors' remuneration	**£'000**	£'000
Aggregate emoluments	**139**	159
Pension contributions to USS	**17**	17
	156	176

The above emoluments include the emoluments paid to the Provost and Chief Executive Officer, in addition to those of the former Pro Vice-Chancellor and Chief Executive Officer and the Acting Chief Executive Officer. In addition to the above emoluments, in 2009, £120,000 was receivable by the Pro Vice-Chancellor and Chief Executive Officer, recognising his retirement before normal retirement age. The only directors to receive any emoluments from the company were the Provost and Chief Executive

Officer, the former Pro Vice-Chancellor and Chief Executive Officer, and the Acting Chief Executive Officer.

6 Staff costs (continued)

There are no other members of staff with an annual salary in excess of £100,000 (excluding employer's pension contributions). Retirement benefits are accruing to 1 director (2009: 1) under the Universities Superannuation Scheme ("USS").

The average monthly number of employees including directors employed during the year was:

	2010 Number	2009 Number
Academic departments	**222**	218
Academic services	**47**	48
Administration and central services	**81**	82
Premises	**21**	24
	371	372

7 Interest and other finance costs

	2010 £'000	2009 £'000
Bank loans	**811**	633
Other finance costs (note 25)	**101**	156
	912	789

8 Analysis of total expenditure by activity

	Staff Costs £000	Dep'n £000	Other Operating Expenses £000	Interest Payable £000	**2010 Total £000**	2009 Total £000
Academic departments	7,452	109	2,245	-	**9,806**	10,675
Academic services	2,457	-	1,173	-	**3,630**	2,913
Administration and central services	2,702	1,618	8,894	912	**14,126**	12,150
Premises	614	1,229	2,307	-	**4,150**	3,770
Other	277	-	1,212	-	**1,489**	618
Year ended 31 July 2010	**13,502**	**2,956**	**15,831**	**912**	**33,201**	30,126
Year ended 31 July 2009	13,185	2,301	13,851	789	30,126	

Other operating expenses include:	**2010 £'000**	2009 £'000
External auditors' remuneration in respect of audit fees	**31**	28
External auditors' remuneration in respect of other services	**18**	8
Internal auditors' remuneration	**26**	21

		2010	2009
9	**Exceptional items**	**£'000**	£'000
	Restructuring costs	-	(1,093)
	Bulk transfer of employee pensions to the USS scheme	-	(457)
		-	(1,550)

10 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures, fittings and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 August 2009	46,848	6,582	6,346	59,776
Transfers	3,332	703	(4,035)	-
Disposals	-	-	(11)	(11)
Additions	539	248	14,604	15,391
At 31 July 2010	**50,719**	**7,533**	**16,904**	**75,156**
Accumulated depreciation				
At 1 August 2009	861	2,296	-	3,157
Charge for the year	1,229	1,727	-	2,956
At 31 July 2010	**2,090**	**4,023**	-	**6,113**
Net book value				
At 31 July 2010	**48,629**	**3,510**	**16,904**	**69,043**
At 31 July 2009	45,987	4,286	6,346	56,619

At 31 July 2010, freehold land and buildings and assets in the course of construction included £16,345k (2009: £15,845k) in respect of freehold land which is not depreciated.

		2010	2009
11	**Endowment assets**	**£'000**	£'000
	At 1 August 2009	-	-
	Increase in cash balances	**135**	-
	At 31 July 2010	**135**	-
	Represented by:		
	Cash at bank held for endowment funds	**135**	-

12 Debtors	2010 £'000	2009 £'000
Trade debtors	**1,384**	54
Amounts owed by related parties	**568**	558
Other debtors	**139**	203
Prepayments and accrued income	**544**	727
	2,635	1,542

Amounts owed by related parties are unsecured, interest free and are repayable on demand (see note 23 to the financial statements for further details).

13 Creditors: amounts falling due within one year	2010 £'000	2009 £'000
Trade creditors	**472**	469
Capital creditors	**1,257**	1,300
Amounts due to related parties	**342**	1,352
Taxation and social security payable	**293**	321
Other creditors	**971**	1,596
Accruals and deferred income	**2,561**	2,238
	5,896	7,276

Amounts due to related parties are unsecured, interest free and are repayable on demand (see note 23 to the financial statements for further details).

14 Creditors: amounts falling due after more than one year	2010 £'000	2009 £'000
Unsecured loans	**12,500**	12,500

On 9 July 2008 UCS entered into a loan facility agreement with Barclays Bank plc. The facility comprised a revolving facility which bore interest at 6.07%. On 15 October 2008, the amounts drawn down under the revolver facility were converted into a term loan of £12,500,000 which bears interest at a fixed rate of 5.09%. The loan is repayable in quarterly instalments through to October 2038, with no capital being repaid until January 2013.

Of the £12,500,000 facility, an amount of £10,000,000 has been guaranteed by University of East Anglia and University of Essex in equal proportion.

On 27 April 2010, UCS entered into an additional loan facility of £8,000,000 with Barclays Bank plc. The loan, which has been guaranteed by University of East Anglia and University of Essex in equal proportion, bears interest at a fixed rate of 6.20%. The loan is repayable in quarterly instalments through to October 2039, with no capital being repaid until January 2014. This facility remained undrawn at 31 July 2010.

Maturity profile	2010 £'000	2009 £'000
Amounts falling due:		
Between two and five years	**681**	422
In more than five years	**11,819**	12,078
	12,500	12,500

15 Provisions for liabilities

	Enhanced pension contributions £'000	Pension transfers £'000	Total £'000
At 1 August 2009	982	2,557	3,539
Utilised during year	(60)	(2,557)	(2,617)
Credited to income and expenditure account	(52)	-	(52)
At 31 July 2010	**870**	**-**	**870**

This provision for enhanced pension obligations is for the discounted value of liabilities for future enhanced pension benefits payable over the lifetime of the recipients.

The pension transfers provision related to sums due in respect of members transferring to other schemes and was discharged by a single payment during the year.

16 Deferred capital grants

	Funding council £'000	Other £'000	Total £'000
At 1 August 2009	11,900	34,384	46,284
Grants receivable	5,431	3,461	8,892
Released to income and expenditure account	(685)	(1,723)	(2,408)
At 31 July 2010	**16,646**	**36,122**	**52,768**

17 Specific endowments

	Restricted expendable	
	2010 £'000	2009 £'000
At 1 August	-	-
New endowments	**144**	-
Expenditure	**(9)**	-
At 31 July	**135**	-

Represented by:

Capital	**135**	-
Accumulated income	-	-
	135	-

18 Movement in income and expenditure account (including pension reserve)

	£'000
At 1 August 2009	(2,702)
Surplus for the financial year	1,630
Actuarial gains on pension scheme	331
At 31 July 2010	**(741)**

19 Reconciliation of surplus/(deficit) to net cash inflow from operating activities

	2010 £'000	2009 £'000
Surplus/(deficit) before taxation	**1,621**	(996)
Endowment income and interest receivable	**(12)**	(68)
Deferred capital grant released	**(2,408)**	(1,902)
Depreciation and amounts written off fixed assets	**2,956**	2,301
Interest payable	**811**	633
(Increase)/decrease in debtors	**(1,093)**	4,301
(Decrease)/increase in creditors	**(1,339)**	1,839
(Decrease)/increase in provisions	**(2,669)**	484
Unrealised gain on gifted land	**(500)**	-
Loss on disposal of fixed assets	**11**	-
Pension costs less contributions payable	**82**	204
Net cash inflow from operating activities	**(2,540)**	6,796

20 Analysis of changes in net debt

	At 1 August 2009 £'000	Cash flow £'000	At 31 July 2010 £'000
Cash at bank and in hand	10,837	(9,370)	**1,467**
Cash at bank held for endowment funds	-	135	**135**
	10,837	(9,235)	**1,602**
Debt due after one year	(12,500)	-	**(12,500)**
	(1,663)	(9,235)	**(10,898)**

21 Capital and other commitments

	2010 £'000	2009 £'000
Provision has not been made for the following capital commitments at 31 July:	**3,762**	-

22 Capital and reserves

The company has no share capital as it is limited by guarantee. All members of the company undertake to contribute such a sum as is required, not exceeding £1, to the assets of the company should it be wound up whilst they are a member or within one year after they cease to be a member.

23 Disclosure of related party transactions

Due to the nature of the company's operations and the composition of the Board of Directors, being drawn from the senior employees of the member Universities, partner colleges and local authorities, it is inevitable that transactions will take place with organisations in which a Director may have an interest. All transactions involving organisations in which a Director may have an interest, including those identified below, are carried out at arms length and in accordance with the company's usual procurement procedures.

University of East Anglia
During the year, UCS purchased goods and services to the value of £375,863 (2009: £417,310) from University of East Anglia ("UEA"). At 31 July 2010, the outstanding balance was £12,616 (2009: £4,166). In addition, UCS provided services to UEA to the value of £8,480 (2009: £103,620) during the year. At 31 July 2010, amounts owed by UEA amounted to £2,072 (2009: £500).

University of Essex
During the year, UCS purchased goods and services to the value of £321,761 (2009: £324,267) from University of Essex. At 31 July 2010, the outstanding balance was £150,000 (2009: £221 credit). In addition, UCS provided services to University of Essex to the value of £19,839 (2009: £11,967). At 31 July 2010, amounts owed by University of Essex amounted to £5,062 (2009: £63).

Suffolk New College
During the year, UCS purchased services to the value of £518,999 (2009: £2,085,523) from Suffolk New College. At 31 July 2010 the outstanding balance was £166 (2009: £1,317,376).

Sales transactions to Suffolk New College for the year totalled £240,266 (2009: £463,398). At 31 July 2010 the amounts owed by Suffolk New College amounted to £216 credit (2009: £168,398).

West Suffolk College
During the year, purchase transactions totalled £3,130,165 (2009: £2,684,590). At 31 July 2010 the outstanding balance was £nil (2009: £11,661). In addition, sales transactions for the year totalled £16,675 (2009: £49,686). At 31 July 2010 the amounts owed by West Suffolk College amounted to £5,905 (2009: £844).

Ipswich Borough Council
During the year, purchase transactions totalled £158,584 (2009: £159,883). At 31 July 2010 the outstanding balance was £46,686 (2009: £16,369 credit). Sales transactions to Ipswich Borough Council for the year totalled £21,600 (2009: £25,200). At 31 July 2010 the amounts owed by Ipswich Borough Council amounted to £nil (2009: £15,000).

In addition, Ipswich Borough Council provided capital grants during the year totalling £480,000. Of these, £480,000 was outstanding at 31 July 2010 (2009: £nil). Land gifted by Ipswich Borough Council in September 2008 unconditionally reverted to UCS in the year under review – see note 4 for further details.

Suffolk County Council
During the year, purchase transactions totalled £730,049 (2009: £393,932). At 31 July 2010 the outstanding balance was £132,801 (2009: £35,562). Sales transactions for the year totalled £915,189 (2009: £994,445). At 31 July 2010 the amounts owed by Suffolk County Council amounted to £75,132 (2009: £13,435).

In addition, Suffolk County Council provided capital grants during the year totalling £1,900,000 (2009: £500,000). Of these, £nil was outstanding at 31 July 2010 (2009: £359,337).

24 Ultimate controlling undertaking

The company is jointly controlled by the University of East Anglia and the University of Essex.

25 Pension commitments

UCS's employees belong to two principal pension schemes: the Universities Superannuation Scheme (USS); and the Local Government Pension Scheme (LGPS), which is administered by Suffolk County Council. Both are defined-benefit schemes.

Total pension cost for the year	**2010**	2009
	£'000	£'000
USS contributions paid	**1,353**	1,125
Local Government Pension Scheme	**421**	560
Charged to the income and expenditure account (notes 6 and 7)	**1,774**	1,685

Universities Superannuation Scheme (USS)

The company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and 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. Because of the mutual nature of the scheme, the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004 requiring schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The valuation was carried out using the projected unit method. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Investment returns per annum	6.4% per annum
Salary scale increases per annum	4.3% per annum
Discount rate	6.1% 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 with no age rating
Assumed life expectations on retirement at age 65:	
• Males currently aged 65 (45)	22.8 (24.8) years
• Females currently aged 65(45)	24.0 (25.9) years
Notional value of assets at date of last valuation	£28,843 million
Proportion of members' accrued benefits covered by the notional value of the assets	103%

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

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently. At 31 March 2010, USS had over 135,000 active members and UCS had 250 active members participating in the scheme.

25 Pension commitments (continued)

Local Government Pension Scheme (LGPS)

The LGPS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the LGPS actuary reviews the progress of the LGPS scheme.

For the LGPS, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable by the employer was set at 19.5% of pensionable salaries from August 2007.

Under the definitions set out in FRS 17, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the company's share of its assets and liabilities as at 31 July 2010.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

The material assumptions used by the actuary for the purposes of FRS 17 at 31 July 2010 and 31 July 2009 were:

	2010	2009
	%	%
Future pension increases	**2.9**	3.7
Future salary increases	**4.9**	5.2
Expected return on assets	**6.5**	6.7
Discount rate	**5.4**	6.0

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The mortality tables were used as follows:

Pre-retirement mortality	PFA92 and PMA92 projected to the year 2033
Post-retirement mortality	PFA92 and PMA92 projected to the year 2017

The assumed life expectations on retirement aged 65 are:

	2010	2009
	Years	Years
Retiring today		
Males	**20.8**	19.6
Females	**24.1**	22.5
Retiring in 20 years		
Males	**22.3**	20.7
Females	**25.7**	23.6

25 Pension commitments (continued)

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

	Long-term return	**31 July 2010 Fund value £'000**	Long-term return	1 August 2009 Fund value £'000
Equities	**7.3%**	**2,749**	7.3%	2,354
Bonds	**4.8%**	**833**	5.3%	654
Properties	**5.3%**	**375**	5.3%	196
Cash	**4.4%**	**208**	4.3%	65
		4,165		3,269

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS 17.

	2010 £'000	2009 £'000
Analysis of the amount shown in the balance sheet		
Fair value of employer assets	**4,165**	3,269
Present value of funded obligations	**(6,017)**	(5,370)
Deficit in the scheme - net pension liability	**(1,852)**	(2,101)
Amount charged to staff costs in profit and loss account		
Current service cost	**300**	261
Loss on curtailments and settlements	**20**	-
Past service cost	**-**	143
Total operating charge	**320**	404
Analysis of the amount charged to other finance costs		
Expected return on pension scheme assets	**234**	135
Interest on pension scheme liabilities	**(335)**	(291)
Total other finance costs	**(101)**	(156)
Analysis of the amount that is recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension assets	**215**	269
Experience gains arising on scheme liabilities	**-**	5
Changes in assumptions underlying the present value of the scheme liabilities	**(235)**	(1,343)
Exceptional actuarial gains - effect of change of the measurement of inflation from RPI to CPI	**351**	-
Actuarial gains/(losses) recognised in STRGL	**331**	(1,069)

The Government announced changes to pension provisions in the June 2010 budget that impact on members of the LGPS scheme. The Government announced that the measure used to determine cost of living increases applied to public sector pensions will be changed from being linked to the rise in the Consumer Prices Index (CPI), rather than to the rise in the Retail Prices Index (RPI). In accordance with guidance issued by the Urgent Issues Task Force, UCS has recognised the impact of the change from RPI to CPI in these financial statements, being a gain of £351,000, which has been recognised in the statement of recognised gains and losses as a change in actuarial assumptions.

25 Pension commitments (continued)

	2010 £'000	2009 £'000
Analysis of the movement in the present value of scheme liabilities		
At the beginning of year	**5,370**	3,215
Current service cost	**300**	261
Interest cost	**335**	291
Contributions by scheme participants	**108**	122
Actuarial losses	**235**	1,338
Exceptional actuarial gains - effect of change of the measurement of inflation from RPI to CPI	**(351)**	-
Past service cost	**-**	143
Losses on curtailments and settlements	**20**	-
At end of the year	**6,017**	5,370

	2010 £'000	2009 £'000
Analysis of the movement in the fair value of scheme assets		
At the beginning of year	**3,269**	2,387
Expected return on assets	**234**	135
Contributions by scheme participants	**108**	122
Contributions by the employer	**339**	356
Actuarial gains	**215**	269
At end of the year	**4,165**	3,269

The actual return on scheme assets was £449,000 (2009: £404,000).

	2010 £'000	2009 £'000	2008 £'000
Amounts for current and previous years:			
Defined benefit obligation	**(6,017)**	(5,370)	(3,215)
Plan assets	**4,165**	3,269	2,387
Deficit	**(1,852)**	(2,101)	(828)
Experience adjustments on plan assets	**215**	269	(356)
Experience adjustments arising on scheme liabilities	**(235)**	5	(6)
Total amount recognised in statement of total recognised gains and losses	**331**	(1,069)	(18)

Defined benefit scheme assets do not include any of UCS' own financial instruments or any property controlled by UCS.

The estimation of the employer contribution for the defined benefit scheme for the year to 31 July 2011 is £296,000.

26 Amounts disbursed as agents

	2010 £'000	2009 £'000
Access to Learning Funds (ALF)		
Funding received from HEFCE	**195**	227
Brought forward from previous year	**55**	13
Amounts disbursed to students	**(183)**	(178)
Fund administration costs	**(7)**	(7)
Excess of income over expenditure	**60**	55

ALF grants are available solely to assist students, UCS acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account

ITT Bursaries

	2010 £'000	2009 £'000
Funding received	**205**	138
Amounts disbursed to students	**(192)**	(138)
Excess of income over expenditure	**13**	-

Amounts shown above as excess of income over expenditure are included in the balance sheet as at 31 July 2010 as cash and creditors falling due within one year.