University of Essex

Investing in the future




Financial Statements
2008-2009

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Chair's Report

I am delighted to present the financial statements for the year ended 31 July 2009 and in particular the way they reflect the vibrancy of the University with growing activity reflected through the growth of a variety of income streams right across the University.

Last year was a year of substantial change for the University: new management accountability arrangements to deliver improved financial performance across the University, a new financial strategy, a £250m capital investment plan and the conclusion of a £5m cost reduction exercise. The evolution of our four faculties, along with professional and commercial services, into devolved budget centres responsible for all operating activity within the University is already reaping dividends with a greater focus on strategic planning and a tighter grip on staff costs.

The University's new financial strategy features investment in new facilities and in new academic activities premised on uplifting the University recurrent surplus to a level that will support growth and investment. The top-level finance key performance indicators for the five year period to 2012/13 are:

Key performance indicator: target	**Outturn in 2008/09**
■ Income growth: 5% average growth over previous 3 years	12.5%
■ Operating surplus of 3.5% by the start of 2010/11	2.1%[1]
■ Student number growth: 1100 over 5 years	434 in year 1
■ Income from philanthropic sources: £5m over 5 years	£1.06m in year 1

Income grew by over 12% in 2008/09 driven by increases across a spectrum of teaching and research income streams. Further details of this are provided in the operating and financial review.

The target operating surplus of 3.5% is to be achieved by the commencement of the 2010/11 financial year so the 2008/09 outturn of 2.1% illustrates that the University is on track to meet its target despite having to fund exceptional levels of pay inflation during the year. To help achieve this, an exercise was undertaken successfully to identify cost reductions of £5m from which the benefits will be received in full by 2011/12. Provision for exceptional costs in relation to this exercise has been made in these financial statements.

Student numbers increased by 434 in 2008/09 and this is reflected in a 17% increase in income from overseas students and a 10% increase in our teaching grant for the year. We expect to comfortably exceed our student number growth targets set out in the strategic plan.

All institutions are paying increased attention to income from philanthropic sources and I am delighted that the Vice-Chancellor is treating this as a high personal priority. I am pleased to acknowledge the receipt of a £1m legacy from the estate of the late John Silberrad from Loughton to fund postgraduate research scholarships.

Finally, the capital investment plan has commenced with the construction of new student residences in Southend, along with a host of smaller projects across the University.

The financial climate is a challenging one but the University is laying the foundations so that it is in a strong position to thrive. Last year's financial results provide evidence of a successful start to the new strategy.

Bill Gore
Chair of Council

I am delighted to present the financial statements for the year ended 31 July 2009 and in particular the way they reflect the vibrancy of the University with growing activity reflected through the growth of a variety of income streams right across the University.

[1] This is the surplus generated by academic activities, commercial services and general interest income excluding joint ventures, exceptional non-recurrent items and FRS17 charges.

Financial Highlights

(2007/08 comparative figures shown in brackets)

- Total income up 12.5% to £123m (£109m)
- Surplus before staff severance costs and joint ventures of £2.6m (£2m)
- EBITDA[2] of £6.8m (£5.7m).
- Capital expenditure of £15.7m (£11.9m)
- Net assets of £117m (£111m)
- Net debt of £27m (£27m)

	2008/09 £000	2007/08 £000	Change £000	%
Summary Finances				
INCOME				
Funding Council grants	34,867	33,622	+1,245	+4%
Tuition fees and academic contracts	44,340	35,329	+9,011	+26%
Research grants and contracts	18,184	15,744	+2,440	+15%
Other income	24,504	23,302	+1,202	+5%
Endowment and investment income	903	1,205	-302	-25%
Total Income	122,798	109,202	+13,596	+12%
TOTAL EXPENDITURE *excluding staff severance*	120,164	107,122	+13,042	+12%
SURPLUS *before severance and joint ventures*	2,634	2,080	+554	
less staff severance costs	(1,962)	(106)		
add share of profit/(loss) in joint ventures	(498)	(353)		
SURPLUS FOR THE YEAR	174	1,621	-1,447	
EBITDA	6,838	5,667	+1,171	
Capital expenditure	15,732	11,929		
Capital grants received	(7,619)	(5,963)		
NET CAPITAL EXPENDITURE	8,113	5,966	+2,147	
NET DEBT	26,783	26,949	-166	
NET ASSETS	117,371	110,802	+6,569	
Student Numbers *full time equivalent, excludes partner institutions*				
Home/EU	6,250	6,011		
Overseas	2,212	2,017		
	8,462	8,028	+434	
Undergraduate	6,483	6,085		
Postgraduate	1,979	1,943		
	8,462	8,028	+434	

[2] Earnings before interest, tax and depreciation.

Operating and Financial Review

Purpose, Mission and Values

The *charitable purpose* of the University is to extend and deepen the fund of human knowledge and pass the benefits on to others.

The University's *mission* is to be a globally competitive, research-intensive, student-focussed university that takes seriously its economic, social and cultural responsibilities to the Eastern region, the UK and the world.

The University *values* the highest academic and professional standards, social, cultural and economic obligation, environmental sustainability, diversity, equality of opportunity, integrity and leadership, sound financial management as a means of securing our academic activity and taking control of our own destiny.

Research, teaching and knowledge transfer enjoy parity of esteem at the University.

Constitution, Regulation and Business Environment

The University is an exempt charity established by Royal Charter in 1965 and is regulated by the Higher Education Funding Council for England (HEFCE). Established in Colchester, the University also operates campuses in Loughton and Southend.

These financial statements are those of the University of Essex group, comprising the University, its various subsidiary undertakings and joint ventures. The most material of these is University Campus Suffolk Ltd, a joint venture with the University of East Anglia. Details of this and other subsidiary undertakings and joint ventures are included in note 26 of the financial statements.

The University operates in a mix of regulated and un-regulated markets. The University has discretion over fee setting and student recruitment in overseas markets and in home/EU markets for postgraduate, part-time undergraduate and short courses. Home/EU tuition fees and student recruitment are regulated markets with fee caps and volume restrictions determined by government or HEFCE. Research grant and contract funding is a fiercely competitive market place.

Funding from HEFCE is governed by a Financial Memorandum which sets out the conditions of grant which the University must satisfy in order to receive public funding. The most important source of such funding is the block grant, amounting to £31.5m covering both teaching and research and the University has considerable freedom to deploy this grant between teaching and research, between academic disciplines and support services.

As well as being an independent conduit for public funding between central government and individual universities, HEFCE also regulates and monitors the financial health of higher education institutions in England. This is achieved by requirements to submit various data returns, to undertake various internal and external audits and to have specified corporate governance structures such as an independent audit committee.

HEFCE is expected to assume responsibility for regulating the University's charitable activities during the course of 2009/10.

The Financial Statements are produced in accordance with the Statement of Recommended Practice for Further and Higher Education (SORP) and is compliant with the HEFCE Accounts Direction 2008/09.

This review has been prepared in accordance with the Reporting Statement: Operating and Financial Review published by the Accounting Standards Board.

Vision, Strategy and Financial Strategy

In 2008/09 a new vision and strategy was adopted for the period 2008-2013:

"In five years' time Essex will be acknowledged as a powerful regional university with global impact and an international reputation that is unparalleled for a university of our size. The University will achieve its growth through partnership (regional and international) and developing its multi-campus footprint. We will be advantageously placed in the world top 200 universities as defined by the Times Higher Education listings. The broad direction of travel is to build an international strategic alliance consisting of multilateral relations with a small number of selected universities from around the world. We are looking for:

- *a means of helping to fulfil our economic, social and cultural obligations (addressing global challenges and questions of social justice, with a particular focus on Africa)*
- *international research collaboration*
- *sharing best practice in teaching and learning*
- *shared marketing and profiling opportunities*
- *global influence and an academic focus on global challenges.*

The international alliance will be underpinned by a strong regional base that will:

- *fulfil our academic aspirations in research and teaching*
- *fulfil our economic, social and cultural responsibilities to the Eastern region*
- *meet government aspirations on widening participation and employer engagement*
- *help to secure our position in recruitment terms."*

The University's mission is to be a globally competitive, research-intensive, student-focussed university that takes seriously its economic, social and cultural responsibilities to the Eastern region, the UK and the world.

Supporting this is a new financial strategy with ambitions to grow income by 5% on average annually, creating a 3.5% surplus on our continuing operations, after providing for an extra 1.5% recurrent investment in sustainability and strategic developments. The surplus will be deployed as 1% contingency and 2.5% strategic capital investment. To achieve this student numbers need to grow by 1,100 and staff costs as a proportion of income needs to move towards the 1994 Group average. A greater contribution from philanthropic sources will be sought amounting to £5m over the planning period.

Our investment priorities are:

- student facilities to enhance the learning and life experience of our students
- research to allow us to address global challenges and improve our position internationally
- maintenance and enhancement of the fabric of the University to allow us to grow and flourish.

Key Performance Indicators

The top five key performance indicators emanate out of the Vision document and relate to the University's strategic priorities: research, knowledge transfer, student experience, global impact/international alliances and finance. These KPIs are presented to Council regularly to enable trustees to track progress against the strategic plan.

Strategic Priorities	Target	Performance
Research	Top ten ranking for research quality.	Ranked 9th in the RAE2008 by grade point average *(source: THE)*
	Research grant and contract income to increase by 5% per year.	15% increase in 08/09 10% increase in 07/08 *(source: financial statements)*
Student experience	Improved National Student Survey (NSS) ranking (from 63rd)	Ranked 57th in 2009 NSS *(source: NSS)*
	Overall NSS satisfaction rate of 85%	85% overall satisfaction rate in 2009 NSS (*source: NSS*)
	Employability - 80% in graduate employment or further study	63% in graduate employment *(source: HESA DLHE data)*
Global impact/ International alliances	Market share and growth – to have 35% of students from outside the UK	36% from non-UK countries in 08/09 *(source: internal data)*
	20% of students from more than 120 countries	20% from 125 countries *(source: internal data)*
	No more than 8% of students from one non-UK country	6.9% highest single country concentration *(source: internal data)*
	Top 200 University in THE world ranking	Ranked 273 in 2009 *(source: THES World Rankings)*
Finance	Surplus 3.5% of turnover *(after allowing for 1.5% increased recurrent investment in long-term maintenance and strategic initiatives)*	2.1% in 08/09 2.4% in 07/08 *(source: financial statements)*
	Cash balance sufficient to fund 25 days average expenditure	56 days in 08/09 39 days in 07/08 *(source: financial statements)*
	Affordability of debt – operating cash flow to net debt servicing costs ratio to exceed 1.0	3.1 in 08/09 1.9 in 07/08 *(source: financial statements)*
	Staff costs/Income ratio to be in line with 1994 Group	59.0% in 08/09 55.5% in 1994 group (07/08) *(source: financial statements)*
	5% growth of income	12.5% in 08/09 8.5% in 07/08 *(source: financial statements)*

Results for the Year

The surplus on continuing operations, before joint ventures and exceptional items of £672k, compares to a surplus of £1.974m achieved in 2007/08. However, significant staff severance costs amounting to £1.962m have been provided for in 2008/09 as part of an exercise aimed at reducing the future recurrent cost base.

EBITDA increased to £6.8m compared to £5.7m in 2007/08.

Turnover for the year grew by 12.5% to stand at £123m, the increase driven by:

- 28% increase in home/EU tuition fees, reflecting the final tranche of variable fee income along with growth in home/EU student numbers
- 10% increase in HEFCE teaching grant, reflecting growth in home/EU student numbers
- 17% increase in overseas tuition fee income reflecting volume growth
- 15% rise in research grant and contract income
- 32% increase in NHS contract income reflecting continued growth of nursing and allied health professional programmes

In August 2008 a new financial system was successfully implemented without any disruption to business continuity, receivables and payables. However, this has led to some minor re-classification of some prior year income and expenditure analysis within the notes to the financial statements.

The 2008/09 year represents the final year in which universities will enjoy new income streams from variable tuition fees levied on home/EU students as the final cohort under the new system commenced their studies in the 2008/09 academic year. The University has benefited from this and from substantial volume growth of both home/EU and overseas students.

In August 2008 the international pathway programmes of Insearch Ltd, a former partner awarding higher education certificates validated by the University, were acquired and integrated into the University. Staff transferred to the University under TUPE and the University continues to market and deliver former Insearch programmes under its own brand. The goodwill acquired is shown as an intangible fixed asset on the group balance sheet and is being amortised over 11 years.

Research grant and contract income rose by 15% over the year, driven by a 25% rise in UK Research Council funded projects. Indirect costs recovered increased by £203k or 6% and as a result margins decreased from 22.0% to 20.0%, reflecting the award of large grants with high direct non-staff components that do not attract indirect-cost recovery.

Income from residences, catering and conferences grew by 2% over the year to stand at £15.7m. Net profit (i.e. income less all direct and indirect costs) reduced from 16.9% to 13.2% as a result of increased costs in supporting temporary student accommodation arrangements in Southend combined with lower contributions from campus conference activity and Wivenhoe House Hotel.

Staff costs grew by 9% over the year (excluding FRS17 adjustments), largely as a result of cost inflation with a 5% pay award in October 2008 and increased funding for support staff pension scheme past service deficits. Staff costs represent 59% of total income, a decrease from the 61.7% in the previous year. The University's new financial strategy has set a target of reducing staff costs by the start of 2010/11 to a level that is in line with a benchmark of peer group institutions – members of the 1994 Group who are campus based and were founded in the 1960s.

Other operating expenses include provision for staff severance costs of £1.962m following the successful completion of a cost reduction exercise which is on target to reduce recurrent costs by £5m per year from 2011/12 onwards.

Subsidiary Undertakings and Joint Ventures

The University operates a number of wholly-owned subsidiary companies and joint ventures.

University Campus Suffolk Ltd (UCS), a joint venture with the University of East Anglia, commenced operations at the start of 2007/08 and delivers a range of higher education activity. UCS is a company limited by guarantee. Its total income for the year was £31m, an increase of 28% over the year and its operating surplus was £554k (£1.1m in 07/08). However, after exceptional charges a deficit for the year of £996k was posted. As a joint venture 50% of the UCS Ltd surplus and net assets are reflected in the group financial statements. The University has provided a loan guarantee of £5m jointly with the University of East Anglia and is currently finalising an additional loan guarantee of £4m, expected to be in place during 2009/10.

Wivenhoe Technology Ltd is the University's technology transfer company where intellectual property generated within the University is assigned and exploited. Its surplus for the year of £76k (£158k in 07/08) reflects diminishing income from patents. This is likely to continue to decline in the short term until new sources of income replace expired patents.

WP Management Ltd operates campus conference activity and Wivenhoe House Hotel. In 2008/09 a loss of £23k was incurred (£3k surplus in 07/08). The deterioration in performance reflects the economic downturn in campus conference activity combined with declining performance in Wivenhoe House Hotel. The University has announced the closure of the Hotel in January 2010 to enable a major refurbishment programme to commence.

Universal Accommodation Group Ltd is a special purpose vehicle acquired by the University in 2003, holding the freehold of University Quays, a 770 bed space student accommodation facility. The company charges the University a lease rental for the property and in return the University levies loan charges to the company. The accommodation itself is operated by the University. A surplus for the year of £205k (£60k in 07/08) was achieved.

University of Essex Research Park Holdings Ltd owns the freehold land on a site earmarked for development of the University's 'Knowledge Gateway' project, formerly known as the Research Park. In 2008/09 a new partnership agreement was negotiated with the University's development partners to initiate the project. As a result the University will shortly commence work on installing the necessary site infrastructure and enabling work to then develop the Knowledge Gateway and related projects. Work on site is due to commence in the spring of 2010. A deficit of £27k was posted (£1k deficit in 07/08), representing pre-development costs.

Capital Investment

The capital investment plan is a 5 year plan to address major estates issues, IT and management information systems infrastructure. Delivery started during 2008/09 with the student accommodation project in Southend as the first major project in the course of construction.

Capital expenditure amounted to £15.7m (£11.9m in 2007/08) while capital grants received amounted to £7.6m (£5.9m in 2007/08).

Major projects include the Clifftown Studios, a conversion of a former church in Southend providing new facilities for the University's East 15 Acting School (£3.1m), the completion of the fit-out of the Gateway building in Southend (£2.3m) and the start of a new student accommodation project in Southend to provide 561 bed spaces (£7.8m spent in 2008/09).

The difference between capital expenditure and grant funding amounts to £8.1m. This was part financed by making the first drawing of £7m upon the £100m loan facility in place to finance the capital investment plan.

Investments, Liquidity and Debt

Equity investments declined in value by £1.7m over the year, ending the year at £8.0m. The closing market value was below book cost and as a consequence an impairment charge of £121k was made to the Income and Expenditure account.

Equity investments back endowment funds (£1.2m) and general funds (£6.8m). These are held in the Charishare Fund, a common investment fund managed by Blackrock. The investment objective is to outperform the FTSE All Share Index. The Fund returned -23.8% over the year compared to -20.5% by the FTSE All Share Index (to 30 June 2009). Over the last 3 years the Fund marginally outperformed the benchmark by returning -6.2%pa compared to the FTSE All Share Index of -6.5%pa.

A new asset allocation policy has been adopted for implementation over the next three years. The new asset allocation targets are:

	UK Equities	Absolute Return Funds	Cash
Permanent Endowments	100%	-	-
Expendable Endowments	75%	20%	5%
General Funds	-	-	100%

General funds will be held as cash and this will result in an orderly and organised disposal programme for most of the University's holdings of equities over 3 years. Fixed interest investments were disposed of during the year. The University is in transition towards implementing this policy and as yet new investment vehicles have not been acquired.

Cash is managed conservatively with deposits in the University's clearing bank (LloydsTSB) and in an AAA-rated money market fund.

Cash balances increased from £11.6m to £17.9m over the year. A target of holding cash balances that equate to at least 25 liquidity days (ie the number of days of average expenditure cash balances could support) has been set and at 31 July actual liquidity days amounted to 56.

Net cash flow from operating activities remained strong at £6.9m (£5.8m in 07/08).

Total debt outstanding at 31 July 2009 was £44.7m. In November 2008 the University entered into a new £122m loan facility providing £22m of re-financing and £100m of new funds to finance the capital investment plan. The loan includes a 5-year revolving facility which then terms out over 30 years. The first drawing of £7m was made during 2008/09. The £122m loan facility is subject to a 5-year capital repayment holiday that ends in November 2013 which will help to conserve cash over the next 5 years during the development phase of the capital investment plan.

The University's interest rate management policy is to fix a majority of its interest costs. This is achieved through a mixture of fixed-rate loans and interest rate swaps. At 31 July 2009 73% of total debt was managed in this way. During the year a further £40m was covered by means of a 30-year forward-starting interest rate swap commencing in August 2010 providing interest cost certainty timed to coincide with the completion of the student accommodation project in Southend and other smaller projects. This will allow the University to benefit in the very short term from the current unprecedented low variable interest rates. After balance sheet date an additional £40m 30-year forward starting interest rate swap, commencing in August 2011, was procured to cover the next tranche of the capital plan. When the £100m is fully drawn by 2012/13 the currently committed instruments will result in 86% of debt being fixed.

The University was fully compliant with its banking covenants and is confident of remaining compliant:

Bank Requirement	Actual
Ratio of operating cash inflow to net debt servicing costs *to exceed 1.0*	3.0
Debt servicing costs as a % of turnover *not to exceed 7%*	2.5%
I&E Reserve (excluding pension liability) *to exceed £50m*	77.8m
Ratio of total debt to total funds (excluding pension liability) *not to exceed 1.0*	0.3

Pension Schemes

The University operates three pension schemes. The Universities Superannuation Scheme (USS) is open to all new staff while the Essex County Council Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS) are both closed to new members. USS is a pooled scheme so is accounted for on a defined contribution basis.

On an FRS17 valuation basis, the combined deficits in LGPS and UEPS have reduced marginally from £21.6m to £21.3m as at 31 July 2009.

On an FRS17 basis USS assets cover 86% of its liabilities (as at 31 March 2009). LGPS assets cover 60% of its liabilities while UEPS assets cover 72% of its liabilities.

The Universities Superannuation Scheme (USS) has announced an increase in the employers' on-cost rate of 2 percentage points, from 14% to 16% of salary, with effect from 1 October 2009 adding £1m to the cost base per year.

The University has agreed funding plans to cover increases in future service cost and past service deficits of its two closed defined benefit pension schemes.

Environment

Sustainability is a core principle of all of the research, teaching and business activities at the University of Essex. Through these activities, we seek a future for Essex as an educational model for healthy and sustainable living. The University aspires to be one of the greenest in the country, and to act as an exemplar both to other institutions of higher education and to regional bodies.

In 2008 a Green Task Force was established with membership drawn from staff and students with a remit to coordinate and implement a sustainability policy for the University. There are seven environmental priorities:

Priorities	Activities
recycling	14 recycling centres established on campus, recycling material is collected daily, bailed and compacted on site. The University plans to roll out a bin-less office scheme during 2009/10 to increase recycling rates.
biodiversity	The Colchester campus is set in historic parkland and includes 18 major habitats on campus. Maps and nature trails are being produced.
energy management	An extensive programme of retro-fitting automatic light fittings is underway. Two new buildings on the Colchester campus have been fitted with a wind turbine, ground heat pumps, solar collectors and rain water collection systems.
local and fair-trade food	All University owned and managed outlets have Fair trade status. Waste oil from kitchens is recycled at a local farm and converted to bio fuel. A weekly fruit and vegetable market is held on campus every Friday during term time and plastic carrier bags are no longer issued in campus shops free of charge.
sustainable transport	The University has introduced a range of options to enable staff to adopt greener transportation modes, including negotiated discounts for bus and rail commuters combined with interest-free season tickets, a salary sacrifice bicycle scheme and a car sharing scheme.
green procurement	A sustainable procurement policy has been adopted.
carbon footprint	A carbon audit was completed in 2009. Carbon emissions amount to 3.3 tonnes per student FTE, a decrease of 5% over 2005.

Future Outlook

Student recruitment in October 2009 exceeded expectations. The University was fortunate in holding significant funded student numbers to which it has been able to recruit successfully first time around. Undergraduate recruitment exceeded demanding academic targets for both home/EU and overseas students. Recruitment to postgraduate taught programmes also exceeded target. The University expects to avoid any financial penalty on over-recruitment that HEFCE may impose as recruitment was within the HEFCE funding envelope.

The finalisation of the cost reduction exercise during 2008/09, and provision for the full costs of staff severance in that year, will generate recurrent cost savings from 2009/10 with the full £5m recurrent savings flowing through from 2011/12 onwards.

The national employers' organisation has submitted a final pay award offer of 0.5% effective from August 2009. This is subject to on-going discussions with the national trade unions, with acceptance by only one union to date. Pay award realism in the national context of an economic recession is a welcome sign. However, the sector still faces the full year effect of funding the last pay award of 5% in October 2008 and an increase of 2 percentage points on the employer's contribution rate to the USS pension scheme which will add £1m per year to the University's cost base in a full year.

While the University enjoyed an outstanding result in the 2008 RAE, being ranked 9th for quality in the UK, the financial settlement was less welcome. The new assessment system had the effect of spreading the national research grant more thinly and concentrating it on science subjects which do not feature strongly in the University's academic portfolio. The University also suffered as a result of other institutions growing their research volume at a faster rate with a consequential shift of resources from the lower growing to the higher growing intuitions. As a result of this recurrent research grant has reduced by £1.5m for 2009/10.

As a result of the reduction in the 2009/10 grant settlement, the University is in receipt of a modest £438k of temporary moderation funding which will be withdrawn from 20010/11.

The unexpectedly strong student recruitment in 2009/10 will more than compensate for the permanent reduction in research grant and the loss of moderation funding beyond 2009/10.

The financial outlook for 2009/10 is a strong one and the University is pursuing its capital programme with confidence. This is further enhanced by securing fixed 'all in' interest costs of 80% of the new £100m loan facility at a rate of 4.765%, well below the 6% used in the business plan to support the loan tender, resulting in recurrent interest costs being c£1m lower than planned. The business plan was predicated on student number growth over a 5 year period but this has been achieved in 2008/09.

Beyond 2009/10 there is considerably greater funding uncertainty as the sector is bracing itself for reductions in core HEFCE grant as public finances are squeezed in response to the record budget deficit the Government is carrying. How this will impact is unknown. The outcome of the general election, expected in 2010, may also impact on future funding settlements.

Risk

The University regularly reviews the main risks it faces during the year. These are categorised under a number of main headings as set out below, outlining the principal high risks faced by the University:

Strategic	Significant fall in overseas student recruitment due to economic or political factors; significant fall in teaching reputation and student experience; significant fall in research reputation.

Operational Risk categories:

Finance	Significant rise in pension costs; change of funding policy by Funding Council or Government;
Academic	Poor quality academic audit report;
Physical	Incomplete evacuation of a building in an emergency; loss of sensitive material from laboratories;
Health & Safety	Failure of senior management or trustees to comply with increasing health and safety legislation; failure to manage organisational causes of stress;
Data	No high risks identified;
Force Majeure	Outbreak of communicable disease such as swine flu.

Corporate Governance Statement

Corporate Governance and Accountability Arrangements

The University is a body incorporated by Royal Charter. The University's governing body is Council, which is committed to achieving high standards of corporate governance in line with accepted best practice.

The University Council

Members of Council are trustees of the charity. The University's Council comprises ex officio and co-opted external members, students, ex officio employees, employees elected by Senate and members appointed by Court. The roles of Chancellor and Pro-Chancellors (including the Chair of Council) are separated from the role of the University's chief executive, the Vice-Chancellor.

The Council of the University has adopted a Statement of Primary Responsibilities which is published on the University website. The statement sets out the Council's responsibilities in respect of powers of appointment and employment, financial and legal powers, planning, monitoring, control and student welfare.

The University is fully compliant with the Committee of University Chairman (CUC) Governance Code of Practice issued in March 2009.

The Council met five times during the year. Of its 25 members a majority are lay members drawn from outside the University.

The Committees of Council

The Council has the following committees:

- Audit and Risk Management
- Equality and Diversity
- Finance and Strategy
- Health and Safety
- Nominations and
- Remuneration.

All of these committees are formally constituted with published terms of reference. With the exception of the Health and Safety Committee, the chair of each committee is a lay member of Council. The disclosures in relation to these committees follow those in respect of Council itself.

The Audit and Risk Management Committee comprises solely external members, three of whom are lay members of Council, and has no executive responsibility. The Committee has members with recent relevant financial experience in line with HEFCE guidance. The Audit and Risk Management Committee relies on the work of internal and external audit, on information provided by management and on the response of management to the questions it raises. The Committee met three times in the year.

The responsibilities of the Audit and Risk Management Committee include:

- reporting to Council annually on the effectiveness of the internal control system and the pursuit of value for money, together with an opinion on risk management;
- advising on the appointment of the internal auditor and approval of the internal audit plan;
- receipt of both an annual report from internal audit, which includes an opinion of the effectiveness of the University's system of internal control, and reports on each assignment including recommendations;
- advising the Council as necessary on the appointment of external auditors, to receive their reports and review their performance and effectiveness.

Internal Audit is responsible for providing an objective and independent appraisal of all the University's activities. The internal audit work programme is risk-based and is updated to take account of changes in the University's risk profile. Progress made on recommendations by the University is monitored by Internal Audit and reported to the Audit and Risk Management Committee.

In respect of its development, strategic management and financial responsibilities the Council receives recommendations and advice from the Finance and Strategy Committee. The Committee met seven times during the year.

The Equality and Diversity Committee seeks to ensure that the equality and diversity policies are fully effective and that the University is in compliance with legislation. The Committee met twice during the year.

The Health and Safety Committee reports to the Council at least annually on health and safety matters including compliance with government legislation and regulations. The Committee met twice during the year.

The Nominations Committee makes recommendations for the appointment or re-appointment of members of Council, its committees and Court. The Committee met three times during the year.

The University is a body incorporated by Royal Charter. The University's governing body is Council, which is committed to achieving high standards of corporate governance in line with accepted best practice.

The Remuneration Committee determines the annual remuneration of the most senior staff, including the Vice-Chancellor. Employee members have no involvement in determining their own salaries. The Committee met once during the year.

The University Senate

The Senate is the highest academic authority of the University. It is responsible for the promotion of academic work in both teaching and research, for the regulation of educational arrangements and the maintenance of discipline. It receives quality audit reports from both the Quality Assurance Agency and in-house departmental reviews. Currently it has 5 representatives on Council each appointed for two years.

A review of the effectiveness of Senate was conducted in 2006 and its recommendations have been implemented.

The University Court

The University Court is a formal body established under the Charter and Statutes whose main function is to provide a forum for the official receipt of the Annual Report and Financial Statements. It is also responsible for the formal appointment of the Chancellor and Pro-Chancellors.

Responsibilities of the Council

The Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for ensuring proper accounting records are kept. These should disclose with reasonable accuracy at any time the financial position of the University and its subsidiary undertakings and enable Financial Statements to be prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. Within the terms and conditions of a Financial Memorandum agreed between the HEFCE and the Council of the University, the Council, 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 its subsidiary undertakings and the surplus or deficit and cash flows for the year.

In the preparation of the Financial Statements, the Council 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 unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the HEFCE and any other conditions which the HEFCE may from time to time prescribe;
- 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 its subsidiary undertakings and to prevent and detect fraud;
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiary undertakings;
- ensure that processes operate within the University to identify, evaluate and manage significant risks and to review the effectiveness of the system of internal control.

The key elements of the University's system of internal 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 academic performance and financial results 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 formal detailed appraisal and review according to appropriate levels set by Council;
- Financial Regulations, including financial controls and procedures, approved by the Audit and Risk Management Committee;
- a professional internal audit team whose annual programme is approved by the Audit and Risk Management Committee;
- a Risk Register which contains weightings (of likelihood and impact) linked to the Strategic Plan which also informs the internal audit planning process.

Any system of internal control or risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The University's risk management arrangements have been operating effectively during the financial year ended 31 July 2009 and up to the approval date of the financial statements.

The following table illustrates the attendance of members of the University Council at key committees:

Name	Council		Audit & Risk		Finance & Strategy		Nominations		Remuneration	
	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended
Mr Neil Barnard	5	5								
Mr David Boyle	5	5			7	6				
Prof Joan Busfield	5	5			7	6	3	3		
Mrs Kuldip Byatt	2	0								
Ms Nicola Colston	5	4	3	3						
Mr Andrew Connolly					7	7				
Mr Richard Cornes	5	2								
Prof Andy Downton					7	6				
Mrs Celia Edey	5	4								
Mrs Sue Endean									1	1
Mrs Julie Garbutt	5	4					3	1		
Peter Giblin			3	2						
Mr Bill Gore	5	4			7	7	3	3	1	1
Mr Paul Gray	5	3			5	3				
Dr John Groat			3	3						
Mr Peter Hulme	5	5								
Mr Dominic Kavakeb	5	4								
Mr Derek Lewis	5				7	4			1	1
Mrs Elizabeth Lloyd			3	2						
Dr Aulay Mackenzie	5	4								
Prof Rob Massara	5	5			7	5				
Prof Richard Nicol	5	3	3	0					1	1
Ms Deborah Regal	5	2								
Dr Tony Rich					7	7	3	3	1	1
Prof Colin Riordan	5	5			7	7	3	3	1	1
Dr Rainer Schulze	5	5								
Prof Kevin Schürer	5	3								
Prof Nigel South		4			7	6				
Mrs Rosy Stamp	5	5							1	0
Dr Sam Steel	5	5								
Ms Auriol Stevens	5	4			7	7	3	3		
Mr Rick Tazzini			3	3						
Prof Christine Temple					7	5				
Mr Phillip Tolhurst	5	4			7	5			1	0
Dr Marion Wood	5	3								

Independent auditors' report to the Members of Council of the University of Essex

We have audited the financial statements of the University of Essex for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related Notes to the Financial Statements 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the University, as a body, in accordance with the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the Annual Report and the financial statements in accordance with the University's statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the Council's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the Operating and Financial Review is not consistent with the financial statements, if the University has not kept adequate accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of opinion

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

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

Opinion

In our opinion:

(a) the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2009 and of the surplus of the Group for the year then ended;

(b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;

(c) in all material respects income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and

(d) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England.

Deloitte LLP
Chartered Accountants and Statutory Auditors
St. Albans, United Kingdom
1st December 2009

Accounting Policies

Accounting Convention
The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments and endowment asset investments, and in accordance with both the Statement of Recommended Practice - Accounting for Further and Higher Education (SORP) issued in July 2007 and applicable accounting standards and Financial Reporting Standards.

Basis of Consolidation
The Financial Statements comprise the consolidated results of the University of Essex and its subsidiaries (Note 26) and the University's share of the results and reserves of its joint venture companies. These subsidiaries undertake activities which, for legal and commercial reasons, are more appropriately operated through limited companies. Their activities include a hotel, conferences and services for a wide variety of commercial organisations and individuals, the rental of student residences, the acquisition, protection and licensing of intellectual property from the University and the holding of land pending its development as a Research Park. The subsidiary companies transfer all taxable profits to the University through Gift Aid. Joint ventures are consolidated according to the proportionate share the University has in each.

The consolidated Financial Statements do not include those of the University of Essex Students' Union. The grant to the Students' Union is disclosed in Note 8, and the Union's financial results are summarised in Note 27.

Recognition of Income
Income from HEFCE recurrent grants is included net of grant paid over by the University to its partner colleges. Income from HEFCE revenue grants for specific purposes is included to the extent that expenditure is incurred during the year. Grants and donations received in respect of expenditure on fixed assets are treated as deferred capital grants and released to the income and expenditure account in line with depreciation, over the useful economic life of the asset.

Income from research grants and contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs. All other income including that from endowments, short-term deposits and other investments is credited to the Income and Expenditure Account on a receivable basis.

Provisions
Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event when it is probable that a transfer of economic benefit will be required to settle the obligation, and this transfer can be reliably estimated.

Pension Schemes
The University has three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS) for academic and related staff, and the Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS) for other staff. The assets of the schemes are held in separate trustee-administered funds. All three schemes are defined benefit schemes and are contracted out of the State Second Pension (SP2).

Because of the mutual nature of the USS scheme, the University 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 assets of the LGPS and UEPS are measured using closing market values. LGPS and UEPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Provision has been made to meet a past service shortfall of members of the Local Government Pension Scheme who took early retirement. The payments made to these members are largely set against this provision.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments and endowment asset investments, and in accordance with both the Statement of Recommended Practice - Accounting for Further and Higher Education (SORP) issued in July 2007 and applicable accounting standards and Financial Reporting Standards.

Foreign Currencies
Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rate of exchange. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Investments
Fixed asset investments and endowment asset investments are included in the Balance Sheet at market value unless the market value cannot be readily ascertained and the yields are unquantifiable and of a long-term nature, such as seedcorn funds. In such instances, it is considered prudent to charge the cost of the investment to the revenue account in the year of its acquisition. Increases or decreases in value arising on the revaluation of fixed asset investments are carried to the revaluation reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent that it is not covered by a revaluation surplus. The profit or loss on the disposal of an asset is accounted for in the year in which the disposal occurs as the difference between the net sale proceeds and the net carrying amount, whether carried at historical cost or valuation.

Investments in equities and gilts are generally treated as fixed asset investments whilst investments in the form of term deposits with banks and other financial institutions are shown as current asset investments.

Current asset investments are included at the lower of cost and net realisable value.

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.

The total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen. This, less any part of the return which has previously been applied for the purposes of the institution, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Cash Flows and Liquid Resources
Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty. No investments, however liquid, are included in cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and other investments held as part of the University's treasury management activities. They exclude such assets held as endowment asset investments.

Maintenance of Premises
The University has a five-year rolling maintenance plan which is reviewed on an annual basis. The cost of all maintenance is charged to the Income and Expenditure Account as incurred.

Taxation Status
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 Section 506(1) of the Taxes Act 1988.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 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. The University receives no similar exemption in respect of Value Added Tax.

Land and Buildings
Land and buildings are stated at cost. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are generally depreciated over their expected useful lives of 50 years, except for certain minor works for which a 20-year depreciation policy has been adopted.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful economic life of the buildings.

Equipment

Equipment, including computer hardware and software, costing less than £25,000 per individual item or group of related items which together comprise one operational unit, is written off in the year of acquisition.

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

- motor vehicles and other general equipment - between five and ten years dependent upon the expected useful economic life;
- computer equipment - three years;
- equipment acquired for specific research projects - project life (generally three years).

Where equipment is acquired with the aid of grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (or the period of the grant in respect of specific research projects).

Stocks

The stocks are stores for general maintenance, catering supplies of food and liquor, computers and computer spares, science workshop stocks held centrally for the science departments, stationery and consumables. They are valued at the lower of cost or net realisable value.

Financial Instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Consolidated Income and Expenditure Account

For the year ended 31 July 2009

	Note	2008-09 £'000	2007-08 £'000
Income			
Funding council grants	1	**34,867**	33,622
Tuition fees and educational contracts	2	**44,340**	35,329
Research grants and contracts	3	**18,184**	15,744
Other income	4	**39,844**	35,278
Endowment and investment income	5	**903**	1,205
Total income: Group and share of joint ventures		**138,138**	121,178
Less: share of income in joint ventures		**(15,340)**	(11,976)
Total income		**122,798**	109,202
Expenditure			
Staff costs	7	**72,470**	67,392
Other operating expenses	8	**41,546**	32,948
Depreciation and amortisation	8	**5,104**	4,406
Finance charges	8	**3,006**	2,482
Total expenditure	9	**122,126**	107,228
Surplus on continuing operations after depreciation of tangible fixed assets at cost		**672**	1,974
Share of loss in joint ventures		**(498)**	(353)
Surplus for the year		**174**	1,621
Transfers from endowment funds		**2**	6
Surplus for the year retained within general reserves	6	**176**	1,627

All items of income and expenditure arise from continuing operations.

Balance Sheet
As at 31 July 2009

	Note	Consolidated 2008-09 £'000	2007-08 £'000	University 2008-09 £'000	2007-08 £'000
Fixed assets					
Tangible assets	10	**147,169**	136,405	**125,213**	113,986
Investments	11	**6,868**	9,277	**21,981**	24,390
Investment in joint ventures					
Share of gross assets	26	**34,507**	29,272	**0**	0
Share of gross liabilities	26	**(12,710)**	(8,274)	**0**	0
		175,834	166,680	**147,194**	138,376
Intangible assets	12	**1,362**	0	**1,362**	0
Endowment assets	13	**3,465**	2,670	**2,459**	2,670
Current assets					
Stocks and stores		**263**	289	**248**	272
Debtors	14	**8,910**	6,834	**9,525**	7,791
Debtors - amounts due after more than one year	14	**92**	0	**19,647**	19,668
Investments		**5,008**	6,383	**5,008**	6,383
Cash at bank and in hand		**10,715**	4,573	**10,370**	4,269
		24,988	18,079	**44,798**	38,383
Creditors - amounts falling due within one year	15	**(21,249)**	(18,049)	**(21,044)**	(17,766)
Net current assets		**3,739**	30	**23,754**	20,617
Total assets less current liabilities		**184,400**	169,380	**174,769**	161,663
Creditors - amounts falling due after more than one year	16	**(44,682)**	(36,562)	**(44,682)**	(36,562)
Provisions for liabilities and charges	17	**(1,048)**	(439)	**(1,048)**	(439)
Total net assets excluding pension liability		**138,670**	132,379	**129,039**	124,662
Pension liability	25	**(21,299)**	(21,577)	**(21,299)**	(21,577)
Total net assets including pension liability		**117,371**	110,802	**107,740**	103,085
Deferred capital grants and gifts	18	**57,418**	51,799	**57,418**	51,799
Endowments					
Restricted Expendable	19	**3,079**	2,291	**2,073**	2,291
Restricted Permanent	19	**386**	379	**386**	379
		3,465	2,670	**2,459**	2,670
Reserves					
Income and expenditure account excluding pension reserve	21	**77,787**	76,495	**69,162**	68,778
Pension reserve	25	**(21,299)**	(21,577)	**(21,299)**	(21,577)
Income and expenditure account including pension reserve	21	**56,488**	54,918	**47,863**	47,201
Revaluation reserve	20	**0**	1,415	**0**	1,415
		56,488	56,333	**47,863**	48,616
Total Funds		**117,371**	110,802	**107,740**	103,085

The Financial Statements on pages 14 to 38 were approved by the Council of the University on 30th November 2009 and signed by:

PROFESSOR C. RIORDAN
Vice-Chancellor

W. GORE
Chair of Council

A. CONNOLLY
Director of Finance

Consolidated Cash Flow Statement

For the year ended 31 July 2009

	Note	**2008-09 £'000**	2007-08 £'000
Net cash inflow from operating activities	23	**6,912**	5,806
Returns on investment and servicing of finance			
Income from endowment asset investments		**113**	109
Income from investments		**790**	1,096
Interest payable		**(2,035)**	(2,188)
		(1,132)	(983)
Capital expenditure and financial investment			
Purchase of tangible fixed assets (note 10)		**(15,732)**	(11,929)
Sale of fixed asset investments		**958**	0
Sale of endowment assets		**481**	0
New endowments received		**1,060**	0
Endowment funds invested		**0**	(16)
Deferred capital grants received		**7,619**	5,963
		(5,614)	(5,982)
Cash inflow/(outflow)before management of liquid resources		**166**	(1,159)
Management of liquid resources			
Decrease in short term investments		**1,375**	3,490
		1,375	3,490
Financing			
Loan repayment in the year		**(1,020)**	(2,030)
New loans received		**7,160**	0
		6,140	(2,030)
Increase in cash in the year		**7,681**	301

Reconciliation of net cash flow to movement in net debt

Increase in cash in the year	24	**7,681**	301
Cash inflow from management of liquid resources		**(1,375)**	(3,490)
Net loans (received)/repaid in year		**(6,140)**	2,030
Movement in net debt in the period		**166**	(1,159)
Net debt at 1 August 2008		**(26,949)**	(25,790)
Net debt at 31 July 2009	24	**(26,783)**	(26,949)

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2009

	Note	**2008-09 £'000**	2007-08 £'000
Surplus on continuing operations after depreciation of assets at cost, disposal of assets and tax		**174**	1,621
Unrealised losses on investments	11	**(1,330)**	(943)
Depreciation of endowment asset investments	19	**(263)**	(190)
New endowments	19	**1,060**	264
Actuarial gain/(loss) in respect of pension schemes	25	**12**	(9,194)
Total recognised losses relating to the year		**(347)**	(8,442)
Increased holding in joint ventures		**1,297**	21,614
Total recognised gains since last report		**950**	13,172

Reconciliation

Opening reserves and endowments	**80,580**	58,214
Opening pension reserve	**(21,577)**	(12,383)
Recognised gains relating to the year	**950**	13,172
Closing reserves and endowments	**59,953**	59,003

Notes to the Financial Statements

For the year ended 31 July 2009

	2008-09 £'000	2007-08 £'000
1 Funding council grants		
Recurrent - teaching grant	**20,355**	18,507
Recurrent - research grant	**11,211**	10,871
Special grants	**1,796**	2,884
Deferred capital grants released in year - buildings (note 18)	**963**	818
Deferred capital grants released in year - equipment (note 18)	**542**	542
	34,867	33,622
2 Tuition fees and educational contracts		
Full-time HE tuition fees		
UK and EU students charged home fees	**17,463**	13,619
Students charged overseas fees	**19,239**	16,388
Part-time credit-bearing fees	**858**	769
Non-credit-bearing tuition fees	**3,425**	1,968
NHS contracts	**3,225**	2,437
Research support grants	**130**	148
	44,340	35,329
3 Research grants and contracts		
Research Councils	**14,043**	11,275
UK-based charities	**581**	989
UK central government, local authorities and health authorities	**881**	680
UK industry, commerce and public corporations	**458**	425
European Union government bodies	**1,786**	1,306
Other overseas	**356**	746
Other sources	**37**	218
Deferred capital grants (non-funding council) released in year - equipment (note 18)	**42**	105
	18,184	15,744
4 Other income		
Other services rendered:		
Course validation fees	**1,805**	1,878
UK central government, local authorities and health authorities	**25**	241
UK industry, commerce and public corporations	**317**	348
European Union government bodies	**67**	23
European Union other	**8**	2
Other overseas	**90**	65
Other sources	**76**	154
Residences, catering and conferences	**15,677**	15,325
Deferred capital grants (non-funding council) released in year - buildings (note 18)	**453**	443
Day Nursery	**902**	948
Rental income	**918**	1,029
Other income	**4,166**	2,846
Income from joint ventures	**15,340**	11,976
	39,844	35,278

Notes to the Financial Statements

For the year ended 31 July 2009

	2008-09 **£'000**	2007-08 £'000
5 Endowment and investment income		
Income from fixed asset investments	**355**	328
Income from expendable endowments (note 19)	**98**	93
Income from permanent endowments (note 19)	**15**	16
Income from short term investments	**435**	768
	903	1,205
6 Surplus for the year		
The surplus on continuing operations for the year is made up as follows:		
University's surplus for the year	**489**	1,810
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	**76**	161
Deficits generated by subsidiary undertakings and joint ventures	**(389)**	(344)
	176	1,627
7 Staff costs		
Wages and salaries	**59,342**	55,803
Social security costs	**4,748**	4,409
Other pension costs (including FRS 17 adjustments as per note 25)	**8,380**	7,180
	72,470	67,392
Emoluments of the Vice-Chancellor for year to 31 July	**181**	186

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rate as for other employees and for the Vice-Chancellor these amounted to £27,510 (2007-08: £22,448). The total emoluments for 2007-08 include £31,000 in respect of the previous Vice-Chancellor.

No higher paid member of staff received compensation for loss of office during the two years to 31 July 2009.

	Number of Staff **2008-09**	2007-08
Remuneration of higher paid staff, excluding employer's pension contributions:		
£100,000-£109,999	**3**	1
£110,000-£119,999	**1**	1
	4	2

The average monthly number of staff (including senior post-holders) employed by the University and its subsidiaries during the year, expressed as full-time equivalents by grade, was:

Academic staff	**565**	549
Research staff	**97**	122
Senior support staff	**336**	320
Other support staff	**310**	290
General support staff	**439**	424
	1,747	1,705

Notes to the Financial Statements

For the year ended 31 July 2009

	2008-09 £'000	2007-08 £'000
8 Other operating expenses		
Auditors fees	226	126
Books and periodicals	1,848	1,630
Early retirements and severances	1,962	106
Equipment and consumables	3,993	2,801
Food and Drink	861	834
Gas, water and electricity	4,026	3,038
Grants to Students' Union	959	722
Insurance	456	466
Long-term maintenance programme	2,782	2,505
Minor works	493	380
Other expenses	8,255	7,327
Postage and telephones	879	916
Printing and stationery	1,320	1,176
Professional and consultancy fees	1,874	1,844
Rates and rental of premises	347	370
Repairs and routine maintenance of estates	2,868	2,418
Research survey fieldwork	3,973	1,824
Scholarships (fee waivers and bursaries)	2,453	1,805
Impairment of loan to Carisbrooke Essex partnership	0	750
Travel and subsistence	1,971	1,910
	41,546	32,948
Auditors fees include:		
Fees payable for audit of the University and its subsidiary companies	68	65
Non audit services	158	61
	226	126
Depreciation and amortisation		
The depreciation and amortisation charge is represented by:		
Deferred capital grants released (Note 18)	2,000	1,908
General income	3,104	2,498
	5,104	4,406
Finance charges		
Interest payable	2,035	2,188
Net charge on pension scheme	971	294
	3,006	2,482

9 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation and Amortisation £'000	Interest paid £'000	Total £'000	2007-08 £'000
Academic departments and centres	39,744	6,272	83	0	46,099	41,296
Academic services	5,784	3,754	0	0	9,538	8,272
Research grants and contracts	7,496	6,986	32	0	14,514	12,277
Residences, catering and conferences	4,003	6,734	1,205	1,671	13,613	12,727
Premises	4,255	7,350	3,588	0	15,193	12,793
Administration and central services	7,101	2,519	60	364	10,044	9,736
Other services rendered	241	524	0	0	765	625
General educational services	1,137	2,561	0	0	3,698	3,826
Student and staff facilities	2,413	2,002	0	0	4,415	4,021
Early retirements and severances	0	1,962	0	0	1,962	106
Other expenses	297	882	136	971	2,286	1,549
Total per income and expenditure account	72,470	41,546	5,104	3,006	122,126	107,228

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10 Tangible fixed assets

	Land and Buildings £'000	University Equipment £'000	Assets in course of construction £'000	Total £'000	Companies Land and Buildings £'000	Equipment £'000	Consolidated Total £'000
Cost							
At 1 August 2008	125,155	7,105	6,144	**138,404**	24,699	197	**163,300**
Additions	**3,044**	**914**	**11,774**	**15,732**	**0**	**0**	**15,732**
Transfers	**6,144**	**0**	**(6,144)**	**0**	**0**	**0**	**0**
Disposals	**0**	**(90)**	0	**(90)**	**0**	**(154)**	**(244)**
At 31 July 2009	**134,343**	**7,929**	**11,774**	**154,046**	**24,699**	**43**	**178,788**
Depreciation							
At 1 August 2008	21,616	2,802	0	**24,418**	2,315	162	**26,895**
Charge for year	**3,071**	**1,434**	0	**4,505**	**460**	**3**	**4,968**
Depreciation on disposals	**0**	**(90)**	0	**(90)**	**0**	**(154)**	**(244)**
At 31 July 2009	**24,687**	**4,146**	**0**	**28,833**	**2,775**	**11**	**31,619**
Net book value							
At 31 July 2009	**109,656**	**3,783**	**11,774**	**125,213**	**21,924**	**32**	**147,169**
At I August 2008	103,539	4,303	6,144	113,986	22,384	35	136,405

University Land and Buildings include £4.082m (2007-08:£4.082m) in respect of freehold land which is not depreciated and leasehold properties with a net book value of £2.234m (2007-08: £2.287m).

Additions to University land and buildings in the year includes £11.774m for assets in the course of construction and for which no depreciation charge has been made. Land, buildings and equipment with a net book value of £57.418m (2007-08: £51.799m) have been funded by capital grants of £35.870m and other gifts and donations of £21.548m.

The University has identified certain works of art as heritage assets, but these are not considered material to the accounts.

11 Investments

	Consolidated		University	
	2008-09 £'000	2007-08 £'000	**2008-09 £'000**	2007-08 £'000
At 1 August	**9,277**	10,354	**24,390**	25,437
(Disposals)/Additions	**(958)**	0	**(958)**	30
Reclassified as cash	**0**	(134)	**0**	(134)
Revaluations debited to the revaluation reserve	**(1,330)**	(943)	**(1,330)**	(943)
Revaluations debited to the income and expenditure account	**(121)**	0	**(121)**	0
At 31 July	**6,868**	9,277	**21,981**	24,390
Comprising:				
Treasury gilts	**0**	279	**0**	279
Equities	**6,821**	8,272	**6,821**	8,272
Fixed Interest investments	**0**	679	**0**	679
Subsidiary companies:				
University of Essex Research Park Holdings Ltd	**0**	0	**12,191**	12,191
Universal Accommodation Group Ltd	**0**	0	**2,892**	2,892
Other investments	**47**	47	**77**	77
	6,868	9,277	**21,981**	24,390

Land designated for the development of a Research Park is held by the University of Essex Research Park Holdings Ltd, a wholly owned subsidiary. Details of investments in all subsidiary undertakings are included in note 30.

Current asset investments relate to money market funds with immediate access.

Notes to the Financial Statements

For the year ended 31 July 2009

12 Intangible assets

	Consolidated and University	
	2008-09	2007-08
Cost	**£'000**	£'000
At 1 August	**0**	0
Additions	**1,498**	0
At 31 July	**1,498**	0
Amortisation		
At 1 August	**0**	0
Charge for the year	**136**	0
At 31 July	**136**	0
Net book value		
At 31 July	**1,362**	0

On 31st October 2008, the University ended its partnership with Insearch Ltd. The intangible asset represents the discounted value of the goodwill arising from acquisition of the business from Insearch Ltd. This is being amortised over an 11 year period from 2008 to 2019.

13 Endowment assets

	Consolidated		University	
	2008-09	2007-08	**2008-09**	2007-08
	£'000	£'000	**£'000**	£'000
Balance at 1 August	**2,670**	2,602	**2,670**	2,602
New endowments invested	**0**	16	**0**	16
Disposal of investments	**(481)**	0	**(481)**	0
Decrease in market value of investments	**(263)**	(190)	**(263)**	(190)
Increase in cash balances held for endowment funds	**1,539**	242	**533**	242
At 31 July	**3,465**	2,670	**2,459**	2,670
Represented by:				
Fixed interest stocks	**0**	481	**0**	481
Equities	**1,239**	1,502	**1,239**	1,502
Cash at bank held for endowment funds	**2,226**	687	**1,220**	687
Total endowment assets at market value	**3,465**	2,670	**2,459**	2,670

During the year, the fixed interest stocks were sold for £481k and a significant new endowment of £1.0m was received from the estate of John Silberrad to provide bursaries for students enrolled on doctoral degree programmes. This endowment is being held in a separate trust fund administered by the University.

14 Debtors

	Consolidated		University	
	2008-09	2007-08	**2008-09**	2007-08
	£'000	£'000	**£'000**	£'000
Trade debtors	**2,167**	2,567	**2,045**	2,402
Student fees	**746**	822	**746**	822
Research debtors	**3,977**	3,284	**3,977**	3,284
Prepayments and accrued income	**2,020**	161	**2,126**	161
Amounts owed by subsidiary undertakings	**0**	0	**631**	1,122
Total amounts falling due within one year	**8,910**	6,834	**9,525**	7,791
Long-term debtors	**92**	0	**19,647**	19,668
	9,002	6,834	**29,172**	27,459

On acquisition of Universal Accommodation Group Ltd in 2004, the University loaned the company £21.779m in order for the company to repay its debt. During 2009, the repayment terms were re-negotiated with the University to achieve a repayment profile in line with funding projections for the company. Under this agreement, the loan will be fully repaid by 2024.

Notes to the Financial Statements

For the year ended 31 July 2009

15 Creditors: amounts falling due within one year

	Consolidated		University	
	2008-09	2007-08	**2008-09**	2007-08
	£'000	£'000	**£'000**	£'000
Secured loans	**950**	2,030	**950**	2,030
Payments received in advance	**7,604**	4,920	**7,604**	4,920
Research grants received on account	**2,437**	1,849	**2,437**	1,849
Trade creditors	**3,013**	2,528	**2,977**	2,273
Social security and other taxation payable	**1,481**	1,456	**1,470**	1,428
Accruals and deferred income	**5,764**	5,266	**5,606**	5,266
	21,249	18,049	**21,044**	17,766

16 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2008-09	2007-08	**2008-09**	2007-08
	£'000	£'000	**£'000**	£'000
Loans secured on freehold property:				
repayable between one and two years	**950**	2,030	**950**	2,030
repayable between two and five years	**3,015**	6,090	**3,015**	6,090
repayable after five years	**39,457**	28,442	**39,457**	28,442
	43,422	36,562	**43,422**	36,562
Other loans:				
repayable between one and two years	**150**	0	**150**	0
repayable between two and five years	**450**	0	**450**	0
repayable after five years	**660**	0	**660**	0
	1,260	0	**1,260**	0

In October 2008, the University terminated its partnership arrangement with Insearch Ltd and a termination payment of £1.8m is payable in instalments between 2008 and 2019. The initial net discounted financial liability amounted to £1.25m using a discount rate of 4.31%.

During the year, the University received £0.16m from HEFCE through the SALIX initiative as start-up funding to finance energy conservation and efficiency within the University. This will be non-repayable provided that the University is able to demonstrate that appropriate progress has been made.

In late 2008, the University secured additional loan facilities of £100m from Lloyds TSB to finance a new capital investment programme. As at 31 July 2009, the University had drawn down £7m. The revolving facility extends to 2013, at which time the loan will term for 30 years.At the same time, the University re-financed an existing loan of £22m with Lloyds TSB. For both loans, a five-year repayment holiday has been negotiated.

The University's loan with Barclays Bank (£14.962m at 31 July 2009) remains unchanged and annual repayments of £0.95m will continue to be made.

The University's interest-rate management policy is to fix a majority of its interest costs. This is achieved through a mixture of fixed-rate loans and interest rate swaps. At 31 July 2009, 73% of total debt was managed in this way.

17 Provisions for liabilities and charges

	Consolidated and University			
	Part-time employees	**Future severances**	**Early retirement**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 August 2008	20	236	183	439
Utilised in year	**0**	**(236)**	**(49)**	**(285)**
Charge for the year	**0**	**882**	**12**	**894**
At 31 July 2009	**20**	**882**	**146**	**1,048**

The provision for part-time employees relates to members of the Universities Superannuation Scheme.

The future severances provision exists to meet the costs of employees who have agreed to take early retirement or voluntary severance under the University's restructuring scheme. It will be utilised during the next financial year.

The early retirement provision has been set up to meet enhanced unfunded pension benefits for former staff who are members of the Local Government Pension Scheme. It is estimated that the provision will be fully utilised in the Income and Expenditure Account by 2016.

Notes to the Financial Statements
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18 Deferred capital grants and gifts

	Consolidated and University		
	Funding Council £'000	**Other grants £'000**	**Total £'000**
At 1 August 2008			
Buildings	30,654	19,210	49,864
Equipment	1,832	103	1,935
	32,486	19,313	51,799
Cash received			
Buildings	**4,889**	**2,730**	**7,619**
Equipment	**0**	**0**	**0**
	4,889	**2,730**	**7,619**
Released to income and expenditure account (notes 1, 3 and 4):			
Buildings	**(963)**	**(453)**	**(1,416)**
Equipment	**(542)**	**(42)**	**(584)**
	(1,505)	**(495)**	**(2,000)**
At 31st July 2009			
Buildings	**34,580**	**21,487**	**56,067**
Equipment	**1,290**	**61**	**1,351**
	35,870	**21,548**	**57,418**

Grants received in the year included £4.889m from HEFCE for both building costs and equipment. In addition NHS trusts, the East of England Development Agency,the Homes and Communities Agency and the Thames Gateway contributed £2.223m for the Southend campus development and £0.507m for other schemes.

Grants released to the income and expenditure account are to fund depreciation charges as shown in note 9.

19 Endowments

	University			
	Restricted Expendable £'000	**Restricted Permanent £'000**	**2008-09 Total £'000**	2007-08 Total £'000
Capital value	**2,226**	**376**	**2,602**	2,528
Accumulated income	**65**	**3**	**68**	74
At 1 August	**2,291**	**379**	**2,670**	2,602
Net additions	**0**	**54**	**54**	264
Depreciation of endowment asset investments	**(219)**	**(44)**	**(263)**	(190)
Income for year	**97**	**16**	**113**	109
Expenditure for year	**(96)**	**(19)**	**(115)**	(115)
At 31st July	**2,073**	**386**	**2,459**	2,670
Capital value	**2,007**	**386**	**2,393**	2,602
Accumulated income	**66**	**0**	**66**	68
	2,073	**386**	**2,459**	2,670

	Consolidated			
	Restricted Expendable £'000	**Restricted Permanent £'000**	**2008-09 Total £'000**	2007-08 Total £'000
Capital value	**2,226**	**376**	**2,602**	2,528
Accumulated income	**65**	**3**	**68**	74
At 1 August	**2,291**	**379**	**2,670**	2,602
Net additions	**1,006**	**54**	**1,060**	264
Depreciation of endowment asset investments	**(219)**	**(44)**	**(263)**	(190)
Income for year (note 5)	**97**	**16**	**113**	109
Expenditure for year	**(96)**	**(19)**	**(115)**	(115)
At 31st July	**3,079**	**386**	**3,465**	2,670
Capital value	**3,013**	**386**	**3,399**	2,602
Accumulated income	**66**	**0**	**66**	68
	3,079	**386**	**3,465**	2,670

Notes to the Financial Statements

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20 Revaluation Reserve

	Consolidated and University	
	2008-09	2007-08
	£'000	£'000
At 1 August	**1,415**	2,358
Revaluations in the year	**(1,330)**	(943)
Transfer to income and expenditure reserves	**(85)**	0
At 31 July	**0**	1,415

21 Movement on general reserves

	Consolidated		University	
	2008-09	2007-08	**2008-09**	2007-08
	£'000	£'000	**£'000**	£'000
At 1 August	**54,918**	40,871	**47,201**	54,424
Surplus for the year	**176**	1,627	**565**	1,971
Transfer from/(to) Revaluation Reserve (note 20)	**85**	0	**85**	0
Increase in net assets from joint ventures	**1,297**	21,614	**0**	0
Actuarial (loss)/gain in respect of pension schemes	**12**	(9,194)	**12**	(9,194)
At 31 July	**56,488**	54,918	**47,863**	47,201
Balance represented by:				
Pension reserve	**(21,299)**	(21,577)	**(21,299)**	(21,577)
Income and expenditure account excluding pension reserve	**77,787**	76,495	**69,162**	68,778
At 31 July	**56,488**	54,918	**47,863**	47,201

University reserves include an amount of £12,121,000 resulting from the transfer of land that had £nil net book value from the University to University of Essex Research Park Holdings Ltd.

22 Capital commitments

	Consolidated and University	
	2008-09	2007-08
	£'000	£'000
Provision has not been made for the following capital commitments at 31 July 2009:		
Commitments contracted for:	**31,775**	6,519
Authorised but not contracted for:	**1,697**	4,996
	33,472	11,515

23 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	Consolidated and University	
	2008-09	2007-08
	£'000	£'000
Surplus on continuing operations after depreciation of assets at cost	**672**	1,974
Depreciation and amortisation (notes 9 and 12)	**5,104**	4,406
Deferred capital grants released to income (note 18)	**(2,000)**	(1,908)
Pension cost less contributions payable	**(266)**	(176)
Decrease in current asset investments	**121**	1,077
Decrease in stocks	**26**	2
Decrease/(increase) in debtors (note 14)	**(2,168)**	(205)
(Decrease)/increase in creditors	**3,682**	431
(Decrease)/increase in provisions (note 17)	**609**	(778)
Endowment and investment income	**(903)**	(1,205)
Finance charges	**2,035**	2,188
Net cash inflow from operating activities	**6,912**	5,806

24 Analysis of changes in net debt

	At 1 August 2008 £'000	**Cash flows £'000**	**Other changes £'000**	**At 31 July 2009 £'000**
Cash at bank and in hand	4,573	**6,142**	**0**	**10,715**
Endowment asset investments	687	**1,539**	**0**	**2,226**
	5,260	**7,681**	**0**	**12,941**
Current asset investments (short term deposits)	6,383	**(1,375)**	**0**	**5,008**
	11,643	**6,306**	**0**	**17,949**
Debt due within one year	(2,030)	**1,020**	**60**	**(950)**
Debt due after one year	(36,562)	**(7,160)**	**(60)**	**(43,782)**
	(26,949)	**166**	**0**	**(26,783)**

Notes to the Financial Statements

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25 Pension Schemes

The University has three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS) for academic and related staff, and the Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS) for other staff. The assets of the schemes are held in separate trustee-administered funds. All three schemes are defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme.

LGPS became a closed scheme from August 1997 and subsequently all non-academic and related staff who were not members of a pension scheme could join the UEPS. As UEPS became a closed scheme from March 2004, all new staff are now eligible to join USS.

The total pension cost for the University and its subsidiary undertakings was:

	2008-09	2007-08
	£'000	£'000
Contribution to USS	**6,837**	5,470
Contribution to LGPS	**489**	524
LGPS additional University costs to fund past service deficiency	**1,114**	901
Contributions to UEPS	**774**	582
Uof EPS additional University costs to fund past service deficiency	**403**	173
Net adjustment from FRS 17 staff costs	**(1,237)**	(470)
Total pension cost	**8,380**	7,180

The total FRS 17 pension liability for the University and its subsidiary undertakings was:

	2008-09	2007-08
	£'000	£'000
LGPS pension liability	**(17,621)**	(17,967)
UEPS pension liability	**(3,678)**	(3,610)
Total pension liability	**(21,299)**	(21,577)

Universities Superannuation Scheme (USS)

The University 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. USS has over 130,000 active members and the university has 1,340 active members participating in the scheme

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the University 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 contribution 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 which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions 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% RPI per annum.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum, which included 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.

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25 Universities Superannuation Scheme (continued)

Standard mortality tables were used as follows:

Male member's mortality	PA92 MC YoB tables rated down 1 year
Female member's mortality	PA92 MC YoB tables with 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 small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the market value of the assets of the whole scheme was £28,842m and the value of the past service liabilities was £28,135m, indicating a surplus of £707m. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based upon spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to 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 assumes asset outperformance over gilts of 1.7% per annum, compared to 2% per annum for the technical provisions, giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, decided to agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31March 2009 the actuary estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions since these affect both the valuation rate of interest and the inflation assumption which, in turn, impacts on the salary and pension increase assumptions.

On the FRS17 basis, using an AA bond discount rate of 7.1% per annum based upon spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the company's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements whereas a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	**Change in assumption**	**Impact upon 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

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25 Universities Superannuation Scheme (continued)

The USS is a "last man standing" scheme so that in the event of the insolvency of any participating employers in the USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cashflow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

From 1 April 2009, the University has operated a salary sacrifice arrangement for this scheme. As a result, the University's contributions are expected to be higher than previous years in that they include the former employee contributions.

The total pension cost for WP Management Limited was £20k (2008: £15k). There are no prepaid or outstanding contributions at the balance sheet date. The contribution rate payable by the company was 14% of pensionable salaries.

Local Government Pension Scheme (LGPS)

The Essex County Council LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The contribution rates for 2007-08 averaged 15.2% for the University (13.00% manual workers) and 6% for employees (5% for manual workers). In addition, the University made a further payment of £1,115m (2007-08: £901k) towards the scheme deficiency.

The pensions cost is assessed every three years in accordance with the advice of a qualified actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Last actuarial valuation	31 March 2007
Actuarial method	Projected Unit
Investment return pre retirement	6.9% per annum
Investment return post retirement	5.4% per annum
Pension increases	3.1% per annum
Salary scale increases	4.6% per annum
Market value of assets at date of last valuation (whole fund)	£3,043 million

The proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) was 79.6%.

Actuarial Assumptions

A full actuarial valuation was carried out at 31 March 2007, and updated to 31 July 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2009 %	At 31 July 2008 %
Financial Assumptions		
Rate of increase in salaries	**4.70**	5.30
Rate of increase in pension payments	**3.70**	3.80
Expected return on assets	**6.65**	6.92
Discount rate for liabilities	**6.30**	5.90
Inflation assumptions	**3.70**	3.80
Split of assets between investment categories		
Equities	**71.40**	68.60
Government Bonds	**5.80**	9.20
Other Bonds	**8.70**	7.60
Property	**7.60**	10.10
Cash	**6.50**	4.50

Notes to the Financial Statements

For the year ended 31 July 2009

25 Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme

	Long-term rate of return expected at 31 July 2009 %	**Whole fund value at 31 July 2009 £'000**	Long-term rate of return expected at 31 July 2008 %	Whole fund value at 31 July 2008 £'000	Long-term rate of return expected at 31 July 2007 %	Whole fund value at 31 July 2007 £'000
Equities	**7.50**	**1,732,000**	7.50	1,979,000	7.50	2,220,000
Government Bonds	**4.50**	**141,000**	4.80	265,000	4.90	264,000
Other Bonds	**5.80**	**211,000**	5.90	219,000	5.80	198,000
Property	**6.50**	**184,000**	6.50	291,000	6.50	390,000
Cash	**0.50**	**158,000**	5.00	130,000	5.75	72,000
Total market value of assets		**2,426,000**		2,884,000		3,144,000
University of Essex estimated asset share		**26,624**		28,825		31,388
Present value of scheme liabilities		**(44,245)**		(46,792)		(42,142)
(Deficit) in the scheme		**(17,621)**		(17,967)		(10,754)
		60%		62%		74%

The expected rate of return on assets is based upon market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation.

Mortality and life expectancy assumptions	**At 31 July 2009**	At 31 July 2008
Post retirement mortality assumptions:		
Active members	**PA 92mc YOB Tables**	PA 92mc YOB Tables
Current Pensioners	**PA92mc YOB Tables**	PA92mc YOB Tables
		(if retired in normal health)
Life expectancy:		
Male (Female) current pensioner aged 65	**23.1 (25.9) years**	23.1 (25.9) years
Male (Female) future pensioner aged 65	**22.0 (24.9) years**	22.0 (24.8) years

	At 31 July 2009 £'000	At 31 July 2008 £'000
Analysis of amount charged to income and expenditure account		
Current service charge	**(722)**	(633)
Past service cost	**(50)**	(316)
Curtailment loss	**(45)**	(7)
Total operating charge	**(817)**	(956)
Analysis of net return on pension scheme		
Expected return on pension scheme assets	**1,893**	2,097
Interest on pension liabilities	**(2,729)**	(2,420)
Net return	**(836)**	(323)
Amount recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**290**	(7,456)
Actuarial gain/(loss) recognised in the STRGL	**290**	(7,456)
Movements in (deficit) during the year		
Deficit in scheme at 1 August 2008	**(17,967)**	(10,721)
Movements in the year:		
Current service charge	**(722)**	(633)
Contributions	**1,709**	1,489
Past service cost and curtailment loss	**(95)**	(323)
Net interest/return on assets	**(836)**	(323)
Actuarial gain/(loss)	**290**	(7,456)
Deficit in scheme at 31 July 2009	**(17,621)**	(17,967)

Notes to the Financial Statements

For the year ended 31 July 2009

25 Local Government Pension Scheme (LGPS) - continued

	At 31 July 2009 £'000	At 31 July 2008 £'000
Change in benefit obligation during the period to 31 July		
At beginning of year	**46,792**	42,142
Current service cost	**722**	633
Interest on pension liabilities	**2,729**	2,420
Member contributions	**208**	210
Past service cost	**50**	316
Actuarial (losses)/gains on liabilities	**(4,273)**	2,757
Curtailments	**24**	7
Benefits paid	**(2,007)**	(1,693)
At end of year	**44,245**	46,792
Analysis of movement in the market value of the scheme assets		
At beginning of year	**28,792**	31,388
Expected return on plan assets	**1,893**	2,097
Actuarial losses on assets	**(3,983)**	(4,699)
Employer contributions	**1,709**	1,489
Member contributions	**208**	210
Benefits/transfers paid	**(2,007)**	(1,693)
At end of year	**26,612**	28,792

History of Experience Gains and Losses	2008-09 £000	2007-08 £000	2006-07 £000	2005-06 £000	2004-05 £'000
Difference between the expected and actual return on scheme assets:					
Amount	**197**	7,456	1,201	1,959	3,294
Percentage of scheme assets	**0.7%**	26.2%	3.8%	6.9%	13.2%
Experience gains arising on the scheme liabilities:					
Amount	**0**	0	0	869	484
Percentage of scheme liabilities	**0.0%**	0.0%	0.0%	2.1%	1.3%
Total amount recognised in the Statement of total recognised gains and losses;					
Amount	**197**	7,456	1,201	(73)	426
Percentage of the present value of scheme liabilities	**0.4%**	2.8%	2.8%	0.0%	1.1%

In the 2009-10 year, the University estimates that it will pay £496k in future service contributions and £1.326m in respect of the past service deficit.

University of Essex Pension Scheme (UEPS)

The UEPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The contribution rates for 2008-09 were 18% for the University (2007-08 18%) and 6% for employees. In addition, the University made a further payment of £397,220 (2007-08: £173,340) towards the scheme deficiency.

The pensions cost is assessed every three years in accordance with the advice of a qualified actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Last actuarial valuation date	31 July 2007
Actuarial method	Projected Unit
Price inflation	3.3% per annum
Investment return pre retirement	6.25% per annum
Investment return post retirement	5.25% per annum
Pension increases	3.3% per annum
Salary scale increases	4.8% per annum
Market value of assets at 1 August 2007	£8.285m

The proportion of members' accrued benefits covered by the actuarial value of assets was 77%.

Notes to the Financial Statements

For the year ended 31 July 2009

25 University of Essex Pension Scheme (UEPS) - continued

Actuarial Assumptions

The full actuarial valuation carried out at 31 July 2007 has been updated to 31 July 2009 by a qualified independent actuary.

The major assumptions used by the actuary were:

	At 31 July 2009 %	At 31 July 2008 %
Financial Assumptions		
Rate of increase in salaries	**4.70**	5.30
Rate of increase in pension payments	**3.70**	3.80
Expected return on assets	**6.60**	6.90
Discount rate for liabilities	**6.00**	6.10
Inflation assumptions	**3.70**	3.80
Split of assets between investment categories		
Equities	**73.50**	73.50
Corporate bonds	**11.55**	7.62
Government bonds	**8.70**	9.72
Cash	**6.25**	9.16

Expected rate of return on assets in the scheme

	Long-term rate of return expected at 31 July 2009 %	Whole fund value at 31 July 2009 £'000	Long-term rate of return expected at 31 July 2008 %	Whole fund value at 31 July 2008 £'000	Long-term rate of return expected at 31 July 2007 %	Whole fund value at 31 July 2007 £'000
Equities	**7.5**	**6,936**	7.5	6,480	7.5	7,117
Corporate bonds	**4.5**	**1,091**	6.1	672	5.8	360
Government bonds	**6.0**	**819**	4.8	857	4.9	549
Cash	**0.5**	**599**	5.0	807	5.8	170
Total market value of assets		**9,445**		8,816		8,196
Present value of scheme liabilities		**(13,123)**		(12,426)		(9,858)
(Deficit) in the scheme		**(3,678)**		(3,610)		(1,662)
		72%		71%		83%

The expected rate of return on assets is based upon the long term expectation for each asset class at the beginning of the period.

Mortality and life expectancy assumptions

FRS disclosures up to July 2006 used the standard PXA92 series tables as used in the formal actuarial valuation in 2004. The trustees agreed that the formal funding valuation as at 31 July 2007 should be based on the standard mortality table PXA92 based on each member's actual year of birth and allowing for future improvements in mortality in line with the medium cohort projections. The University agreed to adopt these tables to calculate the liabilities for the FRS 17 disclosure as at 31 July 2009

Life expectancy assumptions	At 31 July 2009	At 31 July 2008
Non-pensioners	**PXA92 (YOB) mc**	PXA92 (YOB) mc
Pensioners	**PXA92 (YOB) mc**	PXA92 (YOB) mc

	At 31 July 2009 £'000	At 31 July 2008 £'000
Analysis of amount charged to income and expenditure account		
Current service charge	**(826)**	(765)
Past service cost	**0**	0
Total operating charge	**(826)**	(765)
Analysis of net return on pension scheme		
Expected return on pension scheme assets	**646**	622
Interest on pension liabilities	**(781)**	(593)
Net return	**(135)**	29

Notes to the Financial Statements
For the year ended 31 July 2009

25 University of Essex Pension Scheme (continued)

	At 31 July 2009 £'000	At 31 July 2008 £'000
Amount recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**(1,113)**	(686)
Actuarial gains and losses arising on the scheme liabilities	**835**	(1,228)
Actuarial loss recognised in the STRGL	**(278)**	(1,914)
Movements in surplus/(deficit) during the year		
Deficit in scheme at 1 August 2008	**(3,610)**	(1,662)
Movements in the year:		
Current service charge	**(826)**	(765)
Contributions	**1,198**	809
Other outgoings	**(27)**	(107)
Net interest/return on assets	**(135)**	29
Actuarial losses	**(278)**	(1,914)
Deficit in scheme at 31 July 2009	**(3,678)**	(3,610)
Change in benefit obligation during the period to 31 July		
At beginning of year	**12,426**	9,858
Current service cost	**826**	765
Interest on pension liabilities	**781**	593
Member contributions	**160**	211
Actuarial (gains)/losses on liabilities	**(835)**	1,228
Benefits paid	**(235)**	(229)
At end of year	**13,123**	12,426
Analysis of movement in the market value of the scheme assets		
At beginning of year	**8,816**	8,196
Expected return on plan assets	**646**	622
Actuarial losses on assets	**(1,113)**	(686)
Employer contributions	**1,198**	809
Member contributions	**160**	211
Benefits and transfers paid	**(262)**	(336)
At end of year	**9,445**	8,816

History of Experience Gains and Losses	**2008-09 £'000**	2007-08 £'000	2006-07 £'000	2005-06 £'000	2004-05 £'000
Difference between the expected and actual return on scheme assets:					
Amount	**(1,113)**	(686)	151	238	676
Percentage of scheme assets	**-11.8%**	-7.8%	1.8%	3.5%	13.0%
Experience gains arising on the scheme liabilities:					
Amount	**0**	(1,228)	353	0	(220)
Percentage of scheme liabilities	**0.0%**	-9.9%	3.6%	0.0%	3.1%
Total amount recognised in the Statement of total recognised gains and losses;					
Amount	**(278)**	(1,914)	747	(159)	(938)
Percentage of the present value of scheme liabilities	**-2.1%**	-15.4%	7.6%	1.8%	13.1%

In the 2009-10 year, the University estimates that it will pay £950k in future service contributions and £410k in respect of the past service deficit. From 1 April 2009, the University has operated a salary sacrifice arrangement for this scheme. As a result, the University's contributions are expected to be higher than previous years in that they include the former employee contributions.

Notes to the Financial Statements

For the year ended 31 July 2009

26 Subsidiary Undertakings and Joint Ventures

The University has the following wholly owned subsidiary companies:

Company	Activity	**At 31 July 2009 £1 Shares**	At 31 July 2008 £1 Shares
Wivenhoe Technology Ltd	Acquisition, protection and licensing of intellectual property from the University	**2**	2
W P Management Ltd	Management of commercial activities at the University	**30,002**	30,002
University of Essex Research Park Holdings Ltd	Holding land on behalf of the University for drvelopment as a Research Park	**12,190,682**	12,190,682
University of Essex Research Park Ltd	Development and marketing of a Research Park	**50,002**	50,002
University of Essex Environmental Facilities Ltd	Dormant throughout the year	**100,000**	100,000
East 15 Acting School Ltd	Dormant throughout the year	**2**	2
University of Essex (Elmstead Road) Ltd	Dormant throughout the year	**2**	2
Universal Accommodation Group Ltd	Development of student accommodation	**1**	1

Trading results of wholly owned subsidiaries:	**2008-09 £'000**	2007-08 £'000
Wivenhoe Technology Ltd	**76**	158
W P Management Ltd	**(23)**	3
University of Essex Research Park Holdings Ltd	**(27)**	(1)
Universal Accommodation Group Ltd	**205**	60
University of Essex Research Park Ltd	**0**	0
	231	220

These results have been included in the consolidated financial statements. All subsidiaries have a year end date of 31 July.

During the year, a significant new endowment of £1.0m was received from the estate of John Silberrad to provide bursaries for students enrolled on doctoral degree programmes. This endowment is held in a separate trust fund administered by the University.

The aim of the Carisbrooke-Essex Partnership is to establish a research park on campus. The university has transferred 40 acres of land into a wholly-owned subsidiary company, University of Essex Research Park Holdings Ltd, in exchange for £12,190,680 of redeemable preference shares.

University Campus Suffolk Ltd has no share capital and is is a company limited by guarantee, owned equally by the University of Essex and the University of East Anglia, to promote the establishment of a university campus in Suffolk. For the 2008-09 year, it recorded a loss of £996k after taxation (2007-08 £619k). On 9 September 2008, UCS Ltd was gifted land with an estimated value of £9.3m by Ipswich Borough Council to aid the development of Phase II of the capital programme. In the event that any part of the site remains undeveloped after 31 March 2013, the Council has the option to repurchase it for £1.

During the year, UCS Ltd purchased goods and services to the value of £306k from the University (2007-08:323k)of which £nil was outstanding at 31 July 2009 (2007-08:£154k). UCS Ltd provided services to the University to the value of £5k, with nil (2007-08 £nil) outstanding at 31 July 2009.

The Carisbrooke-Essex Partnership, Nesstar Ltd and University Campus Suffolk Ltd have been accounted for as joint ventures in accordance with FRS 9.The level of deficit from each of the joint ventures included within the consolidated financial statements was as follows:

Joint Venture	Year-end date	**2008-09 £'000**	2007-08 £'000
Carisbrooke-Essex Partnership	31 July	**0**	(43)
University Campus Suffolk Ltd	31 July	**(498)**	(310)
		(498)	(353)

Notes to the Financial Statements

For the year ended 31 July 2009

26 Subsidiary Undertakings and Joint Ventures (continued)

The University's 50% share of the gross assets and liabilities of its joint ventures was:

	UCS Ltd	Carisbrooke-Essex	**2008-09 Total**	2007-08 Total
	£'000	£'000	**£'000**	£'000
Fixed Assets	28,309	8	**28,317**	24,075
Current Assets	6,190	0	**6,190**	5,197
Total Assets	34,499	8	**34,507**	29,272
Current Liabilities	(6,458)	(2)	**(6,460)**	(4,274)
Liabilities - amounts falling due after more than one year	(6,250)	0	**(6,250)**	(4,000)
Total Liabilities	(12,708)	(2)	**(12,710)**	(8,274)

27 Related Party Transactions

The related parties of the University are the wholly and partially owned subsidiary undertakings (listed in note 30 of these Financial Statements), the University of Essex Students' Union and the members of the Council.

In the preparation of these Financial Statements, the University has taken advantage of the exemptions contained within Financial Reporting Standard 8 relating to transactions and balances eliminated on consolidation.

All transactions and balances with the subsidiary undertakings have been eliminated on consolidation and therefore no disclosure is given.

Due to the level and nature of transactions between the organisations, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2009 the University paid the Union a revenue grant of £655,400 (2007-08: £525,959), and provided accommodation free of rent. The Union's income and expenditure account shows the following:

	2008-09	2007-08
	£'000	£'000
Income	**1,260**	1,278
Expenditure	**(1,278)**	(1,260)
Operating (deficit)/surplus before and after transfers from/(to) reserves	**(18)**	18

All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and normal procurement procedures. Given that the University Council includes members drawn from public and private sector organisations, some transactions take place with organisations in which a member of Council may have an interest. However, these transactions occur at the operational level where they are instigated by members of staff and approved by senior management under delegated authority. There is no direct benefit to members of Council.

Members of Council (and its sub-committees) are required to declare all outside interests. When an item arises in which a member has an interest, it must be declared and the member concerned may not take part in that debate or any related decisions.

28 Contingent Liabilities

On 14 July 2008, the University provided a guarantee to Barclays Bank PLC on behalf of University Campus Suffolk (UCS). The guarantee supports a loan of £10m by the bank to UCS in respect of building works, and liability is shared equally between the University and the University of East Anglia.

Notes to the Financial Statements

For the year ended 31 July 2009

29 Agency Arrangements

	University 2008-09 £'000	2007-08 £'000
Hardship Funds		
Balance brought forward at 1 August	**(7)**	80
Funding council grants received	**286**	280
Interest earned		10
	279	370
Disbursed to students	**(254)**	(377)
Balance carried forward at 31 July	**25**	(7)
NHS Bursaries		
Payments received from NHS organisations	**717**	145
Disbursed to students	**(717)**	(145)
Balance unspent at 31 July	**0**	0

These funds are available solely for students; the University acts only as the paying agent. The income and the related disbursements are therefore excluded from the Income & Expenditure Account.

	University 2008-09 £'000	2007-08 £'000
HEFCE Teaching Grant		
Payments received from HEFCE	**5,944**	6,360
Payments made to partner institutions	**(5,944)**	(6,360)
Balance unspent at 31 July	**0**	0
HEFCE Research Grant		
Payments received from HEFCE	**103**	141
Payments made to partner institutions	**(103)**	(141)
Balance unspent at 31 July	**0**	0
Strategic Health Authority		
Payments received from East of England SHA	**1,059**	1,396
Payments made to partner institution	**(1,059)**	(1,396)
Balance unspent at 31 July	**0**	0
General Social Care Council		
Payments received from General Social Care Council	**120**	0
Payments made to partner institution	**(120)**	0
Balance unspent at 31 July	**0**	0

These funds are received by the University in respect of its partner institutions.The income and the related payments are therefore excluded from the Income & Expenditure Account.

The University has partnership arrangements for the delivery of Higher Education programmes with South East Essex College, Colchester Institute, Writtle College, The Portman and Tavistock NHS Foundation Trust and Kaplan Ltd.

30 EBITDA

Earnings before interest, taxation and depreciation (EBITDA) is a measure of cash operating surplus. The reconciliation from the surplus on continuing operations and EBITDA is:

	Consolidated 2008-09 £'000	2007-08 £'000
Surplus/(Deficit) on continuing operations after depreciation but before joint ventures:	**672**	1,974
add back depreciation and amortisation charge	**5,104**	4,406
add back impairment of investments	**121**	0
less release of deferred capital grants (note 18)	**(2,000)**	(1,908)
add back interest payable (note 9)	**2,035**	2,188
less general interest income (note 5)	**(790)**	(1,096)
add back FRS 17 credit /(Charges)	**(266)**	(176)
add back release of provision for part time pensions	**0**	(577)
add back exceptional non-recurrent items:		
Impairment to Carisbrooke-Essex loan	**0**	750
Staff restructuring costs	**1,962**	106
EBITDA	**6,838**	5,667

Five-Year Summary of Financial Position (unaudited)

For the year ended 31 July

	2004-05 £'000	2005-06 £'000	2006-07 £'000 As restated	2007-08 £'000	**2008-09 £'000**
Income and Expenditure Account					
Income					
Funding council grants	28,076	29,996	33,741	33,622	**34,867**
Tuition fees and educational contracts	26,964	26,028	30,303	35,329	**44,340**
Research grants and contracts	14,782	15,203	14,268	15,744	**18,184**
Other income	18,388	20,893	22,107	35,278	**39,844**
Endowment and investment income	899	1,153	1,247	1,205	**903**
Total	89,109	93,273	101,666	121,178	**138,138**
Less share of joint venture income	(357)	(899)	(971)	(11,976)	**(15,340)**
Total income	88,752	92,374	100,695	109,202	**122,798**
Expenditure					
Staff costs	54,625	58,147	62,736	67,392	**72,470**
Other operating expenses	27,843	25,458	32,248	32,948	**41,546**
Depreciation	2,674	3,030	3,921	4,406	**5,104**
Interest paid	2,667	2,480	2,651	2,482	**3,006**
Total expenditure	87,809	89,115	101,556	107,228	**122,126**
Surplus after depreciation of assets at cost	943	3,259	(861)	1,974	**672**
Share of operating loss in joint venture	(152)	(15)	(11)	(353)	**(498)**
Profit on disposal of fixed assets	0	0	6,151	0	**0**
Surplus for the year	791	3,244	5,279	1,621	**174**
Balance Sheet as at 31 July					
Total fixed assets	96,814	117,276	138,976	166,680	**175,834**
Intangible Assets	0	0	0	0	**1,362**
Endowment assets	10,952	11,970	2,602	2,670	**3,465**
Current assets	17,948	22,547	21,307	18,079	**24,988**
Creditors: amounts falling due within one year	(14,360)	(18,536)	(17,118)	(18,049)	**(21,249)**
Total assets less current liabilities	111,354	133,257	145,767	169,380	**184,400**
Creditors: amounts falling due after more than one year	(42,652)	(40,622)	(38,592)	(36,562)	**(44,682)**
Provisions for liabilities	(1,212)	(805)	(1,217)	(439)	**(1,048)**
Pension liability	(14,567)	(14,257)	(12,383)	(21,577)	**(21,299)**
Net assets	52,923	77,573	93,575	110,802	**117,371**
Deferred capital grants	23,028	43,638	47,444	51,799	**57,418**
Endowments	10,952	11,970	2,602	2,670	**3,465**
Reserves	18,943	21,965	43,229	56,333	**56,488**
Total funds	52,923	77,573	93,275	110,802	**117,371**
Financial Statistics					
Surplus as a percentage of turnover	0.9%	3.6%	5.2%	1.5%	**0.1%**
Margin on research grants and contracts (income less direct expenditure/income)	20.9%	24.6%	20.9%	22.0%	**20.2%**
Margin on residences, catering & conferences (income less direct expenditure/income)	10.0%	13.6%	13.8%	14.6%	**15.2%**
Current ratio (current assets/current liabilities)	1.2	1.2	1.2	1.0	**1.2**
Debt as percentage of total turnover	50.1%	45.7%	37.7%	31.8%	**32.4%**
Liquidity days (number of days of average expenditure excluding depreciation supported by cash balances)	32	64	54	39	**56**
Debtor days (number of days income excluding Funding Council grant represented by debtors due within one year)	52	36	32	33	**37**

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