



University of Essex

Financial Statements



2013-14

50
years

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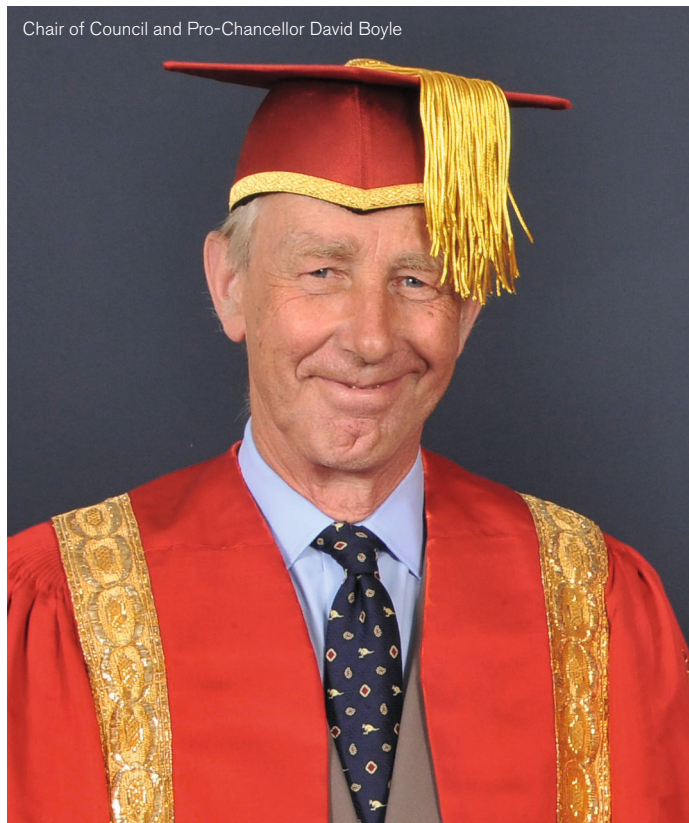
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Parkside Office Village on the Knowledge Gateway at our Colchester Campus



Chair's Introduction

Chair of Council and Pro-Chancellor David Boyle



As the University celebrates its 50th anniversary, I am delighted to provide an encouraging set of Financial Statements for 2013-14. In my first year as Chair of Council it is pleasing to report that the University has again made a surplus and is projected to make increasing surpluses in the years ahead. These cash surpluses are essential for investing in our campuses, student experience and environment for research. Our budgets, which are challenging but realistic, show us making good progress towards the target for cash generation of 5.5% of income by 2016-17, with targets of £6m in 2014-15 and £8m in 2015-16.

Lord Currie was Chair of Council for two years to the end of 2013 and took the decision to resign to avoid any risk of a conflict of interest after being appointed to the role of Chair of the Competition and Markets Authority (CMA). I was delighted that the University bestowed an honorary degree upon Lord Currie in 2014 and I would like to take this further opportunity to thank David for his outstanding contribution to the development of the University.

I am pleased to report that we have made substantial progress towards our ambition that by 2019 we will be ranked in the top 25 of UK institutions by *The Times Good University Guide*. We have risen seven places to 32nd position this year. A key element in this rise has been a marked improvement in the number of Essex graduates entering into graduate-level employment or further study. Nonetheless, initiatives to improve graduates' prospects further are taking the highest priority in the University. The University aims to ensure that these improvements in the financial position are being achieved against a backdrop of improving staff/student ratios and improvements in facilities spend.

The latest National Student Survey also shows an improved performance. The University's ranking on the combined score across all questions has risen from 12th in the country last year to 8th this year – the first time that we have been ranked in the top 10 for this measure. We really value this recognition by our students.

Student recruitment has been very strong this autumn with a record intake of over 5,000 students. Recruitment at the Southend Campus has been particularly successful, which is welcome given that we had capacity for growth in terms of both teaching space and student accommodation. This is testament to the hard work of staff across the whole of the University and puts us on track to achieve our aspiration of 50% growth in student numbers by 2018-19 whilst maintaining our commitment to offering an outstanding research-led educational experience.

We began our 50th anniversary celebrations with a very successful Homecoming weekend. We took a conscious decision to place our education and research work at the very heart of the weekend, with open lectures offering an insight into the range of outstanding work of our staff. We held a naming ceremony for our new Silberrad Student Centre; our Students' Union held a series of events to showcase the wonderful work they do; and our new Chancellor Shami Chakrabarti CBE was formally presented to the University at a reception hosted by Council. This was of course just the start of a year-long programme of events and activities to celebrate and showcase our achievements so there will be many other opportunities to get involved.

Following adoption of the University's ambitious strategic plan in July 2013, Education and Research strategies were approved in the Spring of 2014 and supporting strategies for Finance, Estates and Equipment and Communications and Advancement were approved by Council in July 2014. Information and Human Resources supporting strategies are due to be approved in the current academic year.

The Education Strategy provides a framework for delivering on the University's commitment to provide intellectually challenging and stimulating courses of study and extensive and diverse extracurricular opportunities. We seek to inspire in our students a desire to explore and embrace the unknown. Supporting our students in developing such a mind-set, so that they can fulfil their potential while studying with the University and throughout their lives, is central to the Education Strategy.

Chair's Introduction (continued)

A commitment to excellence is the foundation of the Research Strategy. This recognises and addresses the need, as a priority, for the University to maintain, enhance and broaden its established leading position in national research assessment exercises. The strategy also builds upon the engagement between the University and the outside world that characterised the University's founding vision, making engagement and impact central to the development of research strategy and activity.

The principal objective of the Financial Supporting Strategy is to enable investment in excellence in research and excellence in education within a financial framework set to ensure sustainability. The strategy is designed to ensure that the University's development will not be hampered by excessive loan servicing costs. Earnings before interest, tax, amortisation and depreciation (EBITDA) will be at least 1.5 times loan servicing costs. The supporting strategy also sets out robust and effective processes by which the University selects those projects that provide the greatest contributions to excellence in education and research.

The University's Estates and Equipment Supporting Strategy seeks to provide consistently high quality physical and virtual spaces for delivery of excellent educational experiences for our students and outstanding research. The next phase of the Capital Investment Plan (2014-2019) focuses on the "historic" 1960s estate. Completion of the new Essex Business School, library extension and Silberrad Student Centre projects will create the opportunity for large-scale refurbishment of the 1960s buildings in a way that has not been possible previously.

The Communications and Advancement Supporting Strategy aims to ensure that the University protects and exploits our values and reputation and works effectively with our stakeholders, in order to support the objectives of our Strategic Plan. It highlights the four pillars of the University's identity: our Essex Spirit, our culture of membership, the value of our global community and the centrality of a research mind-set.

I should like to thank Professor Jane Wright, who concluded her term as Pro-Vice-Chancellor (PVC) for Education in July, having previously been PVC for Academic Standards and the Faculty of Humanities. Jane is succeeded as PVC for Education by Professor Aletta Norval. I would also like to thank Professor Heather Laurie who held the post of Associate Pro-Vice-Chancellor for Research for 2013-14.

It has been a privilege to welcome our new Chancellor, Shami Chakrabarti CBE, Director of Liberty and fearless campaigner for civil liberties. In 2013, she was assessed as one of the hundred most powerful women in the United Kingdom by BBC Radio 4, and earlier this year, she was included in *The Sunday Times* 100 Makers of the 21st Century. Shami shares the values that the University holds dear and she will be an inspiration for all members of our community.

On a more sombre note, 2014 has been a year of tragedy for two of our students. On behalf of Council I would like to extend to the families of Nahid Almanea and Hannah Witheridge, murdered respectively in Colchester and Thailand, our sincere condolences. We share their grief. The University is finding special ways to remember them, and will continue to do all it can to ensure a safe working environment for its students, while never forgetting our commitment to internationalism.

I hope that this introduction has given an indication of the growing recognition of the University's success and of the new and ambitious strategies which see the University well placed to meet the challenges of the years to come.

David Boyle – Chair of Council

Financial Highlights

(2012-13 comparative figures shown in brackets)

- Total income up 8% to £172m (£159m)
- Surplus before share of joint venture results and FRS17 pension credit of £1.2m (£1.7m)
- EBITDA (*Earnings before Interest, Tax, Depreciation and Amortisation*) of £10.3m (£10.2m)
- Capital expenditure of £26.4m (£24.8m)
- Net assets of £142m (£142m)
- Net debt of £64m (£46m)

Summary Finances

	2013-14 £'000	2012-13 £'000	Change £'000	%
Income				
Funding Council grants	23,199	27,623	(4,424)	(16.0%)
Tuition fees and academic contracts	86,990	75,637	11,353	15.0%
Research grants and contracts	22,640	21,626	1,014	4.7%
Other income	38,867	33,241	5,626	16.9%
Endowment and investment income	521	696	(175)	(25.1%)
Total Income excluding Joint Venture	172,217	158,823	13,394	8.4%
Total expenditure	171,055	157,105	13,950	8.9%
Surplus	1,162	1,718	(556)	
less staff severance costs and exceptional items	276	0	276	
add share of (loss)/profit in joint ventures	(360)	465	(825)	
add FRS17 pension accounting credit	2,729	1,235	1,494	
Surplus for the year	3,807	3,418	389	
EBITDA	10,288	10,243	45	
Capital expenditure	26,429	24,814	1,615	
Capital grants received	1,962	198	1,764	
Net debt	63,505	46,105	17,400	
Net assets	142,010	142,183	(173)	

Student Numbers

	2013-14 FTEs		2012-13 FTEs		Change	
Home/EU	7,703	75%	7,784	74%	(81)	(1%)
Overseas	2,587	25%	2,710	26%	(123)	(5%)
	10,290	100%	10,494	100%	(204)	(2%)
Undergraduate	8,072	78%	8,097	77%	(25)	(0%)
Postgraduate	2,218	22%	2,397	23%	(179)	(7%)
	10,290	100%	10,494	100%	(204)	(2%)

FTE = full time equivalent studying at University of Essex campuses, excluding University Campus Suffolk Ltd and partner institutions.

Operating and Financial Review

Constitution, Regulation and Business Environment

The University is an exempt charity established by Royal Charter in 1965 and its charitable affairs are regulated by the Higher Education Funding Council for England (HEFCE). Members of the governing body, called Council, are trustees of the charity.

Established in Colchester, the University also operates branch 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 that provides higher education in Ipswich and throughout Suffolk. Details of this and other subsidiary undertakings are included in note 30 of the financial statements.

The University operates in a complex mix of regulated and unregulated markets with a mix of primary purpose (i.e. charitable) and non-primary purpose activity. Non-primary purpose activity is organised through subsidiary undertakings.

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 Financial Statements are produced in accordance with the Statement of Recommended Practice for Further and Higher Education (SORP) which is based on UK Generally Accepted Accounting Principles. The Financial Statements are compliant with the HEFCE Accounts Direction 2012-13.

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

The University's Mission and Financial Strategy

The University's mission is to provide excellence in research and excellence in education. It aims to be ranked amongst the top 30 universities in the United Kingdom, as indicated by The Times Good University Guide, by 2016 and the top 25 by 2019.

Supporting this is a financial strategy that seeks to ensure financial sustainability through the generation of sufficient cash to maintain high quality facilities and update and develop the infrastructure for research and education.

Key Performance Indicators

	2016 Target		2013-14 Performance		2013-12 Performance
	Rank	Value	Rank	Value	Value
1 Overall Times rank	30th	688	32nd	684	637
2 Research quality	10th	2.9	16th	2.77	2.77
5 Research intensity		93%		83%	91%
6 PhD/staff ratio		1.74		1.98	2.06
7 Research income/staff		£80k		£59k	£72k
8 Student satisfaction	30th	83.5%	8th	85.7%	85.4%
9 Entry qualifications	30th	422	53rd	343	342
10 Student retention	30th	91.40%	58th	86.60%	85.60%
11 Good degrees	30th	74.70%	70th	64.70%	60.70%
12 Graduate employability	30th	75.20%	65th	65.20%	51.80%
13 Research degree completion		67.50%		64.50%	64.50%
14 Internationalisation		34.10%		32.60%	30.20%
15 Work/study abroad		13.70%		9.00%	7.40%
16 Teaching qualifications		28.20%		26.60%	16.40%
17 Cash surplus/(deficit) as a % of Total Income		5.50%		2.91%	2.90%
18 Institutional liquidity days		30 days		124 Days	91 Days
19 EBITDA/debt servicing		1.5		1.9	2.0

Results for the Year

	2013-14	2012-13
	£'000	£'000
Surplus on continuing operations (excluding joint ventures)	4,167	2,953
less credit arising from pensions accounting (FRS17)	(2,729)	(1,235)
Underlying Surplus for the year from University operations	1,438	1,718
% of total turnover	0.8%	1.1%

Turnover for the year grew by 8% to stand at £172m.

Future Outlook

As at 23 September 2014, the Universities and Colleges Admissions Service (UCAS) was reporting a 4% increase in acceptances from undergraduates. At Essex, the intake was significantly greater than the national picture with around 20% more undergraduates recruited than in 2013. There is also a strong increase for postgraduate taught students, especially home/EU. This expansion sees the University firmly on track to meet its target for 50% growth in student numbers by 2019.

Essex is relatively small amongst UK research intensive multi-faculty universities and is looking forward to a period of continuing growth in which it can benefit from economies of scale. It is well positioned to do so with capacity at its Southend Campus, which benefitted from the opening of the Forum in September 2013. On the Colchester Campus, the Silberrad Student Centre, library extension and building to house the Essex Business School will open in the first half of 2015. There is space to develop and consolidate the East 15 campus at Loughton. Further, expansion is continuing with our partners Kaplan (University of Essex Online and Singapore) and the Edge Hotel School. Infrastructure is in place for further development of the Knowledge Gateway at the Colchester Campus.

However, 2015 may be a challenging year with increased competition amongst the UK's leading universities in the first year without student number controls. 2015 is also the first year that will see the majority of students graduating with three years of tuition fee debt at the higher level of £9,000 which may reduce demand for postgraduate study by home/EU students. Nonetheless, Essex has seen record attendance at its first two open days and is optimistic that its recent move up the league tables (by seven places to 32 in *The Times Good University Guide*) will see an intake for 2015 that is as strong as that for 2014. This will see a significant rise in overall student numbers as a smaller cohort graduates in 2015.

The University awaits the outcome of the 2013 Research Excellence Framework with interest. Higher numbers of research academics were submitted to the REF than to the 2008 Research Assessment Exercise. If the University is able to maintain its position in terms of grade point average (8th in the UK in 2008 amongst multi faculty institutions) with a higher volume, this will represent substantial progress. The University is committed to optimising the impact of its high quality research and a comprehensive consultation exercise will be undertaken in 2014-15 to identify innovative ways of improving upon success in this area.

The Knowledge Gateway at the Colchester Campus is seen as an extraordinarily valuable asset for the promotion of excellence in research and excellence in education. The first tenant for the Parkside Office Village took possession on 20 October 2014 and many are expected to follow, supported by initiatives from companies including Intel and Google. This success has been rewarded with a further £850,000 of funding from the South East Local Enterprise Partnership for further development of Parkside. A master-plan for the Knowledge Gateway and feasibility study for an innovation centre are substantially advanced.

The University leads the world in research fields such as quantitative social sciences and technology areas linked to Big Data analytics.

Accordingly, the Knowledge Gateway is strategically very well placed to connect with flourishing new opportunities in these specialisms, with industry and Essex researchers working together in a supportive, innovative and ground-breaking way. By integrating a campus ethos into the fabric of our research park, companies, both established and start-up, will gain from fresh thinking and accelerated growth.

The University will look to develop close partnerships with business tenants through student internship programmes and collaborative research. To keep pace with the latest advice from entrepreneurial experts and financial issues, particularly those facing small to medium enterprises, the Essex Business School will be a close neighbour. Our greatest asset, our students, will benefit from having a thriving business park as an integral part of our University family to enrich their student experience. Likewise, our business tenants will be able to tap into our youthful ambition and high-achieving graduates and gain from the kudos of being situated in a well-supported innovation hub.

From the vantage point gained by the improvements in its key performance indicators, the University views its future outlook in a positive light. Nonetheless, it is aware that the funding arrangements for education may change again after the general election in 2015 and that funding for research is declining in real terms. Therefore, the University will seek to find a path to expansion that is bounded by the financial framework set within its financial supporting strategy to ensure that the expansion is sustainable.

Subsidiary Undertakings and Joint Ventures

University Campus Suffolk Ltd (UCS) is a joint venture with the University of East Anglia (UEA) delivering a range of higher education activity. UCS is a company limited by guarantee and an exempt charity with the University exercising joint control with UEA. Total income for the year was £37.5m, 1.4% lower than the prior year and its deficit of £719k (£931k surplus in 2013-13) represented (1.9)% of turnover. Half of the reported UCS performance for 2013-14 is reflected in these group financial statements.

Income-generating student services and commercial activities are located in the Campus Services Directorate which comprises two subsidiary companies (University of Essex Campus Services Limited and Wivenhoe House Hotel Limited), Student Accommodation and Sports Facilities.

University of Essex Campus Services Limited manages campus conferences, hospitality, the day nursery, print centre and launderettes. The company made an operating profit of £156k (£435k in 2012-13).

Wivenhoe House Hotel Ltd operates a 40 bedroom hotel with conference and dining facilities. The University, working with the charitable educational trust, the Edge Foundation, operates the hotel as a hotel school. The hotel was refurbished in 2011-2012, which was part funded with a grant of £4.97m from the Edge Foundation. After an impairment adjustment to the value of its assets of £1,050k, the company recorded a loss before tax of £1,571k (£775k loss in 2012-13). The impairment has the potential to be reversed in future if trading results improve as anticipated by the board.

Following completion of a £10m refurbishment programme, Wivenhoe House Hotel officially reopened in September 2012 as a 4-star quality hotel which is also the home of the Edge Hotel School, a high-end education facility for the hospitality industry, funded by the Edge Foundation and the University and operated by Kaplan Open Learning. The University has leased the building to a newly created and wholly owned subsidiary company, Wivenhoe House Hotel Ltd, which operates the hotel. The hotel has benefited from generous funding by the Edge Foundation (£5m) and sponsorship by prestigious hotel chains that are interested in recruiting the school's graduates. This is one example of the innovative ways in which the University is looking to provide programmes.

University of Essex Enterprises Ltd (previously Wivenhoe Technology Ltd) is responsible for technology transfer, registering patents and spin-out companies on behalf of the University. The company recorded a profit before gift aid of £1k (£4k profit in 2012-13).

Universal Accommodation Group Ltd is a land holding company. It previously carried on the activity of property lettings however on 8 July 2013, University Quays, the 767 bed student accommodation which was the company's major asset, was leased for a 50 year period to Uliving. Uliving is the accommodation partner selected by the University of Essex to maintain and operate University Quays for this period.

The other part of the Uliving deal was to deliver new student accommodation facilities, The Meadows, on the Colchester Campus. Uliving built an additional 648 rooms for the University, of which 228 are in townhouses with the remaining 420 being en-suite.

The University's Knowledge Gateway project, involving the development of land on the Colchester Campus for a variety of uses, is being developed by two wholly owned subsidiary companies: University of Essex Knowledge Gateway Holdings Ltd, which owns the freehold land on a site, and University of Essex Knowledge Gateway Ltd, which will develop commercial tenancies. Knowledge Gateway Ltd has incurred bank fees for a £1.7m performance bond issued by Lloyds TSB in February 2011 in favour of Essex County Council (ECC) as highway authority. In February 2013, Essex County Council agreed to release 90% of the bond, having confirmed its satisfaction with the highways work. In early 2014-15, Essex County Council confirmed that all remedial works on the Knowledge Gateway Infrastructure were completed to their satisfaction and the remainder of the bond was released. The Knowledge Gateway is in receipt of a £2.4m loan from the South East Local Enterprise Partnership (SE LEP) to develop an 'office village' on the site. University of Essex Knowledge Gateway Holdings Limited recorded a loss for the year of £2k (£2k loss in 2012-13) and University of Essex Knowledge Gateway Limited recorded a loss of £53k (£23k loss in 2012-13).

Capital Investment

The capital investment plan is a five year plan to address major estates issues and improvements to the IT and management information systems infrastructure. Capital investment in the year amounted to £27m (£24.8m in 2012-13).

Major projects underway during the year included:

- Student Centre and Library Extension: new £26m facilities that will house a number of student facing services currently distributed across the Colchester Campus and create a significant extension to the Albert Sloman Library. The project is due to be completed in early 2015;
- Essex Business School Building: a £21m new building at Colchester to house the Essex Business School. The building is located adjacent to the Knowledge Gateway site and will benefit from both the completion of the infrastructure and co-location with businesses that will be accommodated on the Knowledge Gateway.

Investments, Liquidity and Debt

The investment asset allocation targets are:

	Global Equities	Absolute Return Funds	Cash
Permanent Endowments	95%	-	5%
Expendable Endowments	75%	20%	5%

At 31 July 2014, £5.7m of general funds were invested in equity and absolute return investments.

Cash was managed conservatively with deposits in the University's clearing bank (LloydsTSB) and in a range of AAA-rated money market funds. Cash balances increased from £38.2m to £57.7m over the year. A target of holding minimum cash balances equating to 25 liquidity days (i.e. the number of days of average expenditure cash balances could support) has been set and at 31 July actual liquidity days amounted to 125 days.

Total debt outstanding was £121.3m (£83.2m in 2012-13) as at 31 July.

The University was fully compliant with its banking covenants and is confident of remaining so in the foreseeable future being not less than 12 months from signing these accounts:

Covenant Definition	Bank Requirement	Actual 2013-14
Ratio of total external debt to total funds (excluding pension liability)	< 1.0	0.7
Debt servicing costs as a % of turnover	< 7.0%	3.1%
I&E Reserve (excluding pension liability)	> £50m	£68.9m
No historic cost deficit in any three consecutive years	>£500k	£4.0m

Pension Schemes

The University operates four 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. In June 2014, the University joined Superannuation Arrangement for University of London (SAUL).

On an FRS17 valuation basis, the combined deficits in LGPS and UEPS have decreased by £0.4m from £19.5m to £19.1m as at 31 July 2014. Funding levels, on an FRS17 basis, are: USS 75% (31 March 2014), LGPS 78% (31 July 2014) and UEPS 75% (31 July 2014).

The University has carried out a full review of the UEPS scheme and its viability. From 1 September 2014 the scheme merged with SAUL.

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.

Sustainability

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.

A Green Task Force co-ordinates and implements the University's sustainability policy with membership drawn from staff and students.

A Sustainability Strategy Group has been established to oversee the University's carbon management plan, approved by Council on 18 July 2011. The plan affirms the University's commitment to making a full contribution to tackling the issue of climate change, supporting the efforts of the UK as a whole and the higher education sector in particular. The Plan sets out the following University objectives and targets:

Objective	Target Date	Status
1. Carbon Reduction		
1.1 Reduce absolute Scope 1, 2 and 3 greenhouse gas emissions by 43% in CO2e terms by 2020 on a 2005 baseline. A target of 43% to ensure the University is in line with HEFCE sector targets.	2020	In progress
1.2 Meet an interim target to reduce Scope 1 and Scope 2 emissions by 20% by 2015 on a 2005 baseline.	2015	In progress
2. Carbon Reporting and Accounting		
2.1 Instigate annual monitoring and reporting of greenhouse gas emissions in conformity with the Greenhouse Gas Protocol	July 2011	Achieved
2.2 Put systems in place to enable the University to collect data on Scope 3 emissions and include these in reporting, including: <ul style="list-style-type: none"> ■ Waste recycling/recovery and disposal; ■ Water consumption; ■ Transport of staff and students to the University and between sites; ■ Conference and business travel and travel associated with placements and field trips; ■ Procurement. 	July 2012	Achieved
3. Operational		
3.1 The University Estate will be converted to low carbon buildings by: <ul style="list-style-type: none"> ■ Ensuring all new buildings are designed to achieve BREEAM Excellent by 2011; ■ Ensuring that all refurbishment projects include an assessment of measures to improve energy and carbon efficiency; ■ Where practicable and with due regard to the palette of existing materials on campus, all building materials will be sourced from the BRE Green Guide to specifications categories A-C from 2010. 	2011 2011 2011	Achieved Achieved Achieved
3.2 Energy efficiency and whole life cost considerations will form a key part of procurement from 2010. These considerations will particularly apply to ICT and other electrical equipment procurement criteria.	July 2010	Achieved
3.3 The University has instituted a revolving Green Fund for minor energy efficiency projects. This will be supported and enhanced in the future.	July 2011	Achieved
3.4 The University will assess onsite renewable and ambient energy options and report on their viability to achieve the carbon reduction milestones.	July 2010	Achieved
3.5 The use and occupancy of space will be assessed and optimised to ensure the most energy and carbon efficient use of campus space.	2013	Achieved

Risk

The University's Risk Management Group reviews the risk registers three times a year and reports to the Audit and Risk Management Committee on strategic, financial and operational risks and force majeure. A new risk management policy was approved by Audit and Risk Management Committee and Council in July 2013. Focussing on the Top 12 Strategic Risks, the new policy synchronises with the new strategic plan and associated key performance indicators. It is designed to ensure that the University is undertaking a comprehensive suite of actions to optimise student recruitment and provide a transformative educational experience in an environment where the majority of income

comes from student fees. The strategic risk register also demonstrates high cognisance of reputational risks that might arise from a poor league table position or loss of research standing. The University has made significant advances with regard to managing risks, particularly around provision of a transformational education, student recruitment and its reputation. Nonetheless, the University remains keenly aware of the potential for unprecedented volatility in income streams. It is also focusing on the need to refurbish its estate in the context of limited availability of capital grants.

Public Benefit

The University's Charitable Aims

Our Royal Charter sets out the objectives which form our charitable purpose "to advance education, scholarship, knowledge and understanding by teaching and research for the benefit of individuals and society at large".

Members of Council are trustees of the University and our decision making pays due regard to the Charity Commission's guidelines on charitable purpose and public benefit, in particular, The Advancement of Education for the Public Benefit (Charity Commission, December 2008) and Public Benefit and Fee Charging (Charity Commission, December 2008).

Our Strategic Plan 2013-19 states our purpose is to contribute to society through excellence in research and excellence in education.

The undergraduates and postgraduates who study at Essex are the main public beneficiaries of our work. Other beneficiaries include companies, organisations and charities that employ our graduates, work with our academics on knowledge exchange projects or access our training programmes. The general public can also access our facilities, courses, talks and events. Wider society also benefits from the insights provided by our world-leading research in the social sciences, science and health, and the humanities. Our research aims to contribute to improving people's lives in the UK and abroad.

Education

The University provides public benefit through its commitment to providing a transformational educational experience, encompassing both the academic and extra-curricular, to fulfil the potential of our undergraduate and postgraduate students.

In 2013-14, 8,723 undergraduates and 3,216 postgraduates were studying at the University.

Our undergraduate and postgraduate students are members of a university focused on excellence in education which aims to ensure all its academic provision is underpinned by a commitment to research-led education in all its forms. We believe the research undertaken at Essex should add value to the student experience.

We aim to provide an outstanding student experience by encouraging the personal development of our students through volunteering, sport, music, the arts and engagement with our Students' Union. We also encourage this by offering opportunities to undertake placements and study abroad.

Our approach develops Essex graduates who stand out from the crowd. We believe our graduates benefit society, and the companies and organisations they work for, through their critical thinking, creativity, intellectual independence, excellent communication skills and leadership ability.

The high quality of the educational experience we provide is shown by the feedback we have received. In the 2014 National Student Survey, 91 per cent of students expressed overall satisfaction with their undergraduate course, placing us in the top six for mainstream English universities

Award-winning initiatives include our frontrunners work placement scheme and our Languages for All programme which received the European Language Label 2013, for its innovative approach to language learning.

Our staff are committed to excellence in education. We have a professional development scheme focused on developing the skills of our staff with many gaining formal recognition through the Higher Education Academy (HEA) as Associate Fellows, Fellows, Senior Fellows and Principal Fellows.

Our outstanding teaching team includes Dr Chris Saker in the Department of Mathematical Sciences who was named Lecturer of the Year in the Essex Teaching Awards.

The high standard of postgraduate training and our position as a centre of international excellence for research has led to Essex being selected as a Doctoral Training Centre by the Economic and Social Research Council.

We are also part of the Environment East (EnvEast) Doctoral Training Partnership backed by the Natural Environment Research Council (NERC), the Consortium for Humanities and the Arts South-East England (CHASE) Doctoral Training Partnership supported by the Arts and Humanities Research Council and the EPSRC Centre for Doctoral Training (CDT) in Intelligent Games and Game Intelligence (IGGI).

Through these initiatives we work with other leading higher education institutions to promote excellence in research, postgraduate research training and knowledge exchange.

This year, a consortium led by our School of Health and Human Sciences was chosen to develop an international centre of excellence in the education of health professionals. As a Best Evidence in Medical and Health Professional Education (BEME) International Collaborating Centre, Essex is at the forefront of evidence-based health professional education.

The National Institute of Health Research (NIHR) Research Design Service East of England (RDS EoE), based in the School of Health and Human Sciences received £5million to support research in the region on improving diagnosis, treatment and disease prevention.

We meet the different study needs of students by working with Kaplan Open Learning to deliver online undergraduate and postgraduate courses through University of Essex Online. We have also opened the first hotel school within a real four-star hotel in partnership with education charity the Edge Foundation. The Edge Hotel School is developing the future leaders of the hospitality industry.

Research

We are one of the leading research-intensive universities in the country and in the last Research Assessment Exercise (RAE, December 2008), we were ranked ninth nationally for the quality of our work. The outcome of the Research Excellence Framework, which has replaced RAE, is due to be released in December 2014, results will be published on our website and at: www.ref.ac.uk.

We have continued to build on our reputation in 2013-14 by taking forward projects which have an impact at a local, national and global level.

Our research feeds directly into the learning experience for our undergraduates and postgraduates. We are committed to knowledge exchange and sharing our research expertise and building partnerships with government bodies, non-governmental organisations and business at a regional, national and international level.

In 2013-14, we attracted research funding totalling £25.8 million which underlines our success in delivering outstanding research which meets the needs of society.

Our academics share their work through publication in a wide range of internationally recognised journals and they also make a huge range of their work available through the University of Essex Research Repository.

This year we became a partner of online news site The Conversation and our academics regularly contribute articles informed by their research and looking to share insights with the wider public.

Understanding Society, the biggest study of its kind in the UK is based at our Institute for Social and Economic Research (ISER), which celebrated its 25th anniversary this year. Understanding Society received the prestigious status of British Academy Research Project this year alongside another ISER study 'British Religion in Numbers'.

Data from the survey of 40,000 households is available for researchers and the information gathered will greatly enhance public knowledge of what influences our careers; health and well-being, financial circumstances and personal relationships. The study will also now capture biomedical data on 20,000 participants and place this alongside rich social histories, helping researchers weigh the extent to which people's environment influences their health.

The UK Data Archive plays a central national role in the secure management of social and economic data to facilitate high quality research. It is playing a leading role in the establishment of the UK Data Service, the new flagship national data infrastructure service. The UK Data Service received £5million this year to establish a new service for streamlining research access to data collected by government departments and other agencies.

A new ESRC Business and Local Government Data Research Centre is also being established within the new building to house Essex Business School. The Centre will be led by Essex, working in partnership with the universities of East Anglia and Kent, who

together form the Eastern Academic Research Consortium (ARC), to support access to business and local government data.

Our research benefits individuals and society by directly engaging with current issues, looking to improve the quality of people's lives and informing debates around policy development and implementation.

For example:

- An International Monetary Fund policy paper exploring policies to address income inequality within countries drew on six separate ISER research papers using EUROMOD as well as some additional data provided by ISER researchers.
- The Essex Autonomy Project provided advice to the Ministry of Justice (MoJ) as part of an Arts and Humanities Research Council (AHRC) funded project reviewing whether the Mental Capacity Act (MCA) is compliant with the United Nations Convention on the Rights of Persons with Disability (UNCRPD).
- The Archbishop of Canterbury welcomed research into what influences growth and decline in church attendances by Professor David Voas from ISER.
- University of Essex-based lawyers and their students helped leading human rights organisation REDRESS secure a landmark judgement upholding the right to justice and reparations for exiled torture survivors from Pinochet-era Chile.

Awards recognising the high quality of the research and scholarship carried out at Essex received in 2013-14 included:

- The Political Studies Association's prestigious Judges' Award was presented to the British Election Study, based at Essex from 1974 to 1983 and from 2001 to 2010, for its significant contribution to political studies and public debate.
- A film created by a team led by Professor Matthias Röhrig Assunção won the Sembene Ousmane Award at the Zanzibar International Film Festival 2014 (ZIFF 2014).
- Nursing lecturer Dr Annemarie Brown received the Patient Wellbeing Award at the Journal of Wound Care Awards 2014 for her research on reducing leg ulcer recurrence rates.
- Dr Phillip Cannell, Senior Lecturer for Oral Health Science, became the first person to receive a Fellowship from the Faculty of General Dental Practice (UK).
- Professor Dick Hobbs, received the Outstanding Publication Award from the International Association for the Study of Organized Crime (IASOC) for his book *Lush Life: Constructing Organized Crime in the UK*.
- Professor Anthony King from the Department of Government and co-author Professor Sir Ivor Crewe won the Practical Politics Book of the Year Award at the Paddy Power Political Book Awards for *The Blunders of Our Governments*.
- The Rossica Translation Prize 2014 was presented to Professor Angela Livingstone, Emeritus Professor in the Department of Literature, Film, and Theatre Studies, for her translation of *Phaedra* by Marina Tsvetaeva.
- Dr Simonetta Longhi from ISER won the Moss Madden Medal for 2012 for her work on job competition and wages.
- *This Luminous Coast* by Professor Jules Pretty was awarded the New Angle Prize for East Anglian Literature.

- Professor David Sanders, was appointed the UK's first Regius Professor of Political Science. The honour was conferred on the University by Her Majesty The Queen, to mark her Diamond Jubilee.
- Accountancy expert Professor Prem Sikka received a Lifetime Achievement Award from the British Accounting and Finance Association (BAFA).
- Criminology expert Professor Nigel South was presented with a Lifetime Achievement Award from the American Society of Criminology's Division on Critical Criminology.
- Inspirational teacher and outstanding economics scholar Roy Bailey received an MBE in the Queen's Birthday Honours List for services to higher education. Senior Education Manager Deanna Walker was awarded a British Empire Medal in the New Year's Honours List for her services to higher education.

We are committed to the highest ethical and professional standards and have clear procedures in place for the governance of research to ensure the integrity of the work we undertake and protect our research reputation.

Increasing Access

We work to ensure all students with the potential to succeed, no matter what their background, have the opportunity to come to Essex and enjoy the benefits of studying at a university with an international reputation for research and a commitment to educational excellence.

We admit students solely according to ability without reference to ethnic origin, class, religion, sexuality or any other characteristic. Our Access Agreement with the Office of Fair Access (OFFA) aims to ensure no student is deterred from applying due to financial hardship.

For 2013-14, we reviewed our whole scholarship and bursary programme with the help of the Students' Union and key partners to provide further targeted support to meet our strategic aims. We believe widening participation also involves offering the right support to make sure our students succeed and get the most out of their time at Essex.

We are continuing to expand the support we offer including skills programmes and the Residents' Support Network. Increasing employability opportunities and helping under-represented groups to get the experience they need to secure graduate level jobs is being targeted through our award-winning frontrunners work placement scheme, our internships programme and our senior student ambassador scheme.

Our frontrunners scheme helped the University win the Student Support category of the *Times Higher Education Awards* in December 2014.

We fund a significant number of outreach activities to target students from low income backgrounds, students from low participation neighbourhoods, mature students, students with disabilities and young people in care. We also support parents, carers, teachers and advisers.

This work helps us consistently exceed our HESA (Higher Education Statistical Agency) Widening Participation Performance Indicator benchmarks for students from under-represented groups. We are introducing new systems to monitor the progress of these students at Essex.

The University of Essex is one of 12 universities, and the only non-Russell Group institution, in the latest cohort of providers of the Sutton Trust's Pathways to Law programme, the biggest national access initiative for the legal profession. Pathways to Law supports bright state school students in Years 12 and 13 from non-privileged backgrounds, who are interested in pursuing a career in law.

Knowledge Exchange and Community Engagement

The University is committed to stimulating economic, cultural and social development, and knowledge exchange activity is valued and encouraged.

Our Research and Enterprise Office supports companies to access our expertise, including Knowledge Transfer Partnerships, and co-ordinates a programme of training informed by our research.

Our Knowledge Transfer Partnership programme is one of the most active in the Eastern region and we are sharing our expertise with a wide range of businesses across a number of sectors including logistics, transport and data analytics.

The Business Hub at our Southend Campus is a focus for our services, facilities and training events for the business community and a Business Incubation Centre offers space and support to fledgling businesses.

Our internships programme is offering students and graduates the chance to develop their skills and experience within a particular field, while providing businesses and organisations the chance to benefit from their knowledge, skills and expertise. Through the scheme many interns have secured long-term jobs and feedback indicates businesses have gained significant economic benefits. In 2013-14 we extended our internship programme to support graduates and to provide a boost to businesses looking to take advantage of the economic upturn.

The Knowledge Gateway is a 40-acre research park at our Colchester Campus created to provide a regional hub for research and development and base for innovative businesses. This project will increase the impact of our high quality research and help establish collaborations and partnerships. Parkside Office Village is the first phase of the development to be completed and is already offering a home to innovative businesses wanting to locate themselves at the University to benefit from the potential to collaborate and access our expertise and graduates.

We are a key partner for Essex Book Festival, engaging the general public and our students with high-quality events which promote interest in literature and encourage creativity. Academics from a number of departments took part in events at our campuses and venues across the county as part of the Festival.

We have launched our Professorial Inaugural Lectures this year to allow the public and our University community to hear and engage with the research being undertaken by our newly appointed professors.

Our academics also take part in Café Scientifique and the popular series of talks designed to increase informal engagement between the public and researchers at Essex enjoyed one of its most successful years.

Our academic departments and centres also offer the wider community the chance to benefit from our research expertise through a huge range of short courses, training and public lectures throughout the year. For example, our Department of History delivers popular evening courses, Essex Business School provides a wide range of training for companies and our School of Health and Human Sciences offers Continuing Professional Development courses to clinicians and health care professionals. Other CPD opportunities are offered across the University including the School of Law, the School of Biological Sciences and the Centre for Psychoanalytic Studies

Holocaust Memorial Week in January features a full programme of public events aimed at encouraging discussion around issues relating to the Holocaust, events include the Dora Love Prize involving schools from across Essex and Suffolk.

Students at Essex are also involved in putting the knowledge they learn on their courses into practice through practical initiatives such as the Essex Law Clinic in our School of Law and the Human Rights Clinic in our Human Rights Centre. Many societies and activities within the Students' Union are directly linked to putting the skills and knowledge students gain from their studies into practice including volunteering initiatives coordinated through vTeam.

Art Exchange, the University gallery, has a year-round programme of events and exhibitions attended by both the public and our students. Shows have included an exhibition titled *My Fiction is Real* organised by MA students from the Centre for Curatorial Studies.

The Essex Collection of Art from Latin America (ESCALA), which comprises more than 700 works, also provides resources for academic study and arts education. During 2013-14 the University Space at Firstsite in Colchester was used for exhibitions featuring ESCALA works with public talks, workshops and performances organised to coincide with shows.

Our three theatres at our Colchester, Loughton and Southend campuses all host numerous public performances including shows featuring our students. East 15 Acting School's busy programme of performance has included productions inspired by local history, culture and politics, while students at our Colchester Campus this year worked with Shakespeare's Globe Theatre on the world premiere of a new production of *Omeros* by Nobel Laureate Derek Walcott.

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 the trustees of the University which is an exempt charity. The University's Council comprises ex officio external members, a student member, ex officio appointed employees, employees elected by Senate. 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 Chairs (CUC) Governance Code of Practice issued in March 2009.

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

The Committees of Council

The Council delegates some business to a number of committees:

- Audit and Risk Management;
- Strategy and Resources;
- Nominations;
- Remuneration.

All of these committees are formally constituted with published terms of reference. The disclosures in relation to these committees follow those in respect of Council itself.

The Audit and Risk Management Committee comprises solely external members, two of whom are external 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 identification and management of risk is an ongoing process specifically linked to the objectives in the Strategic Plan and is monitored closely by Audit and Risk Management Committee. Audit and Risk Management Committee reports on the results of risk identification, evaluation and management to Council which also receives the Strategic Risk Register for regular review. The Committee met four 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 and data quality;
- 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 the 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 Strategy and Resources Committee. The Committee also reviews reports on business, operational and compliance matters from the University Steering Group. The Committee met six times 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 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 three years.

A review of the effectiveness of Senate was undertaken during 2011-12 and 2012-13, the recommendations from which were approved by Senate in June 2013 and related to:

- improved communication in relation to the work of Senate, specifically establishing ways to ensure that the access points to the work of Senate that already existed were more visible in order to maximise staff engagement;
- a proposed new structure for the Committees of Senate in relation to academic decision-making, academic standards and the quality assurance and enhancement framework.

The Working Party on the Review of the Effectiveness of Senate will continue its work during 2014-15 in order to undertake a review of the four Committees of Senate not considered during 2012-13 and 2013-14. The Working Party's findings are expected to be reported to Senate before the end of the 2014-15 academic year to enable any recommendations for change to come into effect from 2015-16 onwards.

The University Court

The University Court is a formal body established under the Charter and Statutes whose main function is to receive a report from the Vice-Chancellor on the workings of the University, along with receiving the annual audited Financial Statements.

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 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 HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which 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.

Other Committee members (who are not trustees of the University)

Name	Audit and Risk Management		Strategy and Resources		Nominations		Remuneration	
	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended
Dr John Grote (13)	4	4						
Mr Andrew Keeble			5	5				
Mr Bryn Morris			5	5	3	3	1	1
Mr Robin Paddock	4	3						
Mr Kash Pandya (14)	2	2						
Prof David Sanders			5	4				
Mr Brian Stapleton	4	4						
Mr Riccardo Tazzini	4	3						
Dr Sonia Virdee			5	5				
Prof Jane Wright (15)			5	5				

Council

- 1) Lord Currie of Marylebone resigned with effect from 31 December 2013
- 2) Mr David Boyle became Chair of Council and Chair of SRC on 1 January 2014
- 3) Dr Andrew Philipps resigned with effect from 6 February 2014
- 4) Ms Becky Fisher's term of office ended on 30 June 2014
- 5) Ms Chantel Le Carpentier joined on 1 July 2014
- 6) Mr Geoffrey Probert joined on 1 March 2014
- 7) Prof Maria Fasli's term of office ended on 31 July 2014
- 8) Prof Aletta Norval's term of office ended on 31 July 2014
- 9) Dr Alison Rowland's term of office ended on 31 July 2014
- 10) Dr Marion Wood resigned with effect from 1 August 2014
- 11) Prof Sir Deian Hopkin resigned with effect from 1 August 2014
- 12) There were two vacancies throughout 2013-14

Audit and Risk Management

- 13) Dr John Grote resigned with effect from 31 July 2014
- 14) Mr Kash Pandya joined on 1 August 2013

Strategy and Resources

- 15) Prof Jane Wright resigned with effect from 31 July 2014

Nominations

- 16) Dr Alison Rowlands joined on 1 August 2013

Remuneration

- 17) None

Independent auditor's report to the members of Council of the University of Essex

We have audited the group and University Financial Statements (the "Financial Statements") of the University of Essex for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the Governing Body, in accordance with financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body and Auditor

As explained more fully in the Corporate Governance Statement on pages 16 to 17 the Governing Body is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Matter on Which we are Required to Report by Exception

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

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

Neil Thomas
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
November 2014

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 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 consultancy 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, development and disposal of land or granting of long-leases in relation to the Knowledge Gateway project.

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.

Full details of the activities of the Universities subsidiaries and joint ventures are disclosed in Note 32.

The consolidated Financial Statements do not include those of the University of Essex Students' Union as it is a separate entity with its own governance and reporting arrangements. The grant to the Students' Union is disclosed in Note 8, and the Union's financial results are summarised in Note 30.

Recognition of Income

Income from HEFCE block grants are accounted for in the period to which they relate.

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.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and

scholarships are accounted for gross as expenditure and not deducted from income

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

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Any increase in value arising on the revaluation of fixed asset investments is credited to the revaluation reserve via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Accounting for Donations and Endowment Funds

Where donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are three categories of endowment:

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 University;
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the University can apply the capital as well as the income to fund the specified objective;
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.

Unrestricted endowments 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.

Endowments with restrictions are recognised when relevant conditions have been met.

Endowments received to be applied to the cost of a tangible fixed asset (other than land) are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset except for land.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Increases or decreases in value arising on the revaluation of endowment assets (other than land) i.e. the appreciation or depreciation of endowment assets, or on their disposal, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

Receipts and Payments made on Behalf of Others

The University receives and disburses various funds on behalf of funding bodies and these are known as 'agency arrangements'. This includes the payment of HEFCE grant to academic partners, NHS bursaries and Access to Learning Funds. These funds are excluded from the University's income and expenditure account as the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. Receipts and disbursements made under agency arrangements are disclosed in Note 31.

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty.

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

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.

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.

The university uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. In instances where the derivative financial instrument ceases to be a hedge for an actual asset or liability, then it is marked to market and any resulting profit or loss recognised at that time.

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 rate differences are recorded as either a gain or a loss on exchange in the Income and Expenditure account for the financial year.

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.

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. Freehold and Leasehold 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.

Fixed Asset Impairments

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

Intangible Assets and Goodwill

Expenditure on assets that do not have physical substance but are identifiable and controlled by the University are capitalised at historical cost when it will bring benefits for more than one financial year, this includes goodwill.

Heritage Assets

The University holds various non-operational assets in the form of a collection of paintings, prints and similar artworks mainly dating from the 20th century, which were acquired through a combination of donations and purchases. The University does not actively seek to add to the collection, other than through the commissioning of photographic portraits of senior Trustees. It is the University's intention to maintain the collection and no disposals are currently foreseen. The majority of the collection is on public display in the library and a record of the items is held by the University for insurance purposes. These assets are included in the balance sheet at market valuation. The University's external valuer (Lyon & Turnbull) carried out a full valuation of the collection at 18 February 2010. The values were established on the basis of the valuer's assessment of the likely replacement cost at suitable specialist retail outlets, having given consideration to quality and condition for a similar item. The University's external Heritage assets are not depreciated.

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;

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.

Equipment acquired for specific research projects is written off in the year of acquisition along with its matching grant.

Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold and Freehold Buildings -	50 years, except for certain minor works which require 20 years
Motor Vehicles -	Between five and ten years dependent upon the expected useful economic life
Equipment -	Between five and ten years dependent upon the expected useful economic life

Where any asset is depreciated, no charge is made to the Income and Expenditure Account in the year of acquisition. However, in the year of disposal a full year charge is made regardless of the timing of the disposal.

No depreciation is charged on assets in the course of construction.

Stocks

The stocks are for general maintenance, catering supplies of food and liquor, computers and computer spares, stationery and consumables. They are valued at the lower of cost or net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when the Institution has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability. Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits and an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than a present, asset arising from a past event.

Pension Schemes

The University participates in four principal pension schemes for employees. These are the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS), the University of Essex Pension Scheme (UEPS) and Superannuation Arrangement for University of London (SAUL). The assets of the schemes are held in separate trustee-administered funds. All four schemes are defined benefit schemes and are contracted out of the State Second Pension (SP2).

Because of the mutual nature of the USS and the SAUL schemes, the University is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the schemes 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.

In addition to the four main schemes, the University volunteered to be a pilot employer for the NEST (National Employment Savings Trust) pension scheme for staff employed under UECS terms and conditions. Being a pilot employer for the new scheme meant early adoption of the initiative in 2013, which did not become statutory until 2014. The schemes will be monitored and regulated by the DWP, The Pensions Regulator and NEST Corporation.

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 Para 1 of Schedule 6 of the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Deferred Tax

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

Intra-group Transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity; the part relating to the University's share is eliminated.

Joint Venture Entities

The University's share of income and expenditure in joint venture entities is recognised in the University's income and expenditure account in accordance with FRS 9. Similarly the University's share of assets and liabilities in associate entities is recognised in the University's balance sheet in accordance with FRS 9. The gross equity method is used when consolidating joint venture entities.

Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the Institution, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Consolidated Income and Expenditure Account

Year Ended 31 July 2014

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Income			
Funding body grants	1	23,199	27,623
Tuition fees and education contracts	2	86,990	75,637
Research grants and contracts	3	22,640	21,626
Other income	4	57,872	52,234
Endowment and investment income	5	521	696
Total income		191,222	177,816
Less: Share of income from joint ventures	4	(19,005)	(18,993)
Net income		172,217	158,823
Expenditure			
Staff costs	7	90,297	86,147
Other operating expenses	8	65,606	57,681
Depreciation	8	8,116	7,134
Interest and other finance costs	8	4,031	4,908
Total expenditure	9	168,050	155,870
Surplus after depreciation of tangible fixed assets at valuation		4,167	2,953
Share of operating (loss)/profit in joint venture	12	(360)	465
Surplus after depreciation of assets at valuation and tax		3,807	3,418
Gain on disposal of fixed asset		0	1,889
Surplus for the year transferred to accumulated income in endowment funds	21	224	95
Surplus for the year retained within general reserves		4,031	5,402

All items of income and expenditure arise from continuing operations

Statement of Group Total Recognised Gains and Losses

Year Ended 31 July 2014

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		3,807	3,418
Gain on disposal of fixed asset		0	1,889
Unrealised deficit on revaluation of fixed assets	22	0	(162)
Unrealised gain on investments	22	378	0
Appreciation of endowment assets	21	289	765
New endowments	21	203	132
Actuarial (loss)/gain in respect of pension schemes	22	(2,385)	3,812
Total recognised gains relating to the year		2,292	9,854
Increase in value of Joint Ventures	22	(745)	192
Total recognised gains since last report		1,547	10,046
Reconciliation			
Opening reserves and endowments		55,692	45,646
Total recognised gains for the year		1,547	10,046
Closing reserves and endowments		57,239	55,692

Balance Sheets

as at 31 July 2014

	Notes	Consolidated		University	
		Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Fixed assets					
Tangible assets	10	217,747	199,479	204,796	187,573
Investments	11	5,677	5,299	38,816	33,685
Investment in joint ventures:	12				
Share of gross assets		38,299	39,253	0	0
Share of gross liabilities		(14,584)	(13,700)	0	0
		247,139	230,331	243,612	221,258
Endowment assets	13	6,247	5,979	6,247	5,979
Current assets					
Stocks	14	302	468	168	182
Debtors	15	8,266	7,666	7,678	7,320
Investments	16	47,302	25,130	47,302	25,130
Cash at bank and in hand		9,871	11,228	7,603	8,863
		65,741	44,492	62,751	41,495
Less creditors: amounts falling due within one year	17	(37,776)	(37,265)	(44,719)	(44,884)
Net current assets		27,965	7,227	18,032	(3,389)
Total assets less current liabilities		281,351	243,537	267,891	223,848
Less creditors: amounts falling due after more than one year	18	(119,409)	(81,877)	(112,615)	(76,092)
Less: Provisions for liabilities	19	(799)	0	(799)	0
Total net assets excluding pension liability		161,143	161,660	154,477	147,756
Net pension liability	29	(19,133)	(19,477)	(18,918)	(19,140)
Total net assets including pension liability		142,010	142,183	135,559	128,616
Deferred capital grants	20	62,154	63,141	62,154	63,141
Joint venture deferred capital grant reserve	33	22,617	23,350	0	0
Endowments					
Expendable	21	5,736	5,501	5,736	5,501
Permanent	21	511	478	511	478
		6,247	5,979	6,247	5,979
Reserves					
Income and expenditure account excluding pension reserve	22	68,942	68,385	84,893	77,831
Pension reserve	22	(19,133)	(19,477)	(18,918)	(19,140)
Income and expenditure account including pension reserve		49,809	48,908	65,975	58,691
Revaluation reserve	22	1,183	805	1,183	805
		50,992	49,713	67,158	59,496
Total Funds		142,010	142,183	135,559	128,616

The Financial Statements were approved by the Governing Body on 24 November 2014 and were signed on its behalf on that date by:

PROFESSOR A. FORSTER
Vice-Chancellor

D. BOYLE
Chair of
Council

A. KEEBLE
Director of
Finance

Consolidated Cash Flow Statement

Year Ended 31 July 2014

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Net cash inflow from operating activities	23	10,426	22,534
Returns on investments and servicing of finance			
Income from endowments		78	143
Income from investments		443	553
Interest paid		(4,168)	(4,631)
		(3,647)	(3,935)
Capital expenditure and financial investment			
Proceeds from sales of tangible fixed assets		85	20,524
Proceeds from sales of fixed asset investments		0	5,299
New endowments received	21	203	132
Endowment funds invested	13	0	(29)
Payments made to acquire tangible fixed assets	10	(26,429)	(24,814)
Payments made to acquire fixed asset investments		0	(5,293)
Deferred capital grants received	20	1,962	198
		(24,179)	(3,983)
Cash (outflow)/inflow before management of liquid resources		(17,400)	14,616
Management of liquid resources			
Increase in short term investments		(22,172)	(15,037)
Financing			
New secured loans		132,704	9,655
Repayments of amounts borrowed		(94,511)	(22,290)
		38,193	(12,635)
Decrease in cash in the year	24	(1,379)	(13,056)
Reconciliation of net cash flow to movement in net debt			
		31 July 2014 £'000	31 July 2013 £'000
Decrease in cash for the year		(1,379)	(13,056)
Change in short term deposits		22,172	15,037
Change in debt		(38,193)	12,635
Change in net debt		(17,400)	14,616
Net debt at 1 August		(46,105)	(60,721)
Net debt at 31 July	24	(63,505)	(46,105)

Notes to the Accounts

for the year ended 31 July 2014

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
1 Funding body grants		
Recurrent - teaching grant	10,776	15,537
Recurrent - research grant	8,795	8,785
Specific grants	1,489	1,174
Deferred capital grants released in year - buildings (note 20)	1,229	1,215
Deferred capital grants released in year - equipment (note 20)	910	912
	23,199	27,623
2 Tuition fees and education contracts		
Full-time home and EU students	44,327	32,837
Full-time international students	31,048	29,403
Part-time students	902	2,826
Non-credit-bearing tuition fees	3,415	3,581
NHS contracts	7,219	6,906
Research training support grant	79	84
	86,990	75,637
3 Research grants and contracts		
Research Councils	16,605	15,323
UK-based charities	1,116	927
UK central government, local authorities and health authorities	880	884
UK industry, commerce and public corporations	435	345
European Union government bodies	2,607	3,361
Deferred capital grants (non-funding council) released in year - equipment (note 20)	0	26
Other overseas	997	755
Other sources	0	5
	22,640	21,626
4 Other income		
Other services rendered:		
Income from academic partnerships	2,152	2,169
Other sources	277	263
Commercial services income	29,081	25,214
Deferred capital grants (non-funding council) released in year - buildings (note 20)	810	811
Rental income	696	765
Other income	5,851	4,019
Income from joint ventures	19,005	18,993
	57,872	52,234
5 Endowment and investment income		
Income from fixed asset investments	157	166
Income from expendable endowments	73	131
Income from permanent endowments	5	12
Income from current asset investments	286	387
	521	696

Notes to the Accounts

for the year ended 31 July 2014

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
6 Surplus for the year		
The surplus on continuing operations for the year is made up as follows:		
University's surplus for the year	9,806	3,039
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	119	4,409
Losses retained by subsidiary undertakings and joint ventures	(5,894)	(2,046)
	4,031	5,402
7 Staff costs		
Salaries	71,180	67,560
Social security costs	5,324	5,153
Other pension costs	13,793	13,434
	90,297	86,147
Aggregate emoluments of the Vice-Chancellor for year to 31 July	228	228
<p>The emoluments of the Vice-Chancellor are shown prior to any salary sacrifice arrangements. 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 £39,040 (2012-13: £35,320).</p> <p>Compensation for loss of office paid to senior members of staff for 2013-14 was £0k (2012-13: £0k)</p> <p>Other pension costs include pension contributions made by the University on behalf of employees who have elected to reduce their wages and salaries when the University introduced its Pensions Plus scheme in April 2009.</p>		
Remuneration of other higher paid staff, excluding employer's pension contributions:	No.	No.
£100,000 to £109,999	8	9
£110,000 to £119,999	11	3
£120,000 to £129,999	3	2
£130,000 to £139,999	1	2
£140,000 to £149,999	0	0
£150,000 to £159,999	1	0
	24	16
Average staff numbers by major category :	No.	No.
Academic	649	635
Research	87	93
Senior Support	447	419
Other Support	423	397
General Support	402	410
	2,008	1,954

Notes to the Accounts

for the year ended 31 July 2014

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
8 Other operating expenses		
Books and periodicals	2,524	2,521
Equipment and consumables	3,199	2,784
Food and Drink	1,057	1,017
Gas, water and electricity	4,117	4,269
Grants to Students' Union	1,138	1,363
Insurance	472	438
Long-term maintenance programme	3,058	2,638
Minor works	523	427
Other expenses	16,992	14,939
Postage and telephones	373	307
Printing and stationery	525	501
Professional, audit and consultancy fees	2,635	2,533
Rates and rental of premises	7,270	2,478
Repairs and routine maintenance of estates	3,410	3,637
Research survey fieldwork	8,367	7,200
Scholarships (fee waivers and bursaries)	4,021	4,879
Travel and subsistence	2,084	2,021
IT/AV Equipment	3,703	3,729
Loss on disposal of fixed asset	138	0
	65,606	57,681
Included within professional, auditor and consultancy fees above are the following amounts receivable by the external auditor:		
Statutory audit fee: £58,000 (2013-13: £73,000)		
Audit-related assurance services: £7,000 (2012-13: £2,000)		
Taxation advisory services: £186,612 (2012-13: £176,000)		
Depreciation, impairment and amortisation		
The depreciation, impairment and amortisation charge is represented by:		
Deferred capital grants released (Note 20)	2,949	2,964
General income	5,167	4,170
	8,116	7,134
Finance charges		
Bank Interest payable	4,168	4,631
Net (credit)/charge on pension scheme (FRS17)	(137)	277
	4,031	4,908

Notes to the Accounts

for the year ended 31 July 2014

9 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation and Amortisation £'000	Interest paid £'000	2013-14 Total £'000	2012-13 Total £'000
Academic departments and centres	48,170	5,861	48	0	54,079	50,997
Academic services	7,464	4,915	0	0	12,379	12,556
Research grants and contracts	8,261	10,541	0	0	18,802	17,705
Residences and catering	6,758	15,132	2,978	1,432	26,300	21,942
Premises	4,548	9,133	4,971	0	18,652	17,505
Administration	9,367	3,712	0	22	13,101	13,640
Other services rendered	291	733	12	0	1,036	1,129
General education expenditure	1,671	5,967	0	0	7,638	6,787
Student and staff facilities	2,578	5,057	107	54	7,796	6,838
Early retirements and severances	276	0	0	0	276	0
Other expenses	913	4,555	0	2,523	7,991	6,771
	90,297	65,606	8,116	4,031	168,050	155,870

Trustees

No trustee has received any remuneration/waived payments from the group during the year. Ten trustees are also employees of the University but received no additional payment for acting as trustees. The total expenses paid to or on behalf of 25 trustees was £nil (2013 - £nil to 25 trustees).

Notes to the Accounts

for the year ended 31 July 2014

10 Tangible assets

Consolidated	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Total £'000
Cost						
At 1 August 2013	221,665	1,923	18,496	8,181	798	251,063
Adjustments	(10,249)	1,278	(2,880)	9,671	0	(2,180)
Additions	3,703	0	1,189	21,810	0	26,702
Transfers	592	0	0	(592)	0	0
Disposals	0	0	(318)	0	0	(318)
At 31 July 2014	215,711	3,201	16,487	39,070	798	275,267

Depreciation

At 1 August 2013	40,378	680	10,526	0	0	51,584
Adjustments	(83)	78	(2,175)	0	0	(2,180)
Charge for the year	5,071	61	2,029	0	0	7,161
Impairments	1,050	0	0	0	0	1,050
Transfers	0	0	0	0	0	0
Disposals	0	0	(95)	0	0	(95)
At 31 July 2014	46,416	819	10,285	0	0	57,520

Net Book Value

At 31 July 2014	169,295	2,382	6,202	39,070	798	217,747
At 31 July 2013	181,287	1,243	7,970	8,181	798	199,479

University

Cost

At 1 August 2013	217,798	1,923	17,128	790	798	238,437
Adjustments	(10,249)	1,278	(2,880)	9,671	0	(2,180)
Additions	1,288	0	1,182	21,810	0	24,280
Transfers	592	0	0	(592)	0	0
Disposals	0	0	(318)	0	0	(318)
At 31 July 2014	209,429	3,201	15,112	31,679	798	260,219

Depreciation

At 1 August 2013	39,765	680	10,419	0	0	50,864
Adjustments	(83)	78	(2,175)	0	0	(2,180)
Charge for the year	4,857	61	1,916	0	0	6,834
Transfers	0	0	0	0	0	0
Disposals	0	0	(95)	0	0	(95)
At 31 July 2014	44,539	819	10,065	0	0	55,423

Net Book Value

At 31 July 2014	164,890	2,382	5,047	31,679	798	204,796
At 31 July 2013	178,033	1,243	6,709	790	798	187,573

Notes to the Accounts

for the year ended 31 July 2014

10 Tangible assets (continued)

University Land and Buildings include £5.226m (2012-13: £5.226m) in respect of freehold land which is not depreciated and leasehold properties with a net book value of £2.382m (2012-13: £1.243m).

Additions to University land and buildings in the year includes £21.810m (2012-13: £16.539m) for assets in the course of construction, for which no depreciation charge has been made. Land, buildings and equipment with a net book value of £69.140m (2012-13: £79.971m) have been funded by capital grants of £36.132m and other gifts and donations of £26.021m.

The University Equipment includes assets valued at £798k for works of art deemed to be heritage assets which were capitalised in 2009-10. The University's external valuer (Lyon & Turnbull) carried out a full valuation of the collection at 18 February 2010. The values were established on the basis of the valuer's assessment of the likely replacement cost at suitable specialist retail outlets, having given consideration to quality and condition for a similar item.

11 Investments

	Consolidated		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
At 1 August	5,299	4,457	33,685	30,956
Additions	0	836	4,753	2,723
Revaluations credited to the revaluation reserve	378	6	378	6
At 31 July	5,677	5,299	38,816	33,685
Comprising:				
Equities	5,630	5,252	5,630	5,252
Subsidiary companies:				
University of Essex Knowledge Gateway Holdings Ltd	0	0	17,312	12,641
Universal Accommodation Group Ltd	0	0	2,893	2,893
University of Essex Campus Services Ltd	0	0	1,333	1,251
Wivenhoe House Hotel Ltd	0	0	11,601	11,601
Other investments	47	47	47	47
	5,677	5,299	38,816	33,685

Notes to the Accounts

for the year ended 31 July 2014

12 Investment in Joint Ventures

University of Campus Suffolk Limited

	Year Ended 31 July 2014	Year Ended 31 July 2013
	£'000	£'000
Income and expenditure account		
Income	18,730	18,993
Expenditure	(19,089)	(18,528)
Profit before tax	(360)	465
Balance sheet		
Fixed assets	32,686	33,895
Current assets	5,388	5,358
	38,074	39,253
Creditors: amounts due within one year	(2,068)	(2,122)
Creditors: amounts due after more than one year	(12,309)	(11,578)
	(14,377)	(13,700)
Share of net assets in University Campus Suffolk Ltd	23,697	25,553

University Campus Suffolk Ltd is a company limited by guarantee with two members, the University of Essex and the University of East Anglia, to promote the establishment of a university campus in Suffolk. For the year ending 31 July 2014 it recorded a deficit of £0.719m after taxation (£0.931m surplus in 2012-13).

During the year, UCS Ltd purchased goods and services to the value of £370k from the University (2012-13: £493k) of which £176k was outstanding at 31 July 2014 (2012-13: £163k). UCS Ltd provided services to the University to the value of £9k, (2012-13: £10k) with £nil outstanding at 31 July 2014. (2012-13: £nil)

University Campus Suffolk Ltd have been accounted for as a joint venture in accordance with FRS 9. The level of profit included within the consolidated financial statements is as shown above and in the summary of joint ventures on page 43.

Notes to the Accounts

for the year ended 31 July 2014

12 Investment in Joint Ventures (continued)

Southend-on-Sea Forum Management Limited

	Year Ended 31 July 2014	
	£'000	£'000
Income and expenditure account		
Income		275
Expenditure		(275)
Profit before tax		0
Balance sheet		
Fixed assets	0	
Current assets	225	225
Creditors: amounts due within one year	(207)	
Creditors: amounts due after more than one year	0	(207)
Share of net assets in Southend-on-Sea Forum Management Ltd		18

Southend-on-Sea Forum Management Ltd (SoSFML) is a joint venture between University of Essex, Southend-on-Sea Borough Council and South Essex College of Further and Higher Education. The joint venture was established in order to oversee the property management of the Forum building in Southend which is the UK's first integrated academic and public library and combines the modern teaching facilities of South Essex College, the research and learning environment of the University of Essex and the municipal library of Southend-on-Sea Borough Council. It was incorporated on 1 November 2011 and was dormant until 21 August 2013, when construction of the Forum building in Southend-on-Sea was formally completed. The Forum opened to the public on 30 September 2013. For the year ending 31 July 2014 it recorded a surplus of £nil (2012-13: £nil).

During the year, SoSFML Ltd purchased goods and services to the value of £4k from the University (2012-13: £nil) of which £nil was outstanding at 31 July 2014 (2012-13: £nil). SoSFML Ltd provided services to the University to the value of £435k (2012-13: £nil) with £nil outstanding at 31 July 2014 (2012-13: £nil).

Southend-on-Sea Forum Management Ltd has been accounted for as a joint venture in accordance with FRS 9. The level of profit included within the consolidated financial statements is as show above and in the summary of joint ventures below.

Total investment in Joint Ventures:

	Year Ended 31 July 2014	Year Ended 31 July 2013
	£'000	£'000
Total income from joint ventures recognised in the Income Statement		
Income from UCS	18,730	18,993
Income from SoSFML	275	0
Total income from joint ventures	19,005	18,993
Total (loss)/profit from joint ventures recognised in the Income Statement		
(Loss)/Profit from UCS	(360)	465
(Loss)/Profit from SoSFML	0	0
Total (loss)/profit from joint ventures	(360)	465

Share of gross assets and liabilities in joint ventures:

Share of gross assets in UCS	38,074	39,253
Share of gross assets in SoSFML	225	0
Total share of gross assets in joint ventures	38,299	39,253
Share of gross liabilities in UCS	(14,377)	(13,700)
Share of gross liabilities in SoSFML	(207)	0
Total share of gross liabilities in joint ventures	(14,584)	(13,700)

Notes to the Accounts

for the year ended 31 July 2014

13 Endowment assets (Consolidated and University)

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Balance at 1 August	5,979	5,177
New endowments invested	0	29
Increase in market value of investments	289	764
(Decrease)/Increase in cash balances held for endowment funds	(21)	9
Balance at 31 July	6,247	5,979
Represented by		
Absolute return funds	936	958
Equities	4,634	4,322
Cash at bank held for endowment funds	677	699
Total endowment assets	6,247	5,979

14 Stock

	Consolidated		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Stock	302	468	168	182

15 Debtors

	Consolidated		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Amounts falling due within one year:				
Trade debtors	1,134	593	427	247
Student fees	1,784	1,682	1,784	1,682
Research debtors	1,676	3,153	1,676	3,153
Prepayments and accrued income	3,642	2,238	3,613	1,945
Other debtors	30	0	30	0
Amounts due from subsidiary companies	0	0	148	293
	8,266	7,666	7,678	7,320

Notes to the Accounts

for the year ended 31 July 2014

16 Investments

	Consolidated		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Deposits maturing:				
In one year or less	47,209	25,037	47,209	25,037
Between one and two years	0	0	0	0
	47,209	25,037	47,209	25,037
Other investments:	93	93	93	93
	47,302	25,130	47,302	25,130

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than 24 hours maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2014 the weighted average interest rate of these fixed rate deposits was 0.90% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 61 days. The fair value of these deposits was not materially different from the book value.

17 Creditors : amounts falling due within one year

	Consolidated		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Secured loans	1,821	1,285	1,821	1,285
Unsecured loans	125	0	125	0
Payments received in advance	16,345	15,689	16,345	15,689
Research grants received on account	6,891	5,621	6,891	5,621
Trade creditors	4,540	4,244	4,232	3,938
Social security and other taxation payable	1,074	1,750	977	1,644
Accruals and deferred income	6,980	8,676	6,009	7,318
Amounts due to subsidiary companies	0	0	8,319	9,389
	37,776	37,265	44,719	44,884

Notes to the Accounts

for the year ended 31 July 2014

18 Creditors : amounts falling due after more than one year

	Consolidated		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Analysis of secured and unsecured loans:				
Due within one year or on demand	1,946	1,285	1,946	1,285
Due between one and two years	1,946	1,285	1,946	1,285
Due between two and five years	6,443	8,723	6,443	8,723
Due in five years or more	104,066	65,262	104,066	65,262
	114,401	76,555	114,401	76,555
Due within one year or on demand	(1,946)	(1,285)	(1,946)	(1,285)
Due after more than one year	112,455	75,270	112,455	75,270
Other creditors:				
Due between one and two years	6,794	1,603	0	150
Due between two and five years	0	630	0	450
Due in five years or more	160	4,374	160	222
	6,954	6,607	160	822
Total	119,409	81,877	112,615	76,092

During 2008-09, 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.

During 2013-14, the University received £300k from HEFCE repayable in eight equal six monthly instalments starting in November 2014.

In 2013 the University renegotiated its loan facility with Lloyds. As at 31 July 2014, the University had loans with Lloyds totaling £114m, repayable by 2043. The University also had a bank loan with Barclays Bank which was repaid in 2013.

19 Provisions for liabilities (Consolidated and University)

	General Provision £'000	Total £'000
At 1 August 2013	0	0
Utilised in year	0	0
Transfer from income and expenditure account	799	799
At 31 July 2014	799	799

The University entered an arrangement with Uliving to deliver new student accommodation facilities, The Meadows, on the Colchester campus. Uliving built an additional 648 rooms for the University, of which 228 are in townhouses with the remaining 420 being en-suite. Part of the arrangement was that for the period 2013-14 to 2015-16 the University would guarantee 100% of the rental income. The University has made a provision of £505k for the years 2014-15 and 2015-16 against the likelihood of rentals not being received based on historic void rates. In addition the provision includes a sum relating to a potential repayment of a research grant.

Notes to the Accounts

for the year ended 31 July 2014

20 Deferred capital grants

Consolidated and University	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2013			
Buildings	34,480	26,833	61,313
Equipment	1,828	0	1,828
Total	36,308	26,833	63,141
Cash receivable			
Buildings	1,962	0	1,962
Equipment	0	0	0
Total	1,962	0	1,962
Released to income and expenditure account			
Buildings (notes 1 and 4)	(1,229)	(810)	(2,039)
Equipment (notes 1 and 3)	(910)	0	(910)
Total	(2,139)	(810)	(2,949)
At 31 July 2014			
Buildings	35,213	26,023	61,236
Equipment	918	0	918
Total	36,131	26,023	62,154

Grants received in the year included £1.96m from HEFCE for both building costs.

Grants released to the income and expenditure account are to fund depreciation charges as shown in notes 9 and 10.

Notes to the Accounts

for the year ended 31 July 2014

21 Endowments (Consolidated and University)

	Total Year Ended 31 July 2013 £'000	Additions and transfers £'000	Change in Market Value £'000	Income £'000	Expenditure £'000	Total Year Ended 31 July 2014 £'000
Restricted permanent endowment funds	478	0	31	5	(3)	511
Restricted expendable endowment funds	5,501	203	258	73	(299)	5,736
	5,979	203	289	78	(302)	6,247
Linked charities	1,465	0	0	0	0	1,465
	7,444	203	289	78	(302)	7,712

Funds and charities with income below £100,000:

Fellowships and scholarships	1,142	114	57	14	(46)	1,281
Prize funds	317	4	16	4	(9)	332
Chairs and lectureships	48	0	7	2	(56)	1
Other	1,731	85	85	21	(81)	1,841

Funds and charities with income over £100,000:

University Campus Suffolk	1,465	0	0	0	0	1,465
John Silberrad Trust Fund	2,741	0	124	37	(110)	2,792
	7,444	203	289	78	(302)	7,712

	2012-13 Total £'000	Restricted Expendable £'000	Restricted Permanent £'000	2013-14 Total £'000
Represented by:				
Endowment capital	5,981	5,995	478	6,473
Accumulated income	(2)	(259)	33	(226)
	5,979	5,736	511	6,247

Notes to the Accounts

for the year ended 31 July 2014

22 Reserves

	Year Ended 31 July 2014	
	Consolidated £'000	University £'000
Income and Expenditure reserves		
At 1 August	68,385	77,831
Surplus retained for the year	4,031	9,806
Increase in value of joint ventures	(745)	0
Add back pension deficit	(2,729)	(2,744)
At 31 July	68,942	84,893
Pension reserve		
At 1 August	(19,477)	(19,140)
Actuarial loss	(2,385)	(2,522)
Surplus retained within reserves	2,729	2,744
At 31 July	(19,133)	(18,918)
Revaluation reserve		
At 1 August	805	805
Revaluation of investments	378	378
Transfer to Income and Expenditure Reserve	0	0
At 31 July	1,183	1,183

Notes to the Accounts

for the year ended 31 July 2014

23 Reconciliation of surplus before tax and profit on disposal of assets to net cash inflow from operating activities

	Notes	Consolidated Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Surplus on continuing activities after depreciation of assets at cost		4,167	4,842
Depreciation	10	7,161	7,134
Impairment	10	1,050	0
Loss/(profit) on disposal of tangible fixed assets		138	(577)
Profit on disposal of fixed assets investments		0	(842)
Deferred capital grants released to income	20	(2,949)	(2,964)
Investment income	5	(521)	(696)
Interest payable	8	4,168	4,631
Decrease/(increase) in stocks	14	166	(41)
(Increase)/decrease in debtors	15	(600)	3,183
(Decrease)/increase in creditors	17	(420)	9,352
Increase/(decrease) in provisions	19	799	(118)
Pension costs less contributions payable	29	(2,733)	(1,370)
Net cash inflow from operating activities		10,426	22,534

24 Analysis of changes in net debt

	Notes	At 1 August 2013 £'000	Consolidated		At 31 July 2014 £'000
			Cash Flows £'000	Non-Cash Changes £'000	
Cash at bank and in hand					
Endowment assets	13	699	(22)	0	677
Other		11,228	(1,357)	0	9,871
		11,927	(1,379)	0	10,548
Short-term investments	16	25,130	22,172	0	47,302
Debts due within one year	17	(1,285)	1,285	(1,946)	(1,946)
Debts due after one year	18	(81,877)	(39,478)	1,946	(119,409)
		(46,105)	(17,400)	0	(63,505)

Notes to the Accounts

for the year ended 31 July 2014

25 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2014:

	Consolidated		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Commitments contracted for	21,983	42,359	21,487	40,008
Authorised but not contracted for	0	0	0	0
	21,983	42,359	21,487	40,008

26 Contingent liabilities

The University entered an arrangement with Uliving to deliver new student accommodation facilities, The Meadows, on the Colchester campus. Uliving built an additional 648 rooms for the University, of which 228 are in townhouses with the remaining 420 being en-suite. Part of the arrangement was that for the period 2013-14 to 2015-16 the University would guarantee 100% of the rental income. The University has made a provision of £505k for the years 2014-15 and 2015-16 against the likelihood of rentals not being received based on historic void rates however there is a potential future liability that the full guarantee would need to be paid. The University considers this risk highly unlikely.

27 Lease obligations

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Leases expiring within one year	16	0
Leases expiring between two and five years	0	16
Leases expiring after five years	67	67
	83	83

Leases are for land and buildings.

The lease expiring within one year is for a unit at Southend. The leases expiring after five years are for a unit at Southend and land at East15, Loughton.

Notes to the Accounts

for the year ended 31 July 2014

28 Disclosure of 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 nature of the relationship between the entities, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2014 the University paid the Union a revenue grant of £1.138m (2012-13: £1.334m), and provided accommodation free of rent. The Union's income and expenditure account shows the following:

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Income	1,866	1,547
Expenditure	(1,859)	(1,565)
Operating surplus/(loss) before and after transfers from/(to) reserves	7	(18)

Miss Rebecca Fisher was a Council member during 2013-14 who also sat on Essex Students' Union Board.

During the year, University Campus Suffolk purchased goods and services to the value of £369,643 (2013: £491,336) from University of Essex. At 31 July 2014, the outstanding balance was £175,510 (2013: £162,705). In addition, UCS provided services to University of Essex to the value of £9,153 (2013: £10,361). At 31 July 2014, amounts owed by University of Essex amounted to £nil (2013: £533).

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.

Notes to the Accounts

for the year ended 31 July 2014

29 Pension Schemes

The University has four principal pension schemes for employees. These are the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS), Superannuation Arrangements of the University of London (SAUL) and the University of Essex Pension Scheme (UEPS). The assets of the schemes are held in separate trustee-administered funds. All four schemes are defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. USS and SAUL are mutual schemes and the assets are not hypothecated to individual institutions and it is therefore not possible to identify the University's share of the underlying assets and liabilities. 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. When UEPS became a closed scheme from March 2004, all new staff were eligible to join USS. Since June 2014 all staff between the grades of 1 to 6 are eligible to join SAUL while staff graded 7 to 11 are eligible to join USS. The total pension cost for the University and its subsidiary undertakings was:

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Contribution to USS	13,580	12,206
Contribution to LGPS	339	339
LGPS additional University costs to fund past service deficiency	1,538	1,573
Contributions to UEPS	554	601
UEPS additional University costs to fund past service deficiency	405	405
Contribution to SAUL	4	0
Net adjustment from FRS 17 staff costs	(2,627)	(1,690)
Total pension cost	13,793	13,434

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

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
LGPS pension liability	(12,280)	(14,251)
UEPS pension liability	(6,853)	(5,226)
Total pension liability	(19,133)	(19,477)

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (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 6.1% per annum, salary increases would be 4.4% per annum (with short term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Notes to the Accounts

for the year ended 31 July 2014

29 Universities Superannuation Scheme USS (continued)

Standard mortality tables were used as follows:

Male member's mortality	S1NA ["light"] YoB tables - no age rating
Female member's mortality	S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates; the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males currently aged 65	23.7 years
Females currently aged 65	25.6 years
Males currently aged 45	25.5 years
Females currently aged 45	27.6 years

At the valuation date, the value of the assets of the whole scheme was £32,433.5m and the value of the scheme's technical provisions was £35,343.7m, indicating a shortfall of £2,910.2m. The assets were therefore sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% 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 an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in the market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure. However, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to the decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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

Assumption	Change in assumption	Impact upon scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

Notes to the Accounts

for the year ended 31 July 2014

29 Universities Superannuation Scheme USS (continued)

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on Consumer Prices Index (CPI) measure of price inflation. Historically these increases had been based on the Retail Prices Index (RPI) measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal Pension Age

The Normal Pension Age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member Contributions Increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost Sharing

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension Increase Cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns, form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 1,794 active members participating in the scheme.

The total pension cost for the institution was £13.6m (2012-13: £12.2m). There are no prepaid or outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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29 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 employer contribution rate for 2013-14 was 21.4% (2012-13 16.1%). In addition, the University made a further payment of £1.538m (2012-13: £1.573m) towards the scheme deficiency.

From 01 April 2014, all members of the scheme transferred to a Career Average Revalued Earnings (CARE) benefit structure. As a consequence, the cost of benefit accrual is expected to fall. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall.

The value of the employer's liability 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 2013
Actuarial method	Projected Unit
Pension increases	2.5% per annum
Salary scale increases	4.3% per annum
Market value of assets at date of last valuation (whole fund)	£3,926 million
The proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) was 80%.	

Actuarial Assumptions

A full actuarial valuation was carried out at 31 March 2013, and updated to 31 July 2014 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2014	At 31 July 2013
Financial assumptions	%	%
Rate of increase in salaries	4.30	4.10
Rate of increase in pension payments	2.50	2.30
Expected return on assets	5.70	5.70
Discount rate for liabilities	4.00	4.20
Inflation assumptions	2.50	2.30
Split of assets between investment categories		
Equities	64.00	66.00
Government Bonds	6.00	8.00
Other Bonds	11.00	8.00
Property	12.00	11.00
Cash	3.00	3.00
Other	4.00	4.00

Notes to the Accounts

for the year ended 31 July 2014

29 Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme

	Long-term rate of return expected at 31 July 2014	Whole fund value at 31 July 2014 £'000	Long-term rate of return expected at 31 July 2013	Whole fund value at 31 July 2013 £'000	Long-term rate of return expected at 31 July 2012	Whole fund value at 31 July 2012 £'000
	%		%		%	
Equities	6.50	2,874,000	6.50	2,570,000	5.90	2,249,000
Government Bonds	3.40	269,000	3.40	312,000	2.80	196,000
Other Bonds	4.00	494,000	4.30	312,000	3.90	293,000
Property	5.50	539,000	5.50	428,000	4.90	391,000
Cash	3.20	135,000	0.50	117,000	0.50	130,000
Other	4.00	180,000	4.30	156,000	0.00	0
Total market value of assets		4,491,000		3,895,000		3,259,000

	Consolidated 31 July 2014 £'000	University 31 July 2014 £'000	University 31 July 2013 £'000	University 31 July 2012 £'000
Estimated asset share	43,323	40,941	38,942	32,594
Present value of scheme liabilities	(55,603)	(53,010)	(52,860)	(50,868)
Deferred Tax Asset				
Deficit in the scheme	(12,280)	(12,069)	(13,918)	(18,274)
	78%	77%	74%	64%

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 2014	At 31 July 2013
Post retirement mortality assumptions:		
Active members	Males - 91% S1PA CMI_2012_M [1.5%] Females - 85% S1PA CMI_2012_F [1.5%]	Males - 91% S1PMA CMI_2009_M [1%] Females - 85% S1PFA CMI_2009_F [1%]
Current Pensioners	Males - 91% S1PA CMI_2012_M [1.5%] Females - 85% S1PA CMI_2012_F [1.5%]	Males - 91% S1PMA CMI_2009_M [1%] Females - 85% S1PFA CMI_2009_F [1%]
Life expectancy:		
Male current pensioner aged 65	22.7 years	22.7 years
Female current pensioner aged 65	25.1 years	25.3 years
Male future pensioner aged 65	24.9 years	24.2 years
Female future pensioner aged 65	27.4 years	26.9 years

Notes to the Accounts

for the year ended 31 July 2014

29 Local Government Pension Scheme (LGPS) - continued

	Consolidated At 31 July 2014 £'000	University At 31 July 2014 £'000	University At 31 July 2013 £'000
Analysis of amount charged to staff costs within operating surplus			
Current service charge	(585)	(520)	(475)
Settlements and curtailments	0	0	(12)
Total operating charge	(585)	(520)	(487)
Analysis of net return on pension scheme			
Expected return on pension scheme assets	2,369	2,244	1,693
Interest on pension liabilities	(2,308)	(2,188)	(1,955)
Net return	61	56	(262)
Amount recognised in the statement of total recognised gains and losses (STRGL)			
Actual return less expected return on pension scheme assets	(472)	(609)	3,140
Actuarial (loss)/gain recognised in the STRGL	(472)	(609)	3,140
Movements in deficit during the year			
Deficit in scheme at 1 August	(14,251)	(13,918)	(18,274)
Movements in the year:			
Current service charge	(585)	(520)	(475)
Contributions	2,967	2,922	1,965
Past service cost and curtailment loss	0	0	0
Other outgoings	0	0	0
Net interest/return on assets	61	56	(262)
Actuarial (loss)/gain	(472)	(609)	3,140
Settlement and Curtailment	0	0	(12)
Deferred Tax Asset	0	0	0
Deficit in scheme at 31 July	(12,280)	(12,069)	(13,918)

Notes to the Accounts

for the year ended 31 July 2014

29 Local Government Pension Scheme (LGPS) - continued

	Consolidated	University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Change in benefit obligation during the period to 31 July			
At beginning of year	55,372	52,860	50,868
Current service cost	585	520	475
Interest on pension liabilities	2,308	2,188	1,955
Member contributions	165	148	147
Actuarial losses on liabilities	(609)	(511)	1,550
Benefits paid	(2,218)	(2,195)	(2,135)
At end of year	55,603	53,010	52,860

Analysis of movement in the market value of the scheme assets

At beginning of year	41,117	38,942	32,594
Expected return on plan assets	2,369	2,244	1,693
Actuarial (losses)/gains on assets	(1,077)	(1,120)	4,690
Employer contributions	2,967	2,922	1,965
Member contributions	165	148	147
Benefits/transfers paid	(2,218)	(2,195)	(2,147)
At end of year	43,323	40,941	38,942

History of Experience Gains and Losses

	2013-14 £'000	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000
Difference between the expected and actual return on scheme assets:					
Amount	(1,077)	4,950	(1,739)	(369)	2,860
Percentage of scheme assets	(2.49%)	12.04%	5.30%	1.10%	9.20%
Experience gains arising on the scheme liabilities:					
Amount	805	(28)	12	368	0
Percentage of scheme liabilities	(1.45%)	0.05%	0.00%	0.80%	0.00%
Total amount recognised in the Statement of total recognised gains and losses:					
Amount	(472)	3,395	(3,362)	(3,287)	(3,573)
Percentage of scheme liabilities	(0.85%)	6.13%	6.60%	6.80%	8.00%

In the 2014-15 year, the University estimates the employer contribution will be £1.932m.

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 2013-14 were 21.5% for the University and 6% for employees. In addition, the University made a further payment of £405k (2012-13: £405k) 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 March 2013
Actuarial method	Projected Unit
Price inflation	2.5% per annum
Pension increases	3.3% per annum
Salary scale increases	4.3% per annum
Market value of assets at 1 August 2010	£19.581 million

Notes to the Accounts

for the year ended 31 July 2014

29 University of Essex Pension Scheme (UEPS) - continued

Actuarial Assumptions

The FRS 17 disclosures as at 31 July 2014 reflect those adopted by the Scheme Trustees for the formal actuarial

	At 31 July 2014 %	At 31 July 2013 %
Financial Assumptions		
Rate of increase in salaries	4.30	4.10
Rate of increase in pension payments	3.30	3.10
Expected return on assets	5.90	5.70
Discount rate for liabilities	4.00	4.20
Inflation assumptions	2.50	2.30

Split of assets between investment categories

Equities	78	76
Corporate bonds	9	8
Government bonds	11	11
Cash	2	5

Expected rate of return on assets in the scheme

	Long-term rate of return expected at 31 July 2014 %	Whole fund value at 31 July 2014 £'000	Long-term rate of return expected at 31 July 2013 %	Whole fund value at 31 July 2013 £'000	Long-term rate of return expected at 31 July 2012 %	Whole fund value at 31 July 2012 £'000
Equities	6.5	15,929	6.5	14,847	5.9	12,122
Corporate bonds	4.0	1,899	4.3	1,589	3.9	1,531
Government bonds	3.4	2,339	3.4	2,157	2.8	1,890
Cash	3.2	346	0.5	988	0.5	587
Total market value of assets		20,513		19,581		16,130
Present value of scheme liabilities		(27,366)		(24,807)		(21,914)
(Deficit) in the scheme		(6,853)		(5,226)		(5,784)
		75%		79%		74%

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

Notes to the Accounts

for the year ended 31 July 2014

29 University of Essex Pension Scheme (UEPS) - continued

Mortality and life expectancy assumptions

Longevity assumptions		Life Expectancy (years) Aged 65 at 31 July 2014	Life Expectancy at 65 (years) Aged 40 at 31 July 2014
Males	S1PMA based on each member's actual year of birth (minimum underpin of 1%)	22.9	25.3
Females	S1PFA based on each member's actual year of birth (minimum underpin of 1%)	25.5	27.9
		At 31 July 2014	At 31 July 2013
		£'000	£'000
Analysis of amount charged to income and expenditure account			
	Current service charge	(819)	(840)
	Past service cost	0	0
	Total operating charge	(819)	(840)
Analysis of net return on pension scheme			
	Expected return on pension scheme assets	1,120	849
	Interest on pension liabilities	(1,044)	(865)
	Net return	76	(16)

Notes to the Accounts

for the year ended 31 July 2014

29 University of Essex Pension Scheme (continued)

	At 31 July 2014 £'000	At 31 July 2013 £'000			
Amount recognised in the statement of total recognised gains and losses (STRGL)					
Actual return less expected return on pension scheme assets	(497)	1,905			
Actuarial (loss) arising on the scheme liabilities	(1,416)	(1,520)			
Actuarial (loss)/gain recognised in the STRGL	(1,913)	385			
Movements in deficit during the year					
Deficit in scheme at 1 August	(5,226)	(5,784)			
Movements in the year:					
Current service charge	(819)	(840)			
Contributions	1,029	1,029			
Net interest/return on assets	76	(16)			
Actuarial (loss)/gain	(1,913)	385			
Deficit in scheme at 31 July	(6,853)	(5,226)			
Change in benefit obligation during the period to 31 July					
At beginning of year	24,807	21,914			
Current service cost	819	840			
Interest on pension liabilities	1,044	865			
Member contributions	21	18			
Actuarial loss on liabilities	1,416	1,520			
Benefits paid	(741)	(350)			
At end of year	27,366	24,807			
Analysis of movement in the market value of the scheme assets					
At beginning of year	19,581	16,130			
Expected return on plan assets	1,120	849			
Actuarial (loss)/gain on assets	(497)	1,905			
Employer contributions	1,029	1,029			
Member contributions	21	18			
Benefits and transfers paid	(741)	(350)			
At end of year	20,513	19,581			
History of Experience Gains and Losses					
	2013-14 £'000	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000
Difference between the expected and actual return on scheme assets:					
Amount	(497)	1,905	(670)	777	1,186
Percentage of scheme assets	(2.42%)	9.73%	3.42%	4.82%	9.50%
Experience gains arising on the scheme liabilities:					
Amount	884	(288)	(29)	490	0
Percentage of scheme liabilities	3.23%	(1.16%)	(0.10%)	3.00%	0.00%
Total amount recognised in the Statement of total recognised gains and losses:					
Amount	(1,913)	385	(4,935)	1,264	154
Percentage of the present value of scheme liabilities	(6.99%)	1.55%	22.50%	7.70%	1.00%

Notes to the Accounts

for the year ended 31 July 2014

29 University of Essex Pension Scheme (continued)

On 01 September 2014 the University of Essex Pension Scheme (UEPS) merged into the Superannuation Arrangements of the University of London (SAUL). This effectively means the Scheme ceased on 01 September 2014, as all assets and liabilities were transferred to SAUL, or elsewhere as appropriate.

The FRS 17 balance sheet in respect of the Scheme as at 31 July 2015 will therefore show zero liabilities, zero assets and a surplus/deficit of nil. Part of the merger deal involved the University paying the sum of £5.5m to SAUL, which will be reflected in the University's accounts as at 31 July. For more information, see Note 35 (Post Balance Sheet Events).

Superannuation Arrangements of the University of London (SAUL)

Since 01 June 2014, the University has participated in SAUL which is a centralised defined benefit scheme for all qualified employees and contracted out of the State Second Pension. The assets are held in separate Trustee-administered funds. SAUL is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. It is therefore not possible to identify the University's share of the scheme's underlying assets and liabilities. Contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

Actuarial Assumptions

Pre-retirement discount rate	6.80%
Post-retirement discount rate	4.70%
General* salary increases	3.75% until March 2014, 4.50% thereafter
Retail Prices Index (RPI) inflation	3.50%
Consumer Prices Index (CPI) inflation	2.80%
Pension increases in payment (excess over GMP)	2.80%
Mortality - base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females
Mortality - future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25%

*an additional allowance is made for promotional salary increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

From 01 July 2012, new members of SAUL joined a Career Average Revalued Earnings (CARE) benefit structure. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021.

Notes to the Accounts

for the year ended 31 July 2014

30 Subsidiary undertakings

The subsidiary companies (all of which are registered in England and Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	At 31 July 2014 £1 Shares	At 31 July 2013 £1 Shares
University of Essex Enterprises	Acquisition, protection and licensing of intellectual property from the University	2	2
Wivenhoe House Hotel Ltd	Development and operation of a hotel school	11,600,620	11,600,620
University of Essex Campus Services Ltd	Management of commercial activities at the University	1,333,586	1,251,002
University of Essex Knowledge Gateway Holdings Ltd	Holding land on behalf of the University for development as a Research Park	17,311,682	12,640,682
University of Essex Knowledge Gateway Ltd	Development and marketing of a Research Park	5,171,002	500,002
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	Holding land on which student accommodation is located	1	1

Trading results of wholly owned subsidiaries:

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
University of Essex Enterprises Ltd*	1	4
Wivenhoe House Hotel Ltd*	(1,571)	(775)
University of Essex Campus Services Ltd*	162	437
University of Essex Knowledge Gateway Holdings Ltd *	(2)	(2)
Universal Accommodation Group Ltd*	118	4,405
University of Essex Knowledge Gateway Ltd *	(53)	(23)
	(1,345)	4,046

* Trading results before tax and gift aid payments

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

Notes to the Accounts

for the year ended 31 July 2014

31 Agency Arrangements

	University	
	2013-14	2012-13
	£'000	£'000
Access Funds		
Balance brought forward at 1 August	20	6
Funding council grants received	282	297
	302	303
Disbursed to students	(302)	(283)
Balance carried forward at 31 July	0	20
NHS Bursaries		
Payments received from NHS organisations	375	610
Disbursed to students	(375)	(610)
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 and Expenditure Account.

HEFCE Teaching Grant

Payments received from HEFCE	3,240	5,327
Payments made to partner institutions	(3,240)	(5,327)
Balance unspent at 31 July	0	0

HEFCE Research Grant

Payments received from HEFCE	292	322
Payments made to partner institutions	(292)	(322)
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 and 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.

32 Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) - Adjusted

Earnings before interest, taxation, depreciation and amortisation – adjusted for pension FRS17 adjustment (EBITDA) is a measure of cash operating surplus.

The reconciliation from the surplus on continuing operations and EBITDA is:

	Consolidated	
	2013-14	2012-13
	£'000	£'000
Surplus on continuing operations after depreciation but before joint ventures:	4,167	2,953
add back depreciation, amortisation and impairment charge	8,211	7,134
less release of deferred capital grants (note 20)	(2,949)	(2,964)
add back interest payable (note 8)	4,031	4,908
less general interest income (note 5)	(443)	(553)
add back FRS 17 (Charges) (note 22)	(2,729)	(1,235)
EBITDA	10,288	10,243

Notes to the Accounts

for the year ended 31 July 2014

33 Joint Venture Deferred Capital Grants Reserve

	2013-14	2012-13
	£'000	£'000
At 1 August	23,350	24,507
Joint venture deferred capital grants received	109	42
Released to income and expenditure account	(842)	(1,199)
At 31 July	22,617	23,350

34 Post Balance Sheet Events

The University of Essex Pension Scheme (UEPS) merged on 01 September 2014 with the Superannuation Arrangements of the University of London (SAUL). New starters on grades 1-6 had been enrolling on the SAUL scheme from 01 June 2014 (see Note 29). SAUL provides benefits which are very similar to those provided by UEPS. On 21 August 2014, the University made an exceptional deficit payment of £5.5m to SAUL in order to bring the funding level for the former scheme up to that of SAUL's scheme. The Chair of Council's report gives further details.

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