



Financial Statements

2016–17



University of Essex



“ ASPIRE TO BE ANYONE'S EQUAL BUT NO ONE'S SUPERIOR ”

RICH

WATERLOO TOWER

→ Bus Stop (waiting area)
→ Waterloo Tower
→ Waterloo Tower
→ Waterloo Tower

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Chair's Introduction



This has been a remarkable year for the University. Our Gold rating in the Teaching Excellence Framework (TEF) and the *Times and Sunday Times Good University Guide* 2018 ranking us in the Top 25 and shortlisting us for University of the Year were just two outstanding highlights.

Gold for teaching excellence

The hard work of staff and students in contributing to the transformational education offered at the University of Essex has been recognised with the highest rating of Gold in the Teaching Excellence Framework (TEF). The UK Government introduced the TEF to identify and reward excellent learning and teaching. Feedback from the TEF Panel commended the University, noting "students from all backgrounds achieve outstanding outcomes with regards to continuation and progression to highly skilled employment or further study, notably exceeding the University's benchmark". The Panel also highlighted that Essex had "outstanding levels of satisfaction with teaching, academic support, and assessment and feedback, markedly exceeding the University's benchmark".

With our performance in the Research Excellence Framework (REF) in 2014, the announcement highlights that the University of Essex is a leader in delivering excellence in education and research and is in a select group of 11 "dual-intensive" universities that excel at both¹. The link between research and education is a vital part of the University's mission to ensure students get the maximum benefit from studying at a research-intensive institution.

¹Ranked 19th in UK for intensity weighted Grade Point Average in Research Excellence Framework, 'REF 2014 Research Intensity Ranking', *Times Higher Education* (Published: 19 December 2014).

Ranked 20th in UK for Teaching Excellence Framework 2017 (TEF) metrics, 'TEF results: *Times Higher Education* metrics ranking', *Times Higher Education* (Published: 22 June 2017).

Top 25 in the Good University Guide

The University's Strategic Plan 2013-2019 set the target of being firmly established in the top 25 of UK universities in the *Times and Sunday Times Good University Guide*. I am delighted to report that, having reached the interim target of 30th position last year, in September 2017 the University was ranked 22nd – our highest ever ranking – accompanied by being shortlisted for University of the Year. This has required a sustained focus on achieving very high standards in student employability, student satisfaction, good degrees, staff/student ratios, academic research and facilities spend.

Record year for recruitment

Continuing a trend of steady growth, the students joining the University at the beginning of the 2017-18 academic year form part of our largest ever cohort of new members of the University, approaching 6,000 for the first time in our history. Maintaining steady growth has enabled the University to match investment in new staff and student facilities with increasing student numbers in a balanced way. As a result, we are on track to exceed the aim set out in our Strategic Plan 2013-19 to increase student numbers by 50% from a 2012-13 baseline. Increasing the critical mass of academic staff across our departments in parallel with growing student numbers has also enabled us to increase income from research grants and contracts by 23%, in a period when funding to UK research councils has declined in real terms.

Expanding our global outlook

At Essex, we are proud that you can find 'the world in one place', a characteristic of an Essex education which was recognised this year with the University being ranked 15th for the most international student community in the *Times Higher Education World University Rankings* 2017. In addition to welcoming students to our campuses from 140 countries, this year also saw our first graduation ceremony in Asia for students earning Essex degrees with Kaplan Singapore and the establishment of an exciting new partnership in electronic engineering with North West University in Xi'an, China.

Improving our campuses

It has also been a year of important developments on the University's campuses. Our ambitious Science, Technology, Engineering and Maths (STEM) Centre will transform Square 1 of our Colchester Campus into a dedicated science square, with new collaborative spaces for business engagement and interdisciplinary teaching facilities. The Copse, our newest development of 643 en-suite student bedrooms at Colchester, in two striking curved buildings, is progressing well, in partnership with our partner, Uliving. This new, major project will be available for students from October 2018.

On the Knowledge Gateway, our 43 acre science and research park on the Colchester Campus, we are continuing to build on our success over the last five years. Essex Business School moved into a new building in 2015 and we have built 15,000 sq ft of office space in Parkside Office Village which is already home to

24 companies. We have now started work on the next phase of Parkside, to provide seven further office units for expanding businesses. Work has also begun on the development of our Innovation Centre, with support from Essex County Council and the South East LEP. Comprising 38,000 sq ft, the building will provide a supportive environment for 50 start-up companies and small businesses to establish themselves, scale up and succeed. With a range of different sized offices, areas for hot desks, meeting pods, a conference room, a café and shared break-out areas, the Centre will open for business in early 2019.

At our Loughton Campus, new learning and social spaces are under construction, delivering enhanced facilities for students at our East 15 Acting School.

Work is also well advanced in the construction of the new Essex Sport Arena at Colchester, which will provide outstanding facilities for our students and an amazing venue for spectator sports.

Welcome to our new Chancellor

In August 2017, we appointed the Rt Hon John Bercow MP as our next Chancellor to succeed Baroness Shami Chakrabarti. Grandson of Romanian immigrants, the son of a mini cab driver and the first in his family to go to University, John graduated from Essex with a First Class Honours degree in Politics and is one of the University's most well-known alumni. As Speaker of the House of Commons, John has been a champion of equality and diversity in Westminster, for Parliamentary democracy and for making the work of Parliament more accessible. His own experience has led him to be a passionate advocate for the transformational power of education, which he says helped him develop the skills and knowledge he needed to pursue his political career. While welcoming John, I must of course, mention my deep thanks to Shami Chakrabarti who stepped down from her role, after the July 2017 graduation ceremonies, following her appointment to the Shadow Cabinet. Shami gave great service to the University for three years, launching and supporting the first ever and highly successful Chancellor's Appeal and inspiring us with her words, "aspire to be anyone's equal but no-one's superior".

Remembering our outstanding colleagues

It was with great sadness that we lost two long-standing and highly valued members of the University community this year. Professor Anthony King was an inspirational teacher, a great political thinker and a brilliant writer. Professor King analysed politics in books and on television with incredible intelligence, insight and wit, qualities that generations of students and colleagues at the University had benefitted from since 1966. He will be sorely missed and we have created the Anthony King Chair in Comparative Government to ensure we continue to honour his contribution to our community and to political science. We also pay tribute to Professor Sir Nigel Rodley, former Chair of the University's Human Rights Centre, who dedicated his professional life to combatting torture and other serious human rights violations in a way that made him a beacon of hope to victims of such atrocities.

Top academics join our leadership team

I look forward to welcoming Professor Madeline Eacott to be the new Pro-Vice Chancellor, Education following Professor Aletta Norval's departure to take up the role of Deputy Vice-Chancellor (Academic) at Anglia Ruskin University. We are particularly grateful to Aletta for her leadership of our education portfolio and it is a mark of her impact at Essex that the University was awarded Gold in the Teaching Excellence Framework. Professor Andrew Le Sueur, Head of our School of Law, has been appointed as Executive Dean for our Faculty of Humanities, replacing Professor Lorna Fox-O'Mahony, who, after a period of research leave, will be Deputy Vice-Chancellor (Designate) from January 2018. Thanks are due to Lorna for the significant progress that the Faculty has seen in her four years as Executive Dean. The Vice-Chancellor and his senior team are continuing to provide outstanding leadership in delivering our ambitious Strategic Plan and in ensuring that the University seeks out opportunities in what are rapidly changing times.

Financial highlights

We increased our cash surplus once again to hit our target of 5.5% and secured £91m of external capital funds. Generating cash surpluses of 5.5% of income provides us with a sustainable basis upon which to continue to invest in staff and facilities to benefit our students. The capital funds will support the ongoing upgrade of the University's 1960s estate, including the refurbishment of our six residential towers. This will ensure that our campuses match the scale of our ambition to be a world class university.

The accounting result for 2016-17 includes exceptional capital receipts resulting from the refinancing, by our partner ULiving, of the Meadows and Quays Student Residences Scheme (£14m) and from the Copse student residences (£12m) that are under construction. In June, the University also secured £65m of funding via a private placement at a total cost of funds of less than 3% per annum.

On track to meet our targets

In the 2013-19 Strategic Plan, Council set the University the objective of achieving three challenging but realistic objectives: improving our academic standards (which can be measured by the TEF and REF and the *Times and Sunday Times Good University Guide*); increasing student numbers by 50% against a 2012-13 baseline; and ensuring the University is placed on a secure financial footing. That the University is making simultaneous progress against all three objectives is testament to the hard work of all our staff and students and the leadership of the senior team. Long may their efforts continue.

David Currie
Chair of Council

Highlights From 2016-17



GOLD
RATED IN THE
TEACHING
EXCELLENCE
FRAMEWORK



TOP 15
IN ENGLAND FOR
STUDENT
SATISFACTION³

Public benefit highlights

£533m

Contribution to the local economy

25,000

Hours of volunteering by Essex students in 2016-17

£11m

Investment in the Essex Sport Arena

6.4m

Number of readers of online articles by Essex academics on The Conversation

£30m

Research funding in 2016-17

95,110

Essex graduates around the world

8,000

Beneficiaries of our Outreach work

12,049

Students studying at Essex campuses

4,957

Number of 2017 graduates



TOP 25
UK UNIVERSITY¹



19th
IN THE UK FOR
QUALITY OF
OUR RESEARCH⁴

1ST



**FOR POLITICS
RESEARCH⁵**



15TH
MOST INTERNATIONAL
STUDENT
COMMUNITY²



**DEPARTMENTS IN THE
TOP 25 FOR RESEARCH⁶**

¹ *Times and Sunday Times Good University Guide 2018*

² Ranked 15th for the most international student community in the *Times Higher Education World University Rankings 2017*

³ National Student Survey 2017, mainstream universities

⁴ Ranked 19th in UK for intensity weighted Grade Point Average in Research Excellence Framework, 'REF 2014 Research Intensity Ranking', *Times Higher Education* (Published: 19 December 2014)

^{5,6} Subject rankings for intensity weighted Grade Point Average in Research Excellence Framework, 'REF 2014 Research Intensity Ranking', *Times Higher Education* (Published: 19 December 2014)

Strategic Report

Objectives and strategy

The University's mission is to provide excellence in research and excellence in education. Having achieved a ranking amongst the top 30 universities in the UK (as measured by the *Times and Sunday Times Good University Guide*) in 2016, the University's ranking rose to 22nd in September 2017, ahead of the target of a place in the top 25 by 2019. The University is also on course to grow student numbers by 50% between 2013 and 2019. Supporting this is a financial strategy that seeks to ensure sustainability and growth through the generation of sufficient cash to maintain and improve our high-quality infrastructure for research and education. Indicators of performance include our *Times and Sunday Times Good University Guide* rankings for staff/student ratios (67th in 2017, 69th in 2016) and facilities spend (4th in 2017, 5th in 2016).

Financial performance during 2016-17

Buoyant student recruitment has led to record income levels and operating surplus at the University of Essex. The University remains on track to deliver its growth target and strategy to increase cash surpluses to fund investment in teaching and research infrastructure, improved facilities and improved staff/student ratios. Tuition fee income grew by 8.8%, to £119.1m, with fees from home students up by 14.7% and those from international students down 0.9%. The full financial impact of implementing the Government's structural changes to higher education has now been recognised. Further substantial growth in income can only be achieved by growth in activity, chiefly student numbers, an area where the University's track record is strong – student numbers grew by 17% in the three years from 2013-14 to 2016-17, predominantly among home/EU students and among undergraduates, despite the introduction of higher-rate fees in 2012. These values exclude those students who study via national or international partnership arrangements, where growth has also been strong.

	2013-14 FTE	2014-15 FTE	2015-16 FTE	2016-17 FTE	Growth over 3 years
Home/EU	7,703	8,245	8,989	9,455	+22.7%
Overseas	2,587	2,820	2,830	2,594	+0.3%
Undergraduate	8,072	8,663	9,595	9,751	+20.8%
Postgraduate	2,218	2,402	2,224	2,298	+3.6%
Total	10,290	11,065	11,819	12,049	+17.1%

Full-time equivalents studying at University of Essex campuses

Other income streams remain encouragingly strong and reflect underlying investments in the University's base – for example, research contract income rose to a record high of £29.6m in 2016-17, and indirect costs recovered on these projects similarly rose to record levels.

	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	Growth over 3 years
Research contract income	22,640	23,289	25,813	29,624	+30.8%
Research contract indirect costs recovered	3,663	4,058	5,115	5,931	+61.9%

Excluding Research and Development Expenditure Credits

The top-line growth in income has facilitated investment in additional academic staff posts and in student facilities, while at the same time creating headroom for improved generation of cash. Internally, this is measured in terms of 'cash surplus'; that is, operating surplus excluding movements in pension provisions, less capital grants, endowments received and other donations, less capital repayments of loans, adding back depreciation charged. The University's long-term target for cash surplus is 5.5% of income (excluding capital grants, endowments received and other donations). This target was achieved in 2016-17.

This approach allows for better analysis of underlying business performance than the primary financial statements, which have been affected by the introduction of FRS 102 and the revised Statement of Recommended Practice effective for financial years from 2015-16. These standards are likely to yield more volatile headline results from year to year as a result of the required treatments of pension liabilities and provisions, and the treatment of capital grants, endowments received and other donations, all of which are eliminated from the calculation of cash surplus. While the regulatory changes render more difficult financial comparisons across the sector, published data shows that the University's cash generation has improved in recent years compared to the sector.

Capital investment

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £'000	2016-17 £000	Total £'000
Total investment	24,814	26,702	24,560	19,686	23,572	119,334

Capital projects scheduled for completion in 2017-18 include the new Science, Technology, Engineering and Mathematics (STEM) building; enhanced sports facilities including a new sports arena and new sport study space; new student facilities at our East 15 Acting School at our Loughton Campus; and new student accommodation at Colchester Campus, as well as further development of the Knowledge Gateway. All of these projects were underway in 2016-17.

Over the last five years the University has invested over £119m in high-quality infrastructure for research and education. Major projects completed in recent years include the RIBA National Award-winning Silberrad Student Centre and Albert Sloman Library Extension, the Forum building on the Southend Campus, and the flagship building that accommodates the Essex Business School. In addition the North Teaching Centre and further development of the Knowledge Gateway site at Parkside have recently opened.

Debt, liabilities and liquidity

Cash is managed conservatively with deposits in the University's clearing bank (Lloyds Bank) and in a range of AAA-rated money market funds. Cash, cash equivalents and short term investments increased from £45.8m to £71.1m over the year. A target of holding minimum cash balances equating to 60 liquidity days (ie the number of days of average expenditure cash balances could support) has been set. At 31 July 2017 actual liquidity days amounted to 145 days.

On 14 July 2017 the University contracted to issue £50m of 2.87% unsecured bonds due 2037 and £15m of 3.11% unsecured bonds due 2047. The bonds were issued at 100% of their principal amount on 29 September 2017 and the proceeds of issue amounted to £65m. Interest is payable on 29 March and 29 September each year, commencing on 29 March 2018. Unless previously redeemed, the bonds will be redeemed at their principal amount on 29 September 2037 and 29 September 2047 respectively.

Total long-term debt outstanding at 31 July 2017 was £182.9m (2016 £114.9m).

The University was fully compliant with its banking covenants and is confident of remaining so in the foreseeable future.

Future outlook and prospects

The University continues to plan for growth and to manage the risks of increasingly volatile and uncertain markets. The University restated its commitment to the values of inclusivity and internationalism after the EU referendum vote in June 2016 and stepped up its international recruitment activities. The risk of a 'chilling effect' on non-UK recruitment is significant and the University needs to strike the right balance between prudence and action to capitalise on opportunities that might arise to maintain the momentum in delivering against the University's Strategic Plan objectives. Early admissions figures for 2017-18 indicate that the University remains on track to achieve the objective of 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, having invested in buildings giving capacity for growth in research and education, and with plans for further investment. Infrastructure is in place for further development of the Knowledge Gateway at the Colchester Campus. This is as an extraordinarily valuable asset for the promotion of excellence in research and excellence in education. Since October 2014 tenants have taken possession of the Parkside Office Village development which is now almost fully occupied. Based on this success and with support from the South East Local Enterprise Partnership, a further development of Parkside is going ahead. Work has also begun on the development of our Innovation Centre, with support from Essex County Council and the South East LEP. Comprising 38,000 sq ft, the building will provide a supportive environment



for 50 start-up companies and small businesses to establish themselves, scale up and succeed. With a range of different sized offices, areas for hot desks, meeting pods, a conference room, a café and shared break-out areas, the Centre will open for business in early 2019.

The University is a world-leader 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, established and start-up companies 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. It has evaluated the impact of the freezing of the fee for home/EU undergraduates at £9,250 that was confirmed in the Government's Autumn Statement 2017. A range of mitigating actions have been identified and discussed with Resources Committee and the University Council. The University is aware that the funding arrangements for education may change again in the lifetime of the current parliament and that funding for research is declining in real terms. Such changes make planning difficult. Nonetheless, the University will seek to find a path to expansion set within its financial supporting strategy to ensure that the expansion is sustainable.

Risk

Policy and approach

The University of Essex maintains a risk management policy which forms part of the University's internal control and corporate governance arrangements.

The policy explains the University's underlying approach to risk management, and documents the roles and responsibilities of the University Council, the University Steering Group and other key parties. It also outlines key aspects of the risk management

process, and identifies the main reporting procedures. In addition, it describes the process University Council will use to evaluate the effectiveness of the institution's internal control procedures.

The following principles underlie the University's approach to risk management and internal control:

- Council has responsibility for overseeing risk management within the institution as a whole
- the Vice-Chancellor and the University Steering Group advises the Council and implements the policies it approves
- the Audit & Risk Management Committee provide Council with independent assurance about the effectiveness of the University's risk management arrangements
- External Audit has an overview of the policy making comments and recommendations of practical benefit
- Internal Audit provides Audit and Risk Management Committee and Council with independent assurance about the effectiveness of the University's risk management arrangements
- the institution makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
- Heads of departments, centres and sections are responsible for developing awareness of risks within their units, and for identifying risks inherent in new developments
- key risk indicators are identified and monitored regularly

The University adopts an approach to risk appetite that takes into account the strategic importance of the activity and the severity of the residual risk. Council, USG and managers would take into account current risk exposure and prevailing economic conditions when assessing and accepting a new risk.

The risks identified will tie back to the strategic goals of the University and the Risk Appetite will be considered against the framework of the business plan and major projects as is defined in the University's Risk Appetite statement.

Risk ownership and management

The Registrar and Secretary, as the Risk Management Process Owner, is responsible to the University Steering Group for ensuring the operational effectiveness of the University's risk management procedures. This will be exercised by the Registrar convening a Risk Management Group. In particular the Risk Management Group will provide guidelines on the assessment of risk in planning and decision-making, and monitor compliance.



The Registrar and Secretary will ensure that the risk register is properly maintained, that the relevant preventive and recovery measures are implemented, and that a sufficiently comprehensive set of risk management/disaster recovery plans is maintained.

The operational areas of risk which include Faculties and Professional Services departments maintain a local Risk Register that identifies risk and monitors the actions taken to mitigate the risk noting the residual risk after the mitigation. The risks owners will report to the Risk Management Group any new risks or risks that have increased in nature. The risk owners will attend the Risk Management Group on a rotation basis or when a new or increasing risk emerges which needs to be discussed with the Risk Management Group.

The attendance matrix specifies when faculties or departments attend the Risk Management Group meeting. At the meeting the risk owners will update the RMG on any developments within the Risk Register including new or developing risk along with any amended scoring and commentary on the mitigating actions.

The Risk Management Group will consider the top twelve risks each and every meeting as well as receiving the reports from the faculties and departments on any new or emerging risks.

University Steering Group will provide information as required to the Council and to the Audit and Risk Management Committee on a regular basis, and will report on major risks and associated ameliorative measures.

The Council, which is responsible for reviewing the effectiveness of the internal control and risk management framework of the institution, will, on the basis of the information provided by the annual report of the Audit and Risk Management Committee, by the annual report provided by Internal Audit and by any other information provided by University Steering Group, form a view of the effectiveness of the risk management framework. It will provide guidance to University Steering Group on ways in which procedures need to be improved.

The Risk Management Policy will be reviewed annually by the Professional Services & Business Planning Accountant with the Risk Management Group, ensuring that the policy is updated periodically to take into account prevailing operational experience and any changes that occur within the statutory framework.

Key risks

The key risks, and a brief summary of mitigating actions, are set out below.

- Failure to provide the University's students with a fully transformative educational experience (academic and extra-curricular) that contributes positively to their future life chances.

Addressed via a range of actions centred around the University Education Strategy, with particular focus on promoting the wellbeing of students and increased emphasis on retention and completion. Additional investment has been undertaken to enhance opportunities relating to employability, alongside investment in facilities and in improving staff/student ratios.

- Failure to respond in an effective or timely way to government policy, and/or external regulatory requirements.

Governance and management policies are in place, with a focus on the University's obligations in respect of legislation and obligations as a sponsor of international students. Detailed planning takes place with respect to actual or potential government policy. There is a programme for training institutional leaders regarding their responsibilities.

- Recruitment of new students (home/EU and/or international) does not meet the University's projected student number targets.

Continuous review of recruitment strategies informs new activities and allocation of resources. A range of actions support more targeted international and postgraduate taught recruitment, and recruitment and conversion of undergraduate and postgraduate applicants.

- Accepting students on lower tariffs which impacts on the University's league table position.

The Education Strategy supports strong learning outcomes for the University's student demographic. A greater emphasis on distinctive Essex characteristics will lead in due course to a more selective approach to admissions. The focus of the University's work will be on how to ensure all groups of students are maximising their potential.

- Inability to recruit, develop and retain staff of sufficient quality, in all areas of the University, to support the achievement of the University's strategic objectives.

A strategic approach to staff recruitment has been developed. A talent development programme has been designed to recruit, retain and reward staff, supported by programmes to promote effective leadership and professional behaviours.

- Financial stability is undermined by a significant reduction in one or more income streams, or a significant call on the University's finances, and/or the ineffective or inefficient use of resources in relation to the University's strategic objectives.

Budgets and forecasts are prepared on a challenging but realistic basis that contains appropriate levels of contingency. Departmental recovery plans are required and in place where necessary. Continued development of partnerships and online provision is a mitigation against risks regarding international student recruitment. Financing is in place so that the condition of the University's historic estate can be addressed without imposing too great a burden on the cash-generating potential of operational activities.

- Physical and ICT infrastructure does not meet the requirements to deliver excellence in education and research.

A range of actions is in place that includes medium-term maintenance plans to develop and update physical infrastructure, alongside continuing investment in new plant. ICT resilience and information security is a priority.

- Lack of organisational resilience, and/or an ineffective response to a major disaster or major disruption to the conduct of the University's core business.

Governance processes ensure that a crisis management plan and framework is in place and has been tested. Business continuity planning and resilience of organisational infrastructure is a focus.

- Ineffective development, and/or projection outside the University, of Essex's values, identity, reputation and place in the world.

Action plans are in place to deal with risks of negative publicity, operating with appropriate points of escalation. Training of institutional leadership emphasises the University's work on its values and identity.

- Quality of research outputs and impact, and the volume and intensity of research, are not at the levels necessary to maintain the University's reputation and ranking for research quality.

Action plans are embedded within institutional and departmental planning, supported by investment in staff, systems and infrastructure.

- Failure to meet institutional targets for increasing and diversifying the University's research income.

A range of policy initiatives and incentives have been developed, supplemented by investment in new posts.

- Management of institutional performance does not lead to the University meeting its targets for overall performance, and national and international ranking and academic standing.

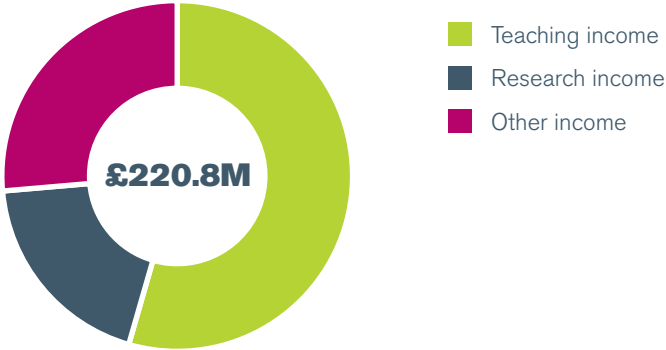
Focus is provided via action plans for Education and Research Strategies, and supporting strategies. The planning round provides a dynamic linkage between strategic objectives, action planning and resource allocation. Performance is benchmarked at the subject level to support the delivery of KPIs.

Key Performance Indicators

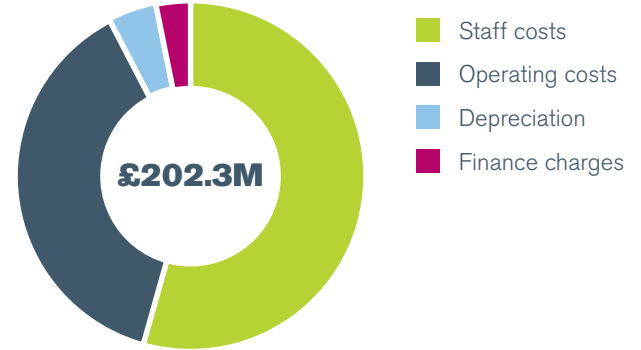
	2019 Target	2017 Performance		2016 Performance	
		Rank	Value	Rank	Value
Overall <i>The Times and Sunday Times Good University Guide</i> rank	25th	22nd	708	30th	701
Research quality measured by Grade Point Average weighted by intensity	20th	25th	37.2	25th	37.2
Research impact (intensity-weighted)	20th	29th	2.5	29th	2.5
Citation count	20th	55th	34,418	54th	20,317
Research intensity (% submitted)	100%		94%		94%
PhD/staff ratio	1.72		1.54		1.00
Research income/staff	£98.1k		£60.9k		£62.5k
Student satisfaction		55th	80.4%	24th	84.0%
Entry standards		66th	130	86th	N/A
Student completion		49th	87.9%	51st	88.3%
Good degrees		65th	72.0%	51st	74.3%
Graduate employability		39th	79.6%	55th	73.4%
Internationalisation	38%		32.8%		35.2%
Work/study abroad	20%		9.9%		10.7%
Teaching qualifications	40%		46.6%		46.2%
Cash surplus/income	5.5%		6.1%		5.5%
Liquidity days (minimum)	60 days		141		105
EBITDA/debt servicing (minimum)	1.5		2.4		2.4

Financial Statements

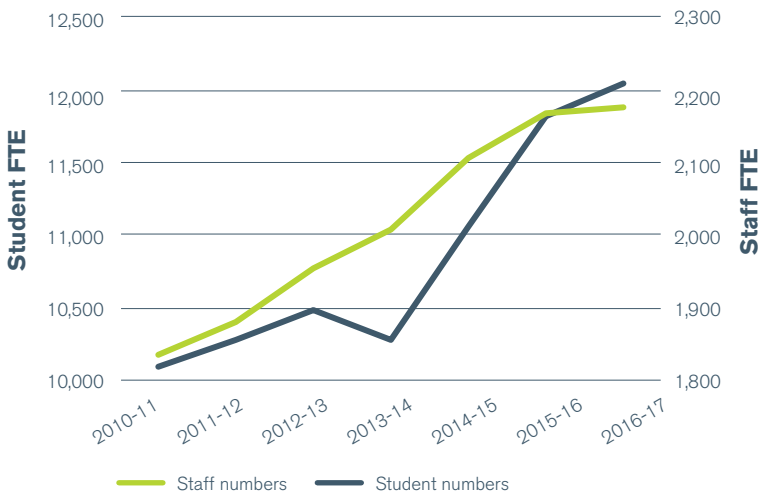
INCOME 2016-17



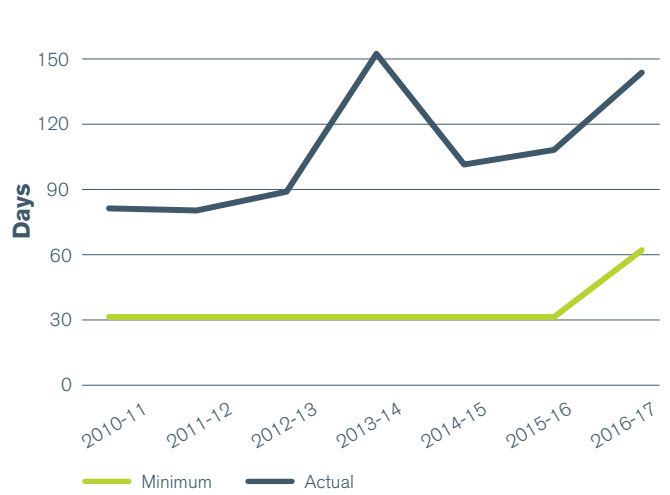
EXPENDITURE 2016-17



STUDENT AND STAFF NUMBERS



LIQUIDITY DAYS

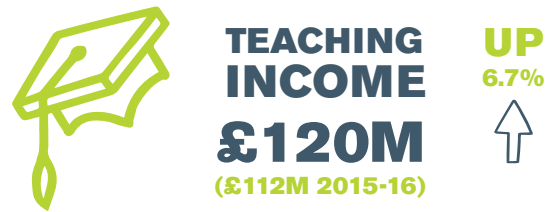
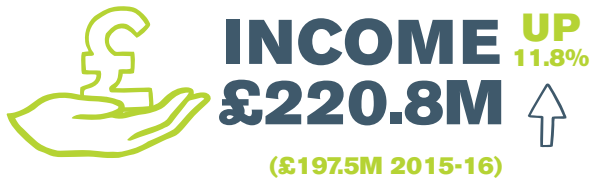


CASH FLOWS



CAPITAL INVESTMENT



Quick Overview 2016-17

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”.

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



“Our purpose is to contribute to society through excellence in research and excellence in education.”

Beneficiaries of our work

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 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.

Governance

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).

Education



“The TEF Panel awarded Essex a Gold rating, judging that we consistently deliver outstanding teaching, learning and outcomes for our students.”

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.

Awards and ratings

The hard work of our staff and students in contributing to the student learning experience was recognised when we were awarded the highest Gold rating in the Teaching Excellence Framework (TEF) in June 2017. The TEF Panel judged that Essex consistently delivers outstanding teaching, learning and outcomes for its students.

We then won the Teaching and Learning Strategy of the Year category at the Times Higher Education Leadership and Management Awards (THELMA) and were a finalist in the Higher Education Academy's first Global Teaching Excellence Awards.

The high quality of the educational experience we provide is shown by the feedback we have received. In the 2017 National Student Survey, 88% of students expressed overall satisfaction with their undergraduate course, placing us in the top 15 out of all mainstream English universities for the fifth year running.

Staff development

Our staff members 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 student community

In 2016-17 we welcomed over 5,700 new students as the University continues to pursue its strategic goal of growing by 50% over the period covered by the Strategic Plan. Essex has been identified as one of the top 20 fastest growing universities in the UK. In 2016-17, 12,049 students were studying at Essex at undergraduate and postgraduate level. We saw close to 5,000 students graduate in July 2017 and we now have a global community of alumni approaching 100,000.

We are a beacon of internationalism and according to the *Times Higher Education* we have the 15th most international student community in the UK and the most international in England outside London. In 2016-17, 2,594 Essex students came from outside the UK.

The Essex student experience

We believe the research undertaken at Essex should add value to the student experience. Our Undergraduate Research Opportunities Programme gives students the chance to contribute to real-life research taking place in their departments.

We encourage the personal development of our students through volunteering, sport, music, the arts and engagement with our Students' Union. We also offer opportunities to undertake work 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.



Award-winning initiatives include our THINK seminars which challenge students to debate controversial and thought-provoking subjects, and our Frontrunners work placement scheme. Our Big Essex Award provided recognition to 743 students for their extracurricular activities, volunteering and work experience.

We use innovative teaching methods to show students the real-world applications of their courses.

Journalism students got first-hand experience of producing a newspaper thanks to a partnership between the University and the *Gazette* newspaper in Colchester.

More than fifty translation students had the opportunity to test their skills on a real commission for a business in the region in our Translation Challenge competition, run in partnership with translation agency TTC Wetranslate.

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.

Highlights: Student achievements

- PhD student Nicky Winder beat more than 1,000 entrants from across the globe to win the Mogford Prize for Food and Drink Writing with her short story, *Bait*.
- East 15 Acting School students won a £3,000 investment in their business, StiltsPro, at the Big Pitch 2016 event. The Big Pitch is part of our Essex Startups programme, which nurtures student entrepreneurs.
- PhD student Ana Matran-Fernandez led a team which brought home a medal in the world's first 'bionic Olympics' – Cybathlon. Ana's team came third in the Brain Computer Interface Race, where pilots control a video game using just their thoughts.
- While on placement at Colchester General Hospital, occupational therapy students Lisa Allsop and Doreen Fitzgerald had an idea for a Cognitive Stimulation Room to help stroke patients, which has now been added to the Stroke Unit.
- Ricky Gunawan, who graduated from our Human Rights Centre in 2012, won a British Council Alumni Award for his campaigning to end the Indonesian death penalty.
- Ines Sampaio, who graduated from East 15 Acting School in 2016, was awarded a £15,000 National Lottery grant to develop a new community play for Southend.



Supporting the next generation of researchers

Essex continues to be a leader in doctoral training, developing the next generation of researchers.

The new South East Network for Social Sciences (SeNSS) Doctoral Training Partnership, part of the Economic and Social Research Council's new national Doctoral Training Network, was officially launched in December 2016. SeNSS includes ten universities and will offer fully-funded doctoral scholarships each year for the next six years, providing high quality social sciences training.

We continue to be part of several other doctoral training centres:

- Environment East (EnvEast) Doctoral Training Partnership, backed by the Natural Environment Research Council (NERC)
- Consortium for Humanities the Arts South-East England (CHASE) Doctoral Training Partnership, supported by the Arts and Humanities Research Council
- EPSRC Centre for Doctoral Training (CDT) in Intelligent Games and Game Intelligence (IGGI)
- Social Biological Centre for Doctoral Training (Soc-B), co-funded by the Economic and Social Research Council (ESRC) and the Biotechnology and Biological Sciences Research Council (BBSRC)

Through these initiatives we work with other leading higher education institutions to promote excellence in research, postgraduate research training and knowledge exchange. In 2016 we introduced one of the UK's most comprehensive packages of support for postgraduates who teach, bringing sector-leading improvements to pay, conditions, training, mentoring, and the sharing of good practice.

Meeting different study needs

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.

Research

Professor Andrew Canessa is exploring Gibraltar's identity in the 21st century



We are one of the leading research-intensive universities in the country. The Research Excellence Framework (REF, December 2014) ranked Essex 19th nationally for research excellence. We are top for politics with nine of our departments ranked in the top 25 in their subject area¹.

The 2017 QS World University Rankings by Subject showed that Essex is amongst the world's elite in eight subjects with outstanding results in the social sciences. We have the 5th highest 'citations per paper' in sociology internationally and are ranked 25th globally for 'academic reputation' in politics and international studies².

Beneficiaries of our research

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

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.

Communicating our research excellence

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.

We are a partner of online news site *The Conversation*, which publishes news and views written by members of the academic and research community. In 2016-17 our academics contributed 80 articles, and our pieces were read over 6.4m times globally and generated more than 700 comments.

We continue to be a leader in the field of big data. The University was invited to join UNESCO's prestigious Universities Network after being invited by the UNESCO Director General to establish the first UNESCO Chair in Analytics and Data Science.

The £5m Human Rights, Big Data and Technology project continues to explore the positive and negative implications of technology and big data on individual rights. One of its projects this year saw computers trained to identify human rights abuses in photographs posted on social media.

Researchers from across the University teamed up to organise 'Talk Big Data' - a series of lectures and discussions on cutting-edge issues in data science. Speakers included leading experts from the worlds of business, academia, civil society and government.

¹ Rankings based on intensity weighted Grade Point Average in Research Excellence Framework, 'REF 2014 Research Intensity Ranking', *Times Higher Education* (Published: 19 December 2014).

² In the 2017 QS World University Rankings by Subject Essex is ranked in the top 50 for Politics and International Studies alongside Sociology; top 150 for Linguistics plus Economics and Econometrics; and top 200 for Law and Legal Studies and English Language and Literature. Essex is also in the top 250 for Psychology and top 450 for Computer Science and Information Systems.



Highlights: Research projects

- Professor Christine Raines from the School of Biological Sciences is leading a project to improve wheat crop yields, to help feed the world's booming population. Field trials of genetically modified plants were given the go-ahead earlier this year.
- Dr Miroslav Sirota from our Department of Psychology led a study which found doctors are more likely to prescribe antibiotics when they believe their patients have a high expectation of it. The findings contribute to the global debate on the growing problem of antibiotic resistance.
- Professor Geoff Gilbert from the Human Rights Centre co-authored a policy brief for the Kaldor Centre for International Refugee Law in Australia, saying 'safe zones' do not provide a safe or sustainable solution to the global refugee crisis.
- Professor Giovanni Mastrobuoni from the Department of Economics led a study which found fear of deportation makes illegal immigrants considerably less likely to report a crime to the police, making them vulnerable.
- A joint project by Essex and the Norwegian School of Economics looked at the gender gap in criminal behaviour, finding women are more likely than men to decide not to commit a crime when the probability of arrest is higher.
- Professor Andrew Canessa from the Department of Sociology is leading *Bordering on Britishness* – a three year oral history project on Gibraltar identity.
- The Active People Survey, led by Dr Gavin Sandercock from the School of Biological Sciences, found the London 2012 Olympics did inspire more local children to get involved in sport, but did not translate into improved physical fitness, with levels actually declining after the event.
- A joint project between the universities of Essex, Gloucestershire, South Wales and Nottingham Trent found athletes who have experienced adverse life events such as illness, injury and bereavement perform better under pressure.
- The War Memoryscapes in Asia Partnership (WARMAP) website was launched, in a project led by Essex and funded by the Leverhulme Trust. The site maps out and contextualises over 100 Second World War memorial sites in South, East and Southeast Asia.
- A ten-year research programme led by Professor David Smith from the School of Biological Sciences found unexpected tolerance to extreme events in corals growing in lagoons and mangroves. The project could have significant implications for conservation.
- Dr Loes van Dam and Professor Paul Hibberd from the Department of Psychology received an Oculus Research grant to investigate what it will take for virtual reality to become more realistic from a psychological perspective.
- A joint project by the University of Essex and University College London found the more time a mother spends with her child between the ages of three and seven, the better that child's cognitive and social skills.

Professor Christine Raines and Professor Tracey Lawson are both working on improving crop yields to help feed the world's growing population



Internationally renowned resources

Our world-leading longitudinal study Understanding Society published its fifth annual report highlighting some of its latest policy-relevant research. The study began in 2009 with around 100,000 individuals from 40,000 households and looks at 21st century UK life and how it is changing over time.

October 2016 was the 20th anniversary of EUROMOD, our hugely influential tax benefit microsimulation model developed by our Institute for Social and Economic Research (ISER) in collaboration with experts across the European Union. European Commissioner Marianne Thyssen congratulated the project.

Other internationally renowned resources include the UK Data Archive which plays a central national role in the secure management of social and economic data to facilitate high quality research. It is helping establish the UK Data Service, the new flagship national data infrastructure service.

We opened a new robotic games laboratory which was part-funded by the Engineering and Physical Sciences Research Council (EPSRC). The lab will enable us to put the next generation of drone and robot technology to the test and enhances our existing robotics facilities.

Eastern ARC anniversary

In November 2016 we marked the first full year of the Eastern Academic Research Consortium (Eastern ARC) – our partnership with the Universities of East Anglia and Kent. Eastern ARC was created to strengthen collaboration and develop new cross-disciplinary research between the three institutions. Each member leads in a specialist area, with Essex leading on Quantitative Social Science.

Research ethics

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.

Supporting our students

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.

This includes increasing employability opportunities and helping under-represented groups to get the experience they need to secure graduate level jobs through our award-winning frontrunners work placement scheme, our internships programme and our senior student ambassador scheme.

Outreach activities

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

Funding worth more than £5.8m was awarded to a countywide collaboration being led by the University to help young people from disadvantaged backgrounds progress into higher education – particularly young white males and ethnic minority groups. Make Happen is one of 29 local consortia across England to receive funding and was launched in January 2017. The funding will enable activity to be delivered until December 2020.

In 2016-17, the outreach team worked with over 8,000 students from 110 schools. Through our Schools Membership Plus scheme, we have a direct relationship with 39 schools across the eastern region. Members of this scheme can access exclusive events such as our Undergraduate Taster Week and Teacher CPD Week (professional training for teachers). They can also book early for all other outreach events. We prioritise these schools and aim to react to their needs whilst at the same time promoting access to university.

Our V16 Partnership with schools in Colchester and Tendring continues to offer sixth formers the chance to study a wider choice of subjects at A Level through studying on our Colchester Campus with students from other partnership schools.

More than 600 budding scientists from across Essex took part in the Big Bang fair at our Colchester Campus. The fair, organised in partnership with Engineering UK, showcased the exciting opportunities offered by science, technology, engineering and maths (STEM) subjects to Year 9 students from 20 schools in Essex.

We also hosted the Digital, Creative and Cultural Festival, where almost 200 Year 10 students learnt how to get creative digitally. Attendees took part in a wide range of workshops and lectures ranging from interactive theatre and film and digital mapping, to a mock news conference and hands-on sessions working with a professional artist.

More young people from Essex and Suffolk took part in the annual Dora Love Prize than ever before. Established in memory of Dora Love, who lived and worked in Colchester after surviving Stutthof concentration camp, the Prize encourages young people to think about the issues surrounding the Holocaust and develop projects which investigate how it relates to the attitudes, discrimination and prejudices still around us now.

This work helps us meet our published Access Agreement targets for students from under-represented groups. We have introduced new systems to monitor the progress of these students at Essex.

Business Engagement





We are committed to stimulating economic growth and nurturing cultural and social development. We aim to share our world-class research to help make the world a better place.

In August 2017, our latest Economic Impact Report showed the University supports economic growth in the region, having directly contributed £533m pounds in the last year. Our students contribute a further £42m to the local economies of Colchester and Southend through their purchases of goods and services.

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

Knowledge Gateway growth

The 43-acre Knowledge Gateway site is becoming a regional hub for research and development and innovative businesses. By 2025 the Knowledge Gateway will be the location of choice in the eastern region for knowledge-based enterprises in science, technology and the creative sector drawing on Essex's global reputation for analytics and data science and outstanding support for SMEs.

Parkside Office Village is already home to 24 growing businesses which want to locate themselves at the University to benefit from the potential to collaborate and access our expertise and graduates.

This year saw Essex Chambers of Commerce move to Parkside, along with one of the leading providers of social work, psychology and therapy services in the UK, Willis Palmer.

Data and technology-driven insurance specialist Hood Group is working with us to exploit the rapidly growing area of artificial intelligence (AI) to gain greater insight into insurance customers and embed artificial intelligence technology in the customer journey.



Knowledge Transfer Partnership success

Our University is now in the top 10 for Knowledge Transfer Partnerships in the UK thanks to our success in forging new partnerships with businesses to drive innovation, productivity and competitiveness.

As well as engaging in Knowledge Transfer Partnerships we continue to work with businesses on collaborative research projects. An ambitious project is underway to provide high-speed rail communication systems which will help create the UK's first 'smart' train to meet the needs of future rail passengers and operators. Our School of Computer Science and Electronic Engineering is working with Saffron Walden-based LPA Connection Systems after securing significant funding from Innovate UK.

KTP successes include:

- Above Surveying are pioneering the use of drones to monitor the condition of photovoltaic panels at solar farms. The company is now working with Essex to further improve their drone technology by using intelligent embedded systems and advanced image recognition.
- Minority Rights Group International and the Ceasefire Centre for Civilian Rights worked with us to develop a new online tool for reporting human rights violations in warzones.
- Orbital Media, digital and social specialists, joined forces with Essex to use artificial intelligence to create automated online GPs in a project with a goal of revolutionising the way patients are treated and saving the NHS millions of pounds per year.
- Imagery, visuals and animation specialist CGEye Ltd, has teamed up with our School of Computer Science and Electronic Engineering to develop an augmented reality tool kit which will allow developers to combine GPS mapping technology with computer-generated graphics.



Student employability and entrepreneurship

Essex became the first university in the eastern region to deliver government-backed degree apprenticeships. Companies are being offered extensive financial support by the Government to recruit apprentices, whose courses are delivered by higher education institutions. Our degree apprenticeship partners now include global technology company ARM, who initially offered 10 apprenticeships which started in autumn 2017.

Our internships programme offers 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. We continue to extend our work placement programme and our students having the opportunity to work at leading companies as part of their course.

We launched Click, a crowdfunding platform which students can use to raise money for projects. So far, 130 student groups have launched projects with 99% hitting their fundraising targets. From new business start-ups to sports teams, conferences, and new plays at the Edinburgh Fringe, Click has helped students turn their ideas into reality and was honoured at the Heist Awards 2017.

We partnered with Santander Universities UK to launch the Start-Up Hub at the Knowledge Gateway, which provides hot-desk space and hands-on business support for student and graduate start-up businesses. We also launched the Games Hub, which offers a development programme for aspiring game and app developers.

Community Engagement



Our Professorial Inaugural Lectures continue to allow the public and our University community to hear and engage with the research being undertaken by our newly appointed professors. Café Scientifique the popular series of talks designed to increase informal engagement between the public and researchers had its most successful year.

Our academic departments and centres also offer the wider community the chance to benefit from our research expertise through a huge range of conferences, short courses, training and public lectures throughout the year.

Holocaust Memorial Week in January featured a programme of public events aimed at encouraging discussion around issues relating to the Holocaust with events including the Dora Love Prize which engages students at 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.

More than 750 Essex students were active volunteers in 2016-17, committed to making an impact on campus and on our local community by taking part in extra-curricular activities such as volunteering projects, placements, societies and sport clubs. They delivered almost 25,000 hours of volunteering, coordinated and initiated through the Students Union's vTeam. These activities not only benefit the community but also the students themselves, as they develop skills that boost their future employability.

The Albert Sloman Library is home to a number of important archives which provide valuable resources for researchers and the public.



Arts and culture

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 includes productions inspired by local history, culture and politics.

The Essex Book Festival organising team has been based in the University's Centre for Creative Writing since 2015. The festival received significant support from the Arts Council and events were held across the county to promote interest in literature and encourage creativity. Academics from a number of departments took part in events at our campuses and venues throughout Essex.

Art Exchange, the University gallery, has a year-round programme of events and exhibitions attended by both the public and our students. Events this year included:

- *(C)overt Corporeality* – an exhibition highlighting different representations of the female body, created by MA Curating students Ariane Fluery, Camille Pignol, Pakakul Pakawan and Laura De Socarraz-Novoa.
- *The Aftermath Dislocation Principle* – a 40ft shipping container with a 1:87 scale diorama of a post-apocalyptic landscape inside, which could be viewed through peep-holes in the sides.
- A series of exhibitions under the umbrella title *Movement of the People*. These events explored the ongoing war in Syria and the effect of conflict on a shifting and often displaced population.

The Essex Collection of Art from Latin America (ESCALA), which comprises more than 700 works, has a dedicated Teaching and Research Space designed to share its resources with the international academic community and for arts education. ESCALA also has work on public display area in the Silberrad Centre and Albert Sloman Library.

Our academics have been involved in a whole range of creative projects encouraging public engagement with the arts and ideas.

Dr Gavin Grindon from our School of Philosophy and Art History helped Banksy create a Museum of Colonialism at the heart of the Walled Off Hotel, which the artist has opened in Bethlehem.

Dr Elizabeth Kuti from our Department of Literature, Film, and Theatre Studies is an award-winning playwright and writer-in-residence at Hampton Court Palace. This year she helped create a heart-warming Christmas performance at the Palace.

Dr Kuti also worked with Anney Lax from the Department of Literature, Film, and Theatre Studies to organise a festival dedicated to inspirational women theatre makers at Colchester's Mercury Theatre. The event was supported by the Arts and Humanities Research Council (AHRC).

Dr Matt Lodder from our School of Philosophy and Art History curated *Tattoo: British Tattoo Art Revealed*, a ground-breaking exhibition at the National Maritime Museum Cornwall. The exhibition offered a comprehensive history of British tattooing, featuring cutting edge designers and major private collectors.

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, and 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 and control; and student welfare.

The University is fully compliant with the Committee of University Chairs (CUC) higher education Code of Governance issued in December 2014.

The Council met four times during the year and held one full and two half away days. Of its 25 members, a majority are external members drawn from outside the University.

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.

The Committees of Council

The Council delegates some business to a number of committees:

- Audit and Risk Management;
- Resources;
- Nominations; and
- 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, at least 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 on the degree of assurance 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 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 meets twice annually:

- a) Once a year to make recommendations to Council regarding the strategic framework for remuneration and reward, including as appropriate, pay structures, reward and recognition, performance pay and pay bargaining;
- b) Once a year on behalf of Council, determining the remuneration package for the Vice-Chancellor, the Registrar and Secretary, Deputy Vice-Chancellor, Pro-Vice-Chancellors, Executive Deans, senior office holders, the professoriate and professional staff on grade 11

The Committee also receives reports on the outcomes of the academic and professional services annual review process and reviews the objectives for the coming year agreed by the Chair of Council for the Vice-Chancellor and set by the Vice-Chancellor for those members of senior management that report directly to him.

The Committee is chaired by the Chair of Council. In addition, membership of the Committee in 2016-17 comprised four independent members of Council, the Vice-Chancellor and the Registrar & Secretary. The Director of Human Resources is in attendance at the Committee in an advisory capacity. No member of staff is present for consideration of their own remuneration, leaving the room while the Committee determines any issues relating to their pay.

Executive Reward

The University has a structured approach to executive reward linked directly to both progress towards achievement of institutional level objectives agreed by Council and set out in the University's strategic plan and individual performance against personal objectives. For the Vice-Chancellor and those members of the University's senior management reporting directly to him, specific personal objectives for the year ahead are reported to Remuneration Committee on an annual basis. In setting these performance targets, particular attention is paid to ensuring that they relate clearly to the mission and strategy of the University and that they are sufficiently specific to enable performance to be measured effectively. The Vice-Chancellor meets his direct reports approximately every 6 weeks during the year to review progress in relation to their individual objectives. The Vice-Chancellor meets with his line manager, the Chair of Council, on a regular basis throughout the year.

In determining executive pay, the Committee is guided by the principles in the Charity Commission's good pay guide; Transparency, Proportionality, Performance, Recruitment and Retention and Process.

As part of the annual review process for 2016-17, the Committee considered assessments of the contributions of individual members of senior staff to the delivery of the University's strategic plan and against their agreed personal objectives. In cases where the Committee deemed that performance was sufficiently significant as to merit reward, they also determined whether the nature of the contribution justified either a one-off bonus payment or an increase in recurrent pay, as well as determining the level of any such payments.

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

Name	Audit and Risk Management		Resources		Nominations		Remuneration	
	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended
Andrew Keeble	4	4	5	5	-	-	-	-
Bryn Morris	4	4	5	5	2	2	2	2
Susie Morgan	-	-	-	-	-	-	2	2
Robin Paddock	4	3	-	-	-	-	-	-
Kash Pandya	4	2	-	-	-	-	-	-
Professor Heather Laurie ¹⁷	-	-	5	5	-	-	-	-
Riccardo Tazzini ¹⁴	4	4	-	-	-	-	-	-
Edward Lord ¹⁵	2	1	-	-	-	-	-	-
Professor Aletta Norval	-	-	5	3	-	-	-	-
One vacancy ¹⁶	2	-	-	-	-	-	-	-

Council

- 1) Simon Hall joined Council on 1 August 2016
- 2) Dr Adam Wright joined Council on 1 August 2016
- 3) Dr Nilufer Demirkan-Jones joined Council on 1 August 2016
- 4) Lynn Bowman-Burns joined Council on 1 August 2016
- 5) Zoe Garshong's term of office ended on 30 June 2017, she was subsequently re-appointed until 30 June 2018
- 6) Professor David Pevalin resigned as at 31 December 2016
- 7) There was one vacancy from 4 February 2016 until 31 December 2017
- 8) Paul Jackson joined Council on 1 January 2017
- 9) Professor Fabian Freyenhagen's term of office completed on 31 July 2017
- 10) Professor Christine Raines's term of office completed on 31 July 2017
- 11) Professor Martyna Sliwa joined Council on 1 January 2017
- 12) Professor Dominic Micklewright joined Council on 28 November 2016
- 13) Paul Grey's term of office ended on 31 July 2017

Audit and Risk Management

- 14) Riccardo Tazzini's term of office completed on 31 July 2017
- 15) Edward Lord – joined from 1 January 2017
- 16) There was one vacancy from 1 August 2016 to 31 December 2016

Resources

- 17) Professor Heather Laurie joined as at 1 August 2016
- 18) Jane Hamilton joined as at 1 August 2016
- 19) Professor Fabian Freyenhagen was appointed from 1 August 2016 – 31 July 2017
- 20) Zoe Garshong's term of office completed on 30 June 2017, she was subsequently re-appointed until 30 June 2018

Nominations

- 21) David Currie joined as at 1 August 2016
- 22) Judith Judd joined as at 1 August 2016
- 23) Simon Hall joined as at 1 August 2016
- 24) Tim Porter joined as at 1 August 2016
- 25) Professor Nancy Kula joined as at 1 August 2016

Remuneration

David Currie joined as at 1 August 2016

Independent Auditor's Report to the Members of Council of the University of Essex

We have audited the financial statements of the University of Essex for the year ended 31 July 2017 set out on pages 39-62. 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Council, 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 Council and auditor

As explained more fully in the Corporate Governance Statement set out on pages 30-33 the Council 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 Council; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Group's and the University's affairs as at 31 July 2017 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2016-17 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2016-17 financial statements* have been met.

Fleur Nieboer
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

November 2017

Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, issued in 2014, and in accordance with applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain categories of fixed assets).

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions. Joint ventures are accounted for using the gross equity method.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. Items in the financial statements where these judgements and estimates have been made include the treatment of the Universities Superannuation Scheme (USS) and Superannuation Arrangement of the University of London (SAUL) as a multi-employer schemes. The SORP makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the Statement of Comprehensive Income. The schemes provided by USS and SAUL meet the definition of a multi-employer scheme and have therefore been recognised at the discounted fair value of contractual contributions under the funding plan in existence at the date of approving the financial statements.

Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and 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.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Revenue government grants including funding council block and government research grants are recognised within the Statement of Comprehensive Income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a Government grant is deferred it is recognised as deferred income within creditors and allocated between credits due within one year and due after more than one year as appropriate.

Capital grants from government or non-government sources are recognised within the Statement of Comprehensive Income when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is deferred on the Balance Sheet and released to the Statement of Comprehensive Income in line with such conditions being met.

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Statement of Comprehensive Income when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is deferred on the Balance Sheet and released to the Statement of Comprehensive Income in line with such conditions being met.

Donations and endowments

Non-exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised within the Statement of Comprehensive Income when the University is entitled to the income. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

Donations with no restrictions are recorded within the Statement of Comprehensive Income when the University is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. 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.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.
4. 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.

Accounting for retirement benefits

The University participates in three principal pension schemes for employees; these are the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS) and the Superannuation Arrangement for the University of London (SAUL). All three schemes are defined benefit schemes which are externally-funded and are contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The USS and SAUL schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities of the University, due to their mutual nature. Therefore they are accounted for as defined contribution retirement benefit schemes.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS and SAUL schemes.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The University's obligation is to provide the agreed benefits to current and former employees, bearing actuarial risk (that benefits will cost more than expected) and investment risk (that returns on assets set aside to fund the benefit will be lower than expected). The University should

recognise a liability for its obligations under defined benefit plans net of plan assets. This is achieved by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the University, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Fixed assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 HE SORP are measured on the basis of deemed cost, being the fair value at the date of revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

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. For motor vehicles and other items of general equipment this will be between five and ten years.

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

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.

Land is not depreciated as it is considered to have an indefinite useful life.

Costs incurred in relation to buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase expected future benefits to the University. Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

Straight line depreciation rates for the student accommodation buildings which were revalued on transition to the 2015 HE SORP have been separated out between structure, plant and machinery and fit-out. For structure, depreciation is between 5 and 100 years; for plant and machinery, depreciation is between 5 and 40 years; and for fit-out, depreciation is between 5 and 35 years. All other freehold and leasehold buildings are depreciated on a straight line basis over fifty years, except for certain items of minor work which are written off over twenty years.

Where any asset is depreciated, no charge is made to Statement of Comprehensive Income in the year of acquisition. In the year of disposal, however, a full year's charge is made regardless of the timing of the disposal.

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

Heritage assets

The University holds a collection of paintings, prints and similar artworks acquired through a combination of donations and purchases. It is the University's intention to maintain the collection, the majority of which is on public display in the library. 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 on 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 the quality and condition of the items. These heritage assets are not depreciated.

Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Properties are not depreciated but are revalued or reviewed annually according to market conditions at 31 July each year.

Investments

Fixed and endowment asset investments are included in the Balance Sheet at market value unless this cannot be readily ascertained and the yields are unquantifiable and of a long-term nature, for example seed-corn funding. In such instance 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 Statement of Comprehensive Income to the extent that it is not covered by a revaluation surplus. The profit or loss on disposal of an asset is accounted for in the year in which the disposal occurs as the difference between the net sales proceeds and the net carrying amount, whether carried at historical cost or valuation.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's Balance Sheet. Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

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 which have less than three months to maturity, are shown as cash and cash equivalents. Current asset investments are included at the lower of cost and net realisable value.

Stock

Stock is held at the lower of cost and net realisable value.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- i. the University has a present obligation (legal or constructive) as a result of a past event;
- ii. it is probable that an outflow of economic benefits will be required to settle the obligation; and
- iii. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

The University accounts for its share of joint ventures using the gross equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the Statement of Comprehensive Income.

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax at a future date, 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 more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2017

	Notes	Consolidated		University	
		Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Income					
Funding body grants	1	18,651	20,099	18,651	20,099
Tuition fees and education contracts	2	119,083	109,510	119,083	109,510
Research grants and contracts	3	29,636	26,077	29,636	26,077
Other income	4	53,273	75,587	45,429	34,515
Endowment and investment income	5	426	424	364	416
Donations and endowments	6	84	788	84	788
Total income		221,153	232,485	213,247	191,405
Less: Share of income from joint ventures	4	(328)	(34,967)	0	0
Net income		220,825	197,518	213,247	191,405
Expenditure					
Staff costs	8	109,987	103,161	104,964	95,753
Other operating expenses	9	76,899	72,508	76,692	73,956
Depreciation	9	9,031	10,105	8,604	9,709
Interest and other finance costs	9	6,409	6,446	6,381	6,453
Total expenditure	10	202,326	192,220	196,641	185,871
Surplus/(deficit) before other gains and losses and share of operating surplus of joint ventures		18,499	5,298	16,606	5,534
Share of operating surplus/(deficit) in joint ventures	14	0	15,202	0	0
Gain on investments		1,122	1,172	1,122	1,172
Accounting adjustment associated with group reorganisation *		0	(20,112)	0	0
Surplus / (deficit) for the year		19,621	1,560	17,728	6,706
Actuarial (loss) / gain in respect of pension schemes		7,218	(4,607)	6,610	(3,952)
Increase / (decrease) in value of joint ventures		18	19	0	0
Total comprehensive profit / (loss) for the year		26,857	(3,028)	24,338	2,754
Represented by:					
Endowment comprehensive income for the year		667	1,135	667	1,135
Restricted comprehensive income for the year		398	663	398	663
Unrestricted comprehensive loss for the year		25,792	(4,021)	23,273	1,761
Revaluation reserve comprehensive loss for the year		0	(805)	0	(805)
		26,857	(3,028)	24,338	2,754

All items of income and expenditure arise from continuing operations.
The notes on pages 43 to 62 form an integral part of these Financial Statements.

* Relating to the value of the University's share of University Campus Suffolk Ltd at the time of its gaining independence as the University of Suffolk, following the acquisition of degree-awarding powers and university title in 2015-16.

Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2017

Consolidated	Income and expenditure account			Revaluation reserve £'000	Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000		
Balance at 1 August 2015	4,667	2,258	194,210	805	201,940
Surplus/(deficit) from the income and expenditure statement	0	0	1,560	0	1,560
Other comprehensive income	1,135	663	(6,386)	0	(4,588)
Transfers between revaluation and income and expenditure reserve	0	0	805	(805)	0
Total comprehensive income for the year	1,135	663	(4,021)	(805)	(3,028)
Balance at 1 August 2016	5,802	2,921	190,189	0	198,912
Surplus/(deficit) from the income and expenditure statement	0	0	19,621	0	19,621
Other comprehensive income	667	398	6,171	0	7,236
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
Total comprehensive income for the year	667	398	25,792	0	26,857
Balance at 31 July 2017	6,469	3,319	215,981	0	225,769

University	Income and expenditure account			Revaluation reserve £'000	Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000		
Balance at 1 August 2015	4,667	2,258	206,837	805	214,567
Surplus/(deficit) from the income and expenditure statement	0	0	6,706	0	6,706
Other comprehensive income	1,135	663	(5,750)	0	(3,952)
Transfers between revaluation and income and expenditure reserve	0	0	805	(805)	0
Total comprehensive income for the year	1,135	663	1,761	(805)	2,754
Balance at 1 August 2016	5,802	2,921	208,598	0	217,321
Surplus/(deficit) from the income and expenditure statement	0	0	17,728	0	17,728
Other comprehensive income	667	398	5,545	0	6,610
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
Total comprehensive income for the year	667	398	23,273	0	24,338
Balance at 31 July 2017	6,469	3,319	231,871	0	241,659

The notes on pages 43 to 62 form an integral part of these Financial Statements

Balance Sheet as at 31 July 2017

	Notes	Consolidated		University	
		Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Fixed assets					
Tangible assets	11	346,046	334,693	329,435	320,267
Heritage assets	12	798	798	798	798
Investment Properties	11	2,360	2,670	2,360	2,670
Investments	13	8,203	7,081	41,342	40,220
Investment in joint ventures	14	73	55	0	0
		357,480	345,297	373,935	363,955
Current assets					
Stocks	15	294	277	195	166
Debtors	16	81,665	11,552	80,725	10,520
Investments	17	32,000	11,000	32,000	11,000
Cash and cash equivalents		39,108	34,785	34,347	31,535
		153,067	57,614	147,267	53,221
Less: Creditors: amounts falling due within one year	18	(47,043)	(43,146)	(53,326)	(46,295)
Net current assets		106,024	14,468	93,941	6,926
Total assets less current liabilities		463,504	359,765	467,876	370,881
Less creditors: amounts falling due after more than one year	19	(197,901)	(114,923)	(187,439)	(109,421)
Pension provisions	20	(39,580)	(45,650)	(38,609)	(43,922)
Other provisions	20	(254)	(280)	(169)	(217)
Total net assets		225,769	198,912	241,659	217,321
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	6,469	5,802	6,469	5,802
Income and expenditure reserve - restricted reserve	22	3,319	2,921	3,319	2,921
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		215,981	190,189	231,871	208,598
Revaluation reserve		0	0	0	0
Total Reserves		225,769	198,912	241,659	217,321

The Financial Statements were approved by the Governing Body on 27 November 2017 and were signed on its behalf on that date by:

PROFESSOR A. FORSTER
Vice-Chancellor

D. CURRIE
Chair of Council

A. KEEBLE
Director of Finance

The notes on pages 43 to 62 form an integral part of these Financial Statements

Consolidated Cash Flow Statement

Year Ended 31 July 2017

	Notes	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Cash flow from operating activities			
Surplus / (deficit) for the year		18,499	5,298
Adjustment for non-cash items			
Depreciation	11	9,031	10,105
Revaluation of investment property	11	310	1,246
Gain on investments		0	(410)
(Increase) / decrease in stocks	15	(17)	(3)
(Increase) / decrease in debtors	16	(5,113)	(1,713)
Increase / (decrease) in creditors		24,852	2,758
(Decrease) / increase in provisions		1,121	386
Adjustment for investing or financing activities			
Loss on disposal of tangible fixed assets		277	24
Investment income	5	(426)	(424)
Interest payable	9	5,538	5,580
Endowment income		(22)	(475)
Net cash inflow from operating activities		54,050	22,372
Cash flows from investing activities			
Disposal of non-current asset investments		0	6,912
(Investment in) / withdrawal of short term investments	17	(21,000)	(2,250)
Investment income	5	426	424
Payments made to acquire tangible fixed assets	11	(23,572)	(18,028)
Receipts from sales of tangible fixed assets		2,912	0
		(41,234)	(12,942)
Cash flows from financing activities			
Interest paid	9	(5,538)	(5,580)
Endowment cash received	21	22	475
New secured loans		200	1,400
Repayments of amounts borrowed		(3,177)	(2,579)
		(8,493)	(6,284)
Increase / (decrease) in cash for the year		4,323	3,146
Cash and cash equivalents at beginning of the year		34,785	31,639
Cash and cash equivalents at end of the year		39,108	34,785

The notes on pages 43 to 62 form an integral part of these Financial Statements

Notes to the Accounts

for the year ended 31 July 2017

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
1 Funding body grants		
Recurrent - teaching grant	5,676	3,987
Recurrent - research grant	8,206	8,288
Specific grants	2,387	1,865
Capital grants	2,382	5,959
	18,651	20,099
2 Tuition fees and education contracts		
Full-time home and EU students	73,366	63,979
Full-time international students	34,049	34,245
Part-time students	1,155	1,001
Non-credit-bearing tuition fees	2,509	2,683
NHS contracts	7,919	7,510
Research training support grant	85	92
	119,083	109,510
3 Research grants and contracts		
Research Councils	21,965	19,498
UK-based charities	1,768	1,012
UK central government, local authorities and health authorities	1,285	1,083
UK industry, commerce and public corporations	545	610
European Union government bodies	3,241	2,858
Other overseas	820	755
Other sources	12	10
Research and Development Expenditure Credit	0	251
	29,636	26,077
4 Other income		
Other services rendered:		
Income from academic partnerships	2,385	2,530
Other sources	159	302
Commercial services income	29,761	29,756
Capital grants (non-funding council)	0	0
Rental income	1,092	1,184
Gain on revaluation of investment property	0	0
Other income	19,548	6,848
Income from joint ventures	328	34,967
	53,273	75,587
5 Endowment and investment income		
Investment income on endowments	42	29
Investment income on restricted reserves	24	15
Other investment income	360	380
	426	424
6 Donations and endowments		
New endowments	22	475
New donations with restrictions	62	313
	84	788

Notes to the Accounts

for the year ended 31 July 2017

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
7 Surplus for the year		
The surplus on continuing operations for the year is made up as follows:		
University's surplus / (deficit) for the year	6,698	6,706
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	11,030	157
Profit retained by subsidiary undertakings and joint ventures	1,893	(5,304)
	19,621	1,559

8 Staff costs

Staff Costs :		
Salaries	80,750	77,641
Social security costs	8,016	6,558
Movement on USS provision	724	1,656
Movement on SAUL provision	(141)	233
Other pension costs	20,638	17,073
Total	109,987	103,161

Emoluments of the Vice-Chancellor:		
Salary	257,274	238,613
Benefits	8,337	8,635
Pension contributions to USS	50,629	43,171
	316,240	290,419

Compensation for loss of office paid to senior members of staff for 2016-17 was £0k (2015-16: £0k)

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.

Remuneration of other higher paid staff, excluding employer's pension contributions:	No.	No.
£100,000 to £109,999	4	4
£110,000 to £119,999	5	5
£120,000 to £129,999	7	3
£130,000 to £139,999	3	4
£140,000 to £149,999	3	1
£150,000 to £159,999	0	1
	22	18

Average staff numbers by major category :	No.	No.
Academic	666	707
Research	108	100
Senior Support	562	521
Other Support	476	456
General Support	364	383
	2,176	2,167

Key management personnel

Key management personnel are members of the University Steering Group (USG) and are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel for loss of office as follows:

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Key management personnel compensation	0	1,160

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 council members were £3,356 (2015-16: £3,586 to 25 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

Notes to the Accounts

for the year ended 31 July 2017

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
9 Other operating expenses		
Books and periodicals	2,979	2,919
Equipment and consumables	3,271	3,237
Food, drink and hospitality	540	1,351
Gas, water and electricity	3,189	3,358
Cleaning	528	586
Grants to Students' Union	2,612	2,404
Insurance	529	457
Long-term maintenance programme and minor works	2,972	3,326
Other expenses	11,869	6,187
Postage, telephones, printing & stationery	764	1,077
Professional and consultancy fees	6,025	5,409
Rates and rental of premises	8,195	8,276
Repairs and routine maintenance of estates	4,304	4,364
Research survey fieldwork	5,646	7,058
Subcontracted services	4,124	1,793
Scholarships (fee waivers and bursaries)	7,973	7,960
Travel, subsistence and accommodation	2,423	2,799
IT / AV Equipment	4,795	4,649
Fire safety and security	531	464
Adverts and marketing	1,254	1,111
Agents commission	2,066	2,477
Loss on revaluation of investment property	310	1,246
(Gain)/Loss on disposal of fixed asset	0	0
	76,899	72,508

Included within professional, auditor and consultancy fees above are the following amounts receivable by the external auditor:

Statutory audit fee: £62,280 (2015-16: £56,312)
Audit-related assurance services: £3,192 (2015-16: £27,120)
Taxation advisory services: £22,400 (2015-16: £13,400)

Depreciation, impairment and amortisation

Depreciation charge on tangible fixed assets	9,031	10,105
	9,031	10,105

Finance charges

Bank Interest payable	5,538	5,580
Net charge on pension scheme	871	866
	6,409	6,446

10 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation and Amortisation £'000	Interest paid £'000	2016-17 Total £'000	2015-16 Total £'000
Academic departments and centres	58,774	8,761	14	0	67,549	60,677
Academic services	10,133	6,918	0	0	17,051	15,937
Research grants and contracts	11,206	12,014	0	0	23,220	20,521
Residences and catering	5,065	12,144	3,182	1,688	22,079	25,650
Premises	4,982	9,530	0	0	14,512	21,393
Administration	12,121	7,081	6	0	19,208	17,908
Other services rendered	250	527	0	0	777	755
General education expenditure	1,990	6,521	0	0	8,511	7,937
Student and staff facilities	4,902	8,683	117	63	13,765	11,554
Early retirements and severances	184	0	0	0	184	53
Other expenses	380	4,720	5,712	4,658	15,470	9,835
	109,987	76,899	9,031	6,409	202,326	192,220

Notes to the Accounts

for the year ended 31 July 2017

11 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	Investment Properties £'000	Total £'000
Cost							
At 1 August 2016	341,437	11,644	24,285	18,863	798	2,670	399,697
Adjustments	(1,273)	0	0	1,273	0	0	0
Additions	4,076	(7)	922	18,581	0	0	23,572
Transfers	930	0	3,613	(4,543)	0	0	0
Disposals	(328)	0	(262)	(2,912)	0	0	(3,502)
Impairments	0	0	(3,782)	0	0	0	(3,782)
Revaluations	0	0	0	0	0	(310)	(310)
At 31 July 2017	344,842	11,637	24,776	31,262	798	2,360	415,675
Depreciation							
At 1 August 2016	45,194	1,138	15,204	0	0	0	61,536
Charge for the year	6,324	48	2,659	0	0	0	9,031
Transfers	154	0	(154)	0	0	0	0
Disposals	(127)	0	(187)	0	0	0	(314)
Impairments	0	0	(3,782)	0	0	0	(3,782)
At 31 July 2017	51,545	1,186	13,740	0	0	0	66,471
Net Book Value							
At 31 July 2017	293,297	10,451	11,036	31,262	798	2,360	349,204
At 31 July 2016	296,243	10,506	9,081	18,863	798	2,670	338,161
University							
Cost							
At 1 August 2016	335,246	11,119	22,700	9,913	798	2,670	382,446
Adjustments	(1,273)	0	0	1,273	0	0	0
Additions	2,881	0	846	17,233	0	0	20,960
Transfers	930	0	3,613	(4,543)	0	0	0
Disposals	(328)	0	(262)	(2,912)	0	0	(3,502)
Impairments	0	0	(3,782)	0	0	0	(3,782)
Revaluations	0	0	0	0	0	(310)	(310)
At 31 July 2017	337,456	11,119	23,115	20,964	798	2,360	395,812
Depreciation							
At 1 August 2016	43,037	940	14,734	0	0	0	58,711
Charge for the year	6,054	48	2,502	0	0	0	8,604
Transfers	154	0	(154)	0	0	0	0
Disposals	(127)	0	(187)	0	0	0	(314)
Impairments	0	0	(3,782)	0	0	0	(3,782)
At 31 July 2017	49,118	988	13,113	0	0	0	63,219
Net Book Value							
At 31 July 2017	288,338	10,131	10,002	20,964	798	2,360	332,593
At 31 July 2016	292,209	10,179	7,966	9,913	798	2,670	323,735

University Land and Buildings include £48.5m (2015-16: £48.5m) in respect of freehold land which is not depreciated. Included in the cost of fixed assets is aggregated interest capitalised of £2.8m (2015-16: £2.8m)

Additions to University land and buildings in the year includes £14.5m (2015-16: £10.8m) for assets in the course of construction, for which no depreciation charge has been made.

On the date of transition to FRS 102, the University revalued its land and student accommodation at fair value and as a first time adopter, in accordance with paragraph 35.10 (c) of the 2015 SORP, it is using this fair value as the deemed cost of the assets. The valuation was prepared by Gerald Eve, an independent valuer, with an effective date of 1 August 2014. The valuation was prepared using Depreciated Replacement Cost and Fair Value equivalent to Market Value methods. At the date of the valuation, land had a net book value of £5.2 million and student accommodation had a net book value of £50.9 million.

On the date of transition to FRS 102, an asset with the value of £3.6 million was transferred from property, plant and equipment to investment property. The valuation was also prepared by Gerald Eve, with an effective date of 1 August 2014 and using Depreciated Replacement Cost and Fair Value equivalent to Market Value methods. This property was revalued at 31 July 2017 using the rate of the average growth in retail buildings in Eastern England.

In August 2016 the University disposed of a modular teaching unit to a third party and entered into a lease agreement for the premises for a period of seven years.

Notes to the Accounts

12 Heritage assets

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.

13 Investments

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
At 1 August	7,081	12,412	40,220	45,551
(Disposals) / Additions	1,122	(5,331)	1,122	(5,331)
Revaluations credited to the revaluation reserve	0	0	0	0
At 31 July	8,203	7,081	41,342	40,220
Comprising:				
Equities	8,156	7,034	8,156	7,034
Subsidiary companies:				
University of Essex Knowledge Gateway Holdings Ltd	0	0	17,312	17,312
Universal Accommodation Group Ltd	0	0	2,893	2,893
University of Essex Campus Services Ltd	0	0	1,333	1,333
Wivenhoe House Hotel Ltd	0	0	11,601	11,601
Other investments	47	47	47	47
	8,203	7,081	41,342	40,220

14 Investment in Joint Ventures

University of Campus Suffolk Limited

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		0		34,567
Expenditure		0		(19,365)
Surplus/(deficit) before tax		0		15,202
Balance sheet				
Fixed assets	0		0	
Current assets	0		0	
		0		0
Creditors: amounts due within one year	0		0	
Creditors: amounts due after more than one year and provisions	0		0	
		0		0
Share of net assets in University Campus Suffolk Ltd		0		0

The University of Essex disposed of its interest in University Campus Suffolk in 2015-16. University Campus Suffolk Ltd had been accounted for as a joint venture in accordance with FRS 102 Section 15. It ceased to be a joint venture of the University of Essex and University of East Anglia at the time of its gaining independence as the University of Suffolk, following the acquisition of degree-awarding powers and university title in 2015-16. It began trading as the University of Suffolk from 1 August 2016. Prior to adjusting the financial statements for FRS102, it recorded a deficit of £1,345,000 for the year ending 31 July 2016 (2014-15 deficit: £3,547,000). However, when adjusting for FRS102, there has been a material judgement that all capital grants (£22.1m) brought forward met performance criteria in 2015-16 and, accordingly, released to income when the objective of creating an independent University of Suffolk was achieved. This results in the large increase in income shown above in 2015-16. The cost of the disposal to the University of Essex was shown on the Consolidated Statement of Comprehensive Income and Expenditure as 'accounting adjustment associated with group reorganisation'.

The level of surplus included within the consolidated financial statements is as shown above and in the summary of joint ventures on page 49. The surplus reflects the University's judgement that performance conditions attaching to capital grants receivable by University Campus (Suffolk) Ltd were met in 2015-16, when that company acquired independent status.

Notes to the Accounts

for the year ended 31 July 2017

14 Investment in joint venture (continued)

Southend-on-Sea Forum Management Limited

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		328		331
Expenditure		(328)		(331)
Profit before tax		0		0
Balance sheet				
Fixed assets	0		0	
Current assets	212	212	192	192
Creditors: amounts due within one year	(139)		(137)	
Creditors: amounts due after more than one year	0	(139)	0	(137)
Share of net assets in Southend-on-Sea Forum Management Ltd		73		55

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. For the year ending 31 July 2017 it recorded a surplus of £nil (2015-16: £nil).

During the year, SoSFML Ltd purchased goods and services to the value of £2k from the University (2015-16: £2k) of which £nil was outstanding at 31 July 2017 (2015-16: £31). SoSFML Ltd provided services to the University to the value of £317k (2015-16: £325k) with a credit of £457 outstanding at 31 July 2017 (2015-16: £nil).

Southend-on-Sea Forum Management Ltd has been accounted for as a joint venture in accordance with FRS 102 Section 15. The level of profit included within the consolidated financial statements is as shown above and in the summary of joint ventures on page 48.

Notes to the Accounts

for the year ended 31 July 2017

14 Investment in joint venture (continued)

Total investment in Joint Ventures:

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Total income from joint ventures recognised in the Income Statement		
Income from UCS	0	34,567
Income from SoSFML	328	331
Income from Eastern HE Cost Sharing Ltd	0	69
Total Income from joint ventures	328	34,967

Total profit / (loss) from joint ventures recognised in the Income Statement

Profit / (loss) from UCS	0	15,202
Profit / (loss) from SoSFML	0	0
Profit / (loss) from Eastern HE Cost Sharing Limited	0	0
Total profit / (loss) from joint ventures	0	15,202

Share of gross assets and liabilities in joint ventures:

Share of net assets in UCS	0	0
Share of net assets in SoSFML	73	55
Share of net assets in Eastern HE Cost Sharing Limited	0	0
Total share of gross assets in joint ventures	73	55

15 Stock

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Stock	294	277	195	166

16 Debtors

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Amounts falling due within one year:				
Trade debtors	250	463	(28)	143
Student fees	3,779	3,320	3,779	3,320
Research debtors	4,593	0	4,593	0
Prepayments and accrued income	7,801	7,204	6,306	6,422
Other debtors	65,242	565	65,030	332
Amounts due from subsidiary companies	0	0	1,045	303
	81,665	11,552	80,725	10,520

On 14 July 2017 the University contracted to issue £50m of 2.87% unsecured bonds due 2037 and £15m of 3.11% unsecured bonds due 2047. The funds were received on 29 September 2017.

Notes to the Accounts

for the year ended 31 July 2017

17 Investments

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Deposits maturing:				
In one year or less	32,000	11,000	32,000	11,000
	32,000	11,000	32,000	11,000

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 2017 the weighted average interest rate of these fixed rate deposits was 0.82% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 193 days. The fair value of these deposits was not materially different from the book value.

18 Creditors : amounts falling due within one year

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Secured loans	2,108	1,984	2,108	1,984
Unsecured loans	1,755	1,299	125	219
Payments received in advance	12,190	17,235	12,190	17,235
Research grants received on account	14,065	3,956	14,065	3,956
Trade creditors	3,133	5,729	3,052	5,399
Research creditors	0	1,613	0	1,613
Social security and other taxation payable	2,373	2,405	1,909	1,905
Accruals and deferred income	11,419	8,925	8,343	6,973
Amounts due to subsidiary companies	0	0	11,534	7,011
	47,043	43,146	53,326	46,295

Notes to the Accounts

for the year ended 31 July 2017

19 Creditors : amounts falling due after more than one year

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Analysis of secured and unsecured loans:				
Due within one year or on demand	3,863	3,283	2,233	2,203
Due between one and two years	2,108	4,050	2,108	2,420
Due between two and five years	7,400	7,222	7,400	7,222
Due in five years or more	96,765	99,320	96,765	99,320
	110,136	113,875	108,506	111,165
Due within one year or on demand	(3,863)	(3,283)	(2,233)	(2,203)
Due after more than one year	106,273	110,592	106,273	108,962
Other creditors:				
Due between one and two years	6,132	4,171	0	0
Due between two and five years	5,930	0	1,301	0
Due in five years or more	79,566	160	79,865	459
	91,628	4,331	81,166	459
Total	197,901	114,923	187,439	109,421

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.

In 2013 the University renegotiated its loan facility with Lloyds. As at 31 July 2017, the University had loans with Lloyds totaling £108m (2015-16: £110m), repayable by 2043.

On 14 July 2017 the University contracted to issue £50m of 2.87% unsecured bonds due 2037 and £15m of 3.11% unsecured bonds due 2047. The bonds were issued at 100% of their principal amount on 29 September 2017 and the proceeds of issue amounted to £65m. Interest is payable on the 29 March and 29 September each year commencing 29 March 2018. Unless previously redeemed, the bonds will be redeemed at their principal amount on 29 September 2037 and 29 September 2047 respectively.

20 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS pension	Obligation to fund deficit on SAUL pension	Defined Benefit Obligations	Total Pensions Provisions	Total Other
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	31,188	231	14,231	45,650	280
Utilised in year	(2,223)	(277)	(7,258)	(9,758)	0
Additions in year	3,549	139		3,688	(26)
At 31 July 2017	32,514	93	6,973	39,580	254
University	Obligation to fund deficit on USS pension	Obligation to fund deficit on SAUL pension	Defined Benefit Obligations	Total Pensions Provisions	Total Other
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	30,428	223	13,271	43,922	217
Utilised in year	(2,048)	(271)	(6,683)	(9,002)	0
Additions in year	3,550	139	0	3,689	(48)
At 31 July 2017	31,930	91	6,588	38,609	169

USS and SAUL deficit

The obligation to fund the past deficits on the University's Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London ("SAUL") arises from the contractual obligation with the pension schemes for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. Further details in relation to the University's pension schemes can be found at note 26.

Notes to the Accounts

for the year ended 31 July 2017

21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2017	2016
	£'000	£'000	Total £'000	Total £'000
Balances at 1 August 2016				
Capital	1,133	4,916	6,049	4,776
Accumulated income / (expenditure)	31	(278)	(247)	(109)
	1,164	4,638	5,802	4,667
New endowments	22	0	22	475
Investment income	13	29	42	28
Expenditure	(36)	(129)	(165)	(166)
	(23)	(100)	(123)	(138)
Increase in market value of investments	148	620	768	798
At 31 July 2017	1,311	5,158	6,469	5,802
Represented by:				
Capital	1,303	5,536	6,839	6,049
Accumulated income / (expenditure)	8	(378)	(370)	(247)
	1,311	5,158	6,469	5,802
Analysis by type of purpose:				
Scholarships and bursaries	1,225	6	1,231	1,121
Prize funds	31	179	210	183
General	55	4,973	5,028	4,498
	1,311	5,158	6,469	5,802
Analysis by asset				
Current and non-current asset investments			5,579	4,814
Cash & cash equivalents			890	988
			6,469	5,802

Notes to the Accounts

for the year ended 31 July 2017

22 Restricted Reserves

Reserves with restrictions are as follows:

	Donations	
	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016	2,921	2,258
New donations	62	313
Investment income	24	15
Increase in market value of investments	354	374
Expenditure	(42)	(39)
	336	350
At 31 July 2017	3,319	2,921
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and bursaries	827	711
Prize funds	274	244
General	2,218	1,966
	3,319	2,921
Analysis by asset		
Current and non-current asset investments	2,577	2,220
Cash & cash equivalents	742	701
	3,319	2,921

Notes to the Accounts

for the year ended 31 July 2017

23 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Commitments contracted for	36,460	13,450	19,393	13,172
Authorised but not contracted for	6,802	24,043	6,802	14,294
	43,262	37,493	26,195	27,466

24 Lease obligations

	Consolidated		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Leases expiring after five years	554	67	599	67
	554	67	599	67

Leases are for land and buildings.

The original leases are for a unit at Southend and land at East 15, Loughton.

During 2015-16 the University built the North Teaching Centre, and in August 2016 sold the modular components at a cost of £2.9m and entered into a lease to secure their use for seven years.

During 2016-17 the University leased office space at the Knowledge Gateway Parkside development.

25 Disclosure of related party transactions

The related parties of the University are the wholly and partially owned subsidiary undertakings (listed in note 27) 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 Section 33.1A of FRS 102 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 2017 the University paid the Union a revenue grant of £2.161m (2015-16: £2.404m). The Union's income and expenditure account shows the following:

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Income	2,604	2,470
Expenditure	(2,547)	(2,341)
Operating surplus before and after transfers from / (to) reserves	57	129

Ms Zoe Garshong was a Council member during 2016-17 who also sat on Essex Students' Union Board.

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, its sub-committees and key management personnel 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.

The Director of Finance received £10k during the course of the year from UMAL Ltd, a company which provides cover for terrorism risk, for serving as a Director of that company.

Notes to the Accounts

for the year ended 31 July 2017

26 Pension Schemes

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

On 1 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 1 September 2014, as all assets and liabilities were transferred to SAUL.

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.

Two of the University's subsidiary companies, Wivenhoe House Hotel Limited and University of Essex Campus Services Limited pay into personal pension schemes and a scheme called NEST for some employees. These are all defined contribution schemes.

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

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Contribution to USS	17,492	15,429
Contribution to LGPS	334	378
Contributions to UEPS	0	0
Contribution to SAUL	1,485	1,048
Contribution to NEST	23	24
Contribution to personal pensions	4	11
LGPS additional University costs to fund past service deficiency	1,604	1,604
USS additional University costs to fund past service deficiency	724	1,656
SAUL additional University costs to fund past service deficiency	(141)	233
LGPS actuarial adjustment to pension costs	(304)	(1,421)
Total pension cost	21,221	18,962

The total FRS 102 pension liability for the University and its subsidiary undertakings was:

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
LGPS pension liability	(6,973)	(14,231)
USS pension liability	(32,514)	(31,188)
SAUL pension liability	(93)	(231)
Total pension liability	(39,580)	(45,650)

Notes to the Accounts

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the institution cannot identify its share of the scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	At 31 July 2017	At 31 July 2016
Discount rate	2.57%	3.30%
Pensionable salary growth	n/a	3.5% in first year, 4.0% thereafter
Price inflation (CPI)	2.41%	2.20%

Notes to the Accounts

for the year ended 31 July 2017

26 Universities Superannuation Scheme USS (continued)

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) SINA tables as follows:

Male member's mortality	98% of S1NA ["light"] YoB tables - no age rating
Female member's mortality	99% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	At 31 July 2017	At 31 July 2016
Males currently aged 65	24.4 years	24.3 years
Females currently aged 65	26.6 years	26.5 years
Males currently aged 45	26.5 years	26.4 years
Females currently aged 45	29.0 years	28.8 years
Scheme assets	£60.0 bn	£49.8 bn
Total scheme liabilities	£77.5 bn	£58.3 bn
FRS 102 total scheme deficit	£17.5 bn	£8.5 bn
FRS 102 total funding level	77%	85%

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 2016-17 was 21.5% (2015-16: 21.5%).

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 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2017	At 31 July 2016
Financial assumptions	%	%
Rate of increase in salaries	4.00	3.70
Rate of increase in pension payments	2.50	1.90
Expected return on assets	15.00	9.00
Discount rate for liabilities	2.20	2.20
Inflation assumptions	1.50	1.90
Split of assets between investment categories		
Equities	65.00	69.00
Government Bonds	6.00	4.00
Other Bonds	4.00	4.00
Property	10.00	11.00
Cash	3.00	3.00
Alternative assets	8.00	4.00
Other managed funds	4.00	5.00

Notes to the Accounts

for the year ended 31 July 2017

26 Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme

	Consolidated 31 July 2017 £'000	University 31 July 2017 £'000	University 31 July 2016 £'000	University 31 July 2015 £'000
Estimated asset share	57,660	53,148	48,081	44,597
Present value of scheme liabilities	(64,729)	(59,736)	(61,352)	(55,058)
Deferred Tax Asset	96	0	0	0
Deficit in the scheme	(6,973)	(6,588)	(13,271)	(10,461)
	89%	89%	78%	81%

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.

Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent fund valuation, which was carried out at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% pa.

	At 31 July 2017	At 31 July 2016
Life expectancy:		
Male current pensioner aged 65	22.2 years	22.9 years
Female current pensioner aged 65	24.7 years	25.3 years
Male future pensioner aged 65	24.3 years	25.2 years
Female future pensioner aged 65	27.0 years	27.7 years

	Consolidated At 31 July 2017 £'000	University At 31 July 2017 £'000	University At 31 July 2016 £'000
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Amounts recognised in the profit and loss statement are:

Service cost	614	492	496
Net interest on the defined liability	310	282	323
Administration expenses	12	11	21
Total operating charge	936	785	840

Re-measurements in other comprehensive income

Return on Fund assets in excess of interest	6,599	6,097	2,352
Change in financial assumptions	(2,700)	(2,565)	(6,326)
Change in demographic assumptions	1,953	1,906	0
Other actuarial gains / (losses)	404	(392)	0
Experience gain / (loss) on defined benefit obligation	1,959	1,564	22
Remeasurement of the (defined liability) / net assets	8,215	6,610	(3,952)

Movements in deficit during the year

Deficit in scheme at 1 August	(14,231)	(13,271)	(10,461)
Movements in the year:			
Current service charge	(614)	(492)	(496)
Contributions by employer including unfunded	931	858	1,982
Net interest on the defined liability	(310)	(282)	(323)
Liabilities assumed on settlements	0	0	0
Return on assets less interest	6,599	6,097	2,352
Actuarial loss	808	513	(6,304)
Settlement and Curtailment	0	0	0
Deferred Tax Asset	(144)	0	0
Administration expenses	(12)	(11)	(21)
Deficit in scheme at 31 July	(6,973)	(6,588)	(13,271)

Notes to the Accounts

for the year ended 31 July 2017

26 Local Government Pension Scheme (LGPS) - continued

	Consolidated Year Ended 31 July 2017 £'000	University Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Change in benefit obligation during the period to 31 July			
At beginning of year	66,529	61,352	55,058
Current service cost	614	492	496
Interest cost on pension liabilities	1,445	1,322	1,833
Change in financial assumptions	2,700	2,565	6,326
Change in demographic assumptions	(1,953)	(1,906)	0
Experience (gain) / loss on defined benefit obligation	(1,959)	(1,564)	(22)
Estimated benefits paid net of transfers in	(2,716)	(2,575)	(2,407)
Contributions by Scheme participants	117	98	119
Unfunded pension payments	(48)	(48)	(51)
At end of year	64,729	59,736	61,352
Analysis of movement in the market value of the scheme assets			
At beginning of year	52,058	48,081	44,597
Interest on assets	1,135	1,040	1,510
Return on assets less interest	6,599	6,097	2,352
Other actuarial gains/(losses)	(404)	(392)	0
Administration expenses	(12)	(11)	(21)
Contributions by employer including unfunded	931	858	1,982
Contributions by Fund participants	117	98	119
Estimated benefits paid plus unfunded net of transfers in	(2,764)	(2,623)	(2,458)
At end of year	57,660	53,148	48,081

University of Essex Pension Scheme (UEPS)

UEPS merged into the Superannuation Arrangements of the University of London ("SAUL") on 1 September 2014. This means that as at 31 July 2015 there were no assets and no liabilities remaining in the scheme. The FRS17 liabilities as at 1 September 2014 were estimated to be £28.7m, with assets of £21.5m and a deficit of £7.2m.

The liabilities of the scheme as at 1 September 2014 were calculated based upon data from the 31 March 2013 interim valuation and using the assumptions agreed for the 31 July 2014 disclosures. Between 31 July 2014 and 1 September 2014 the deficit increased from £6.8m to £7.2m. The increase was mainly due to the past service cost that arose immediately prior to the merger, which outweighed the strong asset performance. The past service cost was however immediately extinguished as a result of the merger into SAUL.

On 14 August 2014, the University of Essex made an exceptional deficit payment of £5.5m to SAUL in order to bring the funding level of its UEPS scheme up that of SAUL's scheme. As a result of the merger, the £7.2m deficit was eliminated and an exceptional item of £1.7m was credited to the statement of recognised gains and losses.

Notes to the Accounts

for the year ended 31 July 2017

26 Superannuation Arrangements of the University of London (SAUL)

General description of the pension scheme

The University of Essex participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Section will close from 31 March 2016 and all Members will build up benefits on a CARE basis from 1 April 2016.

University of Essex is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding Policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions will, therefore, increase from 13% of Salaries to 16% of Salaries with effect from 1 April 2016.

Accounting Policy

The University of Essex is a Participating Employer in SAUL. 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 £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. University of Essex accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability to be recognised by University of Essex in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £223,325 as at 31 July 2016 (2014-15: £nil). This liability is based on a projection of Salaries over the period to 31 March 2018.

Notes to the Accounts

for the year ended 31 July 2017

27 Subsidiary undertakings

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

Company	Principal Activity	At	At
		31 July 2017 £1 Shares	31 July 2016 £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	1,333,586
University of Essex Knowledge Gateway Holdings Ltd	Holding land on behalf of the University for development as a Research Park	17,311,682	17,311,682
University of Essex Knowledge Gateway Ltd	Development and marketing of a Research Park	5,171,002	5,171,002
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
Eastern HE Cost Sharing Ltd	Provision of internal audit services	100	-

Trading results of wholly owned subsidiaries:

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
University of Essex Enterprises Ltd*	(3)	(3)
Wivenhoe House Hotel Ltd*	65	(12)
University of Essex Campus Services Ltd*	738	(635)
University of Essex Knowledge Gateway Holdings Ltd *	25	(1)
Universal Accommodation Group Ltd*	10,209	106
University of Essex Knowledge Gateway Ltd *	1,911	(161)
Eastern HE Cost Sharing Ltd*	0	0
	12,945	(706)

* 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 2017

28 Agency Arrangements

	University	
	2016-17	2015-16
	£'000	£'000
NHS Bursaries		
Payments received from NHS organisations	0	2
Disbursed to students	0	(2)
Balance unspent at 31 July	0	0

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

HEFCE Teaching Grant

Payments received from HEFCE	596	1,454
Payments made to partner institutions	(596)	(1,454)
Balance unspent at 31 July	0	0

HEFCE Research Grant

Payments received from HEFCE	173	177
Payments made to partner institutions	(173)	(177)
Balance unspent at 31 July	0	0

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

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



University of Essex

Colchester Campus
Wivenhoe Park
Colchester
CO4 3SQ

Loughton Campus
East 15 Acting School
Hatfields
Rectory Lane
Loughton IG10 3RY

Southend Campus
The Gateway Building
Elmer Approach
Southend-on-Sea
SS1 1LW

T +44 (0)1206 873333

T +44 (0)20 8508 5983

T +44 (0)1702 328200

www.essex.ac.uk