



Financial Statements



2011-12

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2014

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Front cover pictures, clockwise from top left: The newly restored Grade II listed Wivenhoe House has reopened as a luxury hotel and provides a home for the Edge Hotel School; students outside the award-winning University Square complex at the Southend Campus; and the 1,000 seat Ivor Crewe Lecture Hall is another award-winning building at the heart of the Colchester Campus. Inside cover picture: Students enjoy meeting up after lectures in Square 3 at the Colchester Campus.

Chair's Introduction

I am delighted to present the Financial Statements for 2011-12 which record that the University concluded the last full year of the old funding regime in good health.

2011-12 was also Professor Colin Riordan's last year as Vice-Chancellor. A walk around the campuses of the University provides visible testimony to the dynamism, vision and confidence that Colin brought to the University. We are extremely grateful to Colin and wish him well in his new role as Vice-Chancellor of Cardiff University. Tragically, Dr Tony Rich, our former Registrar and Secretary who moved to the University of Bristol earlier in the year, died in June. Tony's energy, expertise and professionalism are remembered with great fondness. Before he died, he received an honorary degree at a ceremony attended by his family, many friends and colleagues. The naming of our new Teaching Centre honours Tony's lasting contribution to the University.

The rapidly changing higher education scene offers unique opportunities for innovation and fresh thinking. We have been building on our success over the last five years while making the transition to the new funding regime; responding effectively to ever greater competition for Home/EU undergraduate students; and developing a new Strategic Plan. The University is redoubling its focus on delivering excellence in research and excellence in education, and we are already thinking about different modes of delivery of our degree programmes. We are confident that the time is right to make significant investments in the 'Essex Experience' so that we can provide a world-class campus-based experience to our students centred on research-led teaching, and excellent opportunities for personal development through volunteering, sport, music and the arts.

We remain committed to investing to attract the very best staff and students who can benefit from the type of education we offer. Such investments include our new Student Centre and extension to the Albert Sloman Library, a new building to house the Essex Business School and a world-class Experimental Laboratory in the Social Sciences which promises to be the best in Europe and amongst the best in the world.

These new developments follow the recent opening of the Edge Hotel School in the newly restored Grade II listed Wivenhoe House, our partnership with Uliving in building 648 new student rooms on the Colchester Campus, and the rapid progress on building The Forum Southend-on-Sea, a joint enterprise with Southend Borough Council and South Essex College. This infrastructure programme demonstrates a sustained commitment to the development of the University's facilities and campuses on a scale that matches the initial investment in the estate when the University was founded.

I was very pleased to welcome Bryn Morris as our new Secretary and Registrar in November 2011 and Professor Anthony Forster as our new Vice-Chancellor, Andrew Keeble as our Director of Finance and Simon Neale as our Director of Estates Management who took up their posts in the summer of 2012.

Their appointments mean that we have successfully renewed the senior management team of the University at an exciting moment in our history as we approach our 50th anniversary with optimism and confidence about the future. The University Council and I look forward to working closely with them in the coming years.

David Currie – Chair of Council

David Currie



“The University is redoubling its focus on delivering excellence in research and excellence in education, and we are already thinking about different modes of delivery of our degree programmes”

Financial Highlights

(2010-11 comparative figures shown in brackets)

- Total income up 4% to £152m (£146m)
- Operating Surplus before staff severance costs, joint ventures and FRS17 of £1.6m (£2.1m)
- EBITDA (*Earnings before Interest, Tax, Depreciation and Amortisation – adjusted for one-off staff restructuring costs and pension FRS17 adjustment*) of £11.1m (£9.4m)
- Capital expenditure of £19.6m (£14.1m)
- Net assets of £136m (£140m)
- Net debt of £61m (£46m)

Summary Finances

	2011-12 £'000	2010-11 £'000	Change £000	%
Income				
Funding Council grants	33,952	36,333	-2,381	-7%
Tuition fees and academic contracts	62,734	56,864	5,870	10%
Research grants and contracts	25,445	25,493	-48	0%
Other income	29,533	26,994	2,539	9%
Endowment and investment income	440	562	-122	-22%
Total Income	152,104	146,246	5,858	4%
Total expenditure <i>excluding staff severance</i>	150,501	144,160	6,341	4%
Operating surplus	1,603	2,086	-483	
less staff severance costs and exceptional items	-497	-2,748		
add share of profit/(loss) in joint ventures	912	1,162		
add FRS17 pension accounting credit	1,590	1,477		
Surplus for the year	3,608	1,977	1,631	
EBITDA	11,088	9,398	1,690	
Capital expenditure	19,606	14,110	5,496	
Capital grants received	6,178	5,446	732	
Net debt	60,573	46,306	14,267	
Net assets <i>at historic cost</i>	136,059	140,024	-3,965	

Student Numbers

	2011-12 FTEs		2010-11 FTEs		Change	
Home/EU	7,716	75%	7,498	74%	218	3%
Overseas	2,574	25%	2,596	26%	-22	-1%
	10,290	100%	10,094	100%	196	2%
Undergraduate	8,418	82%	7,743	77%	675	9%
Postgraduate	1,872	18%	2,351	23%	-479	-20%
	10,290	100%	10,094	100%	196	1%

FTE = Full Time Equivalent studying at University of Essex campuses, excluding University Campus Suffolk Ltd and partner institutions.

Operating and Financial Review

Constitution, Regulation and Business Environment

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

Established in Colchester, the University also operates campuses in Loughton and Southend.

These financial statements are those of the University of Essex Group, comprising the University, its various subsidiary undertakings and joint ventures. The most material of these is University Campus Suffolk Ltd, a joint venture with the University of East Anglia, that provides higher education in Ipswich and throughout Suffolk. Details of this and other subsidiary undertakings are included in note 27 of the financial statements.

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

Funding from HEFCE is governed by a Financial Memorandum which sets out the conditions of grant which the University must satisfy in order to receive public funding.

The Financial Statements are produced in accordance with the Statement of Recommended Practice for Further and Higher Education (SORP) which is based on UK Generally Accepted Accounting Principles. The Financial Statements are compliant with the HEFCE Accounts Direction 2011-12.

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

The University's Mission and Financial Strategy

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

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

Key Performance Indicators

Strategic Priorities	Target	Performance
Research	Top ten ranking for research quality	Ranked 9th in the RAE2008 by grade point average (source: <i>The Times</i>)
	Research grant and contract income to increase by 5% per year.	0% increase in 2011-12 21% increase in 2010-11 16% increase in 2009-10 (source: <i>financial statements</i>)
	90% of eligible staff submitted to RAE/REF (Research Assessment Exercise/Research Excellence Framework)	92% in RAE2008
Student experience	Improved National Student Survey (NSS) ranking	Ranked 17th for all non-specialist English HEIs in the 2012 NSS (20th in 2011) (source: <i>NSS</i>)
	Overall student satisfaction rate of 85% in NSS	89% overall satisfaction in 2012 NSS, 88% in 2011 88% in 2010
	Employability – 90% in employment or study	87% in employment or study (source: <i>HESA DLHE data</i>)
Global impact	Market share and growth – to have 35% of students from outside the UK	39% from outside the UK in 2011-12 39% in 2010-11 38% in 2009-10 (source: <i>internal data</i>)
	20% of students from more than 120 countries	20% from 136 countries in 2011-12 20% in 2010-11 20% in 2009-10 (source: <i>internal data</i>)
	No more than 8% of students from one non-UK country	7% from a single country in 2011-12 7% in 2010-11 9% in 2009-10 (source: <i>internal data</i>)
	Top 200 University in THE World ranking	In the band 251 – 275 in 2012-13 In the band 201 – 225 in 2011-12 248 in 2010 (source: <i>THE World Rankings</i>)
Finance	Surplus 3.5% of turnover* (<i>Surplus before severance costs, joint ventures and FRS17 credit</i>) *The 3.5% target has been suspended during the period of transition between funding systems	2.4% in 2011-12 1.4% in 2010-11 4.4% in 2009-10 (source: <i>Financial Statements</i>)
	Cash balance sufficient to fund 25 days average expenditure	77 days in 2011-12 80 days in 2010-11 60 days in 2009-10
	Affordability of debt (<i>operating cash flow to net debt servicing costs ratio to exceed 1.0</i>)	0.6 in 2011-12 2.4 in 2010-11 6.8 in 2009-10 3.1 in 2008-09
	Staff costs/Income ratio to be in line with 1994 Group	53.5% in 2011-12 54.5% in 2010-11 54.6% in 2009-10
	5% growth of income	4.0% in 2011-12 5.2% in 2010-11 13.2% in 2009-10

Results for the Year

The surplus on continuing operations before joint ventures of £2.696m includes staff severance costs of £497k and a pensions accounting credit of £1.590m. Discounting these results is an underlying surplus from University operations of £1.6m (£2.1m in 2010-11):

	2011-12	2010-11
	£000	£000
Surplus on continuing operations (excluding joint ventures)	2,696	815
add back staff severance costs (excluding joint ventures)	497	2,748
less credit arising from pensions accounting (FRS17)	(1,590)	(1,477)
Underlying Surplus for the year from University operations	1,603	2,086

% of total turnover	1.1%	1.4%
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Turnover for the year grew by 4% to stand at £152m, an increase driven by:

Subsidiary Undertakings and Joint Ventures

University Campus Suffolk Ltd (UCS) is a joint venture with the University of East Anglia (UEA) delivering a range of higher education activity. UCS is a company limited by guarantee and an exempt charity with the University exercising joint control with UEA. Total income for the year was £38.782m, up 4% over the prior year and its surplus of £1.822m (£2.3m in 2010-11) represented 5% of turnover. The University has provided loan guarantees of £8m, with the University of East Anglia underwriting a similar amount to fund capital projects undertaken by UCS. Half of the reported UCS performance for 2011-12 is reflected in these group financial statements.

Income earning activities are located in the Campus Services Section which comprises a company (University of Essex Campus Services Ltd), Student Accommodation and the Sports Centre. The Company operates campus conference, catering, day nursery, printing and laundrette activities which contributed an operating loss of £65k (£579k profit in 2010-11).

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

University of Essex Enterprises Ltd (previously Wivenhoe Technology Ltd) is responsible for technology transfer, registering patents and spin-out companies on behalf of the University. The company recorded a pre-tax profit for the year of £25k (£92k profit in 2010-11).

Universal Accommodation Group Ltd is a special purpose vehicle acquired by the University in 2003, holding the freehold of University Quays, a 770 bed student accommodation facility. The company charges the University a lease rental for the property and in return the University levies loan charges to the company. The accommodation itself is operated by the University. A pre-tax profit for the year of £268k (£410k profit in 2010-11) was recorded.

The University's Knowledge Gateway project, involving the development of land on the Colchester Campus for a variety of uses, is being developed by two wholly owned subsidiary companies: University of Essex Knowledge Gateway (Holdings) Ltd, which owns the freehold land on the site, and University of Essex Knowledge Gateway Ltd, which will develop commercial tenancies. Knowledge Gateway Ltd has incurred bank fees for a £1.7m performance bond issued by Lloyds TSB in February 2011 in favour of Essex County Council (ECC) as highway authority. Ninety per cent of the bond is scheduled for release once ECC has confirmed its satisfaction with the infrastructure work and the remainder one year later provided that such work has not been found to be defective.

Capital Investment

The capital investment plan is a five-year plan to address major estates issues and improvements to the IT and management information systems infrastructure. Capital investment in the year amounted to £19.6m (£14.1m in 2010-11).

Major projects underway during the year included:

- **Knowledge Gateway:** Completion of the infrastructure for the Knowledge Gateway site – a £7.4m project to create road and service infrastructure to enable new development including services to The Meadows student accommodation. The works have also provided for improved access from the A133, which was created over the summer and autumn of 2011;
- **The Forum Southend-on-Sea:** A partnership with Southend Borough Council and South Essex College to construct The Forum Southend-on-Sea building which will house a new civic library and academic library for the Council, University and College and enhanced teaching and learning facilities for the University and the College. The Forum Southend-on-Sea will be in close proximity to the University's existing Gateway Building, thus providing a valuable extension to the Southend Campus. Construction began in February 2012 and is scheduled to be complete in August 2013. The total project cost is £26.9m, with the University contributing £10.4m.

Other major capital projects were advanced during the year:

- **Student Centre and Library Extension:** New £26m facilities that will house a number of student-facing services currently distributed across the Colchester Campus and create a significant extension to the Albert Sloman Library. Planning approval has been obtained and a start will be made on site in January 2013, with completion in late 2014;
- **Essex Business School Building:** A £21m new building at Colchester to house the Essex Business School, for which planning approval has been secured. The building will be sited adjacent to the Knowledge Gateway site and will benefit from both the completion of the infrastructure and co-location with businesses that will be accommodated on the Knowledge Gateway;
- **Multi-decked car park:** A £4m three storey car park, creating additional parking spaces and removing the need for temporary car park space across the Colchester Campus. Planning approval was obtained in the early summer and a start made on construction in August 2012, with completion planned for mid-February 2013.

The University has recently completed a transaction with Uliving, a consortium created to deliver new student accommodation facilities on the Colchester Campus which are to be known as The Meadows. Uliving will design, build, operate and finance The Meadows, which will provide an additional 648 rooms for the University, of which 228 will be in townhouses with the remaining 420 being en-suite. In addition, from the 2013-14 academic year, it will take on the operation of University Quays, an existing adjacent block of student accommodation which has 766 en-suite rooms. This transaction represents a substantial investment in campus facilities with operational and financial risks being transferred to Uliving.

Investments, Liquidity and Debt

The investment asset allocation targets are:

	UK Equities	Absolute Return Funds	Cash
Permanent Endowments	95%	-	5%
Expendable Endowments	75%	20%	5%
General Funds	-	-	100%

At 31 July 2012 £4.4m of general funds were invested in equity investments.

All UK equity investments are held in the Charishare Fund, a common investment fund managed by Blackrock. The investment objective is to outperform the FTSE All Share Index. The Fund returned -4.3% over the year compared to -3.19% by the FTSE All Share Index (to 30 June 2012). Over the last three years the Fund marginally under-performed the benchmark by returning 12.2% per annum compared to the FTSE All Share Index of 13.8% per annum.

Cash was managed conservatively with deposits in the University's clearing bank (LloydsTSB) and in an AAA-rated money market fund. Cash balances increased from £30.4m to £30.7m over the year. A target of holding minimum cash balances equating to 25 liquidity days (i.e. the number of days of average expenditure cash balances could support) has been set and at 31 July actual liquidity days amounted to 77 days.

Net cash flow from operating activities was £3.2m (£10.7m in 2010-11).

Total debt outstanding was £91.3m (£76.6m in 2010-11) as at 31 July. The University has drawn £78.2m of its £122m facility with Lloyds Bank. This facility includes a five-year repayment holiday which then terms out over 30 years, commencing in November 2013. A smaller loan facility with Barclays Bank loan had £12.1m outstanding as at 31 July.

The University's interest-rate management policy is to fix the majority of its interest costs. This is achieved through a mixture of fixed-rate loans and interest-rate swaps. Interest-rate swaps commenced which will have the effect of fixing interest costs over future loan drawings with the ultimate objective of fixing 80% of interest costs.

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

Covenant Definition	Bank Requirement	Actual 2011-12
Debt servicing costs as a % of turnover	<7.0%	3.9%
I&E Reserve (excluding pension liability)	>£50m	£64.0m
Ratio of total debt to total funds (excluding pension liability)	<1.0	0.66

Pension Schemes

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

On an FRS17 valuation basis, the combined deficits in LGPS and UEPS have increased by £7.037m from £17.3m to £24.4m as at 31 July 2012. Funding levels, on an FRS17 basis, are: USS 82% (31 March 2012), LGPS 64% (31 July 2012) and UEPS 74% (31 July 2012).

USS has also undergone a prolonged review of its cost and benefit structure in order to ensure it can remain financially viable. Changes were implemented in October 2011, resulting in existing members of staff paying increased contributions, rising from 6.35% to 7.5%, while new members of staff will join a new career average revalued earnings section and contribute 6.5% of their earnings. The employer's contribution did not change.

During 2010, the University undertook a review of the UEPS pension scheme and proposed a number of changes. This followed the results of its actuarial revaluation which would have led to an increase in the employers contribution rate. The changes were implemented in August 2011 following a statutory consultation period. The employee's contribution rate has increased from 6.0% to 7.0% and the employer's contribution rate has reduced from 21.5% to 19.4%.

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

Sustainability

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

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

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

Key Performance Indicators

	Objective	Target Date	Status
1.	Carbon Reduction		
	1.1 Reduce absolute Scope 1,2 and 3 greenhouse gas emissions by 43% in CO ₂ e terms by 2020 on a 2005 baseline. A target of 43% to ensure the University is in line with HEFCE sector targets.	2020	In progress
	1.2 Meet an interim target to reduce Scope 1 and Scope 2 emissions by 20% by 2015 on a 2005 baseline.	2015	On going
2.	2. Carbon Reporting and Accounting		
	2.1 Instigate annual monitoring and reporting of greenhouse gas emissions in conformity with the Greenhouse Gas Protocol	July 2011	Achieved
	2.2 Put systems in place to enable the University to collect data on Scope 3 emissions and include these in reporting, including: <ul style="list-style-type: none"> ■ Waste recycling/recovery and disposal; ■ Water consumption; ■ Transport of staff and students to the University and between sites; ■ Conference and business travel and travel associated with placements and field trips; ■ Procurement. 	July 2012	Not achieved
	2.3 Gain Carbon Trust Standard certification	March 2011	Regressed
3.	Operational		
	3.1 The University Estate will be converted to low carbon buildings by: <ul style="list-style-type: none"> ■ Ensuring all new buildings are designed to achieve BREEAM Excellent by 2011 ■ Ensuring that all refurbishment projects include an assessment of measures to improve energy and carbon efficiency ■ Where practicable and with due regard to the palette of existing materials on campus, all building materials will be sourced from the BRE Green Guide to specifications categories A-C from 2010 	2011	Achieved
		2011	Achieved
		2011	
	3.2 Energy efficiency and whole life cost considerations will form a key part of procurement from 2010. These considerations will particularly apply to ICT and other electrical equipment procurement criteria.	July 2010	Achieved
	3.3 The University has instituted a revolving Green Fund for minor energy efficiency projects. This will be supported and enhanced in the future.	July 2011	Achieved
	3.4 The University will assess onsite renewable and ambient energy options and report on their viability to achieve the carbon reduction milestones.	July 2010	Achieved
	3.5 The use and occupancy of space will be assessed and optimised to ensure the most energy and carbon efficient use of campus space.	2013	Achieved

Future Outlook

2012 saw the first intake of home/EU undergraduates under the new higher education student loan regime. Those cohorts that returned for second, third and fourth years of study continued to be funded under the old regime which was subject to successive cuts from 2009-10 onwards. This extended period of transition from the old and dwindling regime to the new is frequently referred to as "the valley of death". Success in climbing out of the valley will depend upon our ability to attract and retain students.

On 20 September 2012, the University's Clearing and Admissions service reported that acceptances to HEFCE funded institutions by home/EU undergraduates were 52,000 (-15%) lower than at the same time in the cycle in 2011. There was a 15% reduction in acceptances from students who had secured grades at A-level, or equivalent, of AAB or higher. There was no cap on admission of students with these grades. This was matched by a 15% reduction in admissions of other students who did not secure these grades and therefore counted against the HEFCE student number control.

By comparison, the University recruited fairly well (around 9% below) but experienced some shortfall against targets due to the reduction in numbers of students achieving AAB or higher at A-level and a drop in admissions from the wider EU. Much of the reduction in home/EU intake is compensated for by recruitment of international students above target. Nonetheless, the University has revised its budget for 2012-13 to ensure that it remains on a sustainable footing. Importantly, it is making every effort to ensure that the syllabus, student experience and prospects offered more than justify every pound due to be paid by its new graduates when their earnings exceed £21,000 per annum.

It is encouraging that the University's share of a highly constrained pool of funding for research has been maintained. This is an important indicator of research strength as the University looks to repeat its outstanding performance in the 2008 assessment exercise in the Research Excellence Framework 2014.

In accordance with its ambition for its excellence in research to be matched by excellence in the education it provides, the University is progressing with the construction of The Forum building at Southend and advancing projects for a new student centre, library extension and a building to meet the ambitious growth plans of the Essex Business School at Colchester. It is also looking significantly to improve facilities at the East 15 Acting School. A corollary of these ambitions is that borrowing will peak at just over £130m in 2013-14. However, the vast majority of this debt is repayable by equal instalments of principal which have been provided for in the University's financial forecasts. Accordingly, the total exposure to debt will decrease by £4.6m a year with associated reductions in interest payable.

The relationship with Uliving will strengthen the University's finances while ensuring the provision of high-quality residences for its students at reasonable cost. The Meadows will provide additional capacity for the University to continue to fulfil its founding ethos of living and learning.

In July 2012, the University Council received a sustainability plan for the estate. While the original 1960s estate on the Colchester Campus has served the University well for its first 50 years, it is recognised that it, in current form, will not meet the highest standards of carbon efficiency and space utilisation in the next 50. The sustainability plan provides the University with the opportunity to reinvent the vast majority of the built estate in a way that will demonstrate a bold and dynamic institution operating within a coherent and structured plan for its physical assets. It is proposed that twelve phases of work will be spread over the next 30 years with two phases being completed in each five-year Capital Investment Plan period at a cost per period of £24m in today's prices. While the total expenditure is significant, when spread over this timeline it is not an unrealistic proposition. The decanting space necessary for the implementation of the Sustainability Plan will become available once the Essex Business School, the Student Centre and the Library extension projects are completed.

The University is strengthening its management structures in order to ensure success in implementing a rich programme of innovation and development. Looking beyond the changes to the funding of home/EU undergraduate education, global demand for education and research has never been higher and continues to grow. The University is positioning itself to participate to its full potential in the knowledge based economies and societies that are developing at an extraordinary pace.

Risk

The University's Risk Management Group reviews the risk register three times a year and reports to the Audit and Risk Management Committee on strategic, financial and operational risks and force majeure. Plans are in place to implement a new risk management policy that will be fully embedded within the operational units of the University. This is designed to ensure that the University is prepared for the new and highly uncertain environment for UK universities. Focusing on the Top 12 Strategic Risks, the new policy will synchronise with a new strategic plan and key performance indicators.

Public Benefit

The University's Charitable Aims

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

Members of Council are the trustees of the University and 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).

The undergraduates and postgraduates who study at Essex are the main public beneficiaries of our work. Others beneficiaries include companies, organisations and charities who employ our graduates, work with our academics on knowledge exchange projects or access our training programmes. The wider public also benefits from the insights provided by our world-leading research in the social sciences, science and engineering, and the humanities. The general public can also access our facilities, courses, talks and events.

Teaching

The University provides public benefit through the teaching of undergraduate and postgraduate students.

Our undergraduate and postgraduate students benefit from studying at a research-intensive university with a commitment to teaching excellence, where they can learn from academics who are at the forefront of their fields and are involved in active research projects.

We aim to provide an outstanding student experience by encouraging the personal development of our students through volunteering, sport, music, the arts and engagement with our Students' Union.

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, excellent communication skills and leadership ability.

The total number of students we teach continues to grow with 8,891 undergraduate students and 3,349 postgraduate students at Essex in 2011-12.

The high quality of our teaching is shown by the feedback we have received. In the 2012 National Student Survey, 89 per cent of students expressed overall satisfaction with their undergraduate course, placing us in the top 20 for

mainstream English universities. In the Postgraduate Taught Experience Survey for 2012, 89 per cent said their overall experience had met or exceeded their expectations. The most recent Postgraduate Research Experience Survey, which last took place in 2011, showed 82 per cent of research students felt their overall experience had met or exceeded their expectations.

Our staff are committed to excellence in teaching and 30 academic staff became Fellows of the Higher Education Academy (HEA) this year with eight successfully completing a Postgraduate Certificate in Higher Education Practice.

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

We develop educational provision to meet recognised need. For example, Professional Development Studies has worked in partnership with Essex County Council, Thurrock Council and Southend-on-Sea Borough Council to deliver postgraduate programmes. These courses meet the professional development needs of their social workers. This work has been recognised by national awards including the SWAP Innovation in Learning and Teaching Awards.

We also 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

We are one of the leading research-intensive universities in the country and in the last Research Assessment Exercise (RAE, December 2008), we were ranked ninth nationally for the quality of our work.

We have continued to build on this reputation in 2011-12 by taking forward projects which have an impact at a local, national and global level.

Our research feeds directly into the learning experience for our undergraduates and postgraduates. We are committed to knowledge exchange and sharing our research expertise with government bodies, non-governmental organisations and business.

In 2011-12, we attracted research funding totalling £25.5m, the second highest figure ever achieved, which underlines our success in delivering outstanding research which meets the needs of society.

Our academics share their work through publication in a wide range of internationally-recognised journals and they

also make a huge range of their work available through the University of Essex Research Repository, an online resource including more than 1,800 academic research papers.

Our research benefits individuals and society by directly engaging with current issues.

Understanding Society the biggest study of its kind in the UK is based at the Institute for Social and Economic Research (ISER). Data from the survey of nearly 40,000 households is available for researchers and the information gathered will greatly enhance public knowledge of what influences our careers; health and well-being, financial circumstances and personal relationships. The study will also capture biomedical data on 20,000 participants and place this alongside rich social histories, helping researchers weigh the extent to which people's environment influences their health.

The UK Data Archive plays a central national role in the secure management of social and economic data to facilitate high quality research. Over the next five years the UK Data Archive will receive £15m of funding from the Economic and Social Research Council to establish the UK Data Service, the new flagship data infrastructure service. The UK Data Service will help ensure the UK social science community continues to produce world-class research.

Research having an impact on society includes the work of researchers at ISER who have discovered breastfeeding has a measurable positive impact on a child's health, cognition and behaviour. They have held briefings with policymakers and are calling on the Government to recognise this fully in future policy development.

Philosophers at the School of Philosophy and Art History are continuing to research the issues surrounding personal autonomy and mental capacity as part of research funded by the Arts and Humanities Research Council (AHRC). They are providing advice and training to frontline professionals, while also influencing policymakers and the interpretation of laws in this area.

The School of Biological Sciences has received grants totalling £800,000 from the Biotechnology and Biological Sciences Research Council for projects exploring new ways of improving crop yields for both food and fuel. This will help alleviate the pressure on resources. Researchers are also taking part in ABSTRESS the Europe-wide project to speed up the development of drought resistant crops.

Essex is playing a leading role in the Network of Excellence in Internet Science funded by the European Commission. Principal investigator Dr Chris Marsden from the School of Law is leading joint research activities on standard setting and virtual communities. This work will lay the foundations for future technology development and help manage the potential social, economic and environmental impacts.

Gene variation thought to make people more vulnerable to depression and anxiety when times are bad also helps them benefit the most when times are good, according to a study by Professor Elaine Fox from the Department of Psychology. This will help the development of more appropriate therapies.

Awards recognising the high quality of the research and scholarship carried out at Essex received in 2011-12 included:

- Professor Nelson Fernandez from the School of Biological Sciences was awarded the Kiril Bratanov medal by the International Coordination Committee for Immunology of Reproduction for his contribution to the advancement of reproduction immunology.
- Professor Miriam Glucksmann from the Department of Sociology has become the eighth Essex academic to be named as an Academician of the Academy of Social Sciences.
- Professor Emil Kirchner from the Department of Government was awarded a Lifetime Achievement Award by the University Association for Contemporary European Studies (UACES).
- Dr Tom Quinn from the Department of Government won the Political Studies Association's Richard Rose Prize for 2012. The prize is for young scholars who have made a distinctive contribution to the study of politics.
- Professor Paul Whiteley from the Department of Government was elected as a British Academy Fellow for his outstanding contribution to the social sciences.
- Essex PhD student John Wilson from the School of Computer Science and Electronic Engineering won the IET Williams James Award 2011 for research which shows the greatest potential to contribute towards the development and improvement of the biomedical field for his work on advancing brain-computer interface systems for the disabled.

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 teaching excellence.

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

For 2012 entry, we reviewed our financial support packages in partnership with our Students' Union to ensure students identified as having the greatest financial need could come to the University of Essex and benefit from the excellent student experience we provide.

Through the National Scholarship Programme (NSP), 200 first-year students, who met the NSP eligibility criteria and are from low income households with a household income of up to £10,000, could access an accommodation subsidy of £3,000. This supports our aim to help students from under-represented groups to come to Essex no matter where they live and provide local students, regardless of background, with access to the complete student experience.

Our bursary scheme also supports students with a household income of up to £25,000. If they met the conditions of their offer and made the University their firm choice by the relevant UCAS deadline, they were eligible for a contribution from the University of £1,500 per year for every year of their undergraduate study.

We also provided scholarships of £2,000 for each year for UK students who achieved academic excellence in their studies. Due to the nature of our intake we anticipated that a significant number of these scholarships would be awarded to students from low income households.

We also have targeted bursary schemes including support for care leavers and those who are facing significant costs in accessing study abroad opportunities.

For the 2013-14, we have reviewed our whole scholarship and bursary programme to provide further targeted support to meet our strategic aims.

We believe widening participation also involves offering the right support to make sure our students succeed and get the most out of their time at Essex.

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

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

We have expanded the number of outreach activities we undertake and the number of staff in our Outreach team. As a result, in 2011-12 our Outreach team took part in 250 activities involving 143 schools across Essex, Suffolk and London with a total of 12,012 beneficiaries.

This work helps us consistently exceed our HESA (Higher Education Statistical Agency) Widening Participation Performance Indicator benchmarks for students from under-represented groups.

The latest figures available, for 2010-11, show 34.1 per cent of our intake of young full-time first degree students, including partner institutions, were from social classes 4, 5, 6 and 7 and 16.9 per cent were from low participation neighbourhoods. Out of our intake of young full-time first degree students, 95 per cent were from state schools.

The University is also a member of Realising Opportunities (RO), a unique collaboration of twelve research intensive universities working together to promote fair access and social mobility of students from under-represented groups. The programme provides support for students through interventions designed to raise aspirations and enable them to demonstrate their potential for success at a research intensive university. The programme won a Times Higher Education award in 2011.

Knowledge Exchange and Community Engagement

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

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

Groundbreaking research by Professor Hani Hagras from the School of Computer Science and Electronic Engineering was named as the Best Knowledge Transfer Partnership for London and the South-East region by the Technology Strategy Board, the UK's national innovation agency. The project saw Professor Hagras work with private sector and fellow scientists to develop a patented multi-purpose data analysis and decision support system. The project is being used in a whole range of situations including identifying behavioural tendencies of customers, improving energy efficiency of buildings and offering an early warning system for oil refineries.

We are also helping build the future low-carbon economy through knowledge exchange projects supported by the Low Carbon KEEP (Knowledge – East of England – Partners) scheme. Essex Business School has worked with Fisher Jones Greenwood (FSG) to improve efficiency and with Software in Partnership to promote a web-based carbon efficient Human Resources system.

The Research and Enterprise Office coordinates briefings and discussion forums for regional businesses and organisations to share our expertise on issues directly affecting them. This year events have ranged from the Budget through to the Olympics.

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

Our internships programme is offering students and graduates the chance to develop their skills and experience within a particular field, while providing businesses or organisations with 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 have started work on a 40-acre research park, known as the Knowledge Gateway, at our Colchester Campus to provide a future regional hub for research and development and business activity in the social sciences and sciences.

We are a key partner for Essex Book Festival, engaging the general public and our students with high-quality events which promote interest in literature and encourage creativity. Our academics took part in a number of events at our campuses and venues across the county as part of the Festival. We also hosted talks by well-known speakers at the University including leading novelist Jodi Picoult and historian Kate Williams.

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

Our academics actively take part in Café Scientifique, a popular series of talks designed to increase informal engagement between the public and researchers at Essex.

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.

Our three theatres at our Colchester, Loughton and Southend campuses all host numerous public performances including shows featuring our students. This year, students in both East 15 Acting School and the Department of Literature, Film, and Theatre Studies have developed several productions inspired by local history, culture and politics.

Art Exchange, the University gallery, has a year-round programme of events including an annual exhibition curated by students on our *MA Gallery Studies and Critical Curating* course.

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

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 elected employee members. The roles of Chancellor and Pro-Chancellors (including the Chair of Council) are separated from the role of the University's Chief Executive, the Vice-Chancellor.

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

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

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

The Committees of Council

The Council delegates some business to a number of committees:

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

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

The Audit and Risk Management Committee comprises solely external members, 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 Committee met four times in the year.

The responsibilities of the Audit and Risk Management Committee include:

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

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

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

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

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

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

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

The University Senate

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

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

The University Court

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

Responsibilities of the Council

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

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

In the preparation of the Financial Statements, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed;
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and authority delegated to, heads of academic departments and administrative sections;
- a short and medium term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- regular reviews of academic performance and financial results involving variance reporting and updates of financial outturns;
- defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to appropriate levels set by Council;
- Financial Regulations, including financial controls and procedures, approved by the Audit and Risk Management Committee;
- a professional internal audit team whose annual programme is approved by the Audit and Risk Management Committee;
- a Risk Register which contains weightings (of likelihood and impact) linked to the Strategic Plan which also informs the internal audit planning process.

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

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

Name	Council		Audit and Risk Management		Strategy and Resources		Nominations		Remuneration	
	Eligible to attend	Actually attended	Eligible to attend	Actually attended	Eligible to attend	Actually attended	Eligible to attend	Actually attended	Eligible to attend	Actually attended
Mr Marc Albano (15)					3	3				
Dr Wayne Campbell (13)					1	1				
Mr Andrew Connolly (15)					2	2				
Mr Peter Giblin			4	3						
Dr John Grote			4	4						
Mr Andrew Keeble (16)					1	1				
Mrs Elizabeth Lloyd			4	1						
Mr Bryn Morris (14)					5	5	3	3	1	1
Mrs Vanessa Potter					6	6				
Prof David Sanders					6	6				
Prof Nigel South					6	6				
Mr Brian Stapleton			4	3						
Mr Riccardo Tazzini			4	4						
Prof Jane Wright					6	6				

Council

- 1) Ms Dee Evans resigned on 28 November 2011
- 2) Dr Aulay Mackenzie resigned on 28 November 2011
- 3) Mr Hentley Ignatius resigned on 21 May 2012
- 4) Mr Nathan Bolton joined on 16 July 2012
- 5) Prof Eamonn Carrabine joined on 28 November 2011
- 6) Dr Maria Fasli joined on 28 November 2011
- 7) Sir Deian Hopkin joined on 28 November 2011
- 8) Dr Hanif Lalani joined on 28 November 2011
- 9) Dr Andrew Philips joined on 28 November 2011
- 10) Dr Alison Rowlands joined on 28 November 2011
- 11) Dr Lisa Wade joined on 28 November 2011

Audit and Risk Management

- 8) Dr Hanif Lalani joined on 13 October 2011

Strategy and Resources

- 1) Ms Dee Evans resigned on 7 November 2011
- 12) Ms Maria Stanford joined on 23 January 2012
- 13) Dr Wayne Campbell resigned on 10 October 2011
- 14) Mr Bryn Morris joined on 7 November 2011
- 15) Mr Andrew Connolly resigned on 7 November 2011 (Mr Marc Albano covered the role until Mr Andrew Keeble joined)
- 16) Mr Andrew Keeble joined on 18 June 2012

Nominations

- 1) Ms Dee Evans resigned on 7 November 2011
- 7) Sir Deian Hopkin joined on 23 January 2012
- 14) Mr Bryn Morris joined on 7 November 2012

Remunerations

- 14) Mr Bryn Morris joined on 18 June 2012
- 17) Ms Judith Judd joined on 18 June 2012
- 12) Ms Maria Stanford joined on 18 June 2012

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 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, and the related notes 1 to 34. 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) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the governing body 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and Auditor

As explained more fully in the Governing Body's Responsibilities Statement, the governing body is responsible for the preparation of the financial statements that 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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the group's affairs as at 31 July 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2012 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion the Statement of Internal Control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University.

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, UK
November 2012

Accounting Policies

Accounting Convention

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

Basis of Consolidation

The Financial Statements comprise the consolidated results of the University of Essex and its subsidiaries and the University's share of the results and reserves of its joint venture companies. These subsidiaries undertake activities which, for legal and commercial reasons, are more appropriately operated through limited companies. Their activities include a hotel, conferences and consultancy services for a wide variety of commercial organisations and individuals, the rental of student residences, the acquisition, protection and licensing of intellectual property from the University and the holding, development and disposal of land or granting of long-leases in relation to the Knowledge Gateway project.

The subsidiary companies transfer all taxable profits to the University through Gift Aid. Joint ventures are consolidated according to the proportionate share the University has in each.

Full details of the activities of the Universities subsidiaries and joint ventures are disclosed in Note 27.

The consolidated Financial Statements do not include those of the University of Essex Students' Union as it is a separate entity with its own governance and reporting arrangements. The grant to the Students' Union is disclosed in Note 8, and the Union's financial results are summarised in Note 28.

Recognition of Income

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

Income from HEFCE revenue grants for specific purposes is included to the extent that expenditure is incurred during the year.

Grants and donations received in respect of expenditure on fixed assets are treated as deferred capital grants and released to the income and expenditure account in line with depreciation, over the useful economic life of the asset.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

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

Accounting for Donations and Endowment Funds

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

- 1) Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University;
- 2) Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the University can apply the capital as well as the income to fund the specified objective;
- 3) Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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

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

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

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

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

Receipts and Payments made on behalf of others

The University receives and disburses various funds on behalf of funding bodies and these are known as 'agency arrangements'. This includes the payment of HEFCE grant to academic partners, NHS bursaries and Access to Learning Funds. These funds are excluded from the University's income and expenditure account as the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. Receipts and disbursements made under agency arrangements are disclosed in Note 30.

Cash Flows and Liquid Resources

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

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

Investments

Fixed asset investments and endowment asset investments are included in the Balance Sheet at market value unless the market value cannot be readily ascertained and the yields are unquantifiable and of a long-term nature, such as 'seedcorn' funds. In such instances, it is considered prudent to charge the cost of the investment to the revenue account

in the year of its acquisition. Increases or decreases in value arising on the revaluation of fixed asset investments are carried to the revaluation reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent that it is not covered by a revaluation surplus. The profit or loss on the disposal of an asset is accounted for in the year in which the disposal occurs as the difference between the net sale proceeds and the net carrying amount, whether carried at historical cost or valuation.

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

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

Financial Instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

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

Foreign Currencies

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

Maintenance of Premises

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

Land and Buildings

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

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

Fixed Asset Impairments

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

Intangible Assets and Goodwill

Expenditure on assets that do not have physical substance but are identifiable and controlled by the University are capitalised at historical cost when it will bring benefits for more than one financial year, this includes goodwill. Goodwill arose on the acquisition of business from Insearch Ltd when the partnership ended in 2008. However, on the grounds of precedence, the balance of goodwill was written off in 2011-12.

Heritage Assets

The University holds various non-operational assets in the form of a collection of paintings, prints and similar artworks mainly dating from the twentieth century, which were acquired through a combination of donations and purchases. The University does not actively seek to add to the collection, other than through the commissioning of photographic portraits of senior Trustees. It is the University's intention to maintain the collection and no disposals are currently foreseen. The majority of the collection is on public display in the library and a record of the items is held by the University for insurance purposes. These assets are included in the balance sheet at market valuation. Heritage assets are not depreciated.

Equipment

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

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

- motor vehicles and other general equipment - between five and ten years dependent upon the expected useful economic life;
- computer equipment - three years;

Where equipment is acquired with the aid of grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment.

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

Depreciation

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

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

Stocks

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

Provisions, Contingent Liabilities and Contingent Assets

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

Pension Schemes

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

Because of the mutual nature of the USS scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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

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

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

Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 of the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

Deferred Tax

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

Intra-group Transactions

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

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

Joint Venture Entities

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

Operating Leases

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

Consolidated Income and Expenditure Account

For the year ended 31 July 2012

	Note	2011-12 £'000	2010-11 £'000
Income			
Funding council grants	1	33,952	36,333
Tuition fees and educational contracts	2	62,734	56,864
Research grants and contracts	3	25,445	25,493
Other income	4	48,924	45,622
Endowment and investment income	5	440	562
Total income: Group and share of joint ventures		171,495	164,874
Less: share of income from joint ventures	4	(19,391)	(18,628)
Total income		152,104	146,246
Expenditure			
Staff costs	7	81,396	79,693
Other operating expenses	8	55,022	55,147
Depreciation and amortisation	8	7,773	6,686
Finance charges	8	5,217	3,905
Total expenditure		149,408	145,431
Surplus on continuing operations after depreciation of tangible fixed assets at cost		2,696	815
Share of profit in joint ventures	27	912	1,162
Surplus for the financial year		3,608	1,977
Transfers (to) endowment funds	20	(7)	(116)
Surplus for the financial year retained within general reserves	6	3,601	1,861

All items of income and expenditure arise from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2012

	Note	2011-12 £'000	2010-11 £'000
Surplus on continuing operations after depreciation of assets at cost, disposal of assets and tax		3,608	1,977
Unrealised (losses)/gains on investments	11	(206)	451
(Diminution)/Appreciation of endowment asset investments	20	(204)	424
New endowments	20	308	5
Actuarial losses in respect of pension schemes	26	(9,281)	(2,023)
Total recognised (losses)/gains relating to the year		(5,775)	834
(Decreased)/Increased holding in joint ventures		(56)	188
Total recognised (losses)/gains since last report		(5,832)	1,022
Reconciliation			
Opening reserves and endowments (excluding pension deficit)		68,825	67,257
Opening pension deficit	26	(17,347)	(16,801)
Recognised (losses)/gains relating to the year		(5,832)	1,022
Closing reserves and endowments		45,646	51,478

There is no material difference between the surplus on an historical cost basis and the result for the year.

Balance Sheet

As at 31 July 2012

	Note	Consolidated		University	
		2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Fixed assets					
Intangible assets	12	0	1,090	0	1,090
Tangible assets	10	201,746	189,218	171,722	166,369
Investments	11	4,457	4,663	30,956	25,410
Investment in joint ventures					
Share of gross assets	27	40,378	40,862	0	0
Share of gross liabilities	27	(14,325)	(13,950)	0	0
		232,256	220,794	202,678	191,779
Endowment assets	13	5,177	5,066	5,177	5,066
Current assets					
Stocks		427	271	203	186
Debtors - amounts due within one year	14	10,849	8,838	10,286	8,053
Debtors - amounts due after more than one year	14	0	122	18,055	18,977
Investments	15	10,093	5,058	10,093	5,058
Cash at bank and in hand		19,871	24,959	18,004	20,748
		41,240	39,248	56,641	53,022
Creditors - amounts falling due within one year	16	(27,578)	(31,807)	(25,782)	(30,497)
Net current assets		13,662	7,441	30,859	22,525
Total assets less current liabilities		251,095	234,391	238,714	220,460
Creditors - amounts falling due after more than one year	17	(90,425)	(75,641)	(90,364)	(75,641)
Provisions for liabilities	18	(118)	(1,379)	(118)	(1,379)
Total net assets excluding pension liability		160,552	157,371	148,232	143,440
Pension liability	26	(24,492)	(17,347)	(24,054)	(17,347)
Net assets including pension liability		136,060	140,024	124,178	126,093
Deferred capital grants and gifts	19	65,907	62,664	65,907	62,664
Joint venture deferred capital grant reserve	32	24,507	25,882	0	0
Endowments					
Restricted Expendable	20	4,774	4,661	4,774	4,661
Restricted Permanent	20	403	405	403	405
		5,177	5,066	5,177	5,066
Reserves					
Income and expenditure account excluding pension reserve	22	63,994	62,586	76,181	74,537
Pension reserve	26	(24,492)	(17,347)	(24,054)	(17,347)
Income and expenditure account including pension reserve	22	39,502	45,239	52,127	57,190
Revaluation reserve	21	967	1,173	967	1,173
		40,468	46,412	53,094	58,363
Total Funds		136,060	140,024	124,178	126,093

The Financial Statements on pages 25 to 49 were approved by the Council of the University on 26 November 2012 and signed by:

PROFESSOR A. FORSTER
Vice-Chancellor

D. CURRIE
Chair of Council

A. KEEBLE
Director of Finance

Consolidated Cash Flow Statement

For the year ended 31 July 2012

	Note	2011-12 £'000	2010-11 £'000
Net cash inflow from operating activities	24	3,162	10,664
Returns on investment and servicing of finance			
Income from endowment asset investments		190	230
Income from investments		250	332
Interest payable		(4,897)	(3,505)
		(4,457)	(2,943)
Capital expenditure and financial investment			
Purchase of tangible fixed assets (note 10)		(19,606)	(14,110)
New endowments received		308	5
Endowment funds invested		0	(200)
Deferred capital grants received		6,178	5,446
		(13,120)	(8,859)
Cash outflow before management of liquid resources		(14,415)	(1,138)
Management of liquid resources			
Increase in short term investments		(5,035)	(58)
		(5,035)	(58)
Financing			
Loan repayment in the year		(950)	(950)
New loans received		15,627	9,069
		14,677	8,119
(Decrease)/Increase in cash in the year		(4,773)	6,923
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the year	25	(4,773)	6,923
Cash inflow/(outflow) from management of liquid resources		5,035	58
Net loans received in year		(14,677)	(8,119)
Increase in net debt in the period		(14,415)	(1,138)
Net debt at 1 August 2011		(46,306)	(45,168)
Net debt at 31 July 2012	25	(60,721)	(46,306)

Notes to the Financial Statements

For the year ended 31 July 2012

	2011-12 £'000	2010-11 £'000
1 Funding Council grants		
Recurrent - teaching grant	21,412	22,106
Recurrent - research grant	9,045	9,302
Specific grants	1,174	2,905
Deferred capital grants released in year - buildings (note 19)	1,236	1,121
Deferred capital grants released in year - equipment (note 19)	1,085	899
	33,952	36,333
2 Tuition fees and educational contracts		
Full-time HE tuition fees		
UK and EU students charged home fees	24,328	22,192
Students charged overseas fees	27,465	25,610
Part-time credit-bearing fees	982	922
Non-credit-bearing tuition fees	3,146	1,822
NHS contracts	6,748	6,263
Research training support grants	65	55
	62,734	56,864
3 Research grants and contracts		
Research councils	18,118	19,767
UK-based charities	822	884
UK central government, local authorities and health authorities	1,044	803
UK industry, commerce and public corporations	418	364
European Union government bodies	3,607	2,862
Other overseas	1,427	768
Other sources	9	20
Deferred capital grants (non-funding council) released in year - equipment (note 19)	0	25
	25,445	25,493
4 Other income		
Other services rendered:		
Income from academic partnerships	1,871	1,935
Other sources	442	427
Commercial services income	21,039	19,010
Deferred capital grants (non-funding council) released in year - buildings (note 19)	614	614
Rental income	656	771
Other income	4,911	4,237
Income from joint ventures	19,391	18,628
	48,924	45,622

Notes to the Financial Statements

For the year ended 31 July 2012

	2011-12 £'000	2010-11 £'000
5 Endowment and investment income		
Income from fixed asset investments	180	166
Income from expendable endowments (note 20)	175	217
Income from permanent endowments (note 20)	15	13
Income from short term investments	70	166
	440	562

6 Surplus for the year

The surplus on continuing operations for the year is made up as follows:

University's surplus for the year	3,234	255
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	208	507
Profits generated by subsidiary undertakings and joint ventures	159	1,099
	3,601	1,861

7 Staff costs

Wages and salaries	63,393	62,566
Social security costs	5,065	4,873
Other pension costs	12,938	12,254
	81,396	79,693
Aggregate emoluments of the Vice-Chancellor for year to 31 July	212	182

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rate as for other employees and for the Vice-Chancellor these amounted to £36,640 (2010-11: £31,840).

Compensation for loss of office paid to senior members of staff for 2011-12 was £0k (2010-11: £90k)

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.

	Number of Staff	
	2011-12	2010-11
Remuneration of higher paid staff, excluding employer's pension contributions:		
£100,000-£109,999	1	5
£110,000-£119,999	5	1
£120,000-£129,999	1	3
£130,000-£139,999	1	0
	8	9

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

Academic staff	625	602
Research staff	102	113
Senior support staff	388	368
Other support staff	373	348
General support staff	392	405
	1,880	1,836

Notes to the Financial Statements

For the year ended 31 July 2012

	2011-12 £'000	2010-11 £'000
8 Other operating expenses		
Auditor fees	192	116
Books and periodicals	2,361	2,074
Early retirements and severances	497	2,748
Equipment and consumables	4,940	4,524
Food and Drink	1,118	1,152
Gas, water and electricity	3,370	3,301
Grants to Students' Union	1,070	1,114
Insurance	579	607
Long-term maintenance programme	4,084	3,794
Minor works	389	468
Other expenses	11,022	11,337
Postage and telephones	796	908
Printing and stationery	1,286	1,372
Professional and consultancy fees	3,530	2,771
Rates and rental of premises	2,344	590
Repairs and routine maintenance of estates	2,732	2,658
Research survey fieldwork	8,396	9,119
Scholarships (fee waivers and bursaries)	4,292	4,166
Travel and subsistence	2,024	2,328
	55,022	55,147
Auditors fees include:		
Fees payable for audit of the University and its subsidiary companies	67	62
Non audit services	125	64
	192	126
2010-11 non audit services include £10k charged to The Meadows project for accountancy advice to be charged against a future capital receipt.		
Depreciation and amortisation		
The depreciation and amortisation charge is represented by:		
Deferred capital grants released (Note 19)	2,935	2,659
General income	4,838	4,027
	7,773	6,686
Finance charges		
Bank Interest payable	4,897	3,505
Net charge on pension scheme (FRS17)	320	400
	5,217	3,905

9 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation and Amortisation £'000	Interest paid £'000	2011-12 Total £'000	2010-11 Total £'000
Academic departments and centres	43,519	7,177	0	0	50,696	50,779
Academic services	6,467	4,914	0	0	11,381	11,976
Research grants and contracts	8,702	12,523	12	0	21,237	21,249
Commercial Services	5,832	7,682	2,237	3,080	18,831	16,901
Premises	4,524	7,801	4,375	0	16,700	16,958
Administration and central services	7,942	3,827	0	149	11,918	10,974
Other services rendered	316	86	12	0	414	1,045
General educational services	1,452	4,019	0	0	5,471	5,339
Student and staff facilities	2,068	4,269	40	54	6,431	5,771
Early retirements and severances	0	497	0	0	497	2,748
Other expenses	574	2,227	1,097	1,934	5,832	1,691
Total per income and expenditure account	81,396	55,022	7,773	5,217	149,408	145,431

Trustees

No trustee has received any remuneration/waived payments from the group during the year. Ten trustees are also employees of the University but received no additional payment for acting as trustees.

The total expenses paid to or on behalf of 25 trustees was £nil (2011 - £nil to 25 trustees).

Notes to the Financial Statements

For the year ended 31 July 2012

10 Tangible fixed assets

	University				Companies			Consolidated Total £'000
	Land and Buildings £'000	Equipment £'000	Assets in course of construction £'000	Total £'000	Land and Buildings £'000	Equipment £'000	Assets in course of construction £'000	
Cost								
At 1 August 2011	185,184	13,732	5,659	204,575	24,699	234	1,628	231,136
Additions	5,278	2,454	4,201	11,933	1,061	1,098	5,514	19,606
Transfers	8,460	562	(9,022)	0	0	0	0	0
Disposal	(395)	0	0	(395)	0	0	0	(395)
At 31 July 2012	198,527	16,748	838	216,113	25,760	1,332	7,142	250,347
Depreciation								
At 1 August 2011	32,095	6,111	0	38,206	3,704	8	0	41,918
Charge for year	4,355	2,225	0	6,580	486	12	0	7,078
Impairment	0	0	0	0	0	0	0	0
Disposal	(395)	0	0	(395)	0	0	0	(395)
At 31 July 2012	36,055	8,336	0	44,391	4,190	20	0	48,601
Net book value								
At 31 July 2012	162,472	8,412	838	171,722	21,570	1,312	7,142	201,746
At 31 July 2011	153,089	7,621	5,659	166,369	20,995	226	1,628	189,218

University Land and Buildings include £5.226m (2010-11:£5.089m) in respect of freehold land which is not depreciated and leasehold properties with a net book value of £2.079m (2010-11: £2.132m).

Additions to University land and buildings in the year includes for assets in the course of construction and for which no depreciation charge has been made. Land, buildings and equipment with a net book value of £77.368m (2010-11: £69.228m) have been funded by capital grants of £38.263m and other gifts and donations of £27.644m.

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

11 Investments

	Consolidated		University	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
At 1 August	4,663	6,237	25,410	22,200
(Disposals)/Additions	0	(2,025)	5,752	2,759
Revaluations (debited)/credited to the revaluation reserve	(206)	451	(206)	451
At 31 July	4,457	4,663	30,956	25,410
Comprising:				
Equities	4,410	4,616	4,410	4,616
Subsidiary companies:				
University of Essex Knowledge Gateway Holdings Ltd	0	0	12,491	12,391
Universal Accommodation Group Ltd	0	0	2,892	2,892
University of Essex Campus Services Ltd	0	0	1,251	999
Wivenhoe House Hotel Ltd	0	0	9,865	4,465
Other investments	47	47	47	47
	4,457	4,663	30,956	25,410

Land designated for the development of the Knowledge Gateway is held by the University of Essex Knowledge Gateway Holdings Ltd, a wholly owned subsidiary. Details of investments in all subsidiary undertakings are included in note 27. University of Essex Campus Services changed its name from University of Essex Commercial Services Ltd in August 2012.

Notes to the Financial Statements

For the year ended 31 July 2012

12 Intangible assets

	Consolidated and University	
	2011-12	2010-11
Cost	£'000	£'000
At 1 August and 31 July	1,498	1,498
Amortisation		
At 1 August	408	272
Charge for the year	136	136
Impairment	954	0
At 31 July	1,498	408
Net book value		
At 31 July	0	1,090

On 31 October 2008, the University ended its partnership with Insearch Ltd. The intangible asset represents the discounted value of the goodwill arising from acquisition of the business from Insearch Ltd and has been written off in 2011-12.

13 Endowment assets

	Consolidated		University	
	2011-12	2010-11	2011-12	2010-11
	£'000	£'000	£'000	£'000
Balance at 1 August	5,066	4,521	5,066	4,521
New endowments invested	0	200	0	200
(Decrease)/Increase in market value of investments	(204)	424	(204)	424
Increase/(Decrease) in cash balances held for endowment funds	315	(79)	315	(79)
At 31 July	5,177	5,066	5,177	5,066
Represented by:				
Absolute return funds	858	892	858	892
Equities	3,629	3,799	3,629	3,799
Cash at bank held for endowment funds	690	375	690	375
Total endowment assets at market value	5,177	5,066	5,177	5,066

14 Debtors

	Consolidated		University	
	2011-12	2010-11	2011-12	2010-11
	£'000	£'000	£'000	£'000
Trade debtors	1,170	2,305	731	1,475
Student fees	1,221	829	1,221	829
Research debtors	4,959	2,294	4,959	2,294
Prepayments and accrued income	3,499	3,410	3,038	3,410
Amounts owed by subsidiary undertakings	0	0	337	45
Total amounts falling due within one year	10,849	8,838	10,286	8,053
Amounts falling due after one year	0	122	18,055	18,977
	10,849	8,960	28,341	27,030

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

Notes to the Financial Statements

For the year ended 31 July 2012

15 Investments

	Consolidated		University	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Fixed deposits maturing:				
In one year or less	10,000	0	10,000	0
Disposal of investments				
Over one year	0	0	0	0
	10,000	0	10,000	0
Other Investments	93	5,058	93	5,058
	10,093	5,058	10,093	5,058

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

At 31 July 2012 the weighted average interest rate of these fixed rate deposits was 3% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 326 days. The fair value of these deposits was not materially different from the book value.

16 Creditors: amounts falling due within one year

	Consolidated		University	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Secured loans	950	950	950	950
Payments received in advance	9,327	11,396	9,327	11,396
Research grants received on account	4,833	7,749	4,833	7,749
Trade creditors	3,322	5,289	2,657	4,636
Other creditors including taxation and social security	1,599	1,600	1,599	1,600
Accruals and deferred income	7,547	4,823	6,416	4,166
	27,578	31,807	25,782	30,497

17 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Loans secured on freehold property:				
repayable between one and two years	950	950	950	950
repayable between two and five years	10,644	7,095	10,644	7,095
repayable after five years	77,832	66,546	77,832	66,546
	89,426	74,591	89,426	74,591
Other creditors:				
repayable between one and two years	150	150	150	150
repayable between two and five years	450	450	450	450
repayable after five years	399	450	338	450
	999	1,050	938	1,050
Total	90,425	75,641	90,364	75,641

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

During 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 late 2008, the University secured additional loan facilities of £100m from Lloyds TSB to finance a new capital investment programme. As at 31 July 2012, the University had drawn down £56m (2011: £40m). The revolving facility extends to 2013, at which time the loan will term for 30 years. At the same time, the University re-financed an existing loan of £22m with Lloyds TSB. For both loans, a five-year repayment holiday has been negotiated.

The University also has a bank loan with Barclays Bank (£12m at 31 July 2012) repayable in equal instalments to March 2025.

The University's interest-rate management policy is to fix a significant proportion of its interest costs. This is achieved through a mixture of fixed-rate loans and interest rate swaps. As at 31 July 2012, 98% of total debt was managed in this way.

Notes to the Financial Statements

For the year ended 31 July 2012

18 Provisions for liabilities and charges

	Consolidated and University		Total £'000
	Severances £'000	Early retirement £'000	
At 1 August 2011	1,330	49	1,379
Utilised in year	(1,397)	(48)	(1,445)
Charge for the year	184	0	184
At 31 July 2012	117	1	118

The Severances provision exists to meet the costs of employees who have agreed to take early retirement or voluntary severance under the University's restructuring scheme.

The early retirement provision has been set up to meet enhanced unfunded pension benefits for former staff who are members of the Local Government Pension Scheme.

19 Deferred capital grants and gifts

	Consolidated and University		Total £'000
	Funding Council £'000	Other grants £'000	
At 1 August 2011			
Buildings	35,494	24,098	59,592
Equipment	3,072	0	3,072
	38,566	24,098	62,664
Cash received			
Buildings	1,372	4,160	5,532
Equipment	646	0	646
	2,018	4,160	6,178
Released to income and expenditure account (notes 1, 3 and 4):			
Buildings	(1,236)	(614)	(1,850)
Equipment	(1,085)	0	(1,085)
	(2,321)	(614)	(2,935)
At 31 July 2012			
Buildings	35,630	27,644	63,274
Equipment	2,633	0	2,633
	38,263	27,644	65,907

Grants received in the year included £2.018m from HEFCE for both building costs and equipment. In addition The Edge Foundation gave £2.220m for the development of a hotel school at Wivenhoe House and £1.940m was received from ESRC for the Provision of a Data Centre.

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

Notes to the Financial Statements

For the year ended 31 July 2012

20 Endowments and Linked Charities

	Total 2010-11 £000	Additions and transfers £000	Consolidated and University			Total 2011-12 £000
			Change in Market Value £000	Income £000	Expenditure £000	
Restricted permanent endowment funds	405	2	(17)	15	(2)	403
Restricted expendable endowment funds	4,661	306	(187)	175	(181)	4,774
	5,066	308	(204)	190	(183)	5,177
Linked charities	977	0	0	18,968	(18,480)	1,465
	6,043	308	(204)	19,158	(18,663)	6,642
Funds and charities with income below £100,000:						
Fellowships and scholarships	910	13	(35)	51	(47)	892
Prize funds	282	6	(11)	10	(7)	280
Chairs and lectureships	125	0	(5)	4	(35)	89
Other	1,530	0	(61)	51	(26)	1,494
Funds and charities with income over £100,000:						
University Campus Suffolk	977	0	0	18,968	(18,480)	1,465
John Silberrad Trust Fund	2,219	289	(92)	74	(68)	2,422
	6,043	308	(204)	19,158	(18,663)	6,642

Represented by:	2010-11	Restricted	Restricted	2011-12
	Total £'000	Expendable £'000	Permanent £'000	Total £'000
Endowment capital	4,980	4,703	381	5,084
Accumulated income	86	71	22	93
	5,066	4,774	403	5,177

21 Revaluation Reserve

	Consolidated		University	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
At 1 August	1,173	722	1,173	722
Revaluations in the year	(206)	451	(206)	451
At 31 July	967	1,173	967	1,173

Notes to the Financial Statements

For the year ended 31 July 2012

22 Movement on general reserves

	Consolidated		University	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
At 1 August	45,239	45,213	57,190	58,958
Surplus for the year	3,601	1,861	3,234	255
(Decrease)/Increase in net assets from joint ventures	(57)	188	0	0
Actuarial (loss) in respect of pension schemes	(9,281)	(2,023)	(8,297)	(2,023)
At 31 July	39,502	45,239	52,127	57,190
Balance represented by:				
Pension reserve	(24,492)	(17,347)	(24,054)	(17,347)
Income and expenditure account excluding pension reserve	63,994	62,586	76,181	74,537
At 31 July	39,502	45,239	52,127	57,190

23 Capital commitments

	Consolidated		University	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Provision has not been made for the following capital commitments at 31 July 2012:				
Commitments contracted for:	15,256	12,235	13,935	5,639
Authorised but not contracted for:	47,138	53,615	47,138	53,115
	62,394	65,850	61,073	58,754

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

	Consolidated	
	2011-12 £'000	2010-11 £'000
Surplus on continuing operations after depreciation of assets at cost	2,696	815
Depreciation, amortisation and impairment (notes 9, 10 and 12)	7,773	6,798
Loss on disposal of fixed assets	395	469
Deferred capital grants released to income (note 19)	(2,935)	(2,659)
Pension cost less contributions payable	(1,580)	(1,477)
(Increase) in stocks	(156)	24
Decrease/(increase) in debtors	(1,998)	494
(Decrease)/Increase in creditors	(4,229)	2,283
(Increase)/decrease in provisions	(1,261)	974
Endowment and investment income	(440)	(562)
Interest Payable	4,897	3,505
Net cash inflow from operating activities	3,162	10,664

25 Analysis of changes in net debt

	At 1 August 2011 £'000	Consolidated		At 31 July 2012 £'000
		Cash flows £'000	Other changes £'000	
Cash at bank and in hand	24,959	(5,088)	0	19,871
Endowment asset investments	375	315	0	690
	25,334	(4,773)	0	20,561
Current asset investments (short term deposits)	5,058	5,035	0	10,093
	30,392	261	0	30,654
Debt due within one year	(950)	950	(950)	(950)
Debt due after one year	(75,748)	(15,627)	950	(90,425)
	(46,306)	(14,416)	0	(60,721)

Notes to the Financial Statements

For the year ended 31 July 2012

26 Pension Schemes

The University has three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS). 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.

USS is a mutual scheme and the assets are not hypothecated to individual institutions and it is therefore not possible to identify its 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. As UEPS became a closed scheme from March 2004, all new staff are now eligible to join USS.

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

	2011-12 £'000	2010-11 £'000
Contribution to USS	11,552	10,717
Contribution to LGPS	362	465
LGPS additional University costs to fund past service deficiency	1,571	1,525
Contributions to UEPS	645	778
Uof EPS additional University costs to fund past service deficiency	768	646
Net adjustment from FRS 17 staff costs	(1,960)	(1,877)
Total pension cost	12,938	12,254

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

	2011-12 £'000	2010-11 £'000
LGPS pension liability	(18,708)	(16,016)
UEPS pension liability	(5,784)	(1,331)
Total pension liability	(24,492)	(17,347)

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004 requiring schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carried out regular reviews of the funding levels. In particular, he carried out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An inflation risk premium adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds, particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% RPI per annum.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities, and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Notes to the Financial Statements

For the year ended 31 July 2012

26 Universities Superannuation Scheme (continued)

Standard mortality tables were used as follows:

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

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

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the market value of the assets of the whole scheme was £32,433.5m and the value of the scheme's technical provisions was £35,343.7m, indicating a shortfall of £2,910.2m. The assets were therefore sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based upon spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime has fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which has been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based upon spot yields, the actuary estimated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a buy-out basis was approximately 56%.

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

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

Notes to the Financial Statements

For the year ended 31 July 2012

26 Universities Superannuation Scheme (continued)

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

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate, although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the institution had 1,420 active members participating in the scheme.

The total pension cost for the institution was £11.6m (2010-11: £10.7m). There are no prepaid or outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16.6% of pensionable salaries.

Local Government Pension Scheme (LGPS)

The Essex County Council LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The contribution rates for 2011-12 were 16.1% and 7% for employees (5.5% for manual workers). In addition, the University made a further payment of £1.571m (2010-11: £1.573m) towards the scheme deficiency.

In prior years University of Essex Commercial Services Limited was considered as a Small Admission Body and was grouped together with other similar employers. It was not possible to identify separately its share of the underlying assets and liabilities, the multi-employer exemption was taken and it was therefore accounted for as a defined contribution scheme.

Information is now available to identify the University of Essex Campus Services Limited liability within the LGPS pension scheme. These values are reflected in the consolidated Financial Statements.

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

Last actuarial valuation	31st March 2010
Actuarial method	Projected Unit
Pension increases	2.7% per annum
Salary scale increases	4.2% per annum
Market value of assets at date of last valuation (whole fund)	£3,085 million
The proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) was 79.6%.	

Actuarial Assumptions

A full actuarial valuation was carried out at 31 March 2010, and updated to 31 July 2011 by a qualified independent actuary. The major assumptions used by the actuary were:

	At July 2012	At 31 July 2011
Financial Assumptions	%	%
Rate of increase in salaries	3.60	4.30
Rate of increase in pension payments	1.80	2.80
Expected return on assets	5.20	5.80
Discount rate for liabilities	3.90	5.10
Inflation assumptions	1.80	2.80
Split of assets between investment categories		
Equities	69.00	68.40
Government Bonds	6.00	7.00
Other Bonds	9.00	8.50
Property	12.00	11.30
Cash	4.00	4.80
Other	0.00	0.00

Notes to the Financial Statements

For the year ended 31 July 2012

26 Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme

	Consolidated			University			
	Long-term rate of return expected at 31 July 2012. %	Whole fund value at 31 July 2012 £'000	Whole fund value at 31 July 2012 £'000	Long-term rate of return expected at 31 July 2011 %	Whole fund value at 31 July 2011 £'000	Long-term rate of return expected at 31 July 2010 %	Whole fund value at 31 July 2010 £'000
Equities	5.90	3,494,000	2,249,000	7	2,343,000	8	1,712,000
Government Bonds	2.80	304,000	196,000	4	240,000	4	213,000
Other Bonds	3.90	455,000	293,000	5	291,000	5	161,000
Property	4.90	607,000	391,000	6	387,000	7	337,000
Cash	0.50	202,000	130,000	1	164,000	1	92,000
Other	0.00	0	0	0	0	8	366,000
Total market value of assets		5,062,000	3,259,000		3,425,000		2,881,000
Estimated asset share		34,398	32,594		32,461		31,035
Present value of scheme liabilities		-53,241	-50,868		-48,477		-44,823
Deferred Tax Asset		135					
Deficit in the scheme		-18,708	-18,274		-16,016		-13,788
		65%	64%		67%		69%

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

Mortality and life expectancy assumptions

At 31 July 2012

At 31 July 2011

Post retirement mortality assumptions:

Active members

Males - 91% SiPMA CMI_2009_M [1%]

Males - 91% SiPMA CMI_2009_M [1%]

Females - 85% S1PFA CMI_2009_F [1%]

Females - 85% S1PFA CMI_2009_F [1%]

Current Pensioners

Males - 91% SiPMA CMI_2009_M [1%]

Males - 91% SiPMA CMI_2009_M [1%]

Females - 85% S1PFA CMI_2009_F [1%]

Females - 85% S1PFA CMI_2009_F [1%]

Life expectancy:

Male (Female) current pensioner aged 65

22.7 years

22.6 years

Male (Female) future pensioner aged 65

25.3 years

25.2 years

	Consolidated At 31 July 2012 £'000	University At 31 July 2012 £'000	At 31 July 2011 £'000
Analysis of amount charged to income and expenditure account			
Deficit in UECS Scheme at 1 August	(229)		
Current service charge	(510)	(454)	(483)
Total operating charge	(739)	(454)	(483)
Analysis of net return on pension scheme			
Expected return on pension scheme assets	2,113	2,002	1,995
Interest on pension liabilities	(2,538)	(2,432)	(2,419)
Net return	(425)	(430)	(424)
Amount recognised in the statement of total recognised gains and losses (STRGL)			
Actual return less expected return on pension scheme assets	(3,692)	(3,362)	(3,287)
Actuarial loss recognised in the STRGL	(3,692)	(3,362)	(3,287)
Movements in deficit during the year			
Deficit in scheme at 1 August	(16,245)	(16,016)	(13,788)
Movements in the year:			
Current service charge	(510)	(454)	(483)
Contributions	2,059	2,042	1,966
Past service cost and curtailment loss	0	0	0
Other outgoings	0	0	0
Net interest/return on assets	(425)	(430)	(424)
Actuarial loss	(3,692)	(3,362)	(3,287)
Settlement and Curtailment	(30)	(54)	0
Deferred Tax Asset	135		
Deficit in scheme at 31 July	(18,708)	(18,274)	(16,016)

Notes to the Financial Statements

For the year ended 31 July 2012

26 Local Government Pension Scheme (LGPS) - continued

	Consolidated		University	
	At 31 July 2012 £'000	At 31 July 2012 £'000	At 31 July 2011 £'000	At 31 July 2011 £'000
Change in benefit obligation during the period to 31 July				
At beginning of year	50,452	48,477	44,823	
Current service cost	510	454	483	
Interest on pension liabilities	2,538	2,432	2,419	
Member contributions	168	151	169	
Actuarial losses on liabilities	1,856	1,623	2,918	
Benefits paid	(2,283)	(2,269)	(2,335)	
At end of year	53,241	50,868	48,477	
Analysis of movement in the market value of the scheme assets				
At beginning of year	34,207	32,461	31,035	
Expected return on plan assets	2,113	2,002	1,995	
Actuarial losses on assets	(1,836)	(1,739)	(369)	
Employer contributions	2,083	2,042	1,966	
Member contributions	168	151	169	
Benefits/transfers paid	(2,337)	(2,323)	(2,335)	
At end of year	34,398	32,594	32,461	

History of Experience Gains and Losses	Consolidated			University		
	2011-12 £000	2011-12 £000	2010-11 £000	2009-10 £000	2008-09 £000	2007-08 £000
Difference between the expected and actual return on scheme assets:						
Amount	2,113	2,002	(369)	2,860	197	7,456
Percentage of scheme assets	6.14%	6.14%	-1.1%	9.2%	0.7%	26.2%
Experience gains arising on the scheme liabilities:						
Amount	12	12	(368)	0	0	0
Percentage of scheme liabilities	0.0%	0.0%	-0.8%	0.0%	0.0%	0.0%
Total amount recognised in the Statement of total recognised gains and losses:						
Amount	(3,692)	(3,362)	(3,287)	(3,573)	197	7,456
Percentage of the present value of scheme liabilities	6.93%	6.61%	6.8%	1.7%	0.4%	2.8%

In the 2012-13 year, the University estimates the employer contribution will be £1.952m.

University of Essex Pension Scheme (UEPS)

The UEPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The contribution rates for 2011-12 were 21.5% for the University and 6% for employees. In addition, the University made a further payment of £0 (2010-11: £46,000) towards the scheme deficiency.

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

Last actuarial valuation date	31 July 2010
Actuarial method	Projected Unit
Price inflation	3.40% per annum
Pension increases	3.4% per annum
Salary scale increases	4.4% per annum
Market value of assets at 1 August 2010	£12.476m

Notes to the Financial Statements

For the year ended 31 July 2012

26 University of Essex Pension Scheme (UEPS) - continued

Actuarial Assumptions

The FRS 17 disclosures as at 31 July 2012 reflect those adopted by the Scheme Trustees for the formal actuarial

	At 31 July 2012 %	At 31 July 2011 %
Financial Assumptions		
Rate of increase in salaries	3.60	4.20
Rate of increase in pension payments	2.60	3.20
Expected return on assets	5.15	6.43
Discount rate for liabilities	3.90	5.30
Inflation assumptions	1.80	3.20
Split of assets between investment categories		
Equities	75.15	80.02
Corporate bonds	11.72	10.48
Government bonds	9.49	8.18
Cash	3.64	1.32

Expected rate of return on assets in the scheme

	Long-term rate of return expected at 31 July 2012 %	Whole fund value at 31 July 2012 £'000	Long-term rate of return expected at 31 July 2011 %	Whole fund value at 31 July 2011 £'000	Long-term rate of return expected at 31 July 2010 %	Whole fund value at 31 July 2010 £'000
Equities	5.9	12,122	7.0	12,088	7.3	9,614
Corporate bonds	3.9	1,531	4.0	1,583	5.4	1,286
Government bonds	2.8	1,890	4.9	1,235	4.3	1,044
Cash	0.5	587	0.5	262	0.5	532
Total market value of assets		16,130		15,168		12,476
Present value of scheme liabilities		(21,914)		(16,499)		(15,489)
(Deficit) in the scheme		(5,784)		(1,331)		(3,013)
		74%		92%		81%

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

Mortality and life expectancy assumptions

FRS17 disclosures up to July 2006 used the standard PXA92 series tables as used in the formal actuarial valuation in 2004. The trustees agreed that the formal funding valuation as at 31 July 2007 should be based on the standard mortality table PXA92 based on each member's actual year of birth and allowing for future improvements in mortality in line with the medium cohort projections. The University agreed to adopt these tables to calculate the liabilities for the FRS 17 disclosure as at 31 July 2010

	At 31 July 2012	At 31 July 2011
Life expectancy assumptions		
Non-pensioners	SIPXA(YOB) 1% u/p	SIPXA(YOB) 1% u/p
Pensioners	SIPXA(YOB) 1% u/p	SIPXA(YOB) 1% u/p
	At 31 July 2012 £'000	At 31 July 2011 £'000
Analysis of amount charged to income and expenditure account		
Current service charge	(735)	(885)
Past service cost	0	0
Total operating charge	(735)	(885)
Analysis of net return on pension scheme		
Expected return on pension scheme assets	991	879
Interest on pension liabilities	(881)	(855)
Net return	110	24

Notes to the Financial Statements

For the year ended 31 July 2012

26 University of Essex Pension Scheme (continued)

	At 31 July 2012 £'000	At 31 July 2011 £'000			
Amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)					
Actual return less expected return on pension scheme assets	(670)	777			
Actuarial (loss)/gain arising on the scheme liabilities	(4,265)	487			
Actuarial (loss)/gain recognised in the STRGL	(4,935)	1,264			
Movements in deficit during the year					
Deficit in scheme at 1 August	(1,331)	(3,013)			
Movements in the year:					
Current service charge	(735)	(885)			
Contributions	1,107	1,279			
Net interest/return on assets	110	24			
Actuarial (loss)/gain	(4,935)	1,264			
Deficit in scheme at 31 July	(5,784)	(1,331)			
Change in benefit obligation during the period to 31 July					
At beginning of year	16,499	15,489			
Current service cost	735	885			
Interest on pension liabilities	881	855			
Member contributions	17	18			
Actuarial loss/(gain) on liabilities	4,265	(487)			
Benefits paid	(483)	(261)			
At end of year	21,914	16,499			
Analysis of movement in the market value of the scheme assets					
At beginning of year	15,168	12,476			
Expected return on plan assets	991	879			
Actuarial (loss)/gain on assets	(670)	777			
Employer contributions	1,107	1,279			
Member contributions	17	18			
Benefits and transfers paid	(483)	(261)			
At end of year	16,130	15,168			
History of Experience Gains and Losses					
	2011-12 £'000	2010-11 £'000	2009-10 £'000	2008-09 £'000	2007-08 £'000
Difference between the expected and actual return on scheme assets:					
Amount	(670)	777	1,186	(1,113)	(686)
Percentage of scheme assets	4.2%	5.1%	9.5%	11.8%	-7.8%
Experience gains arising on the scheme liabilities:					
Amount	(4,265)	487	(1,031)	835	(1,228)
Percentage of scheme liabilities	19.5%	3.0%	-6.7%	6.4%	-9.9%
Total amount recognised in the Statement of total recognised gains and losses:					
Amount	(4,935)	1,264	154	(278)	(1,914)
Percentage of the present value of scheme liabilities	22.5%	7.7%	1.0%	-2.1%	-15.4%

In the 2012-13 year, the University estimates that it will pay £937k in future service contributions and £0 in respect of the past service deficit. From 1 April 2009, the University has operated a salary sacrifice arrangement for this scheme. This includes the contributions the University expects to make due to its salary sacrifice arrangement.

Notes to the Financial Statements

For the year ended 31 July 2012

27 Subsidiary Undertakings and Joint Ventures

The University has the following wholly owned subsidiary companies:

Company	Activity	At 31 July 2012 £1 Shares	At 31 July 2011 £1 Shares
University of Essex Enterprises (formerly known as Wivenhoe Technology Ltd)	Acquisition, protection and licensing of intellectual property from the University	2	2
Wivenhoe House Hotel Ltd	Development and operation of a hotel school	9,865,565	4,465,000
University of Essex Campus Services Ltd (formerly known as University of Essex Commercial Services Ltd)	Management of commercial activities at the University	1,251,002	999,002
University of Essex Knowledge Gateway Holdings Ltd	Holding land on behalf of the University for development as a Research Park	12,490,680	12,390,682
University of Essex Knowledge Gateway Park Ltd	Development and marketing of a Research Park	350,002	250,002
University of Essex Environmental Facilities Ltd	Dormant throughout the year	100,000	100,000
East 15 Acting School Ltd	Dormant throughout the year	2	2
University of Essex (Elmstead Road) Ltd	Dormant throughout the year	2	2
Universal Accommodation Group Ltd	Development of student accommodation	1	1
Trading results of wholly owned subsidiaries:		2011-12 £'000	2010-11 £'000
University of Essex Enterprises Ltd		26	94
Wivenhoe House Hotel Ltd		(321)	0
University of Essex Campus Services Ltd		(60)	578
University of Essex Knowledge Gateway Holdings Ltd		(112)	(192)
Universal Accommodation Group Ltd*		411	410
University of Essex Knowledge Gateway Ltd		(154)	(138)
		(210)	750

* Trading results before tax

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

University Campus Suffolk Ltd is a company limited by guarantee with two members, the University of Essex and the University of East Anglia, to promote the establishment of a university campus in Suffolk. For the year ending 31 July 2012 it recorded a surplus of £1.822m after taxation (£2.313m in 2010-11). On 9 September 2008, UCS Ltd was gifted land with an estimated value of £9.3m by Ipswich Borough Council to aid the development of Phase II of the capital programme. In the event that any part of the site remains undeveloped after 31 March 2013, the Council has the option to repurchase it for £1.

During the year, UCS Ltd purchased goods and services to the value of £169k from the University (2010-11: £319k) of which £445 was outstanding at 31 July 2012 (2010-11: £150k). UCS Ltd provided services to the University to the value of £4k, (2010-11: £14k) with £NIL outstanding at 31 July 2012. (2010-11: £1k)

University Campus Suffolk Ltd have been accounted for as a joint venture in accordance with FRS 9. The level of profit has included within the consolidated financial statements was as follows:

Joint Venture	Year-end date	2011-12 £'000	2010-11 £'000
University Campus Suffolk Ltd	31 July	912	1,162
		912	1,162

Notes to the Financial Statements

For the year ended 31 July 2012

27 Subsidiary Undertakings and Joint Ventures (continued)

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

	2011-12 Total £'000	2010-11 Total £'000
Fixed Assets	35,059	35,213
Current Assets	5,319	5,649
Share of Total Assets	40,378	40,863
Current Liabilities	(2,566)	(2,512)
Liabilities - amounts falling due after more than one year	(11,759)	(11,438)
Share of Total Liabilities	(14,325)	(13,950)

28 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 Financial Reporting Standard 8 relating to transactions and balances eliminated on consolidation.

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

Due to the level and nature of transactions between the organisations, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2012 the University paid the Union a revenue grant of £981,640 (2010-11: £797,242), and provided accommodation free of rent. The Union's income and expenditure account shows the following:

	2011-12 £'000	2010-11 £'000
Income	1,566	6,039
Expenditure	(1,530)	(6,047)
Operating surplus/(loss) before and after transfers from/(to) reserves	36	(8)

Mr Nathan Bolton was a Council member during 2011-12 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 (and its sub-committees) are required to declare all outside interests. When an item arises in which a member has an interest, it must be declared and the member concerned may not take part in that debate or any related decisions.

29 Contingent Liabilities

On 14 July 2008, the University provided a guarantee to Barclays Bank PLC on behalf of University Campus Suffolk (UCS). The guarantee supports a loan of £12.5m by the bank to UCS in respect of building works, and liability is shared equally between the University and the University of East Anglia.

On 27 April 2010, UCS entered into an additional loan facility of £8m with Barclays Bank PLC. The loan has been guaranteed by the University and the University of East Anglia in equal proportion. The facility was fully drawn down as at 31 July 2012.

Notes to the Financial Statements

For the year ended 31 July 2011

30 Agency Arrangements

	University	
	2011-12 £'000	2010-11 £'000
Hardship Funds		
Balance brought forward at 1 August	582	33
Funding council grants received	324	270
Interest earned		
	906	303
Disbursed to students	321	279
Balance carried forward at 31 July	1,227	582
NHS Bursaries		
Payments received from NHS organisations	980	1,381
Disbursed to students	(980)	(1,381)
Balance unspent at 31 July	0	0

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

HEFCE Teaching Grant		
Payments received from HEFCE	5,052	4,640
Payments made to partner institutions	(5,052)	(4,640)
Balance unspent at 31 July	0	0
HEFCE Research Grant		
Payments received from HEFCE	241	138
Payments made to partner institutions	(241)	(138)
Balance unspent at 31 July	0	0
General Social Care Council		
Payments received from General Social Care Council	0	131
Payments made to partner institution	0	(131)
Balance unspent at 31 July	0	0

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

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

31 Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA)

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

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

	Consolidated	
	2011-12 £'000	2010-11 £'000
Surplus on continuing operations after depreciation but before joint ventures	2,696	815
add back depreciation and amortisation charge	7,773	6,798
less release of deferred capital grants (note 23)	(2,935)	(2,659)
add back interest payable (note 9)	4,897	3,505
less general interest income (note 5)	(250)	(332)
add back FRS 17 (Charges)	(1,590)	(1,477)
add back exceptional non-recurrent items:		
Staff restructuring costs	497	2,748
EBITDA	11,088	9,398

Five-Year Summary of Financial Position (unaudited)

For the year ended 31 July

32 Joint Venture Deferred Capital Grants Reserve

	2011-12 £'000	2010-11 £'000
At 1 August	25,882	26,384
Joint venture deferred capital grants received	475	868
Released to income and expenditure account	(1,850)	(1,370)
At 31 July	24,507	25,882

33 Lease Obligations

	2011-12 £'000	2010-11 £'000
Leases expiring within one year	0	0
Leases expiring between two and five years	16	0
Leases expiring after five years	67	67
	83	67

All leases are for land. The lease falling within two to five years is for land at Southend. Those over five years are for land at East 15 Acting School at Loughton.

34 Post Balance Sheet Events

On 7 August, the University satisfactorily concluded negotiations with Uliving to develop and operate new student accommodation, to be called The Meadows, and to take on the operation of The Quays, an existing block of accommodation. Uliving has been granted a 50 year headlease for The Meadows site.

The Meadows is scheduled for completion in September 2013 in readiness for the 2013-14 academic year. It will provide an additional 648 bed spaces for students of the University. The Quays has 766 bed spaces and will transfer to Uliving in July 2013, at which time the University will grant a second headlease.

Uliving is a consortium of Bouygues Development and Derwent Living, the parent company of Derwent FM which will provide facilities management services.

Five-Year Summary of Financial Position (unaudited)

For the year ended 31 July

	2007-08 £'000	2008-09 £'000 As restated	2009-10 £'000	2010-11 £'000	2011-12 £'000
Income and Expenditure Account					
Income					
Funding council grants	33,622	34,867	35,775	36,333	33,952
Tuition fees and educational contracts	35,329	44,340	54,853	56,864	62,734
Research grants and contracts	15,744	18,184	21,103	25,493	25,445
Other income	35,278	39,844	44,290	45,622	48,924
Endowment and investment income	1,205	903	336	562	440
Total	121,178	138,138	156,357	164,874	171,495
Less share of joint venture income	(11,976)	(15,340)	(17,397)	(18,628)	(19,391)
Total income	109,202	122,798	138,960	146,246	152,104
Expenditure					
Staff costs	67,392	72,470	75,811	79,693	81,396
Other operating expenses	32,948	41,546	48,164	55,147	55,022
Depreciation	4,406	5,104	5,702	6,686	7,773
Interest paid	2,482	3,006	3,046	3,905	5,217
Total expenditure	107,228	122,126	132,723	145,431	149,408
Surplus after depreciation of assets at cost	1,974	672	6,237	815	2,696
Share of operating loss in joint venture	(353)	(498)	801	1,162	912
Profit on disposal of fixed assets	0	0	0	0	0
Surplus for the year	1,621	174	7,038	1,977	3,608

Balance Sheet as at 31 July

Total fixed assets	166,680	175,834	214,549	220,794	232,256
Intangible Assets	0	1,362	1,226	1,090	0
Endowment assets	2,670	3,465	4,521	5,066	5,177
Current assets	18,079	24,988	30,673	39,248	41,240
Creditors: amounts falling due within one year	(18,049)	(21,249)	(29,417)	(31,807)	(27,578)
Total assets less current liabilities	169,380	184,400	221,552	234,391	251,095
Creditors: amounts falling due after more than one year	(36,562)	(44,682)	(67,629)	(75,641)	(90,425)
Provisions for liabilities	(439)	(1,048)	(405)	(1,379)	(118)
Pension liability	(21,577)	(21,299)	(16,801)	(17,347)	(24,492)
Net assets	110,802	117,371	136,717	140,024	136,060
Deferred capital grants	51,799	57,418	59,877	62,664	65,907
Endowments	2,670	3,465	4,521	5,066	5,177
Reserves	56,333	33,346	45,935	46,412	40,469
Total funds	110,802	94,229	110,333	114,142	111,553

Financial Statistics

Surplus as a percentage of turnover	1.5%	0.1%	5.3%	1.4%	2.4%
Margin on research grants and contracts (income less direct expenditure/income)	22.0%	20.2%	17.9%	16.6%	16.5%
Margin on residences, catering and conferences (income less direct expenditure/income)	14.6%	15.2%	9.6%	12.5%	11.7%
Current ratio (current assets/current liabilities)	1.0	1.2	1.0	1.2	1.5
Debt as percentage of total turnover	31.8%	32.4%	43.3%	46.5%	53.3%
Liquidity days (number of days of average expenditure excluding depreciation supported by cash balances)	39	56	60	79	77
Debtor days (number of days income excluding Funding Council grant represented by debtors due within one year)	33	37	33	29	34

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