



WE ARE  
**UNIVERSITY**  
**OF THE YEAR** WINNER THE STARS

# Financial Statements 2018-19



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# Chair's Introduction

I am very pleased to be the new Chair of Council, succeeding Judith Judd who inspired Council with her intelligence, grace and good humour. This is a particularly exciting time for the University as we embark upon a new and ambitious Strategic Plan for 2019-2025, welcome record numbers of students to our campuses, and undertake unprecedented levels of new staff recruitment.



With this growing staff base, we are planning to submit around 700 researchers to the government's next assessment of research quality in universities, the 2021 Research Excellence Framework; this is double our submission to the previous REF in 2014. These appointments build capacity to support student success and increase our research power, reinforcing our position as a dual-intensive university excelling in both education and research.

We maintained our top 15 position for overall student satisfaction in English mainstream universities for the seventh year running and ranked fourth in the UK for the level of our expenditure on facilities for students. At subject level, we are in the top 50 for social sciences in the Times Higher Education World University Rankings and 51st for Law.

## University of the Year

Receiving the accolade of University of the Year was a highlight of the last 12 months. In making the award, the judging panel said "...what are universities if not communities of talented, committed people? By putting those people - both staff and students - first, the University of Essex has every right to its claim to be a 'home for staff and students who want to make the world a better place.' It is also our University of the Year." The panel drew particular attention to the systematic replacement of temporary contracts of employment with permanent ones, actions taken to ensure that we have no pay gaps by grade so there is equal pay for work of equal and the staff contracts we have created for our graduate teaching assistants as evidence of our people-centred approach. They also singled out that we are 'unabashed' in our strategy to recruit students based on potential rather than just prior achievement and that we really do help all our students to fulfil their aspirations.

## Financial highlights

The University generated a record level of income for the year of £246.6m, including donations, endowment receipts and capital grants. Annual growth since 2017-18 of 6.9% is the result of academic expansion and record income from research contracts of £30.9m. Indirect costs recovered on research contract activity (ICRs) reached £7.5m, also a record. Research contract income has increased by 32% in five years, and ICRs by 82% in the same period.

The headline accounting deficit, before any audit adjustments, is £35.0m. Of this £43.7m is attributable to a non-cash accounting adjustment of £34.6m in relation to USS pension provisions and £9.1m Lloyds loan early repayment charge (providing savings in subsequent years). Excluding these the underlying accounting surplus would be £8.7m.

Council is particularly concerned with the cash surplus; the amount generated each year for investment in the University. Pleasingly, for 2018-19 it was £13.6m or 5.8% of income; exceeding the annual target set by Council of 5.5%.

## Reflecting on our progress so far

As we embark on the delivery of our new Strategic Plan, it is important to note that the 2013–19 period covered by our previous plan was one of outstanding achievement for the University. Being acknowledged as one of an elite group of universities recognised for both the quality of the educational opportunities they offer to students (Gold Award, TEF 2017) and the originality, significance, rigour and impact of the research being undertaken (top 20 in REF 2014) reflects our own equal commitment to excellence in education and research. Nonetheless, we are re-focusing our efforts to achieve greater consistency in progression by our students to graduation and their chosen employment or further study.

## New Strategic Plan 2019–2025

■ During the year, we concluded an extensive process of consultation to inform our new Strategic Plan, challenging ourselves to develop a clear vision of what an equal commitment to excellence in education and research should look like in the third decade of the 21st Century. Building on the University's continuing commitment to be in the top 25 in the *Times Good University Guide*, we have made explicit our international ambitions through the objective of being recognised as one of the world's top 200 universities. We aim to grow the University to a community of about 20,000 students and 1,000 researchers, providing sufficient critical mass to continue to invest in the success of our students and staff, realise substantial economies of scale and sustain the friendly and welcoming environment that is a hallmark of our campuses.

## Challenges for providers of Higher Education in the UK

The University has been evaluating its exposure to risks faced by all UK universities, including leaving the EU, the lower tuition fees recommended by the Augar Review of post-18 education funding, and the increasing cost of providing the high quality pension provision our staff deserve. These risks are not new. The University has been preparing for many years by diversifying our income streams and partnerships, developing risk-based expenditure approvals processes and improving efficiency. We estimate that by 2021-22, these new initiatives will be generating sufficient income to enable us to manage the impact of these risks eventuating.

## Life on campus

A number of important projects took place in the year to ensure that the experience of students and staff at the University is positive. A new structure for student development services was introduced to enhance the work we do to equip our students with the skills to develop as individuals while they are with us to reach their aspirations and to prepare for the next stage of their lives beyond Essex. Similarly, student support services were also enhanced to promote wellbeing and mental health. Steps were taken to ensure that Jewish students and staff feel welcome and supported and a range of initiatives were launched to advance a safer campus culture.

## An international university

We are ranked second in the UK for international outlook in the Times Higher Education World University Rankings 2019. With 34% of our students and 30% of our staff coming from outside the UK, we are the most international mainstream university in the UK outside London. More and more Essex students study for an Essex degree via our global partners, including the University of Essex Online, Kaplan Singapore, Brickfields Asia College in Malaysia and our flagship programme with North West University in Xi'an. The 2019-2020 academic year will see 350 first, second and third year students registered on a joint course taught in English and Mandarin in Xi'an. We will also welcome our first cohort of 116 students from the Xi'an University to Colchester for the fourth year of their studies in October 2020. Our online degrees have the highest levels of student satisfaction of any online provider in the UK. We now have 18 international academic partnerships and 146 friendship and progression agreements with other universities. Last academic year, we hosted two successful overseas graduation ceremonies for 200 students in Beijing in February and for 100 students in Singapore in April.

## Young Universities for the Future of Europe (YUFE)

In June, we heard that the YUFE alliance, of which we are an enthusiastic member, had been successful in its bid to become one of the first 17 networks funded by the European Commission to pilot the concept of a new model of a European University. The European Commission's vision is to support the creation of a number of truly European universities, delivering:

- transnational alliances of Higher Education institutions from across the EU that share long-term strategy and promote European values and identity;
- inter-university campuses around which students, doctoral candidates, staff and researchers can move seamlessly;
- a pool of expertise, platforms and resources to deliver joint curricula covering various disciplines; and
- opportunities for students to personalise their education, choosing what, where and when to study and achieve a European degree.

It is only fitting that the University of Essex, with our international heritage and credentials, should be at the forefront of this European initiative as one of only three UK universities involved in these ground-breaking continental consortia.

## Investing for the future

The University's Council recently approved a new £225m capital investment plan to support the objectives set out in our new strategic plan, encompassing an exciting vision for the creation of new facilities, as well as for the development and enhancement of existing infrastructure across our three campuses. Through a gated approval process that allows us to evaluate our ambitions for capital development in the context of emerging risks, we will be developing:

- a new academic building at our Colchester Campus;
- a new teaching centre at our Colchester Campus;

- new student accommodation at our Colchester Campus – 1,250 bed spaces delivered in two phases with a partner provider; and
- a new studio building at our Loughton Campus.

While new buildings form part of our plans, we will also need to make best use of our existing spaces including: reconfiguring offices, enhancing teaching spaces and libraries; and refurbishing laboratories. Refurbishment of our six iconic residential Towers at our Colchester Campus will continue, with works expected to be completed by 2023-24.

Our plans also include provision to redesign our online learning modules, create digitised training materials, improve student assessment systems and develop enhanced timetabling and room booking systems.

We have ambitious carbon reduction and energy saving targets and we will continue to install photovoltaic panels on our buildings and move towards more modern, energy-efficient systems and buildings. It was particularly pleasing to see the University achieve the greatest improvement in ranking of any university in this year's People and Planet University League 2019.

## Impact

Our Catalyst project with Suffolk and Essex County Councils is improving public services for the most vulnerable people in our communities, by predicting risk and targeting services more effectively through the use of data analysis and cutting-edge technology.

We are also making a difference through a unique, three-way partnership with Essex County Council and Essex Police via the new Essex Centre for Data Analytics, which seeks to tackle system-wide public policy issues through the smarter use of data.

We were successful in 2018-19 in winning one of our largest annual amounts of new research funding in a year, totalling £43 million. This included £16m for the next wave of Understanding Society, the largest household panel study of its kind in the world. Understanding Society collects data to provide vital insights into the causes and consequences of social change. In addition, £5.8m of funding was secured for the Research Centre on Micro-Social Change (MiSOC), an internationally recognised centre of excellence that investigates how society and policy changes influence individuals and families' behaviour and wellbeing. The University's Institute for Social and Economic Research, which celebrated its 30th anniversary in 2018-19, leads these projects.

We continue to provide hands-on support for business, helping to create jobs and wealth for the region. This year, we opened our £12m Innovation Centre, Knowledge Gateway in partnership with Essex County Council and the South East Local Enterprise Partnership (SELEP) and welcomed new tenants to phase 2 of Parkside Office Village (1,300 square metres), which is now fully occupied. We were delighted to be awarded a £5 million grant from SELEP to develop Parkside phase 3 and University Enterprise Zone status with a further £0.8 million of funding for a range of business development initiatives on the Knowledge Gateway. There are now 24 companies based at Parkside and we are in the top five of

all UK universities for the number of Knowledge Transfer Partnerships we have with business partners.

In the last academic year, the Students' Union V-Team has dedicated more than 36,000 hours of volunteering to support good causes in our local communities. To further enhance this impact, in June we launched our Essex Change Makers fundraising campaign, with the goal of raising £1.5 million to support our students in delivering 250,000 hours of social action activities more than a five-year period. Our schools outreach programme encouraged 12,000 students from over 100 schools and colleges, irrespective of their background, to think about their future in Higher Education. Since December 2017, in our role as the lead institution for the Essex consortium of the National Collaborative Outreach Programme, we have engaged with more than 60,000 students from local areas where Higher Education participation is low.

The Edge Hotel School became a full academic department of the University in September 2018, building on its exceptional reputation in hotel management, events management and hospitality from the luxury four-star Wivenhoe House located on our Colchester Campus.

## Thanks

On behalf of the University, I would like to thank Professor Jules Pretty who concluded many years of inspirational leadership as a member of University Steering Group (USG), first as Pro-Vice-Chancellor (Science & Engineering) and then Deputy Vice-Chancellor. Professor Lorna Fox-O'Mahony, who led development of the new Strategic Plan in her role as Deputy Vice-Chancellor (Designate), ably succeeds Jules. Similarly, I would like to thank Professor Graham Underwood who made a major contribution to USG over six years as Executive Dean for Science and Health. Professor Maria Fasli, UNESCO Chair in Analytics and Data Science, succeeds Graham.

## Conclusion

Through a very effective partnership between Council, Senate, our University Steering Group and our Students' Union – and with support from our local, national and international partners – we have set out a bold vision for our University through to 2025. Though we face unprecedented challenges, we take encouragement from the growing demand both for an Essex education and for our research expertise. We are resolute in remaining equally committed to excellence in education and in research, offering a transformational research-led education to all students irrespective of background, recruiting students based on potential as well as prior achievement, and building our capacity for ground-breaking research that can shape future understanding and have impact on the lives of individuals and communities. We also continue to invest in our commitment to being a cosmopolitan, inclusive and internationally connected university.

I would like to thank everyone at the University for their hard work in building a strong future for the University.

**Jane Hamilton**

**25 November 2019**

# Highlights from 2018-19

**THE AWARDS**  
2018

**Winner**  
University of the Year



**GOLD**  
rated in the 2017  
Teaching  
Excellence  
Framework.

**3** campuses  
Colchester,  
Southend,  
Loughton



**QUEEN'S  
ANNIVERSARY  
PRIZE 2017**

**16,500** students

**77%**  
first or 2:1  
pass rate

**3** faculties  
**21** academic departments  
**3** flagship research institutes  
**33** centres

**5,386**

Number of 2019  
graduates.

**£43 million**

Received in research funding;  
one of our largest amounts ever.

**2.4 million**

In 2018-19 our academics  
contributed 80 articles to The  
Conversation which were read  
more than 2.4m times globally.

**105,203**

The number of Essex graduates  
around the world since 1964.

**36,000 hours**

In 2018-19 our students  
dedicated more than  
36,000 hours of their time to  
volunteering projects.

**16,500**

Students at the University of  
Essex, including three campuses  
and online

**12,000**

By the end of the 2018-19  
academic year, we worked with  
12,000 students from over 100  
schools and colleges.

**Our year**

- 18** international academic partnerships
- 146** friendship and progression agreements
- 6** regional offices
- study abroad links with **164** universities

**4,000**

Students that took part in  
the Big Essex Award in  
2018 - 19

## Top

**1**

East 15 Acting School  
is **RANKED FIRST FOR  
DRAMA** in the *Times*  
and *Sunday Times Good  
University Guide 2019*

**5**

in the UK for **SOCIAL  
SCIENCE RESEARCH**

**15**

**FOR THE SIXTH YEAR  
RUNNING** for overall  
satisfaction in the  
*National Student Survey*

**25**

**FOR RESEARCH  
QUALITY** in the  
*Times and The Sunday  
Times Good University  
Guide 2019*

**30**

**OF UK UNIVERSITIES**  
in the *Times and  
Sunday Times Good  
University Guide 2019*.

**40**

**FOR POLITICS AND  
SOCIOLOGY** in the  
*Times Higher  
Education World  
University Rankings by  
Subject 2019*

**50**

**FOR SOCIAL SCIENCES**  
in the *Times Higher  
Education World  
University Rankings by  
Subject 2019*

**51**

**FOR LAW** in the *Times  
Higher Education World  
University Rankings 2019*

# Strategic Report

## Objectives and strategy

The University of Essex's mission is to deliver excellence in education and research, for the benefit of individuals and communities, provide excellence in education and research and our strategy is set out in the University's Strategic Plan 2013-2019. Supporting this is a financial strategy that seeks to ensure sustainability and growth through the generation of sufficient cash to maintain and improve our high-quality infrastructure in support of our mission. Indicators of performance include being awarded THE 2018 University of the Year while also being ranked 37th in *The Times and Sunday Times Good University Guide* (published Sept. 2019), 44th in the Complete University Guide (April 2019) and 66th in the Guardian University Guide (May 2019).

## Financial performance during 2018-19

The University remains on a sound financial footing and our success in growing the numbers of students who choose to benefit from an Essex education has led to a record level of income from student fees. Tuition fee income grew by 9.5%, to £135.7m, with fees from Home/EU students increasing by 11.3%, and international students increasing by 14.5% in 2018-19.

Further increases in income are planned through continued growth in both our education and research activities. Student numbers grew by 30.5% from 2012-13 to 2018-19, notably among Home/EU undergraduate students, despite the introduction of higher-rate fees in 2012. These values exclude those students who study via national or international partnership arrangements, where growth has also been strong.

	2012-13 FTE	2017-18 FTE	2018-19 FTE	Growth over strategic planning period
Home/EU	7,935	10,578	11,383	43%
Overseas	2,852	2,545	2,721	-0.5%
Undergraduate	8,254	10,627	11,528	40%
Postgraduate	2,533	2,496	2,576	2%
<b>Total</b>	<b>10,787</b>	<b>13,123</b>	<b>14,104</b>	<b>31%</b>

Other income streams remain encouragingly strong and reflect an increased focus on seeking external funding to support the research mission of the University. Research

contract income reached record levels in 2017-18 and further growth was achieved in 2018-19 taking total research grant income to £31m.

	2012-13 £000	2017-18 £000	2018-19 £000	Growth over strategic planning period
Research contract income	21,626	30,450	30,901	42.9%
Research contract indirect costs recovered	3,873	6,394	7,497	93.5%

Excluding Research and Development Expenditure Credits



Growth in our income has facilitated investment in additional academic and professional services posts and in student facilities, while at the same time creating headroom for improved generation of cash. Internally, this is measured in terms of 'cash surplus'; that is, operating surplus excluding movements in pension provisions, less capital grants, endowments received and other donations, less capital repayments of loans, adding back depreciation charged. The University's target for cash surplus is normally 5.5% of income (excluding capital grants, endowments received and other donations). In 2018-19 this target was reduced to 5.3% as the University issued £65m of private placement bonds at advantageous rates, thereby securing affordable borrowing for future capital investment.

The focus on cash generation allows for better analysis of underlying business performance than the primary financial statements, which have been affected by the introduction of FRS 102 and the revised Statement of Recommended Practice effective for financial years from 2015-16. These standards result in more volatile headline results from year to year as a result of the required treatments of pension liabilities and provisions, and the treatment of capital grants, endowments received and other donations, all of which are eliminated from the calculation of cash surplus. While the regulatory changes render more difficult financial

comparisons across the sector, published data shows that the University's cash generation has improved in recent years compared to the sector.

### Capital investment

The Capital Investment Plan (CIP) supports the University Strategic Plan in delivering excellence in education and excellence in research and to fund the development of facilities to support the University's future growth aspirations.

Over the period of the Strategic Plan 2013-2019 the University has invested nearly £178m in superb infrastructure for research and education. During this year the £18.5m STEM (Science, Technology, Engineering and Mathematics) Centre opened and became fully operational. The new student's residences, the Copse, opened providing 643 new single ensuite rooms and studios in line with growth in student numbers. Innovation Centre, Knowledge Gateway, the University's science and technology park, was completed and launched in April, and phase 2 of the development of the Parkside Office Village, also on Knowledge Gateway, was finished and is now fully let. Our Loughton Campus, has benefitted from a refurbishment to the Corbett Theatre and an extension to provide additional student facilities, to include a library, IT lab and social area space.

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19	Total £'000
<b>Total investment</b>	24,814	26,702	24,560	19,686	23,572	35,321	23,636	178,291

### Debt, liabilities and liquidity

Cash is managed prudently with deposits in the University's clearing bank (Lloyds Bank) and in a range of AAA-rated money market funds. Cash, cash equivalents and short term investments decreased from £103m to £75m over the year, reflecting the level of capital investment being undertaken. In previous years the University held minimum cash balances equating to 60 liquidity days (i.e. the number of days of average expenditure cash balances could support). During 2018-19, the University moved away from this measure as it resulted in inefficient use of cash and moved to a risk-based reserve strategy. This results in a level of cash availability commensurate with the current risks of the University. This requirement is evaluated currently at £36m.

In August 2018 the University repaid one of its outstanding secured loans with Lloyds. In June 2019 the University entered into a Revolving Credit Facility Agreement with Lloyds Bank for £20m over a three year term.

Total long-term debt outstanding at 31 July 2019 was £148.8m (2018 £171.3m).

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

### Future outlook and prospects

At the heart of our Strategic Plan 2019-2025 is a continued commitment to delivering excellence in education and research for the benefit of individuals and communities, with the ambition to grow the University to become a community of 20,000 students and 1,000 researchers by 2025. To support this through 2019-20, and to further enhance the educational experience that we offer to our students as well as boost the research power of the University of Essex, we have created 150 new academic and 50 new professional services posts, the largest expansion of staff in our 55-year history. This step-change in investment in our staff base is in response to record levels of interest from applicants in securing undergraduate and postgraduate places at the University of Essex.

The University continues to plan for growth whilst managing associated risks and challenges in both the internal and external environment. Increased investment in our Regional International Offices is driving an increase in non-EU overseas student applications to support the diversification of future income streams. Our future year financial forecasts contain a number of mechanisms that can be exercised to mitigate the impact of any internal or external financial shocks.

The University has been careful to ensure that, even as student numbers grow, the student to staff ratio improves and that newly appointed staff reflect the University's

dual-intensive commitment to excellence in education and research. The University's research capacity is increasing significantly as evidenced by our increasing success in securing research grants and contracts and intention to submit around 700 staff to REF 2021.

Diversification of our income streams is being further enabled by the development of the Knowledge Gateway, our 43 acre science and technology park on the Colchester Campus. The University of Essex has a vision for the Knowledge Gateway to become a national centre of excellence for businesses in high-value, knowledge-based sectors linked to the University's research expertise, employing over 2,000 people. Parkside Office Village on the Knowledge Gateway site already comprises 19 units suitable for small to medium-sized businesses, the first phase of which were completed in June 2014 and has been a significant success. The latest phase of development was completed in November 2018. There are now 24 businesses located at Parkside Office Village, employing 270 people, of whom 34 are graduates or students of the University, demonstrating how the Knowledge Gateway is providing an effective mechanism for retaining highly-skilled individuals within the local economy who would otherwise move away from the area post-graduation. Market interest in the units within Parkside phase 2, comprising an additional 1,353 sq. m net internal area (14,571 sq. ft.), was strong and all the units were pre-let before opening. In March 2019, Innovation Centre, Knowledge Gateway opened which will be home to around 50 new start-up businesses. The Innovation Centre will be operated on behalf of the University by Oxford Innovation who specialise in providing business support to start-up and expanding businesses. The Innovation Centre is also home to Studio X, the space dedicated to helping students and recent graduates turn their business ideas into reality. Studio X is equipped with high-specification PCs and Macs, as well as cutting-edge equipment for digital and creative businesses, including virtual reality headsets and a 360-degree projection room.

The next phase of development on the Knowledge Gateway, both providing further accommodation for growing businesses and enabling larger businesses to come to site for the first time, is currently in development. The project involves the construction of a single four-storey building with a total area of 4,772m<sup>2</sup> gross (51,355 sq. ft.), ideal for a single tenant (i.e. a new large employer to the area). Each of the floors has the flexibility to be subdivided in multiple of ways, providing a total net floor area of 3,775m<sup>2</sup> (40,645 sq. ft.). The site masterplan includes scope for two further identical buildings to be developed and constructed subject to future demand.

The strong market appetite for space within the Parkside Office Village units demonstrates proven demand from businesses to co-locate with the University on the Knowledge Gateway and this development is a key opportunity to leverage further the opportunities that arise from the University's engagement with business as a means of securing economic growth.

## Risk

### Policy and approach

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

The framework explains the University's underlying approach to risk management, and documents the roles and responsibilities of the University Council, the University Steering Group (USG) and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures. In addition, it describes the process the University Council follows to evaluate the effectiveness of the institution's internal control procedures.

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

- Council has responsibility for overseeing risk management within the institution as a whole;
- The Vice-Chancellor and USG advises the Council and implements the policies it approves;
- The Audit and Risk Management Committee (ARMC) provides Council with independent assurance about the effectiveness of the University's risk management arrangements;
- External Audit has an overview of the policy making comments and recommendations of practical benefit;
- Internal Audit provides ARMC and Council with independent assurance about the effectiveness of the University's risk management arrangements;
- The institution makes prudent recognition and disclosure of the financial and non-financial implications of risks;
- Heads of Departments and Heads of Section are responsible for developing awareness of risks within their units, and for identifying risks inherent in new developments;
- Key risk indicators are identified and monitored regularly.

### Risk appetite

The University recognises that risk appetite varies according to the activity undertaken and has developed a matrix determining the level of willingness to accept risks in pursuit of its strategic plan objectives.

The approach is to minimise exposure to risks in the areas that relate to Health and Safety, Regulatory Compliance and the University's duty of care to staff and students, whilst accepting and encouraging the active management of risk in order to pursue strategic priorities as defined in the University Strategy 2019-25.

The matrix maps the University's risk appetite against key strategic aims and compares the potential impact if things were to go wrong against the benefits if opportunities are realised; progress in realising those benefits is measured using a set of Key Performance Indicators, providing a measurable value that demonstrates how effectively the University is achieving key business objectives.

### Risk ownership and management

The Registrar and Secretary, as the Risk Management Process Owner, is responsible to the Vice-Chancellor and USG for ensuring the operational effectiveness of the University's risk management procedures. The Risk

Management Group (RMG) chaired by the Registrar and Secretary provides guidelines on the assessment of risk in planning and decision-making and monitors compliance.

The Registrar and Secretary ensures that the Strategic Risk Register (SRR) is properly maintained, that the relevant preventative and recovery measures are implemented, and that a sufficiently comprehensive set of risk management/disaster recovery plans is maintained.

For control of operational-level areas, Faculties, Departments and Professional Services sections, maintain local Operational Risk Registers that identify risks and relevant mitigating actions. Operational risk register reviews are conducted at least once a year by local risk management groups and material changes (the addition of new risks, the removal of risks and significant changes to risk ratings) are reported to RMG on a cyclical basis. This provides a clear route for risk identification and escalation. Risk owners are also required to report on the potential impact of risks on the Strategic Risk Register as well as any associated resource, legal, regulatory or equality implications which require consideration by the University. Operational risk register updates enable RMG to understand local issues and to check consistency in scoring across broad risk themes; these, along with the strategic insight of RMG members and their knowledge of changes in the internal and external environment, allows RMG to assess the Strategic Risk Register critically on a termly basis.

Major movements in the risk environment and the University's risk profile are then drawn to the attention of the USG and ARMC by way of termly reports. This allows members of the executive leadership team and external committee members to bring to bear their different perspectives, knowledge and experiences when scrutinising and contributing to the development of the Strategic Risk Register, ensuring that key areas of risk are not overlooked.

USG provides information as required to the Council and to ARMC on a regular basis, and will report on major risks and associated ameliorative measures.

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

The Risk Management Policy is reviewed annually by the Risk Management Group, ensuring that the policy is updated periodically to ensure that it remains fit-for-purpose and in line with best practice.

### Key risks

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

- Failure to inspire, empower and support all students to fulfil their potential can lead to significant equality attainment gaps for measures of student success at institutional level.

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

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

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

- Failure to grow our University to a community of about 20,000 students, including two new departments or disciplines to meet the needs of our time, leads to an inability to realise our ambitions for world-class transformational education and research and to ensure the financial sustainability of the University.

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

- Failure to deliver on our duty of care responsibilities to staff and students leads to an inability to achieve our goal of creating an inclusive, safe and welcoming environment.

Clear routes for reporting incidents have been established, including the Report and Support system, Student Conduct Office, Human Resources section & the Security Team. Professionally managed Student Wellbeing and Inclusivity Service is in operation and regular reporting arrangements embedded against specified service standards across student wellbeing and conduct areas. Compulsory training is required of all staff in relation to health & safety, equality & diversity, information security & safeguarding.

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

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

- Financial stability is undermined by a significant reduction in one or more income stream, or a significant unanticipated call on the University's finances, and/or the ineffective or inefficient use of resources in relation to the University's strategic objectives, leading to an inability to meet financial sustainability KPIs.

Budgets and forecasts are prepared on a challenging but realistic basis and contain appropriate levels of contingency. Institutional performance against plan is overseen by USG, providing assurance to Council. Established processes are in place to address areas where performance is not meeting the University's expectations

- Our campuses do not provide the physical and digital, social and natural environments for our community of staff and students to drive transformational education and research.

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

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

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

- Failure to nurture and promote our impact, reputation and standing, will lead to an inability to ensure the University of Essex is recognised globally and nationally for the quality, profile and visibility of our transformational research and education and for the benefit we create for people and communities.

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

- Failure to meet (by 2022) and exceed (by 2025) average benchmark levels of research income achieved by research-intensive UK universities, and to meet institutional and subject research profiles indicated by performance in the REF, will lead to an inability to be recognised nationally and globally for the international excellence and world-leading quality, scale and impact of our research.

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

- Quality of research outputs are not at the levels necessary to meet the University's strategic plan aspirations to be recognised nationally and globally for the international excellence and world-leading quality, scale and impact of its research.

Action plans are embedded within institutional and departmental planning, supported by investment in staff, systems and infrastructure. An established REF advisory group supports the Pro-Vice-Chancellor for Research in overseeing REF submissions.

- Management of institutional performance does not lead to the University meeting its targets for overall performance, and national and international ranking and academic standing as set out in the University Strategic Plan 2019-25.

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

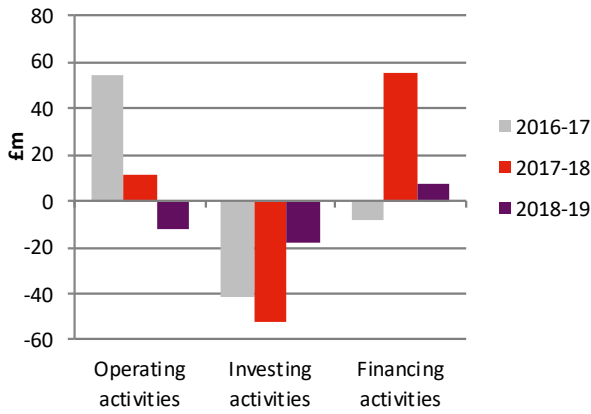
## Key Performance Indicators

	2020 Target Rank	2019 Performance		2018 Performance	
		Rank	Value	Rank	Value
<b>Overall <i>The Times</i> and <i>Sunday Times</i> Good University Guide rank</b>	25th	37th	630	29 <sup>th</sup>	664
<b>Research quality measured by Grade Point Average weighted by intensity</b>	20th	25th	7.2	25 <sup>th</sup>	37.2
<b>Research impact (intensity-weighted)</b>		29th	2.5	29 <sup>th</sup>	2.5
<b>Citation count</b>		54th	33,754	59 <sup>th</sup>	27,774
<b>Research intensity (% submitted)</b>			75%		75%
<b>PhD/staff ratio</b>		34th	1.2	36 <sup>th</sup>	1.2
<b>Research income/staff</b>	20th	27th	£59.6k	25 <sup>th</sup>	£58.8k*
<b>Student satisfaction</b>	25th	61st	79.8%	54 <sup>th</sup>	80.2%
<b>Entry standards</b>		122nd	111	107th	117th
<b>Student completion</b>		65th	85.4	58 <sup>th</sup>	86.2%
<b>Good degrees</b>		71st	74.5	41 <sup>st</sup>	78.7%
<b>Graduate employability</b>	25th	72nd	74.3%	72 <sup>nd</sup>	74.3%
<b>Internationalisation</b>			33.9%		31.3%
<b>Work/study abroad</b>			9.7%		10.1%
<b>Teaching qualifications</b>			49.2%		45.0%
<b>Cash surplus/income</b>	5.5%		5.8%		5.4%
<b>Liquidity days (minimum)</b>	60		132		185
<b>EBITDA/debt servicing (minimum)</b>	2:1		2.68		4.4

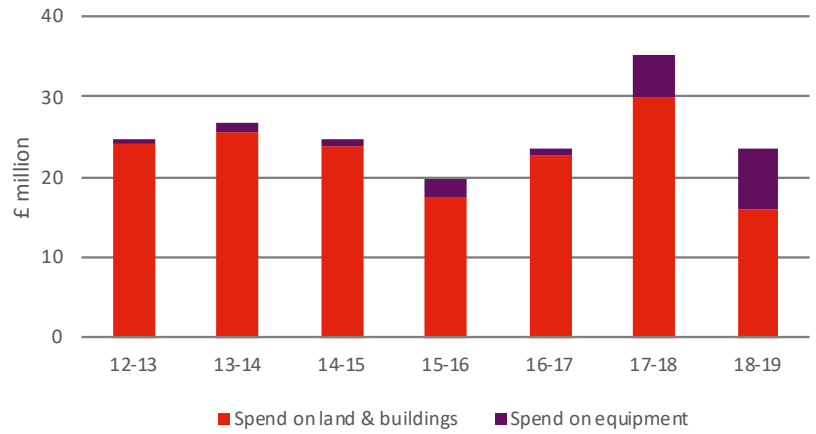
\*Indicative value

# FINANCIAL STATEMENTS

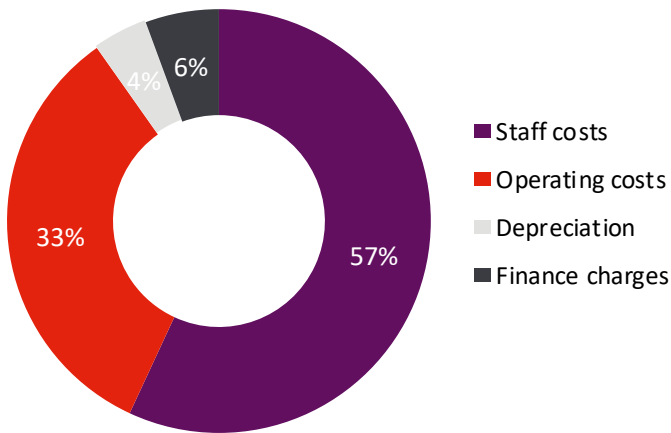
## Cash inflows and outflows



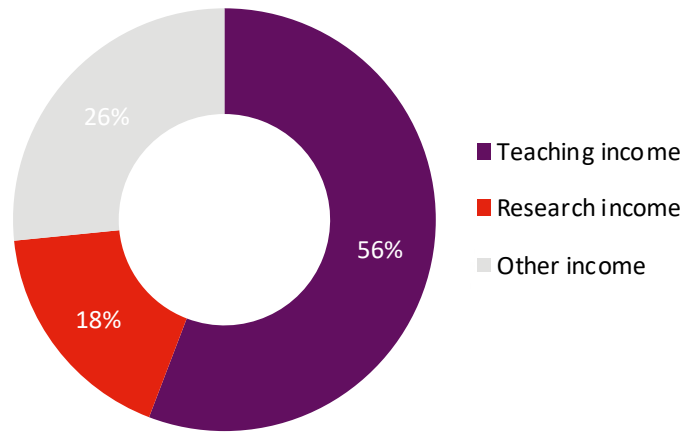
## Capital investment



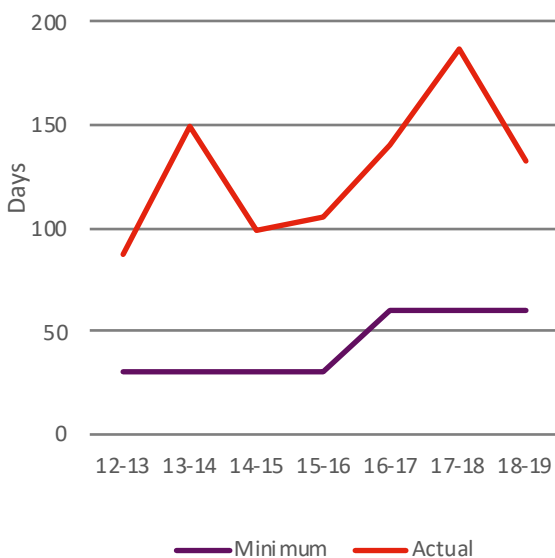
## Expenditure 2018-19



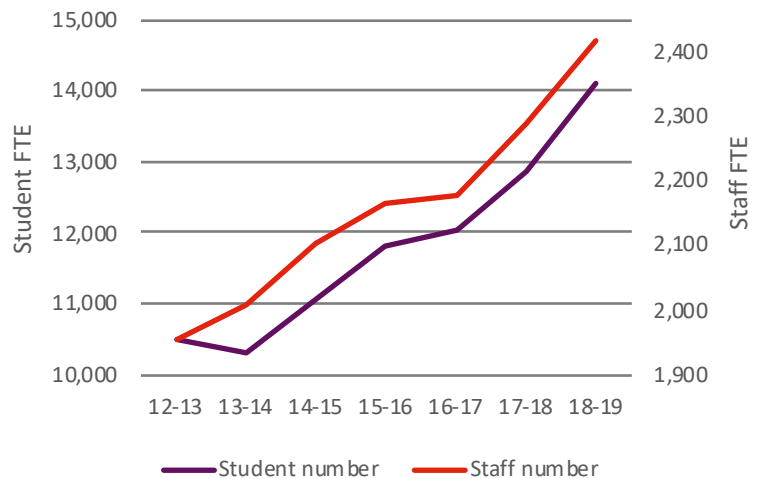
## Income 2018-19



## Liquidity days



## Student and staff numbers



**Income**  
**£247M** <sup>UP</sup> 11.2%  
(£222M 2017-18)

**Teaching  
Income**  
**£136M** <sup>UP</sup> 9.7%  
(£124M 2017-18)

**Research  
Income**  
**£43M**  
(INCLUDING CONTRACTS,  
GRANTS AND FEES)

**Cash  
Surplus**  
**£13.6M**  
(£11.8M 2017-18)  
for investment and growth

**Total  
Expenditure**  
**£282M**  
(£216M 2017-18)

**Staffing**  
**2,419**  
(2,290 2017-18)

**Student  
Numbers**  
**14,104** <sup>UP</sup> 7.5%

**Capital  
Investment**  
**£178M**  
over the strategic  
planning period 2013-18

# Public benefit statement



Students at our Colchester Campus

## OUR CHARITABLE AIMS

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

### Our Strategic Plan 2019-2025 states

- Our purpose is to benefit individuals and communities through excellence in education and research.
- We will put student success at the heart of our mission, supporting every student from every background to achieve outstanding outcomes; preparing our students to thrive in their future lives and nurturing our community of educators to support and promote student success.
- Our research will continue to focus on asking difficult questions, challenging conventional wisdom, tackling with rigour the questions that matter for people and communities and putting ideas into action to improve people's lives.
- We will be recognised nationally and globally for the quality and impact of a transformative education and for the international excellence and world-leading quality, scale and impact of our research.

- We will nurture and celebrate our shared commitment to social action, supporting every person in our University community to realise the potential of their Essex Spirit through their contribution to our shared mission.
- We will have grown the University to achieve transformational research through our community of researchers, and extend our knowledge base by investing in new disciplines that meet the needs of our time and to ensure the financial sustainability of the University.



Our Silberrad Student Centre, Colchester Campus



## BENEFICIARIES OF OUR WORK

The undergraduates and postgraduates who study at Essex are the main public beneficiaries of our work.

Other beneficiaries include companies, organisations and charities that employ our graduates, work with our academics on knowledge exchange projects or access our training programmes.

The general public can also access our facilities, courses, talks and events.

Wider society benefits from the insights provided by our world-leading research in the social sciences, science and health, and the humanities. Our research aims to contribute to improving people's lives in the UK and abroad.

## GOVERNANCE

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

## EDUCATION

Graduation 2019 was our biggest yet, with more than 5,300 students graduating. The University provides public benefit through its commitment to providing a transformational educational experience, encompassing both the academic and extra-curricular, to fulfil the potential of our undergraduate and postgraduate students. This year we also hosted two very successful overseas graduation ceremonies – for 200 students at our Asia graduation ceremony in Beijing in February, and for 100 in Singapore in April.

## AWARDS AND RANKINGS

We've had a succession of excellent results in university rankings – most notably this year being named University of the Year at the *Times Higher Education Awards* in November 2018. We are Top 30 in the UK in *The Times* and *The Sunday Times Good University Guide* 2019. We are top 50 for law and social sciences in the *Times Higher Education World University Rankings 2018*. We were placed in the top 15 of mainstream English universities for the seventh year running in the 2019 *National Student Survey*.



Celebrating Graduation Week, July 2019



Our first ever Asia graduation ceremony in Beijing, China February 2019



*Learning space and facilities for collaborative group working to flourish*

## EDUCATION AT ESSEX

In 2018-19 we welcomed 6,820 new students. During 2018-19, 16,500 students were studying at Essex at undergraduate and postgraduate level.

We saw more than 5,300 students graduate in July 2019 and now have a global community of alumni of more than 100,000.

We are a beacon of internationalism, in the top 20 for the most international student community in the Times Higher Education World University Rankings 2018.

### The student experience

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

We encourage the personal development of our students through volunteering, sport, music, the arts and engagement with our Students' Union.

We also offer opportunities to undertake work placements and study abroad. During 2018-19 we have doubled

the number of summer schools available at overseas institutions – in our drive to encourage students to take up the opportunity to experience living and working overseas.

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



*Essex students are encouraged to get involved in the full student experience, including societies and volunteering*

Award-winning initiatives include our THINK! seminars in 2018-19, which challenge students to debate controversial and thought-provoking subjects – the 2016 series was recognised by winning the Guardian University Awards for Student Experience.

This year more than 4,000 students took part in our Big Essex Award scheme, which recognises student participation in extra-curricular activities that add to their overall experience and skills. Other initiatives include our on-campus work placement scheme, Frontrunners, and Rising Stars, which guides students – whatever their background – towards career success by bridging access to graduate recruiters and mentors.

### Teaching methods

We use innovative teaching methods to show students the real-world applications of their courses. In 2018 we opened a new, state-of-the-art £18m STEM Centre for students in science, technology, engineering and mathematics.

The Centre houses a biological sciences laboratory, open plan workspace to foster collaborative working and engagement between students and staff, and exploratory space to support team working and collaboration.

Set within the new Essex Sports Arena at our Colchester Campus, the School of Sport, Rehabilitation and Exercise Sciences contains a Sports Therapy Clinic – this is where staff, students, and external clients can be assessed and treated for a range of sports and other musculoskeletal injuries. This gives our sports therapy students a chance to practice and hone their skills in a professional environment with support from staff.

Our Health and Social Care teaching facilities at our Colchester and Southend campuses provide excellent simulative spaces where students can learn about hands-on practise; these include mock wards, an oral health sciences lab, a communications lab and consultation rooms.



Three winners of the Big Essex award 2019, left to right: Oritse-Mofe Onuwaje, Elizabeth Archer and Jacob Bennett



Our new STEM Centre opened March 2019

### Highlights: student achievements

- 1 Michael Allport, who made the decision to strive for a Computer Science degree despite leaving school with only a few GCSEs, was runner-up in May 2019 for the Keith Fletcher Memorial Prize for Outstanding Academic Achievement, amongst 50,000 other applicants.
- 2 Essex Law Clinic Student Director, Catherine Duggan, was shortlisted for Student of the Year at the prestigious LawWorks and Attorney General Pro Bono Student Awards Ceremony in May 2019.
- 3 Computer Science PhD student Eleni Nisioti was chosen from 88 candidates to complete a research stay at Pompeu Fabra University in Barcelona, as part of the Young European Research Universities' Research Mobility Awards, enabling academics from international institutions to collaborate on research projects.
- 4 Essex Business School Master of Business Management student, Erika Svobodova, was shortlisted as a top ten finalist for the PRME Chapter UK and Ireland's third annual Responsible Business and Writing Competition 2018-19. Erika's essay focused on contemporary issues in CSR management.
- 5 East 15 graduate Grace Duggan was shortlisted for Intern of the Year at the national creative and cultural awards, part of the Creative & Cultural Skills annual awards. Grace completed a BA in Acting and Community Theatre in 2017 and was shortlisted for her exceptional work as an Essex Intern at non-profit organisation Studio 3 Arts.



*Students involved with field research on the Essex coast*

### **Supporting the next generation of researchers**

Essex continues to be a leader in doctoral training, developing the next generation of researchers. We are part of several Doctoral Training Partnerships which offer skills training and funding to doctoral students. These include:

#### **ARIES**

The Advanced Research and Innovation in the Environmental Sciences is funded by the Natural Environment Research Council, which equips postgraduate research students with the skills to become leaders in the science and sustainable business of the natural environment.

#### **EnvEast**

Also funded by the Natural Environment Research Council, EnvEast offers studentships in climate, marine, and atmospheric systems, biodiversity, ecosystem services and sustainable development, and natural hazards.

#### **CHASE**

The Consortium for the Humanities and the Arts Southeast England, which offers PhD studentships to the next generation of world-leading arts and humanities scholars.

#### **SeNSS**

The South East Network for Social Sciences is one of 14 new Doctoral Training Partnerships funded by the ESRC launched in 2017-18. It offers studentships in a range of disciplines in the social sciences, including economics, politics and international studies, business and management, linguistics, sociology, psychology and socio-legal studies.

### **Soc-B**

The Social Biological Centre for Doctoral Training (Soc-B) is led by University College London (UCL), and helps postgraduate researchers investigate the interplay between a person's biology, experiences and behaviour throughout their lives. The University of Essex and the University of Manchester work with UCL as partner institutions.

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



## Eastern ARC

We are also a member of the Eastern Academic Research Consortium between the University of East Anglia, the University of Essex and the University of Kent, which provides studentships in quantitative social science, digital humanities and synthetic biology.

## Meeting different study needs

We offer various routes to an Essex degree to meet the needs of different students. We work with Kaplan Open Learning to deliver online undergraduate and postgraduate courses through University of Essex Online.

Now, close to 20 per cent of students study for an Essex degree via our partners, including the University of Essex Online, Kaplan Singapore, and Brickfields Asia College in Malaysia. Our online degrees have the highest levels of student satisfaction of any online provider in the UK.

We offer Higher and Degree apprenticeships which combine on-the-job training and academic study. We had 118 apprenticeships running across 14 businesses and organisations – one of which is our own School of Computer Science and Electronic Engineering, and we continue to partner with NHS Trusts to offer an apprenticeship route into nursing.

In 2018-19, our apprenticeships covered four delivery standards: Healthcare Assistant Practitioner (higher apprenticeship), Registered Nurse (degree apprenticeship), Digital and Technology Solutions Professional (degree apprenticeship), and Embedded Electronic Systems Design and Development Engineer (degree apprenticeship).

## Student volunteering

Our students are central to the positive effect we have on our local communities. We are proud of our students' achievements in volunteering and social action. This year, the Students' Union V-Team has dedicated more than 36,000 hours of volunteering – a record 2,000 hours more than last year.

This is across a range of some 90 projects, such as volunteering on our refugee training programme to teaching local schoolchildren; supporting conservation projects to decorating local community centres; taking part in our 'golden age' programme where students befriend elderly residents in care homes to stewarding at national events, such as Remembrance Sunday. These activities not only benefit the community but also the students themselves, as they develop skills that boost their future employability.

## Chancellor's Appeal

In June 2019 our Chancellor, The Rt Hon John Bercow, launched a new appeal, Essex Change Makers. Its aim is to support our students to help others through more participation in social action projects, and community engagement, both locally and globally.

As more than 40% of our UK undergraduate students come from homes with an annual income of less than £25,000, financial circumstances stop many from being able to take part in voluntary social action projects.

The Chancellor's Appeal - Essex Change Makers seeks to remove this financial barrier by raising £3 million to enable students, regardless of financial circumstances, to explore their interests, their sense of identity, and their role in society: 'to do well by doing good.'

Furthermore, the University will match every donation, pound for pound.

*Students involved with field research on the Essex coast*



*In 2018-19 our students dedicated more than 36,000 hours of their time to volunteering projects*



*The Rt Hon John Bercow MP launched the new Chancellor's Appeal, Essex Change Makers At our 2019 Annual Meeting*



## RESEARCH AT ESSEX

We are one of the leading research-intensive universities in the country, ranked 25th in the UK for research quality (Times Good University Guide 2018). We are top five in the UK for social science research, in the most recent Research Assessment Framework, from 2014.

Essex is in a select group of just 11 'dual-intensive' universities who feature in the top 25% of performance in both the Teaching Excellence Framework (measured by the number of positive flags achieved in TEF2) and Research Excellence Framework (measured by intensity weighted Grade Point Average) (WonkHE, July 2017).

## Beneficiaries of our research

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

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

### Communicating our research excellence

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

We are a partner of online news site The Conversation, which publishes news and views written by members of the academic and research community. In 2018-19 our academics contributed 80 articles, which were read more than 2.4m times globally, generating 1,500 comments.

### Our global research reputation

We have a global reputation in human rights, social scientific research and data analytics. Our flagship institutes bring together academics from across disciplines and departments to deliver research which offers significant practical insights and impact.

They engage with a wide range of external partners at a national and international level from NGOs and national governments through to the European Union and United Nations.

- We are home to one of the oldest academic human rights centres in the world. Our Human Rights Centre enjoys a global reputation as a leader in the field of human rights research, practice, and education.
- Our Institute for Analytics and Data Science (IADS) drives breakthroughs and innovation in data, from transfer technology and analytical methods, to socio-economic, ethical, legal and human rights issues.
- Our Institute for Social and Economic Research (ISER) conducts innovative and influential social and economic research, which looks at how people's lives are changing over time.





**Highlights: research projects**

**The Catalyst Project**

Catalyst – a project that brings together our data research expertise with Suffolk and Essex County Councils – is improving public services for the most vulnerable people in our communities, through predicting risk, and targeting services more effectively through the use of data analysis and cutting-edge technology. Areas of focus include identifying ‘at risk’ children and adults, evaluating the impact of public services, mapping community assets, and establishing a powerful community volunteering hub.

**Essex Centre for Data Analysis**

Our unique three-way partnership with Essex County Council and Essex Police is represented through the new Essex Centre for Data Analysis. This centre is working to support the people and communities of Essex, by tackling system-

wide public policy issues through the smarter use of data. The partnership, supported by technology, aims to offer a way for councils, police, health, and voluntary and community organisations in Essex to use the power of data to tackle some of the most challenging issues faced by society.

**Understanding Society**

One of our headline research projects, Understanding Society has received £16m in funding to carry out the next wave of its research. This is the UK’s household longitudinal survey, and the largest household panel study in the world, that collects data to provide vital insights into the causes and consequences of social change. The project is led by the Institute of Social and Economic Research, based here at Essex, which this year celebrates its 30th anniversary.



### **MiSOC**

We also received £5.8m for the Research Centre on Micro-Social Change, MiSOC: an internationally recognised centre of excellence that investigates how society and policy changes influence individuals and families' behaviour and wellbeing.

### **NERC: urban soil research**

Another breakthrough research project – which has received £1.8m and is supported by the Natural Environment Research Council – will focus on how urban soil supports the ecosystem. This will provide, for the first time, a comprehensive assessment of the relationship between the urban soil environment, its biodiversity, and ecosystem processes and functions.

### **Public Health**

We are also working with Public Health England, to explore innovative ways of working together, including research, apprenticeships, student exchange and scholarships. And we are very pleased that Health Education England has provided additional funding for oral health courses at our Southend Campus – and we are currently working on plans to expand the provision of teaching in this subject, which represents a growing subject area within our health and social care portfolio.

### **Queen's Anniversary Prize for outstanding social science research**

In November 2017 our Institute for Social and Economic Research was awarded the Queen's Anniversary Prize for Higher and Further Education. The Prize is the highest form of recognition for the work of a UK university and was officially bestowed on Essex at Buckingham Palace by Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall.

### **Regius Professorship**

Professor Kristian Skrede Gleditsch, an internationally renowned figure in the study of conflict resolution, democratisation and political change, is our Regius Professor of Political Science. The honour of holding a Regius Professorship was conferred on the University of Essex by Her Majesty The Queen in 2013 to mark her Diamond Jubilee. It recognised 50 years of excellence in research and education in political science at Essex. We are one of the youngest universities ever to receive the accolade.

### **Research ethics**

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





*We hosted the Big Bang schools' science fair at our Colchester Campus this year*

## COMMUNITY ENGAGEMENT

Our campuses are at the heart of their local communities. Schoolchildren come to explore higher education, businesses work and collaborate with us, visitors attend lectures to learn about our research expertise and audiences enjoy our full and varied arts programme.

### Increasing access to education

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

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

### Supporting our students

We believe widening participation also involves offering the right support to make sure our students succeed and get the most out of their time at Essex. This includes increasing employability opportunities and helping under-represented groups get the experience they need to secure graduate level jobs through our award-winning Frontrunners work placement scheme, our internships programme and our senior student ambassador scheme.

### Outreach activities

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

Our schools' outreach programme continues to grow, and in 2018-19 we have continued to focus on schoolchildren in our region to encourage them to think about their future in higher education, irrespective of their background. By the end of the 2018-19 academic year, we worked with 12,000 students from more than 100 schools and colleges.

Activities have included our hosting of the Big Bang science festival on our Colchester Campus; extending our Schools Membership programme to 39 schools; and the V16 Partnership now offering 14 subjects that are taught to local sixth form students on our Colchester Campus by school staff, and University staff provide supporting enrichment activities.

In our role as the lead institution for the Essex consortium of the National Collaborative Outreach Programme, since December 2017 we have engaged with over 60,000 students from local areas where Higher Education participation is low. Activities such as these help us meet our published Access Agreement targets for students from under-represented groups.

We also encourage discussions around important issues linked to our research work. For example, this year, 13 Essex

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

### Business engagement

We are committed to stimulating economic growth and nurturing cultural and social development. We aim to share our world-class research through commercial applications that make the world a better place. Our Economic Impact Report published in 2018 showed we directly contributed £523 million in the last year. Our students contribute a further £50 million to the local economies of Colchester and Southend.

We lead the new £4.7 million Enabling Innovation: Research to Application (EIRA) network that is creating a university network that supports business innovation in Essex, Norfolk, Suffolk and Kent. Our Research and Enterprise Office supports companies to access our expertise and co-ordinates a programme of training informed by our research.

### Knowledge Transfer Partnership success

Knowledge Transfer Partnerships (KTPs) are successful technology-driven business partnerships funded by Innovate UK and Research Councils. They bring together businesses and universities to work on a 12-month to three-year project to develop new products, services or technologies, driven by research.

Essex has a current portfolio of KTP projects worth £7,895,911 with a sizeable pipeline worth nearly £1million. This ranks Essex as top three in the UK for the number of Innovate UK funded projects, which means we are the leading university in the East of England and London for Knowledge Transfer Partnerships – covering IT, telecommunications, logistics, finance, defence, agriculture and manufacturing companies, among others.

In December 2018, we held a special KTP Awards event inviting companies from across London and the South



East to celebrate and recognise a number of successful partnerships.

Our KTPs include:

#### Retail

Working with Ocado to create a forecasting model for a grocery delivery routing system that will better estimate the cost of delivering a customer's order.

#### Law

Helping innovative Colchester law firm Fisher Jones Greenwood LLP to use Natural Language Processing to accelerate and automate the generation of new business leads by combining a chat-bot and novel UX design.

#### Healthcare

Partnering with healthcare services provider Provide CIC on a larger-scale project worth £558,252, to create a ground-breaking decision making engine powered by artificial intelligence and natural language processing, reducing strain on healthcare infrastructure while being guided by psychosocial research into acceptance and adoption of technological innovations in the field.

#### Transport

Aiming to tackle a major hurdle hindering the adoption of electric vehicles (EVs), by partnering with Spark EV Technology to develop an artificial intelligence-based technology that delivers personalised journey predictions on EVs' range.



Award-winners at our special Winter KTP Celebration, Wivenhoe House Hotel, Colchester Campus, December 2018



*We opened Innovation Centre,  
Knowledge Gateway in June 2019*

### **Knowledge Gateway growth**

We are driving growth and innovation in the Eastern region through our Knowledge Gateway technology and research park at our Colchester Campus, which is fast becoming the location of choice in the eastern region for knowledge-based enterprises in science, technology and the creative sector.

In June 2019 our new Innovation Centre, Knowledge Gateway officially opened. This offers office, desk and co-working space, plus meeting and conference space, and vital hands-on business start-up support, to help start-up companies scale up, and succeed. The centre also houses a digital creative studio – Studio X.

Also on the Knowledge Gateway, in 2019 we opened the newest phase of Parkside Office Village, 1,300 square metres, which is already fully occupied. This now brings the number of businesses operating on Parkside Office Village to 24, which include digital and tech companies who work with us, and employ our graduates. It is also the location of our academic centres the Institute of Analytics and Data Science and the ESRC Business and Local Government Data Research Centre.

### **Student employability and entrepreneurship**

Our internships programme offers students and graduates the chance to develop their skills and experience, while providing businesses the chance to benefit from their knowledge, skills and expertise. Many interns have secured long-term jobs and feedback indicates businesses have gained significant economic benefits.

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

Our Click crowdfunding platform supports students wanting to raise money to get their projects and ideas off the ground. Since 2015 Click has helped 991 students, thanks to 4,442 crowdfunding donors, plus match-funding, providing more than £385,000 to support 302 student projects.

### **Showcasing our research**

We engage with local communities through a wide range of events.

- Our Professorial Inaugural Lectures continue to attract the public and our University community to hear and engage with research by our newly-appointed professors.
- Café Scientifique, the popular series of talks that boosts

informal engagement between the public and researchers, continues to attract record audiences.

- A team of PhD students has continued to run the three-day Pint of Science events in Colchester, which sees Essex lecturers plus experts from across the UK presenting their latest findings in local pubs, on topics ranging from environmental issues to big data.
- Our academic departments offer the wider community the chance to benefit from our research expertise through a huge range of conferences, debates, and public lectures throughout the year, including our THINK! debate series.
- The Albert Sloman Library is home to a number of important archives which provide valuable resources for researchers and the public.

### Arts and culture

Three theatres at our Colchester, Loughton and Southend campuses host a vibrant, broad programme of live and streamed productions, including student shows. East 15 Acting School's busy programme of performance includes productions inspired by local history, culture and politics. Our academics also use theatre to bring their work to a wider audience. Highlights from our diverse range of arts and culture activity this year include:

- Théâtre Complicité associate Shane Shambu collaborated with Jonathan Lichtenstein from our Department of Literature, Film, and Theatre Studies, to create *Confessions of a Cockney Temple Dancer*. This funny, honest solo performance combined Indian dance and stand-up comedy to chart the journey of growing up in East London.
- We hosted six live-streamed National Theatre or Royal Shakespeare Company productions in our Lakeside Theatre, broadening our programme and opening our doors to larger audiences, including David Hare's *I'm Not Running* and Arthur Millers' *All My Sons*.
- Essex Book Festival celebrated its 20th anniversary in 2019 and welcomed bestselling author Sarah Perry at the Ivor Crewe Lecture Hall on Friday 1 March. This launch event was the first of 130 festival events in 45 venues across Essex, including contributions from 250 writers and artists. Essex Book Festival is sponsored by the University and based in the University's Centre for Creative Writing.
- Art Exchange, the gallery at our Colchester Campus, has a year-round programme of events and exhibitions attended by both the public and our students. Events this year included exhibitions, workshops, talks, classes and events.
- The Essex Collection of Art from Latin America – ESCALA – comprises 750 works, and provides teaching and research space for students, staff and the wider community. ESCALA also displays work in the Silberrad Student Centre, Albert Sloman Library, and Wivenhoe Park at our Colchester Campus. The Collection is also accessible online and features an archive service.



Essex Blades Dance Club and StiltsPro – both beneficiaries of our Click crowdfunding activity – performing on the squares at our Colchester Campus



# Corporate Governance Statement

## Corporate Governance and Accountability Arrangements

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

The University is fully compliant with the Committee of University Chairs (CUC) higher education Code of Governance issued in December 2014, and the higher education senior staff remuneration code, published by the CUC in June 2018. The Remuneration Committee has an ongoing review process to ensure we align with the CUC's reporting guidelines.

## 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, external members, a student member, ex officio appointed employees, employees elected by Senate and an employee elected by professional services staff. The roles of Chancellor and Pro-Chancellor (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 (Ordinance 10). 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 Council met four times during the year and held one full and three half away days. Of its 25 members, a majority are members drawn from outside the University.

## Responsibilities of the Council

Council is responsible for preparing the financial statements in accordance with the requirements of the Office for Students' terms and conditions of funding for higher education institutions and the terms of conditions of Research England's grant and applicable laws and regulations.

Council is required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent

University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students have been applied in accordance with the regulatory framework terms and conditions attached to them;
- funds provided by Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statement 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 Council on the recommendation of the Audit and Risk Management Committee;
- a professional Internal Audit team whose annual risk-based programme is approved by the Audit and Risk Management Committee. The Head of Internal Audit expressed the following opinion for the year ending 31 July 2019 "The University's arrangements for risk management control and governance, and economy, efficiency and effectiveness are adequate and effective. This does not mean that all aspects are adequate and effective, but there are no indications of a material weakness in them. A material weakness is defined as one that could lead to a significant impact on the business, operations or standing of the University."
- regular reports on internal control, compliance and risk received and reviewed by the Audit and Risk Management Committee which in turn are reported to Council which cover all controls (financial, business and operational);
- risk identification and management arrangements which include a Strategic Risk Register which contains weightings (of likelihood and impact) linked to the Strategic Plan which also informs the Internal Audit planning process.

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

## The Committees of Council

The Council delegates some business to a number of committees:

- Audit and Risk Management;
- Resources;
- Nominations;
- People Supporting Strategy Committee and
- Remuneration.

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

The Audit and Risk Management Committee has no executive responsibility and comprises solely external members, at least two of whom are External members of Council and have recent relevant financial experience. The Audit and Risk Management Committee relies on the work of internal and external audit, on information provided by management and on management responses to the questions it raises. The identification and management of risk is an ongoing process specifically linked to the objectives in the Strategic Plan and is monitored closely by Audit and Risk Management Committee. Audit and Risk Management Committee reports on the results of risk identification, evaluation and management to Council, which also receives the Strategic Risk Register for regular review. The Committee met four times in the year.

The responsibilities of the Audit and Risk Management Committee include:

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

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

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

Both the Council and Resources Committee receive reports on business, operational and compliance matters from the University Steering Group.

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

The People Supporting Strategy Committee provides oversight of the University's People Supporting Strategy and workforce plan, and makes recommendations to Council regarding strategic people policies, plans and strategic framework for reward and recognition. The Committee met twice during the year.

The Remuneration Committee determines the annual remuneration of the most senior staff, including the Vice-Chancellor. The Committee met twice 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 external regulators and in-house departmental reviews. Currently it has five representatives on Council each appointed for three years.

### **The University Court**

The University Court is a formal body established under the Charter and Statutes. Its main function is to receive a report from the Vice-Chancellor on the workings and sustainability of the University since the last meeting.



## Council Members (Trustees)

The following table outlines membership of the University Council during 2018-19.

Members	Appointments	End of term of office
<b>External members (10 places)</b>		
Dr Elizabeth Hall	Appointed 1 August 2012	31 July 2021
Simon Hall	Appointed 1 August 2016	31 July 2019
Jane Hamilton	Appointed 1 August 2015	31 July 2021
Geoffrey Probert	Appointed 1 March 2014	31 July 2020
Hayley White	Appointed 1 August 2015	31 July 2019
Dr Adam Wright	Appointed 1 August 2016	31 July 2019
Paul Jackson	Appointed 1 January 2017	31 July 2019
Alexa Coates	Appointed 27 November 2017	31 July 2020
Melanie Leech	Appointed 4 April 2019	31 July 2021
Stephanie Hilborne	Appointed 4 April 2019	31 July 2021
<b>Ex officio members (6 places)</b>		
Judith Judd, Pro-Chancellor Chair of Council	Appointed 1 August 2010 Appointed Pro-Chancellor from 1 August 2012 Appointed Chair of Council 12 July 2018	31 July 2019
Maria Stanford, Pro-Chancellor	Appointed 1 August 2011 Appointed Pro-Chancellor from 1 August 2015	31 July 2020
Milan Makwana, Pro-Chancellor	Appointed 1 August 2014 Appointed Pro-Chancellor from 19 February 2019	31 July 2020
Tim Porter, Treasurer	Appointed 1 August 2014 Appointed Treasurer 1 August 2016	31 July 2020
Professor Anthony Forster, Vice-Chancellor		N/A
Professor Jules Pretty, Deputy Vice-Chancellor	Appointed 1 August 2013	31 July 2019
<b>Appointed Members (2 Deans)</b>		
Professor Dominic Micklewright	Appointed 28 November 2016	31 July 2019
Professor Sanja Bahun	Appointed 1 October 2018	31 July 2021
<b>Members elected by Senate (5 places)</b>		
Dr Nilufer Demirkan-Jones	Appointed 1 August 2016	31 July 2019
Professor Andrew Canessa	Appointed 1 August 2017	31 July 2020
Professor Katharine Rockett	Appointed 1 August 2017	31 July 2020
Dr Timo Juetten	Appointed 1 August 2017	31 July 2021
Dr Illaria Boncori	Appointed 1 August 2017	31 July 2021
<b>Member elected by the non-academic staff (1 place)</b>		
Lynn Bowman-Burns	Appointed 1 August 2016	31 July 2019
<b>Student member (1 place)</b>		
Tancrede Chartier	Appointed 1 July 2018	30 June 2019
Asha Ali	Appointed 1 July 2019	30 June 2020

# Independent auditor's report to council of University of Essex

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of University of Essex ("the University") for the year ended 31 July 2019 which comprise the *Group and University Statement of Comprehensive Income and Expenditure, Group and University Statement of Changes in Reserves, Group and University Balance Sheet and Group Cash Flow Statement* and related notes, including the accounting policies on page 36.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Council, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects

and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the Group and this is particularly the case in relation to Brexit.

### Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

### Other information

The Council is responsible for the other information, which comprises the Strategic Review and the Report of the Governors and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## Council responsibilities

As explained more fully in their statement set out on page 30, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students and Research England have been applied in accordance with [these conditions and] the terms and conditions attached to them.

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Council, in accordance with the Articles, Charters, Statutes or Ordinances of the institution. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an 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 University and the Council for our audit work, for this report, or for the opinions we have formed.

**Fleur Nieboer**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
Canary Wharf  
London E14 5GL  
November 2019

# Accounting Policies

## Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, issued in 2015, and in accordance with applicable accounting standards. The financial statements are prepared on the basis of going concern and in accordance with the historical cost convention (modified by the revaluation of certain categories of fixed assets).

## Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2019. Intra-group transactions are eliminated on consolidation.

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

## Significant judgements and estimates

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

## Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and over the period in which students are studying. Where the amount of the tuition fee is reduced,

by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

## Grant funding

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

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

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

## Donations and endowments

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

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

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

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

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

- 1 Restricted donations - the donor has specified that the donation must be used for a particular objective.
- 2 Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- 3 Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.
- 4 Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Accounting for retirement benefits

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

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

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

### Defined contribution plan

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

### Defined benefit plan

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

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

### Employment benefits

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

### Finance leases

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

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

### Service concession arrangements

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

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

### Operating leases

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

### Foreign currency

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

## Fixed assets

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

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

## Depreciation

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives. For motor vehicles and other items of general equipment this will be between five and ten years. For computer equipment the expected useful life is three years.

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

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

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

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

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

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

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

## Heritage assets

The University holds a collection of paintings, prints and similar artworks acquired through a combination of donations and purchases. It is the University's intention to maintain the collection, the majority of which is on public display in the library. These assets are included in

the Balance Sheet at market valuation. The University's external valuer (Lyon & Turnbull) carried out a full valuation of the collection on 18 February 2010. The values were established on the basis of the valuer's assessment of the likely replacement cost at suitable specialist retail outlets, having given consideration to the quality and condition of the items. These heritage assets are not depreciated.

## Investment properties

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

## Investments

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

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

Investments in equities and gilts are generally treated as fixed asset investments whilst investments in the form of term deposits with banks and other financial institutions which have less than three months to maturity, are shown as cash and cash equivalents. Current asset investments are included at the lower of cost and net realisable value.

## Stock

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

## Cash and cash equivalents

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

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

## **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

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

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

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

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

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

## **Taxation**

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

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

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

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

## **Reserves**

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

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

# Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2019

	Notes	Consolidated		University	
		Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>Income</b>					
Funding body grants	1	23,832	21,184	23,832	21,184
Tuition fees and education contracts	2	135,723	123,937	135,723	123,937
Research grants and contracts	3	30,901	30,450	30,901	30,450
Other income	4	55,542	45,892	43,806	39,657
Endowment and investment income	5	808	757	721	731
Donations and endowments	6	59	60	59	60
<b>Total income</b>		<b>246,865</b>	222,280	<b>235,042</b>	216,019
<b>Less: Share of income from joint ventures</b>	4	<b>(270)</b>	(367)	<b>0</b>	0
<b>Net income</b>		<b>246,595</b>	221,913	<b>235,042</b>	216,019
<b>Expenditure</b>					
Staff costs	8	126,785	119,066	118,265	111,069
Staff costs associated with USS pension increase	8	33,938	114	33,882	114
Other operating expenses	9	94,019	79,284	92,739	82,902
Depreciation	9	11,744	9,700	11,211	9,216
Interest and other finance costs	9	15,869	7,683	15,849	7,742
<b>Total expenditure</b>	10	<b>282,355</b>	215,847	<b>271,945</b>	211,043
<b>Surplus / (deficit) before other gains and losses and share of operating surplus of joint ventures</b>		<b>(35,760)</b>	6,066	<b>(36,903)</b>	4,976
Share of operating surplus / (deficit) in joint ventures	14	0	0	0	0
Gain on investments		735	651	735	651
<b>Surplus / (deficit) for the year</b>		<b>(35,025)</b>	6,717	<b>(36,168)</b>	5,627
Actuarial (loss) / gain in respect of pension schemes		596	6,945	580	6,539
Increase / (decrease) in value of joint ventures		0	18	0	0
<b>Total comprehensive loss for the year</b>		<b>(34,429)</b>	13,680	<b>(35,588)</b>	12,166
Represented by:					
Endowment comprehensive income for the year		442	(32)	442	(32)
Restricted comprehensive income for the year		162	(216)	162	(216)
Unrestricted comprehensive loss for the year		(35,033)	13,928	(36,192)	12,414
Revaluation reserve comprehensive loss for the year		0	0	0	0
		<b>(34,429)</b>	13,680	<b>(35,588)</b>	12,166

All items of income and expenditure arise from continuing operations  
The notes on pages 44 to 71 form an integral part of these Financial Statements



# Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2019

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2017</b>	<b>6,469</b>	<b>3,319</b>	<b>215,981</b>	<b>0</b>	<b>225,769</b>
Surplus / (deficit) from the income and expenditure statement	0	0	6,717	0	6,717
Other comprehensive income	(32)	(216)	7,211	0	6,963
Transfers between revaluation and income and expenditure reserve	0	0	0		0
<b>Total comprehensive income for the year</b>	<b>(32)</b>	<b>(216)</b>	<b>13,928</b>	<b>0</b>	<b>13,680</b>
<b>Balance at 1 August 2018</b>	<b>6,437</b>	<b>3,103</b>	<b>229,909</b>	<b>0</b>	<b>239,449</b>
Surplus / (deficit) from the income and expenditure statement	0	0	(35,025)	0	(35,025)
Other comprehensive income	442	162	(8)	0	596
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
<b>Total comprehensive income for the year</b>	<b>442</b>	<b>162</b>	<b>(35,033)</b>	<b>0</b>	<b>(34,429)</b>
<b>Balance at 31 July 2019</b>	<b>6,879</b>	<b>3,265</b>	<b>194,876</b>	<b>0</b>	<b>205,020</b>
University	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2017</b>	<b>6,469</b>	<b>3,319</b>	<b>231,871</b>	<b>0</b>	<b>241,659</b>
Surplus / (deficit) from the income and expenditure statement	0	0	5,627	0	5,627
Other comprehensive income	(32)	(216)	6,787	0	6,539
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
<b>Total comprehensive income for the year</b>	<b>(32)</b>	<b>(216)</b>	<b>12,414</b>	<b>0</b>	<b>12,166</b>
<b>Balance at 1 August 2018</b>	<b>6,437</b>	<b>3,103</b>	<b>244,285</b>	<b>0</b>	<b>253,825</b>
Surplus / (deficit) from the income and expenditure statement	0	0	(36,169)	0	(36,169)
Other comprehensive income	442	162	(24)	0	580
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
<b>Total comprehensive income for the year</b>	<b>442</b>	<b>162</b>	<b>(36,193)</b>	<b>0</b>	<b>(35,589)</b>
<b>Balance at 31 July 2019</b>	<b>6,879</b>	<b>3,265</b>	<b>208,092</b>	<b>0</b>	<b>218,236</b>

The notes on pages 44 to 71 form an integral part of these Financial Statements

# Balance Sheets as at 31 July 2019

	Notes	Consolidated		University	
		Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>Fixed assets</b>					
Tangible assets	11	<b>383,436</b>	371,630	<b>353,606</b>	347,761
Heritage assets	12	<b>798</b>	798	<b>798</b>	798
Investment Properties	11	<b>1,650</b>	1,990	<b>1,650</b>	1,990
Investments	13	<b>9,590</b>	8,854	<b>52,711</b>	51,975
Investment in joint ventures	14	<b>90</b>	91	<b>0</b>	0
		<b>395,564</b>	383,363	<b>408,765</b>	402,524
<b>Current assets</b>					
Stocks	15	<b>276</b>	296	<b>169</b>	182
Debtors	16	<b>22,167</b>	21,132	<b>20,085</b>	18,060
Investments	17	<b>45,000</b>	50,000	<b>45,000</b>	50,000
Cash and cash equivalents		<b>30,184</b>	53,005	<b>27,400</b>	50,866
		<b>97,627</b>	124,433	<b>92,654</b>	119,108
Less: Creditors: amounts falling due within one year	18	<b>(51,019)</b>	(40,910)	<b>(56,846)</b>	(51,332)
<b>Net current assets</b>		<b>46,608</b>	83,523	<b>35,808</b>	67,776
<b>Total assets less current liabilities</b>		<b>442,172</b>	466,886	<b>444,573</b>	470,300
Less creditors: amounts falling due after more than one year	19	<b>(172,384)</b>	(195,121)	<b>(162,404)</b>	(184,905)
Pension provisions	20	<b>(64,840)</b>	(32,126)	<b>(64,072)</b>	(31,447)
Other provisions	20	<b>72</b>	(190)	<b>139</b>	(123)
<b>Total net assets</b>		<b>205,020</b>	239,449	<b>218,236</b>	253,825
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	21	<b>6,879</b>	6,437	<b>6,879</b>	6,437
Income and expenditure reserve - restricted reserve	22	<b>3,265</b>	3,103	<b>3,265</b>	3,103
<b>Unrestricted Reserves</b>					
<b>Income and expenditure reserve - unrestricted</b>		<b>194,876</b>	229,909	<b>208,092</b>	244,285
<b>Total Reserves</b>		<b>205,020</b>	239,449	<b>218,236</b>	253,825

The Financial Statements were approved by the Governing Body on 25 November 2019 and were signed on its behalf on that date by:

**PROFESSOR A. FORSTER,**  
Vice-Chancellor

**J.HAMILTON,**  
Chair of Council

**A. KEEBLE,**  
Director of Finance

The notes on pages 44 to 71 form an integral part of these Financial Statements

# Consolidated Cash Flow Statement

Year Ended 31 July 2019

	Notes	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		(35,760)	6,066
<b>Adjustment for non-cash items</b>			
Depreciation	11	11,744	9,700
Revaluation of investment property	11	340	370
Gain on investments		0	0
(Increase) / decrease in stocks	15	20	(2)
(Increase) / decrease in debtors	16	(1,035)	(4,233)
Increase / (decrease) in creditors		(35,142)	(6,169)
(Decrease) / increase in provisions		33,048	(574)
<b>Adjustment for investing or financing activities</b>			
Loss on disposal of tangible fixed assets		86	37
Investment income	5	(808)	(757)
Interest payable	9	15,204	6,948
Endowment income		0	0
<b>Net cash inflow from operating activities</b>		<b>(12,303)</b>	<b>11,386</b>
<b>Cash flows from investing activities</b>			
Disposal of non-current asset investments		0	0
(Investment in) / withdrawal of short term investments	17	5,000	(18,000)
Investment income	5	808	757
Payments made to acquire tangible fixed assets	11	(23,636)	(35,321)
Receipts from sales of tangible fixed assets		0	0
		<b>(17,828)</b>	<b>(52,564)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(15,204)	(6,948)
Endowment cash received	21	0	0
Proceeds of bond issue		0	65,000
New secured loans		0	200
Repayments of amounts borrowed		22,514	(3,177)
		<b>7,310</b>	<b>55,075</b>
<b>Increase / (decrease) in cash for the year</b>		<b>(22,821)</b>	<b>13,897</b>
Cash and cash equivalents at beginning of the year		53,005	39,108
Cash and cash equivalents at end of the year		<b>30,184</b>	<b>53,005</b>

The notes on pages 44 to 71 form an integral part of these Financial Statements

# Notes to the Accounts

for the year ended 31 July 2019

	Consolidated	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>1 Funding body grants</b>		
Recurrent - teaching grant	5,971	5,073
Recurrent - research grant	8,443	8,360
Specific grants	7,057	5,708
Capital grants	2,361	2,043
	<b>23,832</b>	<b>21,184</b>
<b>2 Tuition fees and education contracts</b>		
Full-time home and EU students	89,985	80,855
Full-time international students	38,215	33,372
Part-time students	1,365	1,136
Non-credit-bearing tuition fees	1,961	2,059
NHS contracts	4,113	6,422
Research training support grant	84	93
	<b>135,723</b>	<b>123,937</b>
<b>3 Research grants and contracts</b>		
Research Councils	20,951	20,870
UK-based charities	2,125	2,199
UK central government, local authorities and health authorities	2,616	1,644
UK industry, commerce and public corporations	1,022	803
European Union government bodies	3,142	3,759
Other overseas	1,037	1,145
Other sources	8	30
Research and Development Expenditure Credit	0	0
	<b>30,901</b>	<b>30,450</b>
<b>4 Other income</b>		
Other services rendered:		
Income from academic partnerships	3,006	2,762
Other sources	779	555
Commercial services income	39,294	30,222
Capital grants (non-funding council)	0	0
Rental income	954	1,200
Gain on revaluation of investment property	533	0
Other income	10,706	10,786
Income from joint ventures	270	367
	<b>55,542</b>	<b>45,892</b>
<b>5 Endowment and investment income</b>		
Investment income on endowments	64	50
Investment income on restricted reserves	32	34
Other investment income	712	673
	<b>808</b>	<b>757</b>
<b>6 Donations and endowments</b>		
New endowments	0	0
New donations with restrictions	59	60
	<b>59</b>	<b>60</b>

# Notes to the Accounts

for the year ended 31 July 2019

Consolidated	
Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000

## 7 Surplus for the year

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

University's surplus / (deficit) for the year	(36,426)	5,224
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	257	403
Surplus retained by subsidiary undertakings and joint ventures	1,144	1,090
	<b>(35,025)</b>	<b>6,717</b>

## 8 Staff costs

Staff Costs :

Salaries	96,316	90,631
Social security costs	8,624	8,242
Movement on USS provision	33,938	114
Movement on SAUL provision	0	(91)
Other pension costs	21,845	20,284
Total	<b>160,723</b>	<b>119,180</b>

Remuneration Package of the Vice-Chancellor \*:

Note 8i

	£	£
Salary	299,962	289,183
Medical Insurance	4,371	4,254
Accommodation	24,000	24,000
Cleaning	3,210	2,622
Utilities	2,012	1,652
Pension contributions to USS	59,933	56,373
Salary and Associated Benefits	<b>393,488</b>	<b>378,084</b>

Compensation for loss of office paid to a member of staff for 2018-19 was £148k (2017-18: £96k)

Other pension costs include pension contributions made by the University on behalf of employees who have elected to reduce their wages and salaries when the University introduced its Pensions Plus scheme in April 2009.

Remuneration of other higher paid staff, including pension contributions:

	No.	No.
£100,000 to £104,999	11	12
£105,000 to £109,999	9	11
£110,000 to £114,999	5	9
£115,000 to £119,999	10	7
£120,000 to £124,999	5	2
£125,000 to £129,999	6	5
£130,000 to £134,999	2	2
£135,000 to £139,999	3	2
£140,000 to £144,999	1	3
£145,000 to £149,999	3	4
£150,000 to £154,999	1	0
£155,000 to £159,999	3	0
£160,000 to £164,999	1	3
£165,000 to £169,999	2	3
£170,000 to £174,999	4	0
£175,000 to £179,999	1	1
£180,000 to £184,999	2	1
£185,000 to £189,999	1	0
£190,000 to £194,999	0	0
£195,000 to £199,999	0	2
£200,000 to £204,999	1	0
	<b>71</b>	<b>67</b>

Average staff numbers by major category :

	No.	No.
Academic	747	732
Research	115	111
Senior Support	630	564
Other Support	531	499
General Support	397	384
	<b>2,420</b>	<b>2,290</b>

# Notes to the Accounts

## for the year ended 31 July 2019

### Key management personnel

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

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Key management personnel compensation	1,560	1,549

### Trustees

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

The total expenses paid to or on behalf of 25 council members were £6,638 (2017-18: £4,740 to 25 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

### 8i Vice-Chancellor's remuneration package

Details of the Vice-Chancellor's remuneration package and expenses are published on the University's website at <https://www.essex.ac.uk/about/senior-staff/vice-chancellor/pay-and-benefits>. The following notes describe the elements of the associated benefits set out in note 8:

**Medical Insurance:** To minimise absence from work on grounds of ill-health, the University part funds medical insurance for the Vice-Chancellor and direct dependent. This is declared to Her Majesty's Revenue and Customs and reported annually on the P11D form through the Vice-Chancellor's annual self-assessment.

**Accommodation:** The University owns a property on the Colchester campus known as Lake House. This property was constructed at the same time the University was being established, for the specific purpose of enabling the Vice-Chancellor to be resident on campus. It is a condition of contract of the Vice-Chancellor that he must reside in this property and that it is the Vice-Chancellor's primary residence during his period of office. The Vice-Chancellor is not required to make rental payments for the property but the monthly rental value is pensionable. The pensionable value of property is disclosed above.

The Vice-Chancellor makes use of this house to host events for University staff and students and for external stakeholders with an interest in, or supporting, the work of the University. A schedule of events held in the Lake House, hosted by the Vice-Chancellor, is published on the University's website, describing the purpose of each event held <https://www.essex.ac.uk/-/media/documents/about/vc-lake-house-events.pdf?la=en>. This is updated on 1 February and 31 July each year. Catering and service for these events is provided by Wivenhoe House Hotel and the Edge Hotel School, both based at the University.

**Cleaning:** The University bears the costs of maintenance and upkeep of the property in which the Vice-Chancellor is required to reside. All major works need to be approved by the Registrar and Secretary. The cost of cleaning is shared equally between the University and the Vice-Chancellor.

**Utilities:** The cost of electricity and gas supplied to the property are apportioned between the Vice-Chancellor and the University. This is declared to Her Majesty's Revenue and Customs and reported annually on the P11D form through the Vice-Chancellor's annual self-assessment.

**Pension contributions:** The Vice-Chancellor is eligible for membership of the Universities Superannuation Scheme (USS), the scheme available to the majority of employees of the University. The Vice-Chancellor was an active member of USS throughout the reporting year.

# Notes to the Accounts

## for the year ended 31 July 2019

### 8i Vice-Chancellor's remuneration package - continued

Pay and reward in the University is overseen by the Remuneration Committee of Council. The composition of the Committee is at <https://www.essex.ac.uk/-/media/documents/about/governance/committees-council.pdf> and includes an independent advisor who is external to the University and is not a Council member. The Vice-Chancellor (VC) is not a member of Remuneration Committee.

The University of Essex participates in the national process of collective bargaining with the trades unions undertaken on behalf of employers by the Universities and Colleges Employers Association. Through this process an agreed level of percentage increase is applied to all points of the nationally agreed pay spine, to reflect the impact of increases in the cost of living on pay. The University's policy is to apply that percentage increase to the pay of all members of staff. In addition, all members of staff have an opportunity to apply for additional pay through the University's annual review process in recognition of exceptional performance. The University only considers cases for additional pay for those who submit an application.

Remuneration Committee review the pay and performance of the VC each year. For this annual review cycle, the VC did not make an application for additional pay through the annual review process, but as with all staff the VC did receive the cost of living increase. In relation to performance each year, personal objectives are set by the Chair of Council and these are shared with Remuneration Committee and the whole of Council for comment. Through the **Appraisal and Personal Development Scheme** (APDR) the Chair of Council and two Pro-Chancellors reviewed the VC's performance and set objectives for the following year.

Remuneration Committee undertook a careful assessment of the VC's performance, drawing upon evidence from the University's overall performance against the KPI's contained in the Strategic Plan 2013 – 2019, the Strategic Priority Actions set for the VC at the beginning of the preceding academic year and the outcomes of the APDR performance review discussion. Having considered this range of evidence, the Committee concluded that the individual performance of the VC had been consistently excellent on a sustained basis. Despite a drop in the University's TGUG rankings in September 2018, the University had been ranked in the top 30 for the second year in succession. The VC had laid strong foundations for continued success and continued to provide outstanding leadership of the University, providing continued assurance on the University's overall trajectory against the objectives set out in the Strategic Plan.

The relationship between the Vice-Chancellor's actual remuneration and that for all other employees is reviewed annually, calculated on a number of different bases. These are set out below.

The head of the provider's basic salary is 11.77 times (2017-18 – 11.77) the median pay of all staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The head of the provider's total remuneration (including other benefits) is 14.22 times (2017-18 - 12.4) the median total remuneration of all staff, where the median pay is calculated on a full-time equivalent basis for the salaried paid by the provider to its staff. This has increased from last year primarily due to the inclusion in the current year of agency staff in the population used to calculate this ratio

The head of the provider's basic salary is 11.10 times (2017-18 – 12.38) the median pay of all staff employed by the University of Essex excluding University of Essex Campus Services Ltd and Wivenhoe House Hotel Ltd.

The head of the provider's basic salary is 6.19 times (2017-18 – 6.05) the median pay for academic members of staff.

Following implementation of the latest OfS requirements on the basis for calculating the above pay ratios, the University has put in place measures to capture information on the pay of agency and similar staff and has included these in the information on pay ratios set out above for 2018-19. The comparative figures for the previous year have been restated so that they are on a comparable basis.

# Notes to the Accounts

for the year ended 31 July 2019

	Consolidated	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>9 Other operating expenses</b>		
Books and periodicals	3,569	3,130
Equipment and consumables	4,677	4,216
Food, drink and hospitality	1,270	106
Gas, water and electricity	5,518	4,502
Cleaning	743	731
Grants to Students' Union	3,336	3,502
Insurance	358	415
Long-term maintenance programme and minor works	2,299	2,234
Other expenses	18,363	9,741
Postage, telephones, printing & stationery	898	843
Professional and consultancy fees	3,254	11,627
Rates and rental of premises	12,217	7,398
Repairs and routine maintenance of estates	5,431	4,532
Research survey fieldwork	9,355	9,305
Subcontracted services	0	0
Scholarships (fee waivers and bursaries)	9,343	6,548
Travel, subsistence and accommodation	2,811	1,869
IT / AV Equipment	5,271	5,661
Fire safety and security	818	1,098
Adverts and marketing	1,638	1,385
Agents commission	2,850	71
Loss on revaluation of investment property	0	370
(Gain)/Loss on disposal of fixed asset	0	0
	<b>94,019</b>	<b>79,284</b>
Included within professional, auditor and consultancy fees above are the following amounts receivable by the external auditor:		
Statutory audit fee: £80,137 (2017-18: £67,558)		
Audit-related assurance services: £3,432 (2017-18: £3,297)		
Taxation advisory services: £56,400 (2017-18: £72,010)		
<b>Depreciation, impairment and amortisation</b>		
Depreciation charge on tangible fixed assets	11,744	9,700
	<b>11,744</b>	<b>9,700</b>
<b>Finance charges</b>		
Bank Interest payable	15,204	6,948
Net charge on pension scheme	665	735
	<b>15,869</b>	<b>7,683</b>



# Notes to the Accounts

## for the year ended 31 July 2019

### 10 Analysis of total expenditure by activity

	Staff costs	Other operating expenses	Depreciation and Amortisation	Interest paid	2018-19 Total	2017-18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments and centres	86,777	(10,815)	45	0	<b>76,007</b>	71,175
Academic services	16,298	5,710	0	0	<b>22,008</b>	18,403
Research grants and contracts	11,217	12,063	124	0	<b>23,404</b>	24,056
Residences and catering	8,579	20,140	2,477	1,614	<b>32,810</b>	23,267
Premises	8,367	8,918	533	0	<b>17,818</b>	16,375
Administration	19,525	(1,078)	6	0	<b>18,453</b>	18,337
Other services rendered	275	949	0	0	<b>1,224</b>	686
General education expenditure	2,982	10,810	0	0	<b>13,792</b>	11,235
Student and staff facilities	5,615	9,423	116	60	<b>15,214</b>	14,773
Early retirements and severances	154	0	0	0	<b>154</b>	96
Other expenses	934	37,899	8,443	14,195	<b>61,471</b>	17,444
	<b>160,723</b>	<b>94,019</b>	<b>11,744</b>	<b>15,869</b>	<b>282,355</b>	<b>215,847</b>

# Notes to the Accounts

for the year ended 31 July 2019

## 11 Tangible assets

Consolidated	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
<b>Cost</b>							
At 1 August 2018	363,859	11,711	33,885	38,346	798	1,990	450,589
Adjustments	0	0	2	0	0	0	2
Additions	165	0	7,593	15,878	0	0	23,636
Transfers	35,372	0	1,411	(36,783)	0	0	0
Disposals	(70)	0	(264)	13	0	0	(321)
Impairment	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	(340)	(340)
<b>At 31 July 2019</b>	<b>399,326</b>	<b>11,711</b>	<b>42,627</b>	<b>17,454</b>	<b>798</b>	<b>1,650</b>	<b>473,566</b>
<b>Depreciation</b>							
At 1 August 2018	57,946	1,395	16,830	0	0	0	76,171
Charge for the year	6,664	114	4,966	0	0	0	11,744
Impairments	0	0	0	0	0	0	0
Transfers	(2)	0	2	0	0	0	0
Disposals	(4)	0	(229)	0	0	0	(233)
Impairments	0	0	0	0	0	0	0
<b>At 31 July 2019</b>	<b>64,604</b>	<b>1,509</b>	<b>21,569</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>87,682</b>
<b>Net Book Value</b>							
<b>At 31 July 2019</b>	<b>334,722</b>	<b>10,202</b>	<b>21,058</b>	<b>17,454</b>	<b>798</b>	<b>1,650</b>	<b>385,884</b>
At 31 July 2018	305,913	10,316	17,055	38,346	798	1,990	374,418
<b>University</b>							
<b>Cost</b>							
At 1 August 2018	356,451	11,119	32,129	20,497	798	1,990	422,984
Adjustments	0	0	2	0	0	0	2
Additions	85	0	7,404	9,629	0	0	17,118
Transfers	19,331	0	1,294	(20,625)	0	0	0
Disposals	(46)	0	(264)	13	0	0	(297)
Impairment	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	(340)	(340)
<b>At 31 July 2019</b>	<b>375,821</b>	<b>11,119</b>	<b>40,565</b>	<b>9,514</b>	<b>798</b>	<b>1,650</b>	<b>439,467</b>
<b>Depreciation</b>							
At 1 August 2018	55,386	1,036	16,013	0	0	0	72,435
Charge for the year	6,592	47	4,572	0	0	0	11,211
Transfers	0	0	0	0	0	0	0
Disposals	(4)	0	(229)	0	0	0	(233)
Impairment	0	0	0	0	0	0	0
<b>At 31 July 2019</b>	<b>61,974</b>	<b>1,083</b>	<b>20,356</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,413</b>
<b>Net Book Value</b>							
<b>At 31 July 2019</b>	<b>313,847</b>	<b>10,036</b>	<b>20,209</b>	<b>9,514</b>	<b>798</b>	<b>1,650</b>	<b>356,054</b>
At 31 July 2018	301,065	10,083	16,116	20,497	798	1,990	350,549

University Land and Buildings include £57.2m (2017-18: £57.4m) in respect of freehold land which is not depreciated. Included in the cost of fixed assets is aggregated interest capitalised of £2.8m (2017-18: £2.8m)

# Notes to the Accounts

## for the year ended 31 July 2019

### 11 Tangible assets (continued)

Additions to University land and buildings in the year includes £15.9m (2017-18 £29.6m) for assets in the course of construction, for which no depreciation charge has been made.

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

On the date of transition to FRS 102, an asset with the value of £3.6 million was transferred from property, plant and equipment to investment property. The valuation was also prepared by Gerald Eve, with an effective date of 1 August 2014 and using Depreciated Replacement Cost and Fair Value equivalent to Market Value methods. This property was revalued at 31 July 2019 using the rate of the average growth in retail buildings in Eastern England.

### 12 Heritage assets

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

# Notes to the Accounts

## for the year ended 31 July 2019

### 13 Investments

	Consolidated		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
At 1 August	<b>8,854</b>	8,203	<b>51,975</b>	41,342
(Disposals) / Additions	<b>736</b>	651	<b>736</b>	10,633
Revaluations credited to the revaluation reserve	<b>0</b>	0	<b>0</b>	0
At 31 July	<b>9,590</b>	8,854	<b>52,711</b>	51,975
Comprising:				
Equities	<b>9,543</b>	8,807	<b>9,543</b>	8,807
Subsidiary companies:				
University of Essex Knowledge Gateway Holdings Ltd	<b>0</b>	0	<b>27,794</b>	27,794
Universal Accommodation Group Ltd	<b>0</b>	0	<b>2,893</b>	2,893
University of Essex Campus Services Ltd	<b>0</b>	0	<b>1,333</b>	1,333
Wivenhoe House Hotel Ltd	<b>0</b>	0	<b>11,101</b>	11,101
Other investments	<b>47</b>	47	<b>47</b>	47
	<b>9,590</b>	8,854	<b>52,711</b>	51,975

### 14 Investment in Joint Ventures

Southend-on-Sea Forum Management Limited	Year Ended 31 July 2019		Year Ended 31 July 2018	
	£'000	£'000	£'000	£'000
<b>Income and expenditure account</b>				
Income		<b>270</b>		367
Expenditure		<b>(270)</b>		(367)
Profit before tax		<b>0</b>		0
<b>Balance sheet</b>				
Fixed assets	<b>0</b>		0	
Current assets	<b>299</b>	<b>299</b>	179	179
Creditors: amounts due within one year	<b>(209)</b>		(88)	
Creditors: amounts due after more than one year	<b>0</b>	<b>(209)</b>	0	(88)
<b>Share of net assets in Southend-on-Sea Forum Management Ltd</b>		<b>90</b>		<b>91</b>

Southend-on-Sea Forum Management Ltd (SoSFML) is a joint venture between University of Essex, Southend-on-Sea Borough Council and South Essex College of Further and Higher Education. The joint venture was established in order to oversee the property management of the Forum building in Southend which is the UK's first integrated academic and public library and combines the modern teaching facilities of South Essex College, the research and learning environment of the University of Essex and the municipal library of Southend-on-Sea Borough Council. For the year ending 31 July 2019 it recorded a surplus of £nil (2017-18: £nil).

During the year, SoSFML Ltd purchased goods and services to the value of £1,800 from the University (2017-18: £59.2) of which £nil was outstanding at 31 July 2019 (2017-18: £nil). SoSFML Ltd provided services to the University to the value of £396k (2017-18: £341k) with a credit of £nil outstanding at 31 July 2019 (2017-18: £nil).

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

# Notes to the Accounts

## for the year ended 31 July 2019

### 14 Investment in joint venture (continued)

#### Total investment in Joint Ventures:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>Total income from joint ventures recognised in the Income Statement</b>		
Income from SoSFML	270	367
Income from Eastern HE Cost Sharing Ltd	0	0
<b>Total Income from joint ventures</b>	<b>270</b>	<b>367</b>
<b>Total profit / (loss) from joint ventures recognised in the Income Statement</b>		
Profit / (loss) from SoSFML	0	0
Profit / (loss) from Eastern HE Cost Sharing Limited	0	0
<b>Total profit / (loss) from joint ventures</b>	<b>0</b>	<b>0</b>
<b>Share of gross assets and liabilities in joint ventures:</b>		
Share of net assets in SoSFML	90	91
Share of net assets in Eastern HE Cost Sharing Limited	0	0
<b>Total share of gross assets in joint ventures</b>	<b>90</b>	<b>91</b>

### 15 Stock

	Consolidated		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>Stock</b>	<b>276</b>	296	<b>169</b>	182

### 16 Debtors

	Consolidated		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Amounts falling due within one year:				
Trade debtors	713	2,669	401	1,888
Student fees	4,307	4,059	4,307	4,059
Research debtors	7,414	4,195	7,414	4,195
Prepayments and accrued income	9,031	8,468	7,908	7,425
Other debtors	702	1,741	(230)	30
Amounts due from subsidiary companies	0	0	285	463
	<b>22,167</b>	21,132	<b>20,085</b>	18,060

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

# Notes to the Accounts

## for the year ended 31 July 2019

### 17 Investments

	Consolidated		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Deposits maturing: In one year or less	<b>45,000</b>	50,000	<b>45,000</b>	50,000
	<b>45,000</b>	50,000	<b>45,000</b>	50,000

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

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 1.165% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 178 days. The fair value of these deposits was not materially different from the book value.

### 18 Creditors : amounts falling due within one year

	Consolidated		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Secured loans	<b>1,871</b>	2,208	<b>1,871</b>	2,208
Unsecured loans	<b>0</b>	0	<b>0</b>	0
Payments received in advance	<b>11,261</b>	9,190	<b>11,261</b>	9,190
Research grants received on account	<b>19,364</b>	11,059	<b>19,364</b>	11,059
Trade creditors	<b>5,136</b>	4,020	<b>4,778</b>	3,598
Bank Overdraft	<b>0</b>	7	<b>0</b>	0
Social security and other taxation payable	<b>2,412</b>	2,301	<b>2,170</b>	2,096
Accruals and deferred income	<b>10,975</b>	12,125	<b>8,554</b>	8,514
Amounts due to subsidiary companies	<b>0</b>	0	<b>8,848</b>	14,667
	<b>51,019</b>	40,910	<b>56,846</b>	51,332

# Notes to the Accounts

## for the year ended 31 July 2019

### 19 Creditors : amounts falling due after more than one year

	Consolidated		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Analysis of secured and unsecured loans:				
Due within one year or on demand	1,871	2,208	1,871	2,208
Due between one and two years	1,871	2,208	1,871	2,208
Due between two and five years	6,609	7,722	6,609	7,722
Due in five years or more	73,408	94,134	73,408	94,134
Bond Liabilities	65,000	65,000	65,000	65,000
	<b>148,759</b>	171,272	<b>148,759</b>	171,272
Due within one year or on demand	(1,871)	(2,208)	(1,871)	(2,208)
Due after more than one year	146,888	169,064	146,888	169,064
Other creditors:				
Due between one and two years	6,177	6,312	325	325
Due between two and five years	5,403	5,504	976	976
Due in five years or more	13,916	14,241	14,215	14,540
	<b>25,496</b>	26,057	<b>15,516</b>	15,841
<b>Total</b>	<b>172,384</b>	195,121	<b>162,404</b>	184,905

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 August 2018 the University repaid one of its outstanding secured loans with Lloyds, a balance of £20.7m at the date of termination. As at 31 July 2019, the University had loans with Lloyds totalling £84m (2017-18: £106m), repayable by 2043.

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

# Notes to the Accounts

for the year ended 31 July 2019

## 20 Provisions for liabilities

### Consolidated

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined Benefit Obligations £'000	Total Pensions Provisions £'000	Total Other £'000
At 1 August 2018	33,298	0	(1,172)	32,126	190
Utilised in year	(1,022)	0	(1,949)	(2,971)	(216)
Additions in year	35,685	0	0	35,685	(46)
<b>At 31 July 2019</b>	<b>67,961</b>	<b>0</b>	<b>(3,121)</b>	<b>64,840</b>	<b>(72)</b>

### University

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined Benefit Obligations £'000	Total Pensions Provisions £'000	Total Other £'000
At 1 August 2018	32,654	0	(1,207)	31,447	123
Utilised in year	(1,003)	0	(1,979)	(2,982)	(216)
Additions in year	35,607	0	0	35,607	(46)
<b>31 July 2019</b>	<b>67,258</b>	<b>0</b>	<b>(3,186)</b>	<b>64,072</b>	<b>(139)</b>

### USS and SAUL deficit

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

The University of Essex participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension (prior to April 2016) SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education. Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings ("CARE") basis. The University of Essex is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

The adoption of the new deficit recovery plan following the 2018 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £83.1 million to £248.4 million. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 8 in respect of significant one-off pension costs/gains. More details on the 2017 actuarial valuation are set out in note 26.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £39.566 million, a decrease of £27.692 million from the current year end provision.

The major assumptions used to calculate the obligation are:

	2019	2018
Discount rate	1.58%	2.16%
Salary growth	2.60%	2.30%



# Notes to the Accounts

## for the year ended 31 July 2019

### 20 Provisions for liabilities (continued)

#### Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

<b>Change in assumptions at 31 July 2019</b>	<b>Approximate impact</b>
0.5% pa decrease in discount rate	£2.879m
0.5% pa increase in salary inflation over duration	£2.835m
0.5% pa increase in salary inflation year 1 only	£0.326m
0.5% increase in staff changes over duration	£27.547m
0.5% increase in staff changes year 1 only	£0.418m
1% increase in deficit contributions from April 2020	£13.199m
1 year increase in term	£5.455m

#### Funding policy

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

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

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL's position, reflecting the changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed by the Trustee and employers in June 2018 and are due to be reviewed at SAUL's next formal valuation in 2020. At the 31 March 2017 valuation SAUL was fully funded on its Technical Provisions basis so no deficit contributions were required. The Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries.

# Notes to the Accounts

## for the year ended 31 July 2019

### 21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2019	2018
	£'000	£'000	Total £'000	Total £'000
<b>Balances at 1 August 2018</b>				
Capital	1,389	5,895	<b>7,284</b>	6,839
Accumulated income / (expenditure)	(101)	(746)	<b>(847)</b>	(370)
	1,288	5,149	<b>6,437</b>	6,469
New endowments	0	0	<b>0</b>	0
Investment income	13	51	<b>64</b>	49
Expenditure	-	(125)	<b>(125)</b>	(526)
	13	(74)	<b>(61)</b>	(477)
Increase in market value of investments	97	406	<b>503</b>	445
<b>At 31 July 2019</b>	<b>1,398</b>	<b>5,481</b>	<b>6,879</b>	<b>6,437</b>
<b>Represented by:</b>				
Capital	1,486	6,301	<b>7,787</b>	7,284
Accumulated income / (expenditure)	(88)	(820)	<b>(908)</b>	(847)
	1,398	5,481	<b>6,879</b>	6,437
<b>Analysis by type of purpose:</b>				
Scholarships and bursaries	1,299	6	<b>1,305</b>	1,202
Prize funds	35	207	<b>242</b>	226
General	64	5,268	<b>5,332</b>	5,009
	1,398	5,481	<b>6,879</b>	6,437
<b>Analysis by asset</b>				
Current and non-current asset investments			<b>6,527</b>	6,024
Cash & cash equivalents			<b>352</b>	413
			<b>6,879</b>	6,437

# Notes to the Accounts

## for the year ended 31 July 2019

### 22 Restricted Reserves

Reserves with restrictions are as follows:

	Donations	
	2019 Total £'000	2018 Total £'000
<b>Balances at 1 August 2018</b>	<b>3,103</b>	3,319
New donations	59	60
Investment income	32	34
(Decrease) / increase in market value of investments	232	206
Expenditure	(161)	(516)
	<b>103</b>	(276)
<b>At 31 July 2019</b>	<b>3,265</b>	3,103
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Scholarships and bursaries	815	738
Prize funds	297	277
General	2,153	2,088
	<b>3,265</b>	3,103
<b>Analysis by asset</b>		
Current and non-current asset investments	3,016	2,783
Cash & cash equivalents	249	320
	<b>3,265</b>	3,103

# Notes to the Accounts

## for the year ended 31 July 2019

### 23 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	Consolidated		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Commitments contracted for	11,117	12,330	9,909	3,150
Authorised but not contracted for	39,533	15,625	39,533	14,228
	<b>50,650</b>	27,955	<b>49,442</b>	17,378

### 24 Lease obligations

Total rentals payable under operating leases:

	31 July 2019 Consolidated			Year Ended 31 July 2018 £'000
	Land and Buildings £'000	Plant and Machinery £'000	Total £'000	
<b>Payable during the year</b>	621	52	673	630
Future minimum lease payments due:				
Not later than one year	122	180	302	131
Later than 1 year and not later than 5 years	490	652	1,142	503
Later than 5 years	2,912	0	2,912	3,034
<b>Total lease payments due</b>	<b>3,524</b>	<b>832</b>	<b>4,356</b>	3,668

The Land and Buildings leases are for Student Accommodation at Southend, Units for East 15 in Loughton and the leasing of office space at the Knowledge Gateway Parkside development.

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

On the 30 November 2018 the University signed a contract with Canon to lease 173 multi-functional print, copy and scan devices and associated software/services at a value of £867,102 over 5 years.

# Notes to the Accounts

## for the year ended 31 July 2019

### 25 Disclosure of related party transactions

The related parties of the University are the wholly and partially owned subsidiary undertakings (listed in note 27) of these Financial Statements, the University of Essex Students' Union and the members of the Council.

In the preparation of these Financial Statements, the University has taken advantage of the exemptions contained within Section 33.1A of FRS 102 relating to transactions and balances eliminated on consolidation.

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

Due to the nature of the relationship between the entities, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2019 the University paid the Union a revenue grant of £2.367m (2017-18: £2.291m). The Union's income and expenditure account shows the following:

	<b>Year Ended 31 July 2019 £'000</b>	Year Ended 31 July 2018 £'000
Income	<b>2,808</b>	2,664
Expenditure	<b>(2,772)</b>	(2,667)
Operating surplus before and after transfers from / (to) reserves	<b>36</b>	(3)

Mr Tancrede Chartier was a Council member during 2018-19 who also sat on Essex Students' Union Board.

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

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

The Director of Finance received £13k during the course of the year from UMAL Ltd, a company which provides cover for terrorism risk, for serving as a Director of that company.

# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Pension Schemes

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

On 1 September 2014 the University of Essex Pension Scheme (UEPS) merged into the Superannuation Arrangements of the University of London (SAUL). This effectively means the Scheme ceased on 1 September 2014, as all assets and liabilities were transferred to SAUL.

USS and SAUL are mutual schemes and the assets are not hypothecated to individual institutions and it is therefore not possible to identify the University's share of the underlying assets and liabilities.

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

Since June 2014 all staff between the grades of 1 to 6 are eligible to join SAUL while staff graded 7 to 11 are eligible to join USS.

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

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

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Contribution to USS	18,980	17,967
Contribution to LGPS	242	254
Contributions to UEPS	0	0
Contribution to SAUL	2,361	1,821
Contribution to NEST	0	0
Contribution to personal pensions	0	0
LGPS additional University costs to fund past service deficiency	1,604	1,604
USS additional University costs to fund past service deficiency	33,938	114
SAUL additional University costs to fund past service deficiency	0	(91)
LGPS actuarial adjustment to pension costs	(1,342)	(1,362)
Total pension cost	55,783	20,307

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

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
LGPS pension liability	3,121	1,172
USS pension liability	(67,961)	(33,298)
SAUL pension liability	0	0
Total pension liability	(64,840)	(32,126)

# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Pension Schemes (continued)

#### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (the scheme). The scheme is a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost charged to the Consolidated Statement of Comprehensive Income is £33.882m (2018: £114,000)

The latest available complete actuarial valuation of the Retirement Income builder was at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 is underway but not yet complete.

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

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan.

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

	<b>At 31 July 2019</b>	At 31 July 2018
Discount rate	<b>2.44%</b>	2.64%
Pensionable salary growth	<b>n/a</b>	n/a
Price inflation (CPI)	<b>2.11%</b>	2.02%

# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Universities Superannuation Scheme USS (continued)

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

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

Male member's mortality	96.5% of S1NA ["light"] YoB tables - no age rating
Female member's mortality	101.3% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2016 projections with a 1.8% pa long term rate for males and 1.6% for females, were also adopted. The current life expectancies on retirement at age 65 are:

	At 31 July 2019	At 31 July 2018
Males currently aged 65	<b>24.6 years</b>	24.5 years
Females currently aged 65	<b>26.1 years</b>	26.0 years
Males currently aged 45	<b>26.6 years</b>	26.5 years
Females currently aged 45	<b>27.9 years</b>	27.8 years
Scheme assets	<b>£67.4 bn</b>	£63.6 bn
Total scheme liabilities	<b>£79.2 bn</b>	£72.0 bn
FRS 102 total scheme deficit	<b>£11.8 bn</b>	£8.4 bn
FRS 102 total funding level	<b>85%</b>	88%

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £83.1 million to £248.4 million as set out in note 21. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant one-off pension costs / gains.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £39.566m, a decrease of £27.692m from the current year end provision and a lower deficit on the Statement of Comprehensive Income of £6.737m.



# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Local Government Pension Scheme (LGPS)

The Essex County Council LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The employer contribution rate for 2018-19 was 22.4% (2017-18: 22.4%).

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

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

Last actuarial valuation	31-Mar-16
Actuarial method	Projected Unit
Pension increases	2.35% per annum
Salary scale increases	3.85% per annum
Market value of assets at date of last valuation (whole fund)	£3,926 million
The proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) was 80%.	

#### Actuarial Assumptions

A full actuarial valuation was carried out at 31 March 2016, and updated to 31 July 2018 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2019	At 31 July 2018
<b>Financial assumptions</b>	%	%
Rate of increase in salaries	<b>3.95</b>	3.85
Rate of increase in pension payments	<b>2.45</b>	2.35
Expected return on assets	<b>15.00</b>	15.00
Discount rate for liabilities	<b>2.00</b>	2.60
Inflation assumptions	<b>1.50</b>	1.50
<b>Split of assets between investment categories</b>		
Equities	<b>63.00</b>	64.00
Government Bonds	<b>5.00</b>	5.00
Other Bonds	<b>6.00</b>	6.00
Property	<b>8.00</b>	9.00
Cash	<b>3.00</b>	3.00
Alternative assets	<b>10.00</b>	9.00
Other managed funds	<b>5.00</b>	4.00

# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Local Government Pension Scheme (LGPS) - continued

#### Expected rate of return on assets in the scheme

	Consolidated 31 July 2019 £'000	University 31 July 2019 £'000	Consolidated 31 July 2018 £'000	University 31 July 2018 £'000
Estimated asset share	66,781	61,608	62,567	57,700
Present value of scheme liabilities	(63,676)	(58,422)	(61,404)	(56,493)
Deferred Tax Asset	16	0	9	0
Deficit in the scheme	3,121	3,186	1,172	1,207
	105%	105%	102%	102%

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

#### Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent fund valuation, which was carried out at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% pa.

	At 31 July 2019	At 31 July 2018
Life expectancy:		
Male current pensioner aged 65	21.3 years	22.3 years
Female current pensioner aged 65	23.6 years	24.8 years
Male future pensioner aged 65	23.0 years	24.5 years
Female future pensioner aged 65	25.4 years	27.1 years

# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Local Government Pension Scheme (LGPS) - continued

	Consolidated	University	
	At 31 July	At 31 July	At 31 July
	2019	2019	2018
	£'000	£'000	£'000
<b>Amounts recognised in the profit and loss statement are:</b>			
Service cost	612	536	506
Net interest on the defined liability	(56)	(57)	136
Administration expenses	25	23	20
<b>Total operating charge</b>	<b>581</b>	<b>502</b>	<b>662</b>
<b>Re-measurements in other comprehensive income</b>			
Return on Fund assets in excess of interest	3,179	2,935	3,814
Change in financial assumptions	(5,746)	(5,243)	2,725
Change in demographic assumptions	3,141	2,888	0
Other actuarial gains/losses	0	0	0
Experience gain/(loss) on defined benefit obligation	0	0	0
<b>Remeasurement of the (defined liability) / net assets</b>	<b>574</b>	<b>580</b>	<b>6,539</b>
<b>Movements in deficit during the year</b>			
Deficit in scheme at 1 August	1,172	1,207	(6,588)
Movements in the year:			
Current service charge	(500)	(442)	(506)
Contributions by employer including unfunded	1,949	1,901	1,918
Net interest on the defined liability	56	57	(136)
Liabilities assumed on settlements	0	0	0
Return on assets less interest	3,179	2,935	3,814
Actuarial loss	(2,605)	(2,355)	2,725
Settlement and Curtailment	(112)	(94)	0
Deferred Tax Asset	7	0	0
Administration expenses	(25)	(23)	(20)
<b>Deficit in scheme at 31 July</b>	<b>3,121</b>	<b>3,186</b>	<b>1,207</b>

# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Local Government Pension Scheme (LGPS) - continued

	Consolidated	University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>Change in benefit obligation during the period to 31 July</b>			
At beginning of year	61,404	56,493	59,736
Current service cost	500	442	506
Interest cost on pension liabilities	1,566	1,437	1,405
Change in financial assumptions	5,746	5,243	(2,725)
Change in demographic assumptions	(3,141)	(2,888)	0
Experience (gain) / loss on defined benefit obligation	0	0	0
Estimated benefits paid net of transfers in	(2,552)	(2,431)	(2,463)
Past service costs, including curtailments	112	94	0
Contributions by Scheme participants	86	77	80
Unfunded pension payments	(45)	(45)	(46)
At end of year	<b>63,676</b>	<b>58,422</b>	56,493
<b>Analysis of movement in the market value of the scheme assets</b>			
At beginning of year	62,567	57,700	53,148
Interest on assets	1,622	1,494	1,269
Return on assets less interest	3,179	2,935	3,814
Other actuarial gains/(losses)	0	0	0
Administration expenses	(25)	(23)	(20)
Contributions by employer including unfunded	1,949	1,901	1,918
Contributions by Fund participants	86	77	80
Estimated benefits paid plus unfunded net of transfers in	(2,597)	(2,476)	(2,509)
At end of year	<b>66,781</b>	<b>61,608</b>	57,700

# Notes to the Accounts

## for the year ended 31 July 2019

### 26 Superannuation Arrangements of the University of London (SAUL)

#### General description of the pension scheme

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

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

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

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

#### Funding Policy

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

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

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

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

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

#### Accounting Policy

The University of Essex is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

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

By agreement between the Trustee and Employers, the Technical Provisions deficit at the 31 March 2014 valuation was addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018. The defined benefit liability (i.e. the present value of the deficit contributions) to be recognised in respect of the deficit contributions due to SAUL is therefore £nil as at 31 July 2018 (2017: £93,885).

#### Recent Developments

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

For the University's other defined benefit schemes, the USS and SAUL, the provision included within the financial statements will only be impacted to the extent the change in benefits increases cash financing.

# Notes to the Accounts

## for the year ended 31 July 2019

### 27 Subsidiary undertakings

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

Company	Principal Activity	At 31 July 2019 £1 Shares	At 31 July 2018 £1 Shares
University of Essex Enterprises	Acquisition, protection and licensing of intellectual property from the University	2	2
Wivenhoe House Hotel Ltd	Development and operation of a hotel school	11,100,620	11,100,620
University of Essex Campus Services Ltd	Management of commercial activities at the University	1,333,586	1,333,586
University of Essex Knowledge Gateway Holdings Ltd	Holding land on behalf of the University for development as a Research Park	27,793,955	27,793,955
University of Essex Knowledge Gateway Ltd	Development and marketing of a Research Park	19,653,277	19,653,277
University of Essex Environmental Facilities Ltd	Dormant throughout the year	100,000	100,000
East 15 Acting School Ltd	Dormant throughout the year	2	2
University of Essex (Elmstead Road) Ltd	Dormant throughout the year	2	2
Universal Accommodation Group Ltd	Holding land on which student accommodation is located	1	1
Eastern HE Cost Sharing Ltd	Provision of internal audit services	100	100

#### Trading results of wholly owned subsidiaries:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
University of Essex Enterprises Ltd*	37	(5)
Wivenhoe House Hotel Ltd*	(129)	21
University of Essex Campus Services Ltd*	43	144
University of Essex Knowledge Gateway Holdings Ltd *	90	100
Universal Accommodation Group Ltd*	182	171
University of Essex Knowledge Gateway Ltd *	1,176	1,062
Eastern HE Cost Sharing Ltd	0	0
	<b>1,399</b>	<b>1,493</b>

\* Trading results before tax and gift aid payments

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

Eastern HE Cost Sharing Ltd was classed as a joint venture in the previous year, it has now been reclassified as a subsidiary.

# Notes to the Accounts

## for the year ended 31 July 2019

### 28 Agency Arrangements

	<b>University</b>	
	<b>2018-19</b>	2017-18
	<b>£'000</b>	£'000
NHS Bursaries		
Payments received from NHS organisations	0	0
Disbursed to students	0	0
Balance unspent at 31 July	0	0

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

#### **OfS Teaching Grant**

Payments received from OfS	171	244
Payments made to partner institutions	(171)	(244)
Balance unspent at 31 July	0	0

#### **Research England Research Grant**

Payments received from Research England	329	289
Payments made to partner institutions	(329)	(289)
Balance unspent at 31 July	0	0

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

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

### 29 Post Balance Sheet Events

As set out in Note 26 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £27.692m in the provision for the Obligation to fund the deficit on the USS pension which would instead be £39.566m. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

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