

## Financial Statements 1999-2000

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Lloyds TSB plc

**Solicitors**

Birkett Long

Mills & Reeve

**Auditors**

Scrutton Bland

**Investment Managers**

Cazenove Fund Management Limited

Deutsche Asset Management Limited

Investec Asset Management Limited

Merrill Lynch Investment Managers

M & G Securities Limited

**Insurers**

UM Association Limited

UM Association (Terrorism) Limited

## TREASURER'S REPORT

### Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University of Essex and its subsidiaries: W P Management Limited, Wivenhoe Building Management Services Limited, University of Essex Environmental Facilities Limited and Wivenhoe Technology Limited. These subsidiaries undertake activities which, for legal and commercial reasons, are more appropriately operated through limited companies. Their activities include conferences and services for a wide variety of commercial organisations and individuals. The companies covenant all taxable profits to the University.

### Results for the Year

The University's Consolidated Income and Expenditure Account for the year to 31 July 2000 is summarised as follows:

	1999-00	1998-99
	£'000	£'000
Income	54,949	53,794
Expenditure	54,274	52,453
Surplus for the year	675	1,341

The level of surplus for the year is comparatively low as a result of the investment in new staff and support costs to meet the demands of a planned growth in student numbers and to enable the University to aim for an enhanced outcome in terms of academic reputation and future research income from the 2001 Research Assessment Exercise.

### Income

The total income of the University increased by 2.1%. Government funding increased by over 5% mainly as a result of the University successfully bidding for additional student numbers. Total full-time equivalent student numbers grew to 5,723, a 3.3% increase. Income from Research Grant and Contracts

increased by only 1.5%, the result of the run-down to closure of the Physics Department.

### Expenditure

The University expenditure increase of 3.5% was linked almost totally to larger staff costs. Not only did academic and administrative staff numbers increase but also pay levels moved up ahead of the rate of inflation. Much of the growth in administrative staff was linked to HEFCE-funded initiatives or increased requirements in terms of academic audit and fee collection. Non-staff expenditure continued to grow in key areas such as IT and the Library.

### Investment Performance

The University's long-term and endowment investments are currently invested in Common Investment Funds, three equity funds and one fixed interest. The performance of the University's equity and fixed interest managers in aggregate exceeded the investment targets set. Over the coming years all the long-term investments will be realised to fund the Capital Building Programme. During 1999/2000 £1.2 million of long-term investments were sold.

The University's cash and deposits are managed mainly by an external manager with the balance managed by Finance Office staff. The performance of the external manager remained ahead of the targets set.

### Capital Projects

To meet the space and facilities requirements of a growing University, expenditure on the Capital Building Programme has again increased. A total of £1.7 million was spent on academic and social facilities using general fund reserves. Projects included the conversion of former Physics space for Law and senior administration, plus the continuation of the

## **TREASURER'S REPORT (Continued)**

project to move Biological Sciences to the main campus buildings. A major redevelopment of catering also commenced during the year.

The final phase of the South Courts student accommodation development was completed soon after the year-end. The 512 additional rooms cost £10.3 million and were funded by a long-term variable rate loan.

One disappointment was that the two bids by the University to the Joint Infrastructure Fund were unsuccessful. Immediately the results of the bids were known, the University committed itself to a new teaching and office block costing £3 million to meet the demands for non-science academic space which are currently being partially met by additional temporary buildings. This building starts on site in early 2001. The University is encouraged to see the reinstatement of some Government funding for capital allocated on a formula basis and has received approval from HEFCE for these funds to be spent on additional research space for Biological Sciences.

### **Cash Flow**

The lower level surplus, plus use of provisions on early retirements, caused the net cash inflow from operating activities to fall to £621,000. Of the £10.4 million spent on Capital Building, £7.8 million was funded by a long-term loan. The balance was funded by the planned spending of cash and deposit balances. The University balance sheet remained strong with short-term deposits and long-term investments amounting to £14.6 million.

### **Future Developments**

As I mentioned last year, the University has a strategy of expansion. Very significant progress is now being made. The University has received funding from HEFCE for 435

additional student numbers and admissions of home and overseas students were at record levels in October 2000. The East 15 Acting School Limited, based at Loughton, was integrated into the University on the 6 September 2000. This added just under 200 students to the University rolls. HEFCE has provided funding for capital works at the Loughton campus and transitional funds to enable the School's financial position to be stabilised over a three-year period.

Work is continuing on the partnership with South East Essex College at Southend for a new HE campus. HEFCE have committed capital funds to the development and it is hoped the recurrent funding will follow, allowing the first students to be admitted in October 2001.

As well as growing its activities the University will continue to work to enhance the quality of its teaching and research. Investments in top quality staff and facilities will continue to be made where demand from students and research funders is strong.

The University will also wish to be responsive to various Government initiatives such as widening participation and 'reach out' funding for the commercial exploitation of research and expertise. The University has a long tradition of widening participation to build on and one major spin-out company, ilotron Limited, was launched in the last year.

I must again point out that the success of this University depends on its talented and committed staff and on focused and prudent management. The University turnover will grow by more than 10% in 2000/2001. It is encouraging that this rapid growth is being achieved while at the same time the academic and financial strength of the University is being maintained.

S THOMSON  
Treasurer

## CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2000, the University has been in compliance with the provisions set out in the Combined Code on Corporate Governance, insofar as they relate to universities. The University also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1998.

The University's Governing Body is its Council. This numbers 35, comprising lay members, academic staff and students, appointed under the statutes of the University. The majority of members are non-executive. The roles of Chair and Vice-Chair of the Council are separated from the role of the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University, by custom and under the Financial Memorandum with the Higher Education Funding Council for England. The Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from senior management on the day to day operations of its business and its subsidiary companies.

The Council normally meets four times a year and receives reports on the functioning of the University and subsidiary companies. It has several sub-committees, including a Finance Committee, a Standing Committee, a Senior Staff Committee, an Audit committee, a Health and Safety Committee and a Development Committee. All of these committees are formally constituted with terms of reference. Much of the business of the Council is transacted through the committee structure.

In respect of its strategic responsibilities, the Council receives recommendations and

advice from the Budget Sub-Committee, a committee which reports to Finance Committee, made up of the senior management of the University.

The Finance Committee recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Standing Committee of Council has primary responsibility for Governance issues and considers nominations for vacancies in the Council membership under the relevant Statute.

The Senior Staff Committee determines the remuneration of the most senior academic and academic-related staff. The lay officers of Council separately review the salaries of the Vice-Chancellor and the Registrar and Secretary.

The Audit Committee meets three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

The Senate is the highest academic authority of the University. It is responsible for the promotion of academic work both in teaching and research, for the regulation of educational arrangements and the maintenance of discipline. It has 10 representatives on the University Council, each appointed for a two-year period.

The University Court is a formal body established under Charter and Statutes whose main function is to provide a forum for official receipt of the Annual Report and Financial Statements. It is also responsible for the formal appointment of the Chancellor, the Pro-Chancellors and the Treasurer. It has 3 lay representatives on the University Council, who each serve for a period of three years.

Members of Council are eligible for re-appointment for up to a further 3 years, other than those appointed by Senate.

## RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY OF ESSEX

In accordance with the Royal Charter, the Council of the University is responsible for the administration and management of the affairs of the University and is required to present audited Financial Statements for each financial year.

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

In causing the Financial Statements to be prepared, the Council has to ensure that:

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

The Council has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the

HEFCE and any other conditions which the HEFCE may from time to time prescribe;

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and its subsidiary undertakings and to prevent and detect fraud;
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiary undertakings.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic departments and administrative sections;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the Group's system of internal control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

**REPORT OF THE  
AUDITORS TO THE  
COUNCIL OF THE  
UNIVERSITY OF ESSEX**

We have audited the Financial Statements on pages 9 to 26 which have been prepared under the historical cost convention as modified by the revaluation of certain assets and the accounting policies set out on pages 9 to 10.

**Respective responsibilities of the  
Council and Auditors**

As described on page 6, the Council is responsible for ensuring that Financial Statements are prepared. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the circumstances of the University and its subsidiary undertakings and are consistently applied and adequately disclosed.

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

**Opinion**

In our opinion:

1. The Financial Statements give a true and fair view of the state of the affairs of the University and the Group at 31 July 2000, and of the income and expenditure and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and with the University's Charter of Incorporation.
2. Income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University, have been applied for the purposes for which they were received.
3. Income has been applied in accordance with the statutes governing the University and, where appropriate, with the Financial Memorandum dated 27 July 1999 with the Higher Education Funding Council for England.

**SCRUTTON BLAND**  
Chartered Accountants  
and Registered Auditors

Sir Isaac's Walk  
Colchester  
C01 1JL

27 November 2000

**REPORT OF THE  
AUDITORS TO THE  
COUNCIL OF THE  
UNIVERSITY OF ESSEX  
ON CORPORATE  
GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed the statements on page 5 on the University's compliance with the Combined Code on Corporate Governance. The objective of our review is to draw attention to non-compliance with these paragraphs of the above Code.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to Corporate Governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the University's system of internal financial control or its Corporate Governance procedures nor on the ability of the University to continue in operational existence.

**Opinion**

Based on enquiry of certain directors and officers of the University, and examination of relevant documents, in our opinion the statement on page 5 appropriately reflects the University's compliance with the other paragraphs of the Code specified for our review.

SCRUTTON BLAND  
Chartered Accountants  
and Registered Auditors

Sir Isaac's Walk  
Colchester  
CO1 1JL

27 November 2000



## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

### **Accounting Convention**

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of Fixed Asset Investments and Endowment Asset Investments, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable Accounting Standards. Comparative figures have been changed, where appropriate, so that the information is presented on a consistent basis.

### **Basis of Consolidation**

The consolidated Financial Statements consolidate the Financial Statements of the University and all subsidiary undertakings for the financial year to 31 July, and as such the statements relate to the total activities of the University.

The consolidated Financial Statements do not include those of the University of Essex Students' Union. It is not a separate entity but its results are not material to those of the University, and are therefore not included with the University results. The grant awarded to the Students' Union is disclosed in Note 7.

### **Recognition of Income**

Income from Specific and General Endowment Asset Investments, Research Grants and Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs. All income from short-term deposits and other investments is credited to the Income and Expenditure Account on a receivable basis.

### **Pension Schemes**

Pension costs are assessed in accordance with the advice of an actuary based on the latest actuarial valuations of the schemes, and are accounted for on the basis of

charging the cost of providing pensions over the period during which the University benefits from the employees' services.

Except where it has been prudent to recognise deficiencies over a shorter period, variations from regular costs are spread over the expected average remaining working life of members of the schemes after making suitable allowances for future withdrawals.

Provision has been made for the present value of future liabilities to meet enhanced unfunded pension benefits for former staff who are members of the Essex County Council Superannuation Scheme. Provision has also been made to meet a past service shortfall of members of the Essex County Council Superannuation Scheme who took early retirement. The payments to be made are largely set against these provisions.

### **Foreign Currencies**

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

### **Land and Buildings**

Land and buildings are stated at cost. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of 50 years.

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

**STATEMENT  
OF PRINCIPAL  
ACCOUNTING  
POLICIES  
(Continued)**

**Equipment**

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

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows: motor vehicles and other general equipment - 5 years; computer equipment - 3 years; and equipment acquired for specific research projects - project life (generally 3 years).

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

**Investments**

Fixed Asset and Endowment Asset Investments are included in the Balance Sheet at market value. Increases or decreases in value arising on the revaluation of Fixed Asset Investments are carried to the Revaluation Reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent that it is not covered by a revaluation surplus. The profit or loss on the disposal of an asset is accounted for in the year in which the disposal occurs as the difference between the net sale proceeds and the net carrying amount, whether carried at historical cost or valuation.

Investments in equities and gilts are generally treated as Fixed Asset Investments whilst investments in the form of term deposits with banks and other financial institutions are shown as Current Asset Investments.

Current Asset Investments are included at the lower of cost and net realisable value.

**Stocks**

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

**Cash Flows and Liquid Resources**

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

Liquid Resources comprise assets held as a readily disposable store of value. They include term deposits and government securities held as part of the University's treasury management activities. They exclude such assets held as Endowment Asset Investments.

**Maintenance of Premises**

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

**Taxation Status**

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

**UNIVERSITY OF ESSEX  
AND SUBSIDIARY UNDERTAKINGS  
CONSOLIDATED INCOME AND  
EXPENDITURE ACCOUNT FOR THE  
YEAR ENDED 31 JULY 2000**

	Note	1999-00 £'000	1998-99 £'000
<b>Income</b>			
Funding Council Grants	1	18,738	17,791
Academic Fees and Support Grants	2	14,878	14,141
Research Grants and Contracts	3	9,021	8,884
Other Operating Income	4	10,944	11,510
Endowment and Investment Income Receivable	5	1,368	1,468
Total Income		<u>54,949</u>	<u>53,794</u>
<b>Expenditure</b>			
Staff Costs	6	34,408	32,338
Other Operating Expenses	7	17,516	17,811
Depreciation	9	1,275	1,261
Interest Payable	8	1,075	1,043
Total Expenditure		<u>54,274</u>	<u>52,453</u>
Surplus after Depreciation of Assets at Cost and before Tax		675	1,341
Taxation		0	0
Surplus after Depreciation of Assets at Cost and after Tax		<u>675</u>	<u>1,341</u>

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

**UNIVERSITY OF ESSEX  
AND SUBSIDIARY UNDERTAKINGS  
BALANCE SHEET  
AS AT 31 JULY 2000**

	Note	Consolidated		University	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
<b>Fixed Assets</b>					
Tangible Assets	10	50,340	41,821	50,317	41,806
Investments	11	2,363	3,545	2,330	3,512
		<u>52,703</u>	<u>45,366</u>	<u>52,647</u>	<u>45,318</u>
<b>Endowment Asset Investments</b>	12	<u>11,858</u>	11,410	<u>11,858</u>	11,410
<b>Current Assets</b>					
Stock and Stores in Hand		315	298	296	283
Debtors	13	2,425	2,645	2,339	2,473
Investments		10,762	11,878	10,762	11,878
Cash at Banks, Building Societies and in Hand		1,449	1,167	1,395	1,125
		<u>14,951</u>	<u>15,988</u>	<u>14,792</u>	<u>15,759</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(9,529)</u>	(9,487)	<u>(9,410)</u>	(9,369)
<b>Net Current Assets</b>		<u>5,422</u>	6,501	<u>5,382</u>	6,390
<b>Total Assets less Current Liabilities</b>		<u>69,983</u>	63,277	<u>69,887</u>	63,118
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(19,562)</u>	(13,180)	<u>(19,562)</u>	(13,180)
<b>Provisions for Liabilities and Charges</b>	16	<u>(849)</u>	(1,442)	<u>(849)</u>	(1,442)
<b>Net Assets</b>		<u>49,572</u>	48,655	<u>49,476</u>	48,496
<b>Deferred Capital Grants and Gifts</b>	17	<u>13,328</u>	13,563	<u>13,328</u>	13,563
<b>Endowments</b>					
Specific	18	11,064	10,718	11,064	10,718
General	18	794	692	794	692
		<u>11,858</u>	<u>11,410</u>	<u>11,858</u>	<u>11,410</u>
<b>Reserves</b>					
Revaluation Reserve	19	525	496	525	496
General Reserve	20	23,861	23,186	23,765	23,027
		<u>24,386</u>	<u>23,682</u>	<u>24,290</u>	<u>23,523</u>
<b>Total Funds</b>		<u>49,572</u>	48,655	<u>49,476</u>	48,496

The Financial Statements on pages 9 to 26 were approved by Finance Committee on 27 November 2000 and signed under delegated authority given by the University Council by:

PROFESSOR I. CREWE  
Vice-Chancellor

S. THOMSON  
Treasurer

J. P. GORRINGE  
Director of Finance

**UNIVERSITY OF ESSEX  
AND SUBSIDIARY UNDERTAKINGS  
CONSOLIDATED CASH  
FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2000**

	Note	1999-00 £'000	1998-99 £'000
Net Cash Inflow from Operating Activities	23	621	2,213
Returns on Investments and Servicing of Finance	24	283	740
Taxation		0	0
Capital Expenditure and Financial Investment	25	(8,158)	(215)
<b>Cash (Outflow)/Inflow before use of Liquid Resources and Financing</b>		<b>(7,254)</b>	<b>2,738</b>
Management of Liquid Resources	28	1,116	(1,739)
Financing	26	6,571	(998)
<b>Increase in Cash</b>	27	<b>433</b>	<b>1</b>
<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>			
Increase in Cash in the period		433	1
(Decrease)/Increase in Liquid Resources		(1,116)	1,739
Changes in Net Debt resulting from Cash Flows		(6,571)	998
<b>Movement in Net Debt in period</b>		<b>(7,254)</b>	<b>2,738</b>
<b>Net Debt at 1 August</b>		<b>(1,500)</b>	<b>(4,238)</b>
<b>Net Debt at 31 July</b>	27	<b>(8,754)</b>	<b>(1,500)</b>

**UNIVERSITY OF ESSEX  
AND SUBSIDIARY UNDERTAKINGS  
STATEMENT OF CONSOLIDATED TOTAL  
RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2000**

	Note	1999-00 £'000	1998-99 £'000
<b>Recognised gains relating to the year</b>			
Surplus on continuing operations after depreciation of assets at cost, disposal of assets and Tax		675	1,341
Appreciation of Fixed Asset Investments	11	29	102
Appreciation of Endowment Asset Investments	18	498	334
Endowment Income (released)/retained for the year	18	(140)	96
New endowments	18	90	1
<b>Total recognised gains relating to the year</b>		<b>1,152</b>	<b>1,874</b>
<b>Reconciliation</b>			
Opening Reserves and Endowments		35,092	
Total recognised gains relating to the year		1,152	
<b>Closing Reserves and Endowments</b>		<b>36,244</b>	
<b>Statement of Historical Cost Surpluses for the year ended 31 July 2000</b>			
Reported Surplus on Activities before and after Tax		675	1,341
Realisation of investment revaluation gains of previous years		32	98
Historical Cost Surplus on Activities before and after Tax		707	1,439

**NOTES TO THE  
FINANCIAL STATEMENTS**

	1999-00 £'000	1998-99 £'000
<b>1. Funding Council Grants</b>		
Recurrent (Teaching)	11,477	10,881
Recurrent (Research)	6,408	6,104
Recurrent (Other)	290	339
Special Initiatives	267	136
Deferred Capital Grants released in year (Note 17):		
Buildings	296	296
Equipment	0	35
	<u>18,738</u>	<u>17,791</u>
<b>2. Academic Fees and Support Grants</b>		
Full-time HE Course Fees:		
UK domiciled students charged home fees	4,888	4,661
Non-UK domiciled students charged home fees	916	947
Students charged overseas and other fees	6,979	6,832
Part-time credit bearing HE course fees	532	428
Non-credit bearing course fees	1,510	1,219
Research Training Support Grants	53	54
	<u>14,878</u>	<u>14,141</u>
<b>3. Research Grants and Contracts</b>		
Research Councils	5,796	5,556
UK-based charities	848	763
UK central government, local authorities, health and hospital authorities	735	651
UK industry, commerce and public corporations	762	845
European Union government bodies	631	807
European Union other	11	11
Other overseas	209	218
Other sources	29	33
	<u>9,021</u>	<u>8,884</u>
<b>4. Other Operating Income</b>		
Other Services Rendered:		
UK central government, local authorities, health and hospital authorities	63	116
UK industry, commerce and public corporations	253	281
European Union government bodies	3	2
European Union other	139	90
Other overseas	5	11
Other sources	164	516
Residences, Catering and Conferences	7,678	7,720
Deferred Capital Gifts released in year (Note 17):		
Buildings	43	43
Equipment	52	36
Day Nursery	573	528
Profit on disposal of fixed assets	178	547
Other income	1,793	1,620
	<u>10,944</u>	<u>11,510</u>

**NOTES TO THE  
FINANCIAL STATEMENTS**

	1999-00 £'000	1998-99 £'000
<b>5. Endowment and Investment Income Receivable</b>		
Transferred from Specific Endowments (Note 18)	470	295
Income from General Endowment Asset Investments (Note 18)	38	32
Income from Current Asset Investments	726	890
Income from Fixed Asset Investments	134	170
Profit on sale of Fixed Asset Investments	0	81
	<u>1,368</u>	<u>1,468</u>
<b>6. Staff Costs</b>		
Wages and Salaries	28,937	27,156
Social Security Costs	2,140	2,010
Other Pension Costs	3,331	3,172
	<u>34,408</u>	<u>32,338</u>
Emoluments of the Vice-Chancellor for year to 31 July	<u>117</u>	<u>103</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rates as for other academic staff and amounted to £15,871 (1998-99 £13,445).

No higher paid member of staff received compensation for loss of office during the two years to 31 July 2000.

Remuneration of higher paid staff, excluding employer's pension contributions:	Number of staff	Number of staff
£50,000 – £59,999	15	9
£60,000 – £69,999	3	2
<b>Average staff numbers by major category:</b>		
Academic and Teaching Fellow	383	377
Research Officer	106	114
Technical	72	69
Senior Administrative	72	67
Clerical and Secretarial	261	250
Other	584	571
	<u>1,478</u>	<u>1,448</u>



**NOTES TO THE  
FINANCIAL STATEMENTS**

	1999-00 £'000	1998-99 £'000
<b>7. Other Operating Expenses</b>		
Residences, Catering and Conferences	3,057	3,068
Information Technology, Consumables and Laboratory Expenditure	7,466	6,499
Equipment	2,328	2,412
Books and Periodicals	1,051	1,052
Examinations, Fellowships, Scholarships and Prizes	421	406
Heat, Light, Water and Power	610	596
Repairs and General Maintenance	1,252	1,644
Minor Works	294	229
Rates	(49)	142
Insurance	105	87
Grants to Students' Union	313	313
Audit Fees	31	30
Early Retirements and Severances	53	878
Other Expenses	584	455
	<u>17,516</u>	<u>17,811</u>
<b>8. Interest Payable</b>		
Loans not wholly repayable within five years	<u>1,075</u>	<u>1,043</u>

**9. Analysis of 1999/2000 Expenditure by Activity**

	Staff Costs £'000	Depreciation £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
Academic					
Departments and Centres	18,313	21	2,926	0	21,260
Academic Services	2,309	17	2,129	0	4,455
Research Grants and Contracts	4,707	52	2,924	0	7,683
Residences, Catering and Conferences	2,320	448	3,057	1,057	6,882
Premises	2,078	658	2,356	0	5,092
Administration	2,749	75	1,749	0	4,573
Other Services Rendered	196	0	395	0	591
General Educational Expenditure	443	0	1,149	0	1,592
Student and Staff Facilities	1,136	4	533	18	1,691
Early Retirement and Severances	0	0	53	0	53
Other Expenses	157	0	245	0	402
Total per Income and Expenditure Account	<u>34,408</u>	<u>1,275</u>	<u>17,516</u>	<u>1,075</u>	<u>54,274</u>

The depreciation charge has been funded by:

Deferred Capital Grants and Gifts Released (Note 17)	391
General Income	884
	<u>1,275</u>

**NOTES TO THE  
FINANCIAL STATEMENTS**

**10. Tangible Assets**

	University Land and Buildings Freehold £'000	University Equipment £'000	University Total £'000	Companies Equipment £'000	Consolidated Total £'000
<b>Cost</b>					
At 1 August 1999	48,210	1,164	49,374	104	49,478
Additions	<b>10,016</b>	<b>322</b>	<b>10,338</b>	<b>14</b>	<b>10,352</b>
Disposals	<b>(618)</b>	<b>0</b>	<b>(618)</b>	<b>0</b>	<b>(618)</b>
At 31 July 2000	<b>57,608</b>	<b>1,486</b>	<b>59,094</b>	<b>118</b>	<b>59,212</b>
<b>Depreciation</b>					
At 1 August 1999	6,939	629	7,568	89	7,657
Charge for Year	<b>974</b>	<b>295</b>	<b>1,269</b>	<b>6</b>	<b>1,275</b>
Disposals	<b>(60)</b>	<b>0</b>	<b>(60)</b>	<b>0</b>	<b>(60)</b>
At 31 July 2000	<b>7,853</b>	<b>924</b>	<b>8,777</b>	<b>95</b>	<b>8,872</b>
<b>Net Book Value</b>					
At 31 July 2000	<b>49,755</b>	<b>562</b>	<b>50,317</b>	<b>23</b>	<b>50,340</b>
At 1 August 1999	41,271	535	41,806	15	41,821

Additions in the year included expenditure of £8.5m on the South Courts III student residences (1998/99 £0.025m) and £1.5m on other building work (1998/99 £1.3m).

Disposals in the year relate wholly to the sale of off-campus students houses.

**11. Investments**

	Consolidated		University	
	1999-00 £'000	1998-99 £'000	1999-00 £'000	1998-99 £'000
At 1 August 1999	<b>3,545</b>	4,342	<b>3,512</b>	4,309
Additions	<b>0</b>	12	<b>0</b>	12
Disposals	<b>(1,211)</b>	(911)	<b>(1,211)</b>	(911)
Revaluation	<b>29</b>	102	<b>29</b>	102
At 31 July 2000	<b>2,363</b>	3,545	<b>2,330</b>	3,512

Whilst these investments are made for the long term, they can be sold and cash realised within 28 days.

**NOTES TO THE  
FINANCIAL STATEMENTS**

**12. Endowment Asset Investments**

	Consolidated and University	
	1999-00 £'000	1998-99 £'000
Balance at 1 August 1999	11,410	10,979
Additions	90	1
Appreciation	498	334
Excess of expenditure over income	(140)	96
At 31 July 2000	<u>11,858</u>	<u>11,410</u>
Represented by:		
Fixed Interest Stocks	1,009	1,199
Equities	10,623	9,934
Land and Property	0	0
Bank Balances and Deposits	226	277
Total Endowment Asset Investments at Market Value	<u>11,858</u>	<u>11,410</u>
Total Endowment Asset Investments at Cost	<u>9,786</u>	<u>9,156</u>

**13. Debtors**

	Consolidated		University	
	1999-00 £'000	1998-99 £'000	1999-00 £'000	1998-99 £'000
Amounts falling due within one year:				
Debtors	2,204	2,368	2,133	2,167
Amounts owed by subsidiary undertakings	0	0	21	59
Prepayments and Accrued Income	221	277	185	247
	<u>2,425</u>	<u>2,645</u>	<u>2,339</u>	<u>2,473</u>

**14. Creditors: Amounts falling due within one year**

Mortgages and Unsecured Loans	950	761	950	761
Payments Received on Account	2,887	2,966	2,873	2,856
Trade Creditors	1,334	1,361	1,263	1,390
Amounts owed to subsidiary undertakings	0	0	142	179
Social Security and other taxation payable	787	692	773	673
Accruals	3,118	3,103	2,984	2,936
Excess of payments not cleared through bank	453	604	425	574
	<u>9,529</u>	<u>9,487</u>	<u>9,410</u>	<u>9,369</u>

**NOTES TO THE  
FINANCIAL STATEMENTS**

**15. Creditors: Amounts falling due after more than one year**

	Consolidated and University	
	1999-00 £'000	1998-99 £'000
Mortgages secured on property:		
repayable within five years	3,884	2,390
repayable after five years	15,460	10,560
Unsecured loans:		
repayable within five years	56	51
repayable after five years	162	179
	<b>19,562</b>	<b>13,180</b>

Mortgages of £19.3m (£12.9m 1998/99) secured on the freehold property of the University are repayable by instalments falling due between 1 August 2000 and 31 July 2026, at interest rates between 6.62% and 9.0% for the 2000/01 financial year.

**16. Provisions for Liabilities and Charges**

	Consolidated and University		
	Future Severances £'000	Early Retirement £'000	Total £'000
At 1 August 1999	729	713	1,442
Utilised in Year	(570)	(38)	(608)
Transfer from Income and Expenditure Account	0	15	15
At 31 July 2000	<b>159</b>	<b>690</b>	<b>849</b>

The Early Retirement provision has been set up to meet enhanced unfunded pension benefits for former staff who are members of the Essex County Council Superannuation Scheme. The provision is being released to the Income and Expenditure Account over 13 years from 1994. Provision has also been made to meet a past service shortfall for members of the Scheme who took early retirement. This is being released over the expected lives of the members.

The Future Severances provision was set up to meet future costs of employees taking early retirement under the University's Early Retirement Scheme. The provision will be fully released over the next financial year as each of the remaining employees retires.

**NOTES TO THE  
FINANCIAL STATEMENTS**

**17. Deferred Capital Grants and Gifts**

	Consolidated and University		
	Funding Council £'000	Other Grants & Benefactions £'000	Total £'000
At 1 August 1999:			
Buildings	11,841	1,721	13,562
Equipment	0	1	1
	<u>11,841</u>	<u>1,722</u>	<u>13,563</u>
Receivable:			
Buildings	0	0	0
Equipment	0	156	156
	<u>0</u>	<u>156</u>	<u>156</u>
Released to Income and Expenditure Account (Notes 1 and 4):			
Buildings	(296)	(43)	(339)
Equipment	0	(52)	(52)
	<u>(296)</u>	<u>(95)</u>	<u>(391)</u>
At 31 July 2000:			
Buildings	11,545	1,678	13,223
Equipment	0	105	105
	<u>11,545</u>	<u>1,783</u>	<u>13,328</u>

**18. Endowments**

	Consolidated and University		
	Specific £'000	General £'000	Total £'000
At 1 August 1999	10,718	692	11,410
Additions	5	85	90
Appreciation of Endowment Asset Investments	469	29	498
Income for Year	342	26	368
Transferred to Income and Expenditure Account (Note 5)	(470)	(38)	(508)
At 31 July 2000	<u>11,064</u>	<u>794</u>	<u>11,858</u>
Representing:			
Research Endowment Fund	8,528	0	8,528
Other Specific Endowments	2,536	0	2,536
Foundation Research and Development Fund	0	550	550
Other General Endowments	0	244	244
	<u>11,064</u>	<u>794</u>	<u>11,858</u>

**19. Revaluation Reserve**

	Consolidated and University £'000
At 1 August 1999	496
Revaluation in Year (Note 11)	29
At 31 July 2000	<u>525</u>

**20. General Reserve**

	Consolidated £'000	University £'000
Surplus after depreciation of assets at historical cost and after tax	675	738
Balance at 1 August 1999	23,186	23,027
Balance at 31 July 2000	<u>23,861</u>	<u>23,765</u>

**21. Post Balance Sheet Events**

On 6 September 2000, the University merged with the East 15 Acting School at Loughton, Essex. The merger will increase the annual turnover of the University by about £1,000,000.

**22. Capital Commitments**

As at 31 July 2000, the University was committed to £628,464 capital expenditure on refurbishment projects (31 July 1999 - £1,404,000). Of this £100,000 is expected to be funded by the HEFCE. In addition, the University is also committed to £1,813,941 capital expenditure on completion of the new South Courts III student residences (31 July 1999 - £10,270,000).

**23. Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities**

	Consolidated	
	1999-00 £'000	1998-99 £'000
Surplus before Tax	675	1,341
Depreciation (Note 9)	1,275	1,261
Deferred Capital Grants Released to Income (Note 17)	(391)	(410)
Investment Income (Note 5)	(1,368)	(1,468)
Profit on Sale of Fixed Assets (Note 4)	(178)	(547)
Interest Payable (Note 8)	1,075	1,043
Net Income transferred from Endowments	50	0
(Increase)/Decrease in Stocks	(17)	37
Decrease in Debtors	166	156
(Decrease)/Increase in Creditors	(73)	429
(Decrease)/Increase in Provisions	(593)	371
Net Cash Inflow from Operating Activities	<u>621</u>	<u>2,213</u>

**24. Returns on Investment and Servicing of Finance**

Income from Endowments	368	423
Income from Fixed Asset Investments	134	170
Income from Short-term Investments	780	951
Interest Paid	(999)	(804)
	<u>283</u>	<u>740</u>

**NOTES TO THE  
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**25. Capital Expenditure and Financial Investment**

	Consolidated	
	1999-00 £'000	1998-99 £'000
Tangible Assets Acquired (Note 10)	(10,352)	(1,845)
Fixed Asset Investments Acquired (Note 11)	0	(12)
Endowment Asset Investments Acquired (Note 12)	0	(97)
Total Fixed and Endowment Assets Acquired	(10,352)	(1,954)
Receipts from Sale of Tangible Assets	737	646
Receipts from Sale of Fixed Asset Investments	1,211	992
Receipts from Sale of Endowment Investments	0	0
Deferred Capital Grants Received (Note 17)	156	100
Endowments Received (Note 18)	90	1
	(8,158)	(215)

**26. Analysis of Changes in Consolidated Financing**

	Total £'000
Balance at 1 August 1998	14,939
Capital Repayments	(998)
New Liabilities/Loans	0
Net Amount Repaid in Year	(998)
Balances at 31 July 1999	13,941
Capital Repayments	(1,199)
New Liabilities/Loans	7,770
Net Amount of new loan in Year	6,571
Balances at 31 July 2000	20,512

**27. Analysis of Changes in Net Debt**

1999-2000	At 31 July 1999 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2000 £'000
Cash at Bank and in Hand	1,167	282	0	1,449
Excess of payments not cleared through bank	(604)	151	0	(453)
Liquid Resources	563	433	0	996
	11,878	(1,116)	0	10,762
Debt due within one year	12,441	(683)	0	11,758
Debt due after one year	(761)	835	(1,024)	(950)
	(13,180)	(7,406)	1,024	(19,562)
	(1,500)	(7,254)	0	(8,754)

**NOTES TO THE  
FINANCIAL STATEMENTS**

**28. Management of Liquid Resources**

	1999-00 £'000	1998-99 £'000
Decrease/(Increase) in Short-term Deposits	1,116	(1,739)
<b>Decrease/(Increase) in Liquid Resources</b>	<b>1,116</b>	<b>(1,739)</b>

**29. Pension Schemes**

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

The LGPS became a closed scheme in August 1997 and subsequently all non-academic and related staff who are not members of a pension scheme may join the UEPS.

USS and LGPS are defined benefit schemes which are externally funded and valued every three years using the projected unit method. The UEPS is also a defined benefit scheme with the initial rates of contribution determined by the University and members nominated Trustees on the advice of the scheme actuary. The initial scheme valuation was made at the end of the first year of operation in July 1998. The scheme will be valued every three years using the Attained Age method of valuation.

The assumptions and other data which have the most significant effect on the determination of the contribution levels are summarised below:

	USS	LGPS	UEPS
Latest actuarial valuations	<b>31 March 1999</b>	<b>31 March 1998</b>	<b>1 August 1998</b>
Investment returns per annum	5.50%	7.50%	9.00%
Salary scale increases per annum	3.50%	5.25%	7.00%
Pension increases per annum	2.50%	3.50%	3.50%
Market value of assets at date of last valuation	£18,870 million	£1,617 million	£20k
Proportion of member's accrued benefits covered by actuarial value of the assets	108%	90.50%	87%
Current employer's contribution rate	14%	10.8%*	11.25%
Current employee's contribution rate	6.35%	5% or 6%	6%
Number of employees in scheme	654	453	176

\*WPML LGPS employer's contribution is 9.72%

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

	1999-00 £'000	1998-99 £'000
Contributions to USS	2,517	2,320
Contributions to LGPS	589	544
Additional University costs – LGPS*	54	212
Contributions to UEPS	160	84
Contributions to Other	11	12
<b>Total Pension Cost</b>	<b>3,331</b>	<b>3,172</b>

\*includes £nil (1998/99 - £156,000) extra contribution in respect of the past service shortfall.



**NOTES TO THE  
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**30. University Companies**

The University owns 100% of the share capital of four companies.

<b>Company</b>	<b>Activity</b>
Wivenhoe Technology Limited	Acquisition, protection and licensing of intellectual property from the University
W P Management Limited	Management of commercial activities at the University

The other companies, University of Essex Environmental Facilities Limited, (previously named Wivenhoe Enterprises Limited), and Wivenhoe Building Management Services Limited did not trade during the year.

Wivenhoe Technology Limited owns a percentage of the share capital of the following companies:

<b>Company</b>	<b>Activity</b>	<b>% Shares</b>
Immunoporation Limited	Developing cell technology	36.0
ilotron Limited	Developing optical switching	4.6

The investment in Immunoporation Limited, a company incorporated in England, represents 36% of the issued share capital of Ordinary £0.01 shares. Financial statements for the year ended 30 June 2000 show that this company made a retained profit of £21,441 and had aggregate capital and reserves showing a deficit of £19,852.

The company also owns 55,560 shares (4.6%) in ilotron Limited, a company exploiting University research in the area of optical networking. It was incorporated in January 2000 with £6,000,000 of initial investment by 3i plc. The shares in ilotron Limited were acquired by the company at nil cost.

**31. Access Funds**

	<b>University</b>	
	<b>1999-00</b>	<b>1998-99</b>
	<b>£'000</b>	<b>£'000</b>
Funding Council Grants	<b>275</b>	180
Interest Earned	<b>4</b>	2
	<b>279</b>	182
Disbursed to Students	<b>279</b>	182
Balance unspent at 31 July	<b>0</b>	0

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

### **32. Related Party Transactions**

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

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

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

Due to the level and nature of transactions between the organisations, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2000, the University paid the Union a grant of £313,050 and provided accommodation free of rent.

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

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

**Ex Officio Members**

Chancellor	Lord Nolan
Pro-Chancellors	The Rt. Revd. J Waine ( <i>Chair of Council</i> ) Mr A Jordan ( <i>Vice-Chair of Council</i> ) Mr C Pertwee
Vice-Chancellor	Professor I Crewe
Treasurer	Mr S Thomson
Pro-Vice-Chancellor	Professor G Crossick Professor R Massara Professor D Sanders Professor M Sherer

**Appointed Members**

Mr J Burrow  
Sir R Mountfield  
Mrs H Parr

**Co-opted Members**

Miss E Clarke  
Mr P Glossop  
Mrs D Gould  
Mr C Harker  
Mr A Hayman  
Mr M Hughes  
Mr M Leadbetter  
Mr D Lewis  
Mr T Melville-Ross  
Mr B Owen

**Elected Members**

Professor N Baker  
Professor J Busfield  
Professor J Lubbock  
Professor G McCormack  
Professor R Meddis  
Professor J Richmond  
Professor S Smith  
Dr S Steel  
Professor R Turner  
Professor A Weale

**Students' Union Members**

President of Students' Union	Mr D Michael
Vice-President (Finance and Services) of Students' Union	Mr P England

**Observers**

Two members of non - academic staff	Mr B Diamond Ms S Rhodes
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