



University of Essex

Financial Statements

2017–18



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Chair's Introduction



It is a privilege to take over from David Currie who has stepped down after seven years as a member of Council, including four years as Chair. We are very grateful to David for his leadership, insight and vision in helping the University to progress.

The University of Essex is equally committed to excellence in education and research, welcoming students to the University on the basis of their potential and not just their prior achievement. From the outset, the University has had an unwavering focus on research-led teaching, on offering our students a transformational education and, as a consequence, enhancing the life chances of everyone who chooses to study at Essex. Our approach recognises the importance of 'living' as well as 'learning' in the experience of our students and so our commitment to extra-curricular activities, sport, music, arts and volunteering is as strong as our pursuit of excellence in the seminar room and laboratory. I am pleased to report on another outstanding year of achievement.

Achievements

The University ranked Gold in 2017 in the Government sponsored assessment of teaching quality, the Teaching Excellence Framework. This added to the University's ranking in the top 25 for research quality (*The Times and Sunday Times Good University Guide 2019*). The University is one of just 11 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). Having been placed in the top 30 of *The Times and Sunday Times Good University Guide* for the second year running and ranked 26th in the *Complete University Guide*, Essex has also been shortlisted for University of the Year in the Times Higher Education Awards – amongst the most sought-after awards in the sector.

There was extra cause for celebration at Graduation 2018 as we saw our 100,000th student graduate.

The National Student Survey (NSS) results show Essex is in the top 15 for overall student satisfaction in England for the sixth year running. Essex is 14th out of all English mainstream universities¹ with 87% of students saying they are satisfied or very satisfied

with their course – significantly above the national average of 83%. Positive feedback from our students has helped Essex win a place in the Times Higher Education Europe Teaching Rankings. This is the first time *Times Higher Education* has published these rankings and Essex is ranked 40th overall alongside other leading universities across Europe.

The world-leading research undertaken by the University's Institute for Social and Economic Research received a Queen's Anniversary Prize for Higher and Further Education. The Prize is the highest form of national recognition for the work of a UK university. We've also celebrated being in the top five in the UK for developing technology-driven business partnerships, with Essex being the leading university in the East of England and London for Knowledge Transfer Partnerships.

For the second year running, Wivenhoe Park, home to our Colchester Campus, has won a Green Flag Award, the international benchmark standard for the management of recreational outdoor spaces across the United Kingdom and around the world. Wivenhoe Park was then voted one of the ten best parks in the UK in the Green Flag Awards People's Choice Vote; the only university park and the only park in East Anglia to feature in the top ten.

These achievements are the product of remarkable commitment, skill and dedication from the University's staff and students.

Admissions

Essex aims to attract independent-minded students who want to challenge and change the world. We are delighted that so many young people share our values. The University has again seen a record student intake in 2018; over 6% higher than in 2017. From the beginning, it has welcomed students from across the world so we are particularly pleased that the number of international students, stable in recent years, has begun to rise with entry targets significantly exceeded at both undergraduate and postgraduate taught level.

Research income

Our £30.5 million income from research grants and contracts sets another record, having grown by 40% over the strategic planning period (2013-2019). Indirect costs recovered from research contract activity grew to £6.4 million, also a record. Given national constraints on research funding, this represents significant progress for the University ahead of the 2020 Research Excellence Framework.

Supporting students

In 2017-18, we invested 19.8% of our higher fee student income on providing opportunities to students at all stages of their engagement with the University, from access and student success to employability. The University works with local schools and colleges to raise aspirations and to encourage those with the potential to progress to consider university as part of their future. In 2017-18, the University's Outreach team worked with over 13,000 students, parents/careers, teachers from over 110 schools in the eastern region. The majority of this work is at secondary level.

¹Non-specialist higher education institutions with a survey population of at least 500.

With a grant of close to £2 million in 2017-18, we supported the work of our wonderful Students' Union in helping our students to make the most of their university experience, through engagement with their studies, through our sports clubs and student societies and through the vibrant program of cultural and leisure events promoted by the Students' Union.

We are committed to the idea that University of Essex students should become members for life. To live up to this we continue to offer our graduates access to our Employability and Careers Centre and our alumni discounts for postgraduate courses. Given the scale of investment in activities and facilities, it is no surprise that we are ranked 4th in the UK for facilities spend in *The Times and Sunday Times University Guide 2019* and our Students' Union ranked in the top 20 in the UK.

Value for money

We have undertaken extensive work to ensure that our resources are targeted rigorously to fulfil our mission of excellence in education and research, and to ensure that we have cash surpluses in excess of 5%. We have made significant efficiencies in reducing our operating costs. For 2017-18, net savings of £436,000 were found comprising efficiency savings of £3.6 million to facilitate £3.2 million of reprioritised investment. We have also focused resources on improving our staff student ratio to 1:15.5, so that students benefit from smaller class sizes with more personalised support. Essex has created close to 200 new academic posts over the past five years.

New academic departments and partnerships

Our new £12 million Essex Sport Arena, an international standard sporting venue, is also the home of our newly established School of Sport, Rehabilitation and Exercise Sciences and its world-renowned researchers. The School is developing the next generation of sport scientists, sports coaches, sports therapists and physiotherapists.

For 2018-19, we welcome the Edge Hotel School as the University's 21st academic department. It provides industry-led two year accelerated degree courses covering hotel management, events management and hospitality and is the first of its kind in the country. Students receive a hands-on experience in the 4* Wivenhoe House hotel on the University's Colchester Campus.

We are launching a new partnership with Kaplan to operate a pathway college for international students opening in 2018. Our new pathway college will be based on our Colchester Campus and will offer degree preparation courses covering study skills and English language, leading to enrolment to Bachelors and Masters degrees at Essex.

In a first for Essex, academics have been travelling to China to teach on a new joint degree course developed between ourselves and Northwest University in Xi'an. The prestigious four-year programme, which has been approved by China's Ministry of Education, will lead to degrees from both institutions.

Estates

At Essex, we face the same challenges as many other universities founded in the 1960s; after 50 years, our building stock requires refurbishment. Therefore, we have boosted our cash surpluses to over 5% of income to increase the amount we are able to invest in facilities. We now spend 3% of income on long-term maintenance. We have also borrowed to build new facilities and to support our growth to around 20,000 students by 2025. University borrowing amounts to £170 million. Of this, £45 million will be used to fund the refurbishment of our six residential towers built between 1965-68. We are delighted that ULiving opened new and impressive student residences on the Colchester Campus this year, providing study bedrooms for 643 students. Student views have been absolutely key to shaping where the University should invest and our investments are a vital part of our efforts to stimulate growth and to enhance the educational experience we offer.

Knowledge Gateway

It is pleasing that Knowledge Gateway Limited, the company which is responsible for developing and marketing the University's 43-acre science and technology park on its Colchester Campus, made a small profit while attracting businesses that contribute significantly to the vibrancy of education and research at Essex. All of the accommodation in the Parkside Office Village was fully let and we are confident that Phase 2, currently under construction, is pre-let prior to completion later in the year.

People

Our new Chancellor, John Bercow MP (Speaker of the House of Commons) presided over his first Graduation ceremonies in July, which were joyous occasions for all attending. I am delighted that Professor Christine Raines, previously Head of the School of Biological Sciences at Essex, has been appointed as our Pro-Vice-Chancellor, Research. We were sad to see Professor Sasha Roseneil, our Executive Dean of the Faculty of Social Sciences leave for UCL, having made a great contribution to the executive leadership team. Leading political theorist Professor Moya Lloyd is joining Essex from Loughborough to replace Sasha. It is also very good news that Professor Maria Fasli will move from her current position of Director of the Institute for Analytics and Data Science at Essex, to take over from Professor Graham Underwood when he concludes his invaluable six-year term as Executive Dean of the Faculty of Science and Health in July 2019.

Our students and staff make our campuses socially and intellectually vibrant. They provide the strong sense of community that makes Essex special. I would like to pay tribute to their extraordinary hard work and creativity in achieving the university's ambitious goals. The future for universities is more uncertain and challenging than ever before. We do not know how the UK's departure from the European Union will affect our longstanding recruitment of students and staff from Europe. Nor do we know how the Government's review of student fees will change the way universities are funded. We do know, however, that we start from a position of strength and that we can rely on our staff and students to seize every opportunity to go on to even greater success.

Judith Judd
26 November 2018

Highlights from 2017-18

**WE ARE
GOLD**
RATED IN THE TEACHING
EXCELLENCE FRAMEWORK

TOP 30
IN THE UK IN THE TIMES
AND SUNDAY TIMES GOOD
UNIVERSITY GUIDE 2019

TOP 15
FOR THE SIXTH
YEAR RUNNING
FOR OVERALL SATISFACTION
IN THE NATIONAL STUDENT
SURVEY

Source: NSS 2018, English mainstream universities¹

TOP 20
FOR THE MOST
INTERNATIONAL
STUDENT COMMUNITY

Source: Times Higher Education World
University Rankings 2018

TOP 25
FOR RESEARCH QUALITY

Source: *The Times and Sunday Times Good
University Guide 2019*

**WE ARE IN THE
TOP 50**
FOR SOCIAL SCIENCES
IN THE TIMES HIGHER
EDUCATION WORLD
UNIVERSITY RANKINGS
BY SUBJECT 2019

**WE ARE IN THE
TOP 40**
FOR POLITICS
AND SOCIOLOGY
IN THE QS WORLD
UNIVERSITY RANKINGS BY
SUBJECT 2018

**QUEEN'S
ANNIVERSARY
PRIZE
2017**
FOR WORLD-LEADING
SOCIAL SCIENCE
RESEARCH BY THE
INSTITUTE FOR SOCIAL
AND ECONOMIC
RESEARCH

Public benefit highlights

£523m

Contribution to the local economy
2017-18

33,000

Hours of volunteering by Essex students
in 2017-18

900

Number of students recognised for
extracurricular activities, volunteering
and work experience through the Big
Essex Award in 2017-18

3.2m

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

£30m

Research funding in 2017-18

100,117

Essex graduates around the world

13,000

Beneficiaries of our Outreach work

12,849

Students studying at Essex campuses
(FTE)

5,117

Number of 2018 graduates

¹Non-specialist higher education institutions with a survey population of at least 500.

Strategic Report

Objectives and strategy

The University of Essex's mission is to 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 our league table ranking in *The Times and Sunday Times Good University Guide* which include being ranked 29th in the 2019 Guide (published September 2018), 26th in the Complete University Guide (April 2018) and 31st in the *Guardian University Guide* (May 2018).

Financial performance during 2017-18

The University is on a sound financial footing and the ability of the University to recruit our fair share of talented students has led to a record level of income from student fees. Tuition fees grew by 4.1%, to £123.9m, with fees from Home/EU students increasing by 10.2%, however, those from international students reduced by 2% in 2017-18. Further substantial growth in income is planned through growth in education and research activities, chiefly student recruitment which is an area where the University's track record is strong. Student numbers grew by 22.4% from 2012-13 to 2017-18, 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	2016-17 FTE	2017-18 FTE	Growth over strategic planning period
Home/EU	7,784	9,786	10,388	+33.4%
Overseas	2,710	2,623	2,461	-9.2%
Undergraduate	8,097	9,949	10,401	+28.4%
Postgraduate	2,397	2,460	2,448	+2.1%
Total	10,494	12,409	12,849	+22.4%

Full-time equivalents studying at University of Essex campuses

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 rose to a record high of £30.5m in 2017-18, and indirect costs recovered on these projects similarly rose to record levels.

	2012-13 £000	2016-17 £000	2017-18 £000	Growth over strategic planning period
Research contract income	21,626	29,636	30,450	+40.8%
Research contract indirect costs recovered	3,873	5,941	6,394	+65.1%

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 5.5% of income (excluding capital grants, endowments received and other donations).

This approach allows for better analysis of underlying business performance than the primary financial statements, which have been affected by the introduction of FRS 102 and the revised Statement of Recommended Practice effective for financial years from 2015-16. These standards are likely to yield more volatile headline results from year to year as a result of the required treatments

of pension liabilities and provisions, and the treatment of capital grants, endowments received and other donations, all of which are eliminated from the calculation of cash surplus. While the regulatory changes render more difficult financial comparisons across the sector, published data shows that the University's cash generation has improved in recent years compared to the sector.

Capital investment

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £'000	2016-17 £000	2017-18 £000	Total £'000
Total investment	24,814	26,702	24,560	19,686	23,572	35,321	154,655

Over the period of this Strategic Plan the University has invested nearly £155m in superb infrastructure for research and education, including flagship buildings such as the Silberrad Student Centre and Library Extension, a new home for the Essex Business School, and the Forum building in Southend. During this year the £12 million Essex Sport Arena was completed and opened which is the largest indoor sports arena in the East of England, and other projects continued apace: these include the Science, Technology, Engineering and Mathematics (STEM) Centre, the Innovation Centre, and 1,353 sq. m of new office space at the Parkside Office Village now totalling 3,000 sq. m. In addition The Copse, a development of 643 new single en suite rooms and studios developed with Uliving, was opened to students for the first time in autumn 2018.

Debt, liabilities and liquidity

Cash is managed conservatively with deposits in the University's clearing bank (Lloyds Bank) and in a range of AAA-rated money market funds. Cash, cash equivalents and short term investments increased from £71.1m to £103.0m over the year. A target of holding minimum cash balances equating to 60 liquidity days (i.e. the number of days of average expenditure cash balances could support) has been set. At 31 July 2018 actual liquidity days amounted to 187 days.

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

Total long-term debt outstanding at 31 July 2018 was £171.3m (2017 £175.1m).

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

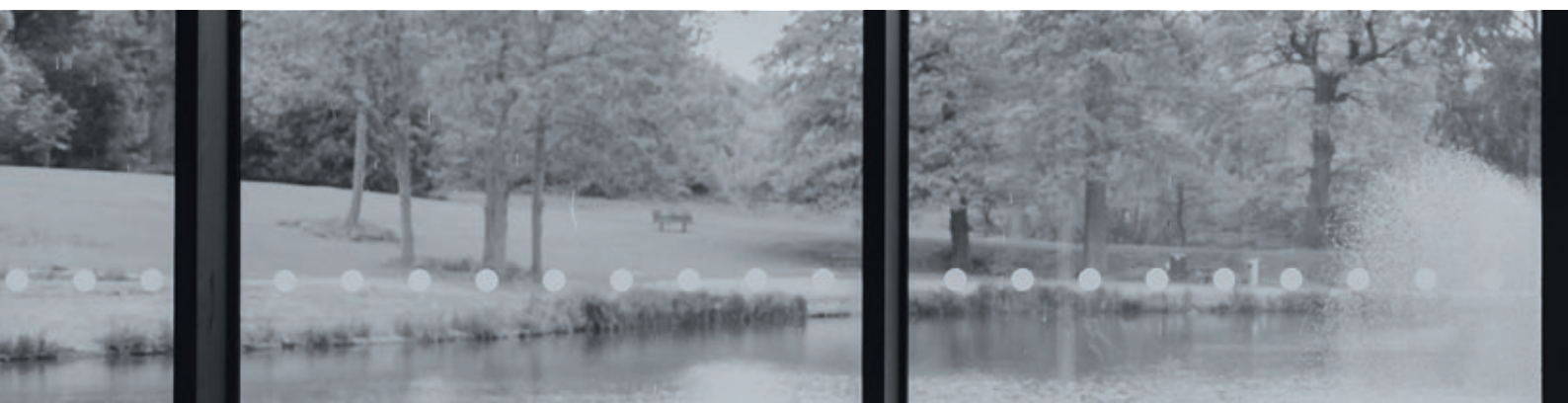
Future outlook and prospects

The University continues to plan for growth whilst managing the associated risks. The University restated its commitments to the values of inclusivity and internationalism after the EU referendum vote in June 2016 and has stepped up its international recruitment activities, which are now delivering significant growth in non-UK EU and international student recruitment markets. While the number of students applying to universities in many parts of the United Kingdom are level or falling, applications and acceptances at Essex are rising. Supported by the University's comprehensive outreach and engagement programmes, Essex is welcoming many students who are from low participation neighbourhoods and the first in their family to study at University and there is rich potential for this to continue further.

The University's strategic partnerships with Northwest University in Xi'an China, Brickfields Asia College, Malaysia, Kaplan Singapore and Essex Online are attracting more students and additional partnerships are in the pipeline. Together with our regional international offices in China, Malaysia, India and Dubai, the partnerships make an important contribution to University's global reach.

The University has been careful to ensure that, even as student numbers grow, the staff to student ratio improves and that newly appointed staff will contribute to the mission of education and research at the University. The University's research capacity is increasing significantly as is evidenced by more applications for research grants and contracts and record levels of income and our aspiration to submit around 600 staff to REF 2021.

Diversification of income is an important part of the University's future which is being further enabled by the development of the Knowledge Gateway, a 43-acre science and technology park on the Colchester Campus. Parkside Office Village is fully occupied and Phase 2 is fully pre-let in advance of completion later this year. The new 3,500 sq. m Innovation Centre will open early in 2019 and will support 50 start-ups scale up and succeed. The Innovation Centre also incorporates virtual reality and augmented reality equipment into the Centre's support



facilities so that start-ups can access powerful digital product development tools – with activity linked to a number of our research themes and academic expertise. The Knowledge Gateway also enhances the University's commercial research, accommodates companies with whom the University has a Knowledge Transfer Partnership and provides work placements and graduate employment for its students.

Risk

Policy and approach

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

The policy explains the University's underlying approach to risk management, and documents the roles and responsibilities of the University Council, the University Steering Group (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 University Council will use to evaluate the effectiveness of the institution's internal control procedures.

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

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

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

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

Risk ownership and management

The Registrar and Secretary, as the Risk Management Process Owner, is responsible to the Vice-Chancellor and USG for ensuring the operational effectiveness of the University's risk management procedures. Through the Risk Management Group chaired by the Registrar and Secretary, this group provide guidelines on the assessment of risk in planning and decision-making and monitors compliance.

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

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

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

The Risk Management Group consider the top 12 risks each and every meeting as well as receiving the reports from the faculties and departments on any new or emerging risks.

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

The Council, which is responsible for reviewing the effectiveness of the internal control and risk management framework of the institution, will, on the basis of the information provided by the annual report of the Audit and Risk Management Committee, by the annual report provided by Internal Audit and by any other information provided by USG, form a view of the effectiveness of



the risk management framework. It provides guidance to USG on ways in which procedures need to be improved.

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

Key risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

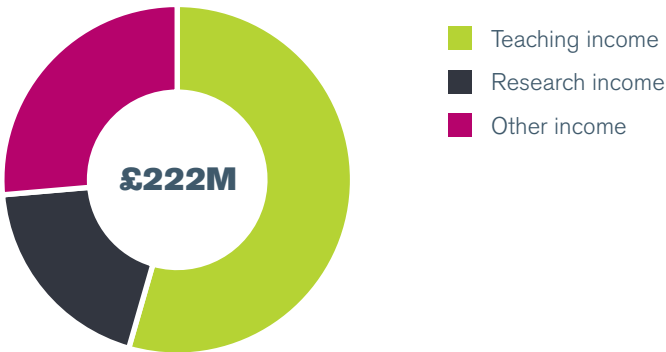
Key Performance Indicators

	2019 Target	2018 Performance		2017 Performance	
		Rank	Value	Rank	Value
Overall <i>The Times</i> and <i>Sunday Times Good University Guide</i> rank	25th	29th	664	22nd	708
Research quality measured by Grade Point Average weighted by intensity	20th	25th	37.2	25th	37.2
Research impact (intensity-weighted)	20th	29th	2.5	29th	2.5
Citation count	20th	59th	27,774	57th	26,671
Research intensity (% submitted)	100%		94%		94%
PhD/staff ratio	1.72		1.2		1.54
Research income/staff	£98.1k		£58.8k*		£64.7k
Student satisfaction		54th	80.2%	55th	80.4%
Entry standards		107th	117	66th	130
Student completion		58th	86.2%	49th	87.9%
Good degrees		41th	78.7%	65th	72.0%
Graduate employability		72nd	74.2%	39th	79.6%
Internationalisation	38%		31.3%		32.8%
Work/study abroad	20%		10.1%		9.9%
Teaching qualifications	40%		45.0%		46.6%
Cash surplus/income	5.5%		5.4%		6.1%
Liquidity days (minimum)	60 days		185		141
EBITDA/debt servicing (minimum)	1.5		4.4		2.4

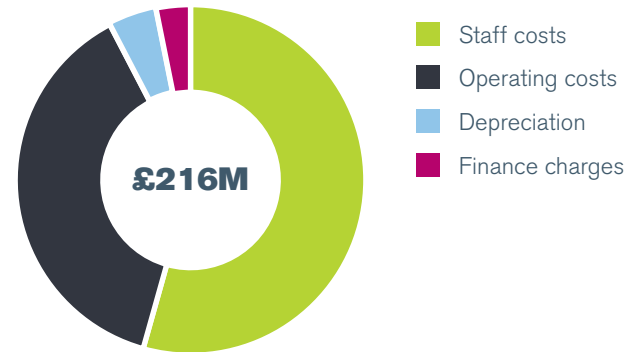
*Indicative value

Financial Statements

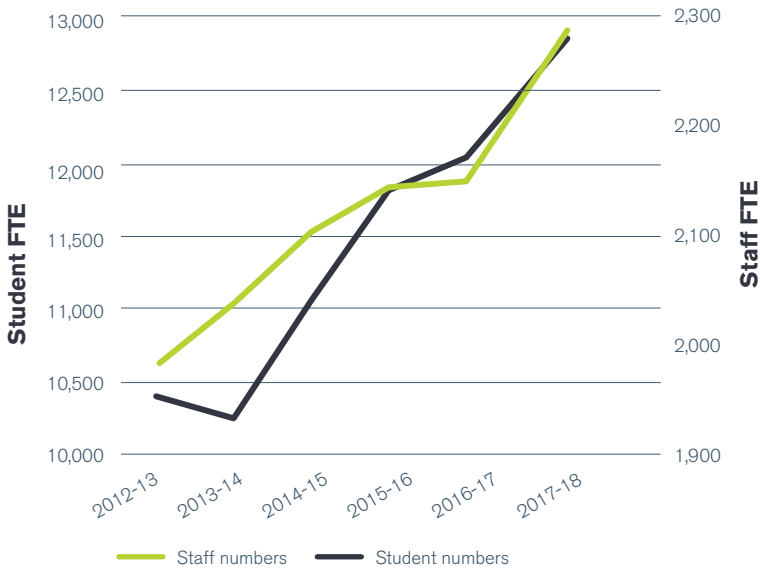
INCOME 2017-18



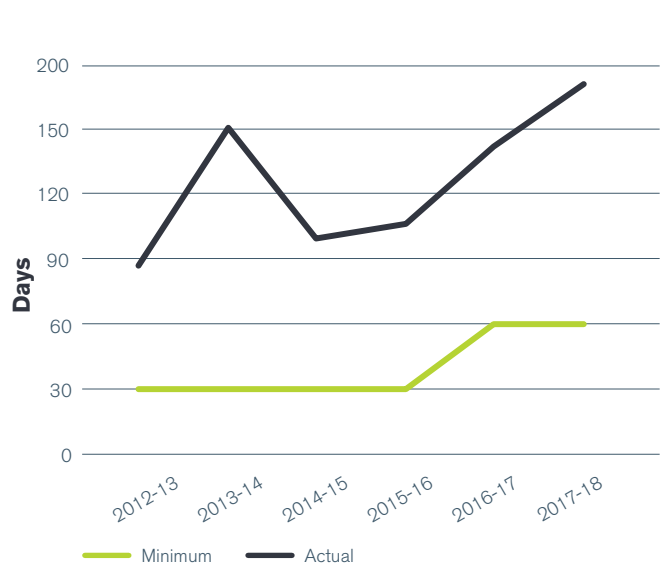
EXPENDITURE 2017-18



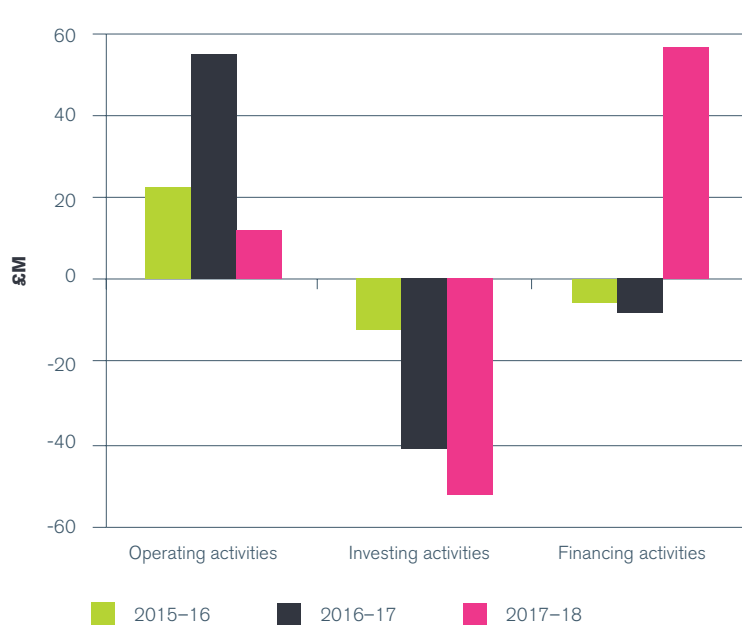
STUDENT AND STAFF NUMBERS



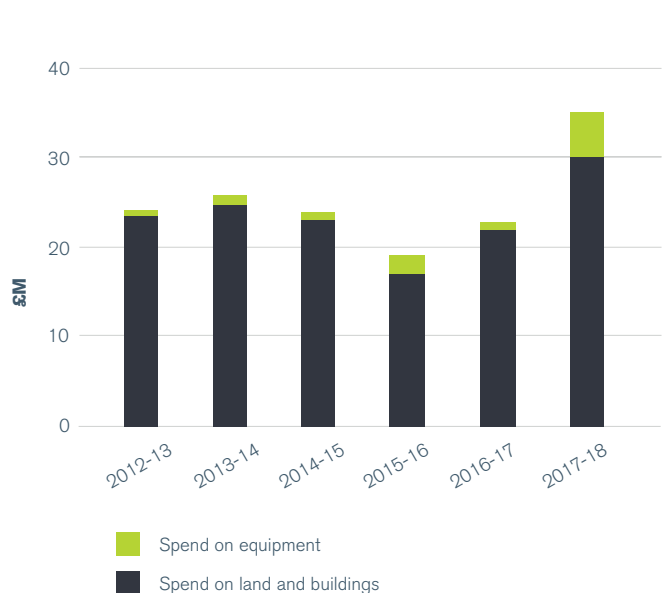
LIQUIDITY DAYS



CASH INFLOWS AND OUTFLOWS



CAPITAL INVESTMENT



Quick Overview 2017-18

INCOME
£222M **UP**
 0.5%
 (£221M 2016-17)

TEACHING INCOME
£124M **UP**
 3.3%
 (£120M 2016-17)

**RESEARCH
 INCOME**
£43M
 (INCLUDING CONTRACTS,
 GRANTS AND FEES)

£6.7M
**SURPLUS FOR
 INVESTMENT
 AND GROWTH**

TOTAL EXPENDITURE
£216M
 (£202M 2016-17)

STAFFING
2,290
 (2,176 2016-17)

STUDENT NUMBERS
12,849 **UP**
 6.6%

**CAPITAL
 INVESTMENT**
£155M
 OVER THE STRATEGIC
 PLANNING PERIOD
 2013-18

Public Benefit



The University's charitable aims

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

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



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

Beneficiaries of our work

The undergraduates and postgraduates who study at Essex are the main public beneficiaries of our work. Other beneficiaries include companies, organisations and charities that employ our graduates, work with our academics on knowledge exchange projects or access our training programmes. The general public can also access our facilities, courses, talks and events.

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

Governance

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

Education



“Our approach develops Essex graduates who stand out from the crowd.”

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

Awards and ratings

We've had a succession of excellent results in university rankings.

- We are Top 30 in the UK in *The Times and The Sunday Times Good University Guide 2019*.
- We rose six places to 26th in the Complete University Guide.
- We entered the top 300 universities in the Times Higher Education World University Rankings.
- We secured a top 40 place in the Times Higher Education Europe Teaching Rankings.

The high quality of the education we provide is shown by the feedback we have received. In the 2018 National Student Survey, 87% of undergraduate students expressed overall satisfaction with their course, placing us in the top 15 of mainstream English universities¹ for the sixth year running.

¹ Non-specialist higher education institutions with a survey population of at least 500.

Students celebrating their success at the Faculty of Social Sciences Dean's List event



Our student community

In 2017-18 we welcomed over 5,900 new students as we continue to pursue our strategic goal of growing by 50% over the period covered by our Strategic Plan.

During 2017-18, 12,849 students were studying at Essex at undergraduate and postgraduate level. We saw more than 5,000 students graduate in July 2018 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. In 2017-18, 2,461 Essex students came from outside the EU.

The Essex student experience

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

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

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

Award-winning initiatives include our THINK seminars in 2017-18 which challenged students to debate controversial and thought-provoking subjects, and our Frontrunners work placement scheme. Our Big Essex Award provided recognition to 900 students for their extracurricular activities, volunteering and work experience.

Essex women's basketball team in action (Mansoor Ahmed Photography)



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

- We opened state-of-the-art new teaching facilities for healthcare students, including a hospital ward with robotic patients that simulate a range of medical conditions.
- Our journalism students got first-hand experience of producing a newspaper thanks to a partnership between the University and the *Gazette* newspaper in Colchester.
- Essex Law Clinic appointed a new director and embarked on an ambitious five-year expansion plan. The Clinic is staffed by law students and offers members of the public free initial advice about legal problems.

We also launched two new academic departments, the first at the University for ten years. The Department of Psychosocial and Psychoanalytic Studies builds on the long-established success of an existing centre. The new department has added a range of new degree programmes in childhood studies.

The School of Sport, Rehabilitation and Exercise Sciences offers cutting-edge courses in sport and exercise science, sports performance and coaching, physiotherapy and sports therapy. The School is housed in the newly opened £12 million Essex Sport Arena at our Colchester Campus which provides outstanding facilities for both our students and the public.

Highlights: Student achievements

- A team of Essex law students won the distinguished Jean-Pictet International Humanitarian Law Competition, beating 47 competitors from five continents.
- Two students were shortlisted for national Student Nurse of the Year, and an inspirational nurse, lecturer and doctoral student for Learner of the Year, in the Student Nursing Times Awards 2018.
- Our women's basketball team, the Essex Rebels, reached the National Cup Final and are joining the Women's British Basketball League (WBBL) for the 2018-19 campaign.
- Essex politics student Clara Mayerl won the UN's global One World Essay Contest. Essex students have won the competition four years in a row.
- Talented new athletes from around the world joined our Performance Sport programme, bringing the total number of students on the programme to more than 70.
- 30 inspirational women from across the world were awarded Masters scholarships at Essex thanks to our Women of the Future Appeal, led by former Chancellor Baroness Shami Chakrabarti.
- East 15 Acting School students won or were commended in every category at the BBC Carleton Hobbs Bursary Awards, set up to recognise new talent.



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 centres which offer skills training and funding to doctoral students.

- We lead the South East Network for Social Sciences Doctoral Training Partnership, part of the Economic and Social Research Council's Doctoral Training Network, offering studentships across the social sciences.
- Environment East (EnvEast) Doctoral Training Partnership, backed by the Natural Environment Research Council, offers funding to doctoral students working on climate, marine and atmospheric systems; biodiversity, ecosystem services and sustainable development; and natural hazards.
- The Consortium for the Humanities and the Arts South-East England (CHASE) Doctoral Training Partnership, supported by the Arts and Humanities Research Council, offers studentships in the arts and humanities.
- The Engineering and Physical Sciences Research Council Centre for Doctoral Training (CDT) in Intelligent Games and Game Intelligence, offers studentships in digital game research, design and development and artificial intelligence.
- The Centre for Doctoral Training in Biosocial Research, supported by the Biotechnology and Biological Sciences Research Council and the Economic and Social Research Council, offers funding for multidisciplinary doctoral research in biological, medical and social science subject areas.

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

In 2016 we introduced one of the UK's most comprehensive packages of support for postgraduates who teach, bringing sector-leading improvements to pay, conditions, training, mentoring, and the sharing of good practice.

Meeting different study needs

We 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.

We partner with businesses to offer Higher and Degree apprenticeships which combine on-the-job training and academic study. This year we partnered with a consortium of four NHS Trusts to offer a new apprenticeship route into nursing. A total of 27 staff from the Trusts started nursing courses at our Southend Campus.

Research



We are one of the leading research-intensive universities in the country, ranked 25th in the UK for research quality (*The Times and The Sunday Times Good University Guide 2018*). We are top five in the UK for social science research (REF 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 2017-18 our academics contributed 65 articles, and our pieces were read more than 3.2 million times globally and generated almost 800 comments.

Our global 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.

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



Highlights: Research projects

- A study led by Essex scientists found that increasing production of a common, naturally occurring protein in plant leaves could boost the yields of major food crops by almost 50%. The findings could help in the global battle to feed a growing human population.
- Dr Gillian Sandstrom from our Department of Psychology was awarded £300,000 by the Economic and Social Research Council for a three-year project looking at whether the art of conversation could improve the lives of cancer patients and even help combat one of society's other big killers – loneliness.
- Rising sea temperatures are devastating coral reefs around the world, but new research by scientists from our Coral Reef Research Unit revealed corals in the Northern Red Sea are among the most likely to survive, so a concerted effort is needed to protect them.
- Professor Clara Sandoval from our Human Rights Centre lent her expertise to a report commissioned by Minority Rights Group, showing how redress must be sought for the victims of atrocities in Iraq.
- Professor Nelson Fernández from our School of Biological Sciences led immunological research into the ways embryos are protected in the womb from the mother's body rejecting them. This work has important implications not only in preventing miscarriages, but more broadly in successful organ transplants.
- Dr Tracey Loughran from our Department of History was awarded Wellcome Trust funding for a three-year research project exploring women's health experiences during the post-war period.
- Ten year old girls using Snapchat, WhatsApp and other social media for more than an hour a day are more likely to develop wellbeing issues as older teens. These were the findings of a study by Dr Cara Booker from our Institute for Social and Economic Research.
- Professor Silke Paulmann from our Department of Psychology conducted research showing that former alcoholics continue to have communication problems, and in particular difficulty detecting emotion in someone's voice, long after they have stopped drinking.
- A new interactive, online tool made possible by an Essex project to digitise census data, revealed stark regional divides in childbirth and child mortality in Victorian England and Wales.
- Economist Abhimanyu Gupta is developing a new way of assessing data, which could improve our understanding of financial crises. He has been awarded a grant from the Economic and Social Research Council for a three-year project to develop a mathematical toolkit to help decision-makers.
- Researchers from our Department of Language and Linguistics made a major breakthrough in assessing language development in bilingual families and in identifying children who need extra support to improve their language skills.

Vice-Chancellor Professor Anthony Forster and Institute for Social and Economic Research Director Emily Grundy receive our Queen's Anniversary Prize



Internationally-renowned resources

Our world-leading longitudinal study Understanding Society is the largest of its kind. Around 40,000 households have contributed to the study and their data leads to research which informs policy, shaping the future of the UK.

We're also home to EUROMOD, our hugely influential tax benefit microsimulation model developed by our Institute for Social and Economic Research (ISER) in collaboration with experts across the European Union. It enables researchers and policy analysts to calculate the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

Other internationally-renowned resources include the UK Data Archive which plays a central national role in the secure management of social and economic data to facilitate high quality research.

Queen's Anniversary Prize for outstanding social science research

In November 2017 ISER 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.

ISER is one of our flagship research institutes and the Prize recognises how our researchers are delivering influential and authoritative research, which has an impact at a regional, national and international level.

Our scholars have become the 'go to' people for policymakers and those seeking to influence public policy in the UK and across the globe.

Our new Regius Professor

Professor Kristian Skrede Gleditsch, an internationally-renowned figure in the study of conflict resolution, democratisation and political change, has been appointed our new 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.

Increasing Access

School students meet Pepper the robot at our Big Bang Fair



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 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. In 2017-18, the outreach team worked with nearly 13,000 pupils from over 110 schools.

We have a direct relationship with 38 schools across the eastern region through our Schools Membership Plus scheme. Members can access exclusive events such as taster events and professional training for teachers, and can book early for all other outreach events. We prioritise these schools and aim to react to their needs whilst at the same time promoting access to university. Due to the success of the scheme, new strands have been introduced to include pre-16 students, EU and international schools and alumni working in schools as teachers.

Our Vi6 Partnership with schools in Colchester and Tendring continues to offer sixth formers the chance to study one or two A-Levels at our Colchester Campus with students from other partnership schools. Over 180 students had access to 12 subjects in 2017-18.

More than 800 budding scientists from 32 schools across Essex and Suffolk took part in the Big Bang fair at our Colchester Campus. The fair, organised in partnership with Engineering UK, showcased the exciting opportunities offered by science, technology, engineering and maths (STEM) subjects.

We also welcomed crowds of excited school students to our Digital Arts Festival, which highlighted careers in the eastern region's creative sector.

More Essex and Suffolk school students than ever before 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.

Nearly 750 primary school pupils took part in our first creative writing competition, aimed at inspiring children to get excited about reading and writing.

We continue to lead Make Happen – the Essex consortia of the National Collaborative Outreach Programme. Launched in January 2017 with funding worth £5.8 million, the project funds activity designed to help young people from disadvantaged backgrounds progress into higher education. In 2017-18 Make Happen engaged with over 15,000 students from 62 Essex schools and colleges. Funding is expected to continue until December 2020.

Activities such as these help us meet our published Access Agreement targets for students from under-represented groups.

Business Engagement

Our KTP partners share their successes at our annual KTP Winter Celebration and awards evening



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 latest Economic Impact Report (August 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 a successful initiative funded by Innovate UK and Research Councils that bring together businesses and universities to work on a 12-month to 3-year project to develop new products, services or technologies, driven by research.

Essex is number one in the East of England and London for its number of KTPs, and top 10 in the UK. We're working with businesses from IT, telecommunications, logistics, finance, defence, agriculture and manufacturing, to drive innovation, productivity, and competitiveness. Our funding approval success rate is 95%.

Several new projects launched this year.

- Our second KTP with media-monitoring company Signal Media, to use artificial intelligence to extract and visualise insights from text. Our first project with the company enabled it to secure investment of over £5.8 million and grow from a three-person operation to a firm with more than 70 employees.
- We're working with ABER Electronics to enhance their technology used in live sports broadcasts.
- We're helping Hub TV use artificial intelligence in a new product to help brands create video content and target distribution strategies based on audience.
- We're using our expertise in natural language processing to help Objective IT develop an email bot that will automatically respond to customer queries.

As well as engaging in KTPs we continue to work with businesses on collaborative research projects. Dr Philippe Laisue from our School of Biological Sciences worked with instrument manufacturer Cairn Research to develop a new microscope which can look at live corals like never before.

Our major new Innovation Centre will help start-ups succeed



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.

Development of our new Innovation Centre is underway. Opening in early 2019, it will offer 3,500 sq. m of space, plus vital hands-on support, to help 50 start-up companies scale up, and succeed. The centre will house a digital creative studio, supporting Nesta's *Geography of Creativity in the UK* study findings that rank Colchester in the top ten in England for creative industries.

Parkside Office Village is home to digital and tech companies who work with us, and employ our graduates, and it is also the location of our Institute for Analytics and Data Science, the ESRC Business and Local Government Data Research Centre, working with businesses and organisations to unlock the true value of their data. New tenants this year included Essex Chambers of Commerce.

The second major phase of Parkside Office Village, to create a further 1,353 sq. m of bright, modern office space, encouraging further growth and collaboration for SMEs, will open in late 2018.

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 enables our students to raise money for projects. So far, 300 student groups have launched projects with 90% hitting their fundraising targets. From new business start-ups to sports teams and arts events, Click has helped students turn their ideas into reality, with more than £300,000 raised in total.

We partner with Santander Universities UK to support the Start-Up Hub at the Knowledge Gateway, which provides hot-desk space and hands-on business support for student and graduate start-up businesses. This year, seven fledgling businesses were awarded grants from the Knowledge Gateway Innovation Fund.

Community Engagement

Professor Clara Sandoval delivers her Professorial Inaugural Lecture



Our campuses are at the heart of their local communities, attracting visitors to events that showcase our research expertise and a range of arts venues.

Showcasing our research

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

- Our Professorial Inaugural Lectures continue to allow the public and our University community to hear and engage with the research being undertaken by our newly appointed professors.
- Café Scientifique, the popular series of talks designed to increase informal engagement between the public and researchers, continued to attract record audiences.
- A team of PhD students from the University brought the world's largest festival of public science talks to Colchester. The three-day Pint of Science event saw Essex lecturers present their latest findings in local pubs, speaking on topics ranging from the environment to big data to global politics.

- Holocaust Memorial Week in January featured a programme of public events aimed at encouraging discussion around issues relating to the Holocaust with events including the Dora Love Prize which engaged more schools from across Essex and Suffolk than ever before.

Our academic departments and centres also offer the wider community the chance to benefit from our research expertise through a huge range of conferences, short courses, training and public lectures throughout the year. Speakers in 2017-18 included Anthony Romero, executive director of the American Civil Liberties Union, and BBC News channel presenter Clive Myrie.

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



Arts and culture

Our three theatres at our Colchester, Loughton and Southend campuses all host numerous public performances including shows featuring our students. East 15 Acting School's busy programme of performances includes productions inspired by local history, culture and politics.

Our academics have also used theatre to bring their work to a wider audience. Projects this year included:

- Anney Lax from our Department of Literature, Film, and Theatre Studies took satire to the streets of London to demonstrate the impact of the arms trade on global human rights with her play, *Arming the World*.
- Dr Jeremy Krikler from our Department of History dramatised the notorious Zong slave massacre of 1781 in his play, *A Peril of the Sea*, which opened at the Lakeside Theatre at our Colchester Campus before moving to London's Bloomsbury Theatre.

- A new play by Dr Mary Mazzilli from our Department of Literature, Film, and Theatre Studies humanised the reality of life for immigrants by focusing on four people looking for a place to call home.

The Essex Book Festival organising team has been based in our Centre for Creative Writing since 2015. The 2018 festival was the biggest yet, with leading authors, poets, journalists, dramatists, artists and film-makers, along with University staff and students, celebrating literature with more than 100 events across the county.

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:

- *(In)Tension: One Country, Two Systems* explored pro-democracy protests that took place in Hong Kong in recent years. The exhibition was developed by our MA Curating students for their final project.
- Dr Matt Lodder from our School of Philosophy and Art History curated *Skin Digging*, an exhibition exploring the life and art of Britain's first prominent female tattooist.
- *Fallen* marked the centenary of the Russian revolution by exploring the rise and fall of the cult of Vladimir Lenin.

The Essex Collection of Art from Latin America (ESCALA), which comprises more than 750 works, has a dedicated teaching and research space to provide unparalleled access to art from Latin America to students, staff and the wider community for research, education and innovation. ESCALA also has artworks on public display in the ESCALA Gallery in the Silberrad Student Centre, Albert Sloman Library and Wivenhoe Park. The Collection is also accessible online through ESCALA's website and unique archival materials are available in the ESCALA Documentation Centre.

Student volunteering

More than 1,100 Essex students were active volunteers in 2017-18, committed to making an impact on campus and on our local community by taking part in extra-curricular activities such as volunteering projects, placements, societies and sport clubs. They delivered more than 33,000 hours of volunteering, coordinated and initiated through the Students Union's vTeam. These activities not only benefit the community but also the students themselves, as they develop skills that boost their future employability.

Corporate Governance Statement

Corporate governance and accountability arrangements

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

The University is fully compliant with the Committee of University Chairs (CUC) higher education Code of Governance issued in December 2014, and following the publication of the higher education senior staff remuneration code, published by the CUC in June 2018, we are ensuring that the University is fully compliant. Our Remuneration Committee reviewed the CUC code at its meeting in June 2018 and also the membership and Terms of Reference for the Remuneration Committee. The Remuneration Committee have 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 two half away days. Of its 25 members, a majority are members drawn from outside the University.

Responsibilities of the Council

Council are 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 Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are 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 are 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 are 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council are 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 and Research England have been applied in accordance with the terms and conditions attached to them;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them
- 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 2018: "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. The Committee's members have recent relevant financial experience in line with HEFCE guidance. The Audit and Risk Management Committee relies on the work of internal and external audit, on information provided by management and on 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 once during the year.

The Remuneration Committee determines the annual remuneration of the most senior staff, including the Vice-Chancellor. The Committee met once during the year.

The University Senate

The Senate is the highest academic authority of the University. It is responsible for the promotion of academic work in both teaching and research, for the regulation of educational arrangements and the maintenance of discipline. It receives quality audit reports from both 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 whose 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 2017-18.

Members	Appointments	End of term of office
External members (10 places)		
Dr Elizabeth Hall	Appointed 1 August 2012 Reappointed 1 August 2015 and 1 August 2018	31 July 2021
Simon Hall	Appointed 1 August 2016	31 July 2019
Jane Hamilton	Appointed 1 August 2015 Reappointed 1 August 2018	31 July 2021
Milan Makwana	Appointed 1 August 2014 Reappointed 1 August 2017	31 July 2020
Geoffrey Probert	Appointed 1 March 2014 Reappointed 1 August 2017	31 July 2020
Joe Lister	Appointed 1 August 2015	31 July 2018
Hayley Read	Appointed 1 August 2015	31 July 2019
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
Ex officio members (6 places)		
David Currie, Pro-Chancellor, Chair of Council	Appointed 1 April 2015 Reappointed 1 August 2018 to 31 July 2021	Resigned 3 July 2018
Judith Judd, Pro-Chancellor	Appointed 1 August 2010 to 31 July 2016 Pro-Chancellor from 1 August 2012 to 31 July 2016 Reappointed 1 August 2016 to 31 July 2019 Appointed Chair of Council 12 July 2018	31 July 2019
Maria Stanford, Pro-Chancellor	Appointed 1 August 2011 Reappointed 1 August 2017 to 31 July 2020 Pro-Chancellor from 1 August 2015	31 July 2020
Tim Porter, Treasurer	Appointed 1 August 2014 Reappointed 1 August 2017 to 31 July 2020 Pro-Chancellor from 1 August 2016	31 July 2020
Professor Anthony Forster, Vice-Chancellor		N/A
Appointed Members (2 Deans)		
Professor Martyna Sliwa	Appointed 1 January 2017	31 July 2019
Professor Dominic Micklewright	Appointed 28 November 2016	31 July 2019
Members elected by Senate (5 places)		
Professor Joan Busfield	Appointed 1 August 2015	31 July 2018
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
Professor Nancy Kula	Appointed 1 November 2015	31 July 2018
Member elected by the non-academic staff (1 place)		
Lynn Bowman-Burns	Appointed 1 August 2016	31 July 2019
Student member (1 place)		
Zoe Garshong	Appointed 1 July 2016 to 30 June 2017 Reappointed 1 July 2017 to 30 June 2018	30 June 18
Tancrede Chartier	Appointed 1 July 2018	30 June 2019
Observer		
Mark Lam	23 November 2017	31 July 2018

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 2018 which comprise the consolidated and University statement of comprehensive income and expenditure, consolidated and University statement of changes in reserves, consolidated and University balance sheets and consolidated cash Flow statement and related notes, including the accounting policies.

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 2018, 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Council is responsible for the other information, which comprises the Strategic Report and Corporate Governance Statement and the Public Benefit 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 26, 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.

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;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Council, in accordance with Charters and Statutes 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 2018

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 2018. 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
- 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 2018

	Notes	Consolidated Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	University Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Income					
Funding body grants	1	21,184	18,651	21,184	18,651
Tuition fees and education contracts	2	123,937	119,083	123,937	119,083
Research grants and contracts	3	30,450	29,636	30,450	29,636
Other income	4	45,892	53,273	39,657	45,429
Endowment and investment income	5	757	426	731	364
Donations and endowments	6	60	84	60	84
Total income		222,280	221,153	216,019	213,247
Less: Share of income from joint ventures	4	(367)	(328)	0	0
Net income		221,913	220,825	216,019	213,247
Expenditure					
Staff costs	8	119,180	109,987	111,183	104,964
Other operating expenses	9	79,284	76,899	82,902	76,692
Depreciation	9	9,700	9,031	9,216	8,604
Interest and other finance costs	9	7,683	6,409	7,742	6,381
Total expenditure	10	215,847	202,326	211,043	196,641
Surplus / (deficit) before other gains and losses and share of operating surplus of joint ventures		6,066	18,499	4,976	16,606
Share of operating surplus / (deficit) in joint ventures	14	0	0	0	0
Gain on investments		651	1,122	651	1,122
Surplus / (deficit) for the year		6,717	19,621	5,627	17,728
Actuarial (loss) / gain in respect of pension schemes		6,945	7,218	6,539	6,610
Increase / (decrease) in value of joint ventures		18	18	0	0
Total comprehensive loss for the year		13,680	26,857	12,166	24,338
Represented by:					
Endowment comprehensive income for the year		(32)	667	(32)	667
Restricted comprehensive income for the year		(216)	398	(216)	398
Unrestricted comprehensive loss for the year		13,928	25,792	12,414	23,273
Revaluation reserve comprehensive loss for the year		0	0	0	0
		13,680	26,857	12,166	24,338

All items of income and expenditure arise from continuing operations
The notes on pages 42 to 67 form an integral part of these Financial Statements

Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2018

Consolidated	Income and expenditure account			Revaluation reserve £'000	Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000		
Balance at 1 August 2016	5,802	2,921	190,189	0	198,912
Surplus / (deficit) from the income and expenditure statement	0	0	19,621	0	19,621
Other comprehensive income	667	398	6,171	0	7,236
Transfers between revaluation and income and expenditure reserve	0	0	0		0
Total comprehensive income for the year	667	398	25,792	0	26,857
Balance at 1 August 2017	6,469	3,319	215,981	0	225,769
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	0
Total comprehensive income for the year	(32)	(216)	13,928	0	13,680
Balance at 31 July 2018	6,437	3,103	229,909	0	239,449
University	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2016	5,802	2,921	208,598	0	217,321
Surplus / (deficit) from the income and expenditure statement	0	0	17,728	0	17,728
Other comprehensive income	667	398	5,545	0	6,610
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
Total comprehensive income for the year	667	398	23,273	0	24,338
Balance at 1 August 2017	6,469	3,319	231,871	0	241,659
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
Total comprehensive income for the year	(32)	(216)	12,414	0	12,166
Balance at 31 July 2018	6,437	3,103	244,285	0	253,825

The notes on pages 42 to 67 form an integral part of these Financial Statements

Balance Sheets as at 31 July 2018

	Notes	Consolidated		University	
		Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Fixed assets					
Tangible assets	11	371,630	346,046	347,761	329,435
Heritage assets	12	798	798	798	798
Investment Properties	11	1,990	2,360	1,990	2,360
Investments	13	8,854	8,203	51,975	41,342
Investment in joint ventures	14	91	73	0	0
		383,363	357,480	402,524	373,935
Current assets					
Stocks	15	296	294	182	195
Debtors	16	21,132	81,665	18,060	80,725
Investments	17	50,000	32,000	50,000	32,000
Cash and cash equivalents		53,005	39,108	50,866	34,347
		124,433	153,067	119,108	147,267
Less: Creditors: amounts falling due within one year	18	(40,910)	(47,043)	(51,332)	(53,326)
Net current assets		83,523	106,024	67,776	93,941
Total assets less current liabilities					
		466,886	463,504	470,300	467,876
Less creditors: amounts falling due after more than one year	19	(195,121)	(197,901)	(184,905)	(187,439)
Pension provisions	20	(32,126)	(39,580)	(31,447)	(38,609)
Other provisions	20	(190)	(254)	(123)	(169)
Total net assets		239,449	225,769	253,825	241,659
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	6,437	6,469	6,437	6,469
Income and expenditure reserve - restricted reserve	22	3,103	3,319	3,103	3,319
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		229,909	215,981	244,285	231,871
Total Reserves		239,449	225,769	253,825	241,659

The Financial Statements were approved by the Governing Body on 26 November 2018 and were signed on its behalf on that date by:

PROFESSOR A. FORSTER
Vice-Chancellor

J. JUDD
Chair of Council

A. KEEBLE
Director of Finance

The notes on pages 42 to 67 form an integral part of these Financial Statements

Consolidated Cash Flow Statement

Year Ended 31 July 2018

	Notes	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Cash flow from operating activities			
Surplus / (deficit) for the year		6,066	18,499
Adjustments for non-cash items			
Depreciation	11	9,700	9,031
Revaluation of investment property	11	370	310
Gain on investments		0	0
(Increase) / decrease in stocks	15	(2)	(17)
(Increase) / decrease in debtors	16	(4,233)	(5,113)
Increase / (decrease) in creditors		(6,169)	24,852
(Decrease) / increase in provisions		(574)	1,121
Adjustment for investing or financing activities			
Loss on disposal of tangible fixed assets		37	277
Investment income	5	(757)	(426)
Interest payable	9	6,948	5,538
Endowment income		0	(22)
Net cash inflow from operating activities		11,386	54,050
Cash flows from investing activities			
Disposal of non-current asset investments		0	0
(Investment in) / withdrawal of short term investments	17	(18,000)	(21,000)
Investment income	5	757	426
Payments made to acquire tangible fixed assets	11	(35,321)	(23,572)
Receipts from sales of tangible fixed assets		0	2,912
		(52,564)	(41,234)
Cash flows from financing activities			
Interest paid	9	(6,948)	(5,538)
Endowment cash received	21	0	22
Proceeds of bond issue		65,000	0
New secured loans		200	200
Repayments of amounts borrowed		(3,177)	(3,177)
		55,075	(8,493)
Increase / (decrease) in cash for the year		13,897	4,323
Cash and cash equivalents at beginning of the year		39,108	34,785
Cash and cash equivalents at end of the year		53,005	39,108

The notes on pages 42 to 67 form an integral part of these Financial Statements

Notes to the Accounts

for the year ended 31 July 2018

	Consolidated	
	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
1 Funding body grants		
Recurrent - teaching grant	5,073	5,676
Recurrent - research grant	8,360	8,206
Specific grants	5,708	2,387
Capital grants	2,043	2,382
	21,184	18,651
2 Tuition fees and education contracts		
Full-time home and EU students	80,855	73,366
Full-time international students	33,372	34,049
Part-time students	1,136	1,155
Non-credit-bearing tuition fees	2,059	2,509
NHS contracts	6,422	7,919
Research training support grant	93	85
	123,937	119,083
3 Research grants and contracts		
Research Councils	20,870	21,965
UK-based charities	2,199	1,768
UK central government, local authorities and health authorities	1,644	1,285
UK industry, commerce and public corporations	803	545
European Union government bodies	3,759	3,241
Other overseas	1,145	820
Other sources	30	12
Research and Development Expenditure Credit	0	0
	30,450	29,636
4 Other income		
Other services rendered:		
Income from academic partnerships	2,762	2,385
Other sources	555	159
Commercial services income	30,222	29,761
Capital grants (non-funding council)	0	0
Rental income	1,200	1,092
Gain on revaluation of investment property	0	0
Other income	10,786	19,548
Income from joint ventures	367	328
	45,892	53,273
5 Endowment and investment income		
Investment income on endowments	50	42
Investment income on restricted reserves	34	24
Other investment income	673	360
	757	426
6 Donations and endowments		
New endowments	0	22
New donations with restrictions	60	62
	60	84

Notes to the Accounts

for the year ended 31 July 2018

	Consolidated	
	Year Ended	Year Ended
	31 July 2018	31 July 2017
	£'000	£'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	5,224	6,698
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	403	11,030
Surplus retained by subsidiary undertakings and joint ventures	1,090	1,893
	6,717	19,621

8 Staff costs

Staff Costs :

Salaries	90,631	80,750
Social security costs	8,242	8,016
Movement on USS provision	114	724
Movement on SAUL provision	(91)	(141)
Other pension costs	20,284	20,638
Total	119,180	109,987

	£	£
Remuneration Package of the Vice-Chancellor *: Note 8i		
Salary	289,183	257,274
Medical Insurance	4,254	4,176
Accommodation	24,000	24,000
Cleaning	2,622	2,544
Utilities	1,652	1,380
Pension contributions to USS	56,373	50,629
Salary and Associated Benefits	378,084	340,003

Compensation for loss of office paid to a member of staff for 2017-18 was £96k (2016-17: £184k)

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

Remuneration of other higher paid staff, excluding employer's pension contributions:

	No.	No.
£100,000 to £104,999	1	2
£105,000 to £109,999	3	2
£110,000 to £114,999	4	2
£115,000 to £119,999	1	3
£120,000 to £124,999	0	3
£125,000 to £129,999	5	4
£130,000 to £134,999	3	0
£135,000 to £139,999	1	3
£140,000 to £144,999	2	2
£145,000 to £149,999	1	1
£150,000 to £154,999	1	0
	22	22

Average staff numbers by major category:

	No.	No.
Academic	732	666
Research	111	108
Senior Support	564	562
Other Support	499	476
General Support	384	364
	2,290	2,176

Notes to the Accounts

for the year ended 31 July 2018

8 Staff costs (continued)

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 2018 £'000	Year Ended 31 July 2017 £'000
Key management personnel compensation	1,549	1,340

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 £4,740 (2016-17: £3,356 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.

The remuneration of the Vice-Chancellor is considered annually by the University's Remuneration Committee. At its meeting in June 2017, the Committee considered a range of evidence relating to the performance of the University as a whole and of the Vice-Chancellor specifically, in providing effective leadership to deliver the objectives and performance measures set out in the University's Strategic Plan 2013 – 2019. In relation to the performance of the University as a whole, the Committee gave particular weight to the considerable success of the University over the preceding year in: achieving the interim milestone in the University's strategic plan of being ranked in the top 30 in The Times and Sunday Times Good University Guide; generating a sustainable 5.5% cash surplus in line with the objectives that had been set by the Council, allowing continued investment in the development of the University's staff base and infrastructure; continued increases in student numbers; attracting the highest ever level of student applications for 2017 entry to the University; and achieving a Gold rating in the TEF, placing Essex in a limited group of around a dozen universities in the UK ranked in both the top 20% of institutions in the TEF and in REF 2014.

Notes to the Accounts

for the year ended 31 July 2018

8i Vice-Chancellor's remuneration package (continued)

The Committee acknowledged the considerable success of the University in progressing towards the challenging targets that had been set in the Strategic Plan for the period to 2019. The Committee then considered the outcomes of the Vice-Chancellor's performance review, which had been undertaken by the Chair of Council. This had confirmed continued and consistent outstanding leadership on the part of the Vice-Chancellor. The Committee noted that the outcomes achieved by the University in the preceding year, in relation to institutional standing, educational outcomes of students and graduate level outcomes for graduates had each delivered substantial additional value for students. The Committee acknowledged the collective effort from colleagues across the University in these achievements; however, the Committee also recognised that the consistently outstanding leadership demonstrated by the Vice-Chancellor had been a particularly significant contributing factor in both the levels of performance achieved by the University and the creation of added benefit for students.

In the light of their assessment of the University's performance in general and the Vice-Chancellor's contribution in particular, the Committee concluded that these outcomes equated to performance between the upper-quartile and upper-decile of pre-1992 universities and that this range should provide a context within which consideration of the Vice-Chancellor's remuneration should be undertaken. As a consequence, the Committee determined that the Vice-Chancellor should be awarded a significant increase in his salary to reflect the consistently outstanding leadership he had provided and the benefits that were resulting from the impact of that leadership, particularly for students.

The conclusions of the Remuneration Committee were communicated to the Vice-Chancellor. He concluded that he would not wish to take a merit-based increase in his salary with effect from 1st October 2017 which was at a higher percentage level than any other member of University staff, recognising the range of contributions that all colleagues had made to the success of the University. As a consequence, the Vice-Chancellor decided voluntarily not to accept the full increase offered to him by the Remuneration Committee. The impact of this decision is reflected in the disclosure set out above.

In addition to considering the Vice-Chancellor's remuneration, the Committee also scrutinised details of: any external work undertaken by the Vice-Chancellor, details of which are published on the University's website <https://www.essex.ac.uk/-/media/documents/about/vc-external-appointments.pdf?la=en>; use of the budget allocated by the Committee for strategic events and stakeholder engagement, of which the Vice-Chancellor is the budget holder; and the Vice-Chancellor's international travel in promoting the University's international profile and supporting the range of global partners with which the University works, details of which are published twice annually on the University's website <https://www.essex.ac.uk/-/media/documents/about/vc-lake-house-events.pdf?la=en>

The University of Essex reimburses the reasonable expenses incurred by the Vice-Chancellor on University business in accordance with the expenses guidelines that apply to all employees. Expenses charged to the Vice-Chancellor's university credit card, hotel accommodation costs and out of pocket expenses are published quarterly on the University's website https://www1.essex.ac.uk/records_management/schemes/senior_staff_expenses.aspx.

The Vice-Chancellor is expected to travel by the most economical means (standard by rail and economy flights). If there is a need to travel business class, a case needs to be approved by the Registrar and Secretary. Flight and rail costs are published quarterly on the University's website https://www1.essex.ac.uk/records_management/schemes/senior_staff_expenses.aspx

Relationship between the head of provider's actual remuneration and that for all other employees

The head of the provider's basic salary is 9.99 times (2016-17 – 13.58) 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 12.3 times (2016-17 - 14.73) 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.

The head of the provider's basic salary is 9.19 times (2016-17 – 10.91) 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 6.06 times (2016-17 – 5.48) the median pay for academic members of staff.

The OfS will require all institutions to include the pay of agency and similar staff in the calculation from 2018-19. The University did not previously routinely collect the data required to present agency and similar staff on the same and consistent basis as regular staff, especially in order to provide 2016-17 comparative information. The University has put in place processes to collect and analyse the information ready for the mandatory inclusion in the disclosure for 2018-19.

Notes to the Accounts

for the year ended 31 July 2018

	Consolidated	
	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
9 Other operating expenses		
Books and periodicals	3,130	2,979
Equipment and consumables	4,216	3,271
Food, drink and hospitality	106	540
Gas, water and electricity	4,502	3,189
Cleaning	731	528
Grants to Students' Union	3,502	2,612
Insurance	415	529
Long-term maintenance programme and minor works	2,234	2,972
Other expenses	9,741	11,869
Postage, telephones, printing & stationery	843	764
Professional and consultancy fees	11,627	6,025
Rates and rental of premises	7,398	8,195
Repairs and routine maintenance of estates	4,532	4,304
Research survey fieldwork	9,305	5,646
Subcontracted services	0	4,124
Scholarships (fee waivers and bursaries)	6,548	7,973
Travel, subsistence and accommodation	1,869	2,423
IT / AV Equipment	5,661	4,795
Fire safety and security	1,098	531
Adverts and marketing	1,385	1,254
Agents commission	71	2,066
Loss on revaluation of investment property	370	310
(Gain)/Loss on disposal of fixed asset	0	0
	79,284	76,899
<p>Included within professional, auditor and consultancy fees above are the following amounts receivable by the external auditor: Statutory audit fee: £67,558 (2016-17: £62,280) Audit-related assurance services: £3,297 (2016-17: £3,192) Taxation advisory services: £72,010 (2016-17: £22,400)</p>		
Depreciation, impairment and amortisation		
Depreciation charge on tangible fixed assets	9,700	9,031
	9,700	9,031
Finance charges		
Bank Interest payable	6,948	5,538
Net charge on pension scheme	735	871
	7,683	6,409

Notes to the Accounts

for the year ended 31 July 2018

10 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation and Amortisation £'000	Interest paid £'000	2017-18 Total £'000	2016-17 Total £'000
Academic departments and centres	61,518	9,635	22	0	71,175	67,549
Academic services	10,324	8,079	0	0	18,403	17,051
Research grants and contracts	11,597	12,356	103	0	24,056	23,220
Residences and catering	8,001	10,658	2,961	1,647	23,267	22,079
Premises	5,683	10,692	0	0	16,375	14,512
Administration	12,935	5,396	6	0	18,337	19,208
Other services rendered	221	465	0	0	686	777
General education expenditure	2,575	8,660	0	0	11,235	8,511
Student and staff facilities	5,775	8,839	97	62	14,773	13,765
Early retirements and severances	96	0	0	0	96	184
Other expenses	455	4,504	6,511	5,974	17,444	15,470
	119,180	79,284	9,700	7,683	215,847	202,326

Notes to the Accounts

for the year ended 31 July 2018

11 Tangible assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Heritage Assets	Investment Properties	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 August 2017	344,842	11,637	24,776	31,262	798	2,360	415,675
Adjustments	0	0	0	0	0	0	0
Additions	247	98	5,279	29,697	0	0	35,321
Transfers	18,770	0	3,830	(22,600)	0	0	0
Disposals	0	(24)	0	(13)	0	0	(37)
Impairment	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	(370)	(370)
At 31 July 2018	363,859	11,711	33,885	38,346	798	1,990	450,589
Depreciation							
At 1 August 2017	51,545	1,186	13,740	0	0	0	66,471
Charge for the year	6,401	209	3,090	0	0	0	9,700
Impairments	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
At 31 July 2018	57,946	1,395	16,830	0	0	0	76,171
Net Book Value							
At 31 July 2018	305,913	10,316	17,055	38,346	798	1,990	374,418
At 31 July 2017	293,297	10,451	11,036	31,262	798	2,360	349,204
University							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 August 2017	337,456	11,119	23,115	20,964	798	2,360	395,812
Adjustments	0	0	0	0	0	0	0
Additions	225	0	5,184	22,146	0	0	27,555
Transfers	18,770	0	3,830	(22,600)	0	0	0
Disposals	0	0	0	(13)	0	0	(13)
Impairment	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	(370)	(370)
At 31 July 2018	356,451	11,119	32,129	20,497	798	1,990	422,984
Depreciation							
At 1 August 2017	49,118	988	13,113	0	0	0	63,219
Charge for the year	6,268	48	2,900	0	0	0	9,216
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
At 31 July 2018	55,386	1,036	16,013	0	0	0	72,435
Net Book Value							
At 31 July 2018	301,065	10,083	16,116	20,497	798	1,990	350,549
At 31 July 2017	288,338	10,131	10,002	20,964	798	2,360	332,593

Notes to the Accounts

for the year ended 31 July 2018

University Land and Buildings include £48.5m (2016-17: £48.5m) in respect of freehold land which is not depreciated. Included in the cost of fixed assets is aggregated interest capitalised of £2.8m (2016-17: £2.8m)

Additions to University land and buildings in the year includes £22.1m (2016-17: £14.5m) 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 2018 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 2018

13 Investments

	Consolidated		University	
	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
At 1 August	8,203	7,081	41,342	40,220
(Disposals) / Additions	651	1,122	10,633	1,122
Revaluations credited to the revaluation reserve	0	0	0	0
At 31 July	8,854	8,203	51,975	41,342
Comprising:				
Equities	8,807	8,156	8,807	8,156
Subsidiary companies:				
University of Essex Knowledge Gateway Holdings Ltd	0	0	27,794	17,312
Universal Accommodation Group Ltd	0	0	2,893	2,893
University of Essex Campus Services Ltd	0	0	1,333	1,333
Wivenhoe House Hotel Ltd	0	0	11,101	11,601
Other investments	47	47	47	47
	8,854	8,203	51,975	41,342

14 Investment in Joint Ventures

Southend-on-Sea Forum Management Limited

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		367		328
Expenditure		(367)		(328)
Profit before tax		0		0
Balance sheet				
Fixed assets	0		0	
Current assets	179	179	212	212
Creditors: amounts due within one year	(88)		(139)	
Creditors: amounts due after more than one year	0	(88)	0	(139)
Share of net assets in Southend-on-Sea Forum Management Ltd		91		73

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 2018 it recorded a surplus of £nil (2016-17: £nil).

During the year, SoSFML Ltd purchased goods and services to the value of £59.20 from the University (2016-17: £2k) of which £nil was outstanding at 31 July 2018 (2016-17: £nil). SoSFML Ltd provided services to the University to the value of £341k (2016-17: £317k) with a credit of £nil outstanding at 31 July 2018 (2016-17: £457).

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 2018

14 Investment in joint venture (continued)

Total investment in Joint Ventures:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Total income from joint ventures recognised in the Income Statement		
Income from SoSFML	367	328
Income from Eastern HE Cost Sharing Ltd	0	0
Total Income from joint ventures	367	328

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

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

Share of gross assets and liabilities in joint ventures:

Share of net assets in SoSFML	91	73
Share of net assets in Eastern HE Cost Sharing Limited	0	0
Total share of gross assets in joint ventures	91	73

15 Stock

	Consolidated		University	
	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Stock	296	294	182	195

16 Debtors

	Consolidated		University	
	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Amounts falling due within one year:				
Trade debtors	2,669	250	1,888	(28)
Student fees	4,059	3,779	4,059	3,779
Research debtors	4,195	4,593	4,195	4,593
Prepayments and accrued income	8,468	7,801	7,425	6,306
Other debtors	1,741	65,242	30	65,030
Amounts due from subsidiary companies	0	0	463	1,045
	21,132	81,665	18,060	80,725

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 2018

17 Investments

	Consolidated		University	
	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Deposits maturing:				
In one year or less	50,000	32,000	50,000	32,000
	50,000	32,000	50,000	32,000

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 2018 the weighted average interest rate of these fixed rate deposits was 0.89% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 198 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 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Secured loans	2,208	2,108	2,208	2,108
Unsecured loans	0	1,755	0	125
Payments received in advance	9,190	12,190	9,190	12,190
Research grants received on account	11,059	14,065	11,059	14,065
Trade creditors	4,020	3,133	3,598	3,052
Bank Overdraft	7	0	0	0
Social security and other taxation payable	2,301	2,373	2,096	1,909
Accruals and deferred income	12,125	11,419	8,514	8,343
Amounts due to subsidiary companies	0	0	14,667	11,534
	40,910	47,043	51,332	53,326

Notes to the Accounts

for the year ended 31 July 2018

19 Creditors : amounts falling due after more than one year

	Consolidated		University	
	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Analysis of secured and unsecured loans:				
Due within one year or on demand	2,208	3,863	2,208	2,233
Due between one and two years	2,208	2,108	2,208	2,108
Due between two and five years	7,722	7,400	7,722	7,400
Due in five years or more	94,134	96,765	94,134	96,765
Bond Liabilities	65,000	65,000	65,000	65,000
	171,273	175,136	171,273	173,506
Due within one year or on demand	(2,208)	(3,863)	(2,208)	(2,233)
Due after more than one year	169,064	171,273	169,064	171,273
Other creditors:				
Due between one and two years	6,312	6,132	325	0
Due between two and five years	5,504	5,930	976	1,301
Due in five years or more	14,241	14,566	14,540	14,865
	26,057	26,628	15,841	16,166
Total	195,121	197,901	184,905	187,439

During 2008-09, the University received £0.16m from HEFCE through the SALIX initiative as start-up funding to finance energy conservation and efficiency within the University. This will be non-repayable provided that the University is able to demonstrate that appropriate progress has been made.

In 2013 the University renegotiated its loan facility with Lloyds. As at 31 July 2017, the University had loans with Lloyds totalling £106m (2016-17: £108m), 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 2018

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 2017	32,514	93	6,973	39,580	254
Utilised in year	(2,140)	(93)	(8,145)	(10,378)	0
Additions in year	2,924	0	0	2,924	(64)
At 31 July 2018	33,298	0	(1,172)	32,126	190

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 2017	31,930	91	6,588	38,609	169
Utilised in year	(2,096)	(91)	(7,795)	(9,982)	0
Additions in year	2,820	0	0	2,820	(46)
31 July 2018	32,654	0	(1,207)	31,447	123

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.

Notes to the Accounts

for the year ended 31 July 2018

21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2018	2017
	£'000	£'000	Total £'000	Total £'000
Balances at 1 August 2017				
Capital	1,303	5,536	6,839	6,049
Accumulated income / (expenditure)	8	(378)	(370)	(247)
	1,311	5,158	6,469	5,802
New endowments	0	0	0	22
Investment income	9	40	49	42
Expenditure	(118)	(408)	(526)	(165)
	(109)	(368)	(477)	(123)
Increase in market value of investments	86	359	445	768
At 31 July 2018	1,288	5,149	6,437	6,469
Represented by:				
Capital	1,389	5,895	7,284	6,839
Accumulated income / (expenditure)	(101)	(746)	(847)	(370)
	1,288	5,149	6,437	6,469
Analysis by type of purpose:				
Scholarships and bursaries	1,196	6	1,202	1,231
Prize funds	33	193	226	210
General	59	4,950	5,009	5,028
	1,288	5,149	6,437	6,469
Analysis by asset				
Current and non-current asset investments			6,024	5,579
Cash & cash equivalents			413	890
			6,437	6,469

Notes to the Accounts

for the year ended 31 July 2018

22 Restricted Reserves

Reserves with restrictions are as follows:

	Donations	
	2018	2017
	Total	Total
	£'000	£'000
Balances at 1 August 2017	3,319	2,921
New donations	60	62
Investment income	34	24
(Decrease) / increase in market value of investments	206	354
Expenditure	(516)	(42)
	(276)	336
At 31 July 2018	3,103	3,319
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and bursaries	738	827
Prize funds	277	274
General	2,088	2,218
	3,103	3,319
Analysis by asset		
Current and non-current asset investments	2,783	2,577
Cash & cash equivalents	320	742
	3,103	3,319

23 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018:

	Consolidated		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2018	31 July 2017	31 July 2018	31 July 2017
	£'000	£'000	£'000	£'000
Commitments contracted for	12,330	36,460	3,150	19,393
Authorised but not contracted for	15,625	6,802	14,228	6,802
	27,955	43,262	17,378	26,195

Notes to the Accounts

for the year ended 31 July 2018

24 Lease obligations

	Consolidated		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2018	31 July 2017	31 July 2018	31 July 2017
	£'000	£'000	£'000	£'000
Leases expiring after five years	566	554	611	599
	566	554	611	599

Leases are for land and buildings.

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

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

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

25 Disclosure of related party transactions

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

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

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

Due to the nature of the relationship between the entities, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2018 the University paid the Union a revenue grant of £2.291m (2016-17: £2.161m). The Union's income and expenditure account shows the following:

	Year Ended	Year Ended
	31 July 2018	31 July 2017
	£'000	£'000
Income	2,664	2,604
Expenditure	(2,667)	(2,547)
Operating surplus before and after transfers from / (to) reserves	(3)	57

Ms Zoe Garshong was a Council member during 2017-18 who also sat on Essex Students' Union Board.

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

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

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

Notes to the Accounts

for the year ended 31 July 2018

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 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 2018 £'000	Year Ended 31 July 2017 £'000
Contribution to USS	17,967	17,492
Contribution to LGPS	254	334
Contributions to UEPS	0	0
Contribution to SAUL	1,821	1,485
Contribution to NEST	0	23
Contribution to personal pensions	0	4
LGPS additional University costs to fund past service deficiency	1,604	1,604
USS additional University costs to fund past service deficiency	114	724
SAUL additional University costs to fund past service deficiency	(91)	(141)
LGPS actuarial adjustment to pension costs	(1,362)	(304)
Total pension cost	20,307	21,221

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

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
LGPS pension liability	1,172	(6,973)
USS pension liability	(33,298)	(32,514)
SAUL pension liability	0	(93)
Total pension liability	(32,126)	(39,580)

Notes to the Accounts

for the year ended 31 July 2018

26 Pension Schemes (continued)

Universities Superannuation Scheme (USS)

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

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

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	At 31 July 2018	At 31 July 2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.02%	2.41%

Notes to the Accounts

for the year ended 31 July 2018

26 Universities Superannuation Scheme USS (continued)

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

Male member's mortality	96.5% of S1NA ["light"] YoB tables - no age rating
Female member's mortality	99% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 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 2018	At 31 July 2017
Males currently aged 65	24.5 years	24.4 years
Females currently aged 65	26.0 years	26.6 years
Males currently aged 45	26.5 years	26.5 years
Females currently aged 45	27.8 years	29.0 years
Scheme assets	£63.6 bn	£60.0 bn
Total scheme liabilities	£72.0 bn	£77.5 bn
FRS 102 total scheme deficit	£8.4 bn	£17.5 bn
FRS 102 total funding level	88%	77%

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). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.21% as at 31 July 2018, are included in note 20 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risks that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £32.654 million (assuming the same discount rate of 2.21%):

- the impact of a 1% increase would be an additional £16.738 million
- the impact of an increase to 6% i.e. an increase of 3.9% (if this still continues to be the direction of travel – as indicated by the latest communication by USS) would be an additional £62.942 million
- the impact of extending the duration for the deficit repayment to 17 years would be an additional £8.913 million; whereas 20 years would be £17.032 million

Notes to the Accounts

for the year ended 31 July 2018

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 2017-18 was 22.4% (2016-17: 21.5%).

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

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

Last actuarial valuation	31-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 2018	At 31 July 2017
Financial assumptions	%	%
Rate of increase in salaries	3.85	4.00
Rate of increase in pension payments	2.35	2.50
Expected return on assets	15.00	15.00
Discount rate for liabilities	2.60	2.20
Inflation assumptions	1.50	1.50
Split of assets between investment categories		
Equities	64.00	65.00
Government Bonds	5.00	6.00
Other Bonds	6.00	4.00
Property	9.00	10.00
Cash	3.00	3.00
Alternative assets	9.00	8.00
Other managed funds	4.00	4.00

Notes to the Accounts

for the year ended 31 July 2018

26 Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme

	Consolidated 31 July 2018 £'000	University 31 July 2018 £'000	Consolidated 31 July 2017 £'000	University 31 July 2016 £'000
Estimated asset share	62,567	57,700	57,660	53,148
Present value of scheme liabilities	(61,404)	(56,493)	(64,729)	(59,736)
Deferred Tax Asset	9	0	96	0
Deficit in the scheme	1,172	1,207	(6,973)	(6,588)
	102%	102%	89%	89%

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 2018	At 31 July 2017
Life expectancy:		
Male current pensioner aged 65	22.3 years	22.2 years
Female current pensioner aged 65	24.8 years	24.7 years
Male future pensioner aged 65	24.5 years	24.3 years
Female future pensioner aged 65	27.1 years	27.0 years

Notes to the Accounts

for the year ended 31 July 2018

26 Local Government Pension Scheme (LGPS) - continued

	Consolidated	University	University
	At	At	At
	31 July 2018	31 July 2018	31 July 2017
	£'000	£'000	£'000
Amounts recognised in the profit and loss statement are:			
Service cost	597	506	492
Net interest on the defined liability	148	136	282
Administration expenses	22	20	11
Total operating charge	767	662	785
Re-measurements in other comprehensive income			
Return on Fund assets in excess of interest	4,124	3,814	6,097
Change in financial assumptions	2,894	2,725	(2,565)
Change in demographic assumptions	0	0	1,906
Other actuarial gains/losses	0	0	(392)
Experience gain/(loss) on defined benefit obligation	0	0	1,564
Remeasurement of the (defined liability) / net assets	7,018	6,539	6,610
Movements in deficit during the year			
Deficit in scheme at 1 August	(6,973)	(6,588)	(13,271)
Movements in the year:			
Current service charge	(597)	(506)	(492)
Contributions by employer including unfunded	1,981	1,918	858
Net interest on the defined liability	(148)	(136)	(282)
Liabilities assumed on settlements	0	0	0
Return on assets less interest	4,124	3,814	6,097
Actuarial loss	2,894	2,725	513
Settlement and Curtailment	0	0	0
Deferred Tax Asset	(87)	0	0
Administration expenses	(22)	(20)	(11)
Deficit in scheme at 31 July	1,172	1,207	(6,588)

Notes to the Accounts

for the year ended 31 July 2018

26 Local Government Pension Scheme (LGPS) - continued

	Consolidated Year Ended 31 July 2018 £'000	University Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Change in benefit obligation during the period to 31 July			
At beginning of year	64,729	59,736	61,352
Current service cost	597	506	492
Interest cost on pension liabilities	1,538	1,405	1,322
Change in financial assumptions	(2,894)	(2,725)	2,565
Change in demographic assumptions	0	0	(1,906)
Experience (gain) / loss on defined benefit obligation	0	0	(1,564)
Estimated benefits paid net of transfers in	(2,613)	(2,463)	(2,575)
Contributions by Scheme participants	93	80	98
Unfunded pension payments	(46)	(46)	(48)
At end of year	61,404	56,493	59,736
Analysis of movement in the market value of the scheme assets			
At beginning of year	57,660	53,148	48,081
Interest on assets	1,390	1,269	1,040
Return on assets less interest	4,124	3,814	6,097
Other actuarial gains/(losses)	0	0	(392)
Administration expenses	(22)	(20)	(11)
Contributions by employer including unfunded	1,981	1,918	858
Contributions by Fund participants	93	80	98
Estimated benefits paid plus unfunded net of transfers in	(2,659)	(2,509)	(2,623)
At end of year	62,567	57,700	53,148

Notes to the Accounts

for the year ended 31 July 2018

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 2018

27 Subsidiary undertakings

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

Company	Principal Activity	At	At
		31 July 2018 £1 Shares	31 July 2017 £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	11,600,620
University of Essex Campus Services Ltd	Management of commercial activities at the University	1,333,586	1,333,586
University of Essex Knowledge Gateway Holdings Ltd	Holding land on behalf of the University for development as a Research Park	27,793,955	17,311,682
University of Essex Knowledge Gateway Ltd	Development and marketing of a Research Park	5,171,002	5,171,002
University of Essex Environmental Facilities Ltd	Dormant throughout the year	100,000	100,000
East 15 Acting School Ltd	Dormant throughout the year	2	2
University of Essex (Elmstead Road) Ltd	Dormant throughout the year	2	2
Universal Accommodation Group Ltd	Holding land on which student accommodation is located	1	1
Eastern HE Cost Sharing Ltd	Provision of internal audit services	100	100

Trading results of wholly owned subsidiaries:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
University of Essex Enterprises Ltd*	(5)	(3)
Wivenhoe House Hotel Ltd*	21	65
University of Essex Campus Services Ltd*	144	738
University of Essex Knowledge Gateway Holdings Ltd *	100	25
Universal Accommodation Group Ltd*	171	10,209
University of Essex Knowledge Gateway Ltd *	1,062	1,911
Eastern HE Cost Sharing Ltd	0	0
	1,493	12,945

* 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 2018

28 Agency Arrangements

	University	
	2017-18	2016-17
	£'000	£'000
NHS Bursaries		
Payments received from NHS organisations	0	0
Disbursed to students		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.

HEFCE Teaching Grant		
Payments received from HEFCE	244	596
Payments made to partner institutions	(244)	(596)
Balance unspent at 31 July	0	0
HEFCE Research Grant		
Payments received from HEFCE	289	173
Payments made to partner institutions	(289)	(173)
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

In August 2018 the University acquired control of Edge Hotel School Ltd, a company limited by guarantee and registered charity, with a view to integrating its academic activity into the University's operations.

In August 2018 the University repaid one of its outstanding secured loans with Lloyds, a balance of £20.7m at the date of termination.

University of Essex

Colchester Campus
Wivenhoe Park
Colchester
CO4 3SQ

T +44 (0)1206 873333

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

T +44 (0)20 8508 5983

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

T +44 (0)1702 328200

www.essex.ac.uk