

Financial Statements 2014–15



University of Essex

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Chair's Introduction

I am very pleased to introduce what might be regarded as the University's best ever set of financial results, for this, its 50th year. Highlights include a record level of turnover, £189m, an increase of 10% on 2013-14, and a record cash surplus of £9.7m, well ahead of target, and at 5.1% of income, close to achieving the long term target of 5.5% of income which we had aimed to reach by 2016-17.

The National Student Survey (NSS) once again showed that Essex is one of the very best universities in the country for student satisfaction; now ranked joint second out of the mainstream UK universities, and the third consecutive year that Essex has been ranked in the top 10. The results showed 12 of our 16 schools, departments and centres covered by NSS, achieving overall satisfaction scores of 90% or more. This strong endorsement from our students is very encouraging.

The results of the UK-wide Research Excellence Framework confirmed Essex's standing as one of the UK's top 20 research universities with our politics research once again ranked the best in Britain. The University is firmly established in the top five for social science research, with economics, art history, sociology, sports science, philosophy and law rated in the top 20 in the country. The University has now been ranked first for the quality of its politics and international studies research in each of the six national research assessments, dating back to 1986. More than two thirds of Essex's politics research has been rated as world-leading. Our overall ranking in the top 20 in the UK is the outcome of expanding our research base and maintaining research quality.

The University of Essex contributes £258.9m per annum into the local economy, and approximately £455.2m to annual national output and we believe we can grow significantly further. It is encouraging to see a number of innovative businesses choosing to locate in Parkside Village on the Knowledge Gateway – our 43 acre science and business park. The potential of the Knowledge Gateway is gaining increasing recognition. When announcing the UK government's long-term economic plan for the East of England earlier this year, Prime Minister David Cameron said: "The plan aims to build on the East's world class science and technology basis by supporting universities and high tech industries... welcoming exciting new science projects such as the University of Essex's Knowledge Gateway."

The next major phase in the development of the Knowledge Gateway is the planned creation of an Innovation Centre for which substantial funding is being secured. Interestingly, the University of Essex has entered exploratory discussions with Blue Abyss, who plan to establish the world's deepest and largest research, training and development pool on the Knowledge Gateway.

I was delighted to attend the opening of the stunning Silberrad Student Centre located by the side of the lower lake on the Colchester Campus. This £26m facility provides an open access 24hr learning hub, technology-rich study spaces for creative and group working, and a new state-of-the-art Media Centre for the Students' Union and a Student Services Hub.

Equally exciting was the opening of the building that houses Essex Business School. It is of an innovative carbon neutral design that features a lush winter garden, study pods and booths for group working, a 250-seat lecture theatre and Bloomberg terminals offering direct use of Bloomberg data information analytics to simulate the operation of financial trading rooms.

Having opened The Forum building at the Southend Campus in autumn 2013, the next phase of development will include substantial refurbishment of East 15 Acting School's campus at Loughton. This represents the commencement of works to upgrade the most ageing parts of the University's estate. The University has also submitted plans for a new science, technology, engineering and maths (STEM) building on Square 1 of the Colchester Campus.

I would like to record our thanks to Professor Todd Landman who departed to become a Pro-Vice-Chancellor at the University of Nottingham. As the first Executive Dean for the Faculty of Social Sciences, Todd brought great energy, enthusiasm and insightfulness to the role and played a critical part in setting up a successful annual planning round.

The University's 50th year has perhaps been its most momentous with major new buildings, new opportunities for links with business, record financial results, and record student recruitment, second place for student satisfaction, national and international recognition of the strength of its research and strong performance in the new world of uncapped student recruitment. I would like to thank all members of the University for the commitment and hard work involved in bringing this all about. With their continuing support, it is really exciting to imagine the developments for the University that the next 50 years will bring.

David Boyle – Chair of Council

Financial Review

The University's Mission

The University of Essex's mission is to provide excellence in research and excellence in education. The University aims to be ranked amongst the top 30 universities in the United Kingdom – as indicated by *The Times and Sunday Times Good University Guide* – by 2016, and the top 25 by 2019, and to grow student numbers by 50% between 2013 and 2019.

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

Financial Highlights

(2013-14 comparative figures shown in brackets)

Performance

- Total income **£189.3m** (£172.2m), up 10%
- Retained surplus for the year **£6.7m** (£4m)
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) **£15.2m, 8%** of total income (£10.3m, 6%)

Investment

- Capital expenditure **£24.6m** (£26.4m)
- Capital grants **£1.8m** (£2m)

Liquidity And Debt

- Total debt **£115.1m** (£116.8m)
- Total cash and cash deposits **£39.6m** (£57.2m)
- Liquidity days **83 days** (125 days)

Financial Strength

- EBITDA/debt servicing ratio **2.6** (1.8)
- Net current assets ratio **1.2** (1.7)
- Net assets **£150.6m** (£142m)

Buoyant student recruitment has led to record income levels and accounting surplus, and the highest level of EBITDA on record. The year was another of transition for UK higher education, the third year in which teaching block grant gave way to higher rate fee-paying students. The University is on track to deliver on its growth target and its planned strategy to increase cash surpluses to fund investment in teaching and research facilities and in improving staff/student ratios.

Continuing investment in the estate was represented by the opening of two significant new buildings in summer 2015, namely the Silberrad Student Centre and Library Extension and Essex Business School building. Future investment to support excellence in research and excellence in education will be underwritten by continued growth in earnings. The balance sheet of the University remains strong.

Student Numbers

	2014-15	2013-14	Change	
	FTE	FTE	FTE	%
Home/EU	8,245	7,703	542	7%
Overseas	2,820	2,587	233	9%
	11,065	10,290	775	8%
Undergraduate	8,663	8,072	591	7%
Postgraduate	2,402	2,218	184	8%
	11,065	10,290	775	8%

Quick Overview 2014-15



INCOME **UP**
10%
£189.3M ↑
(£172M 2013-14)



TEACHING
INCOME **UP**
11.2%
£109M ↑
(£98M 2013-14)

**EARNINGS BEFORE INTEREST,
TAXES, DEPRECIATION AND
AMORTISATION (EBITDA)**

£15.2M ↑ **UP**
50%
(£10M 2013-14)



RESEARCH
INCOME **UP**
3.2%
£32M ↑
(£31M 2013-14)



£6.7M
SURPLUS FOR
INVESTMENT AND
GROWTH

TOTAL EXPENDITURE



£182.7M
(£168M 2013-14)

STAFFING

2,105
(2,008 2013-14)



STUDENT NUMBERS



11,065

↑ **UP**
7.5%

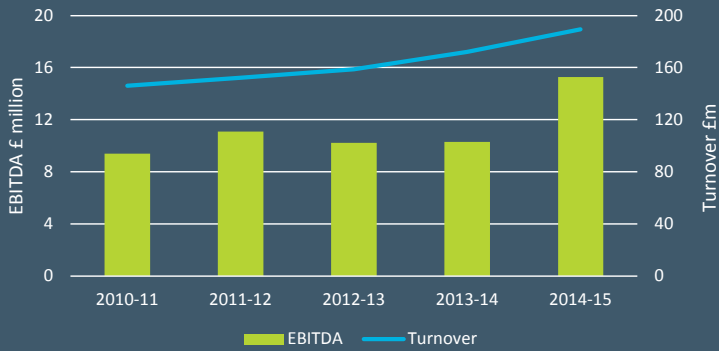
CAPITAL
INVESTMENT
£111M

OVER PAST FIVE YEARS
£24M IN 2014-15

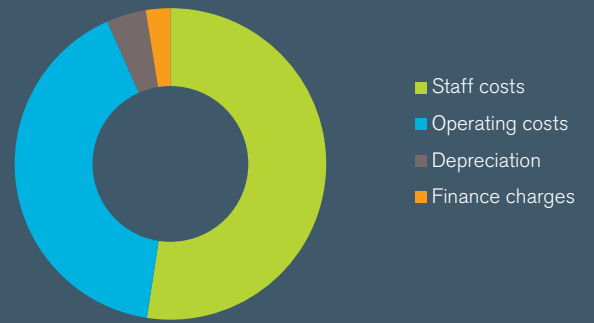


Financial Statements

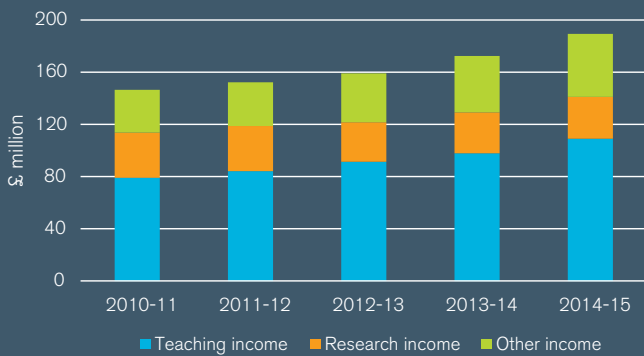
EBITDA AND TURNOVER 5-YEAR TREND



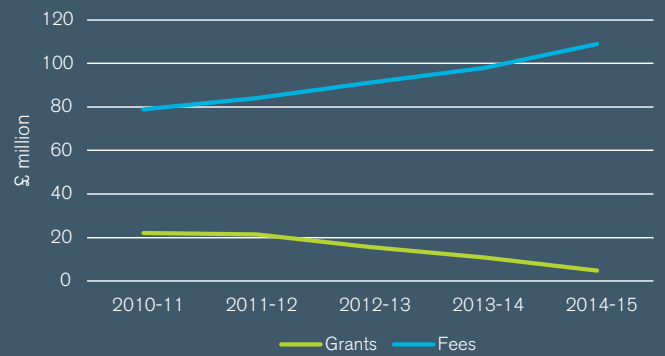
EXPENDITURE 2014-15



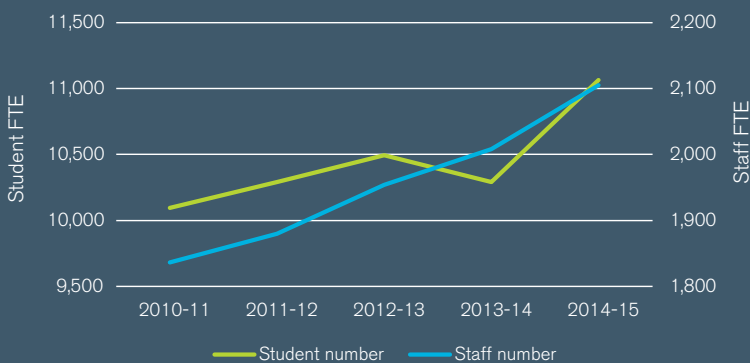
TOTAL INCOME



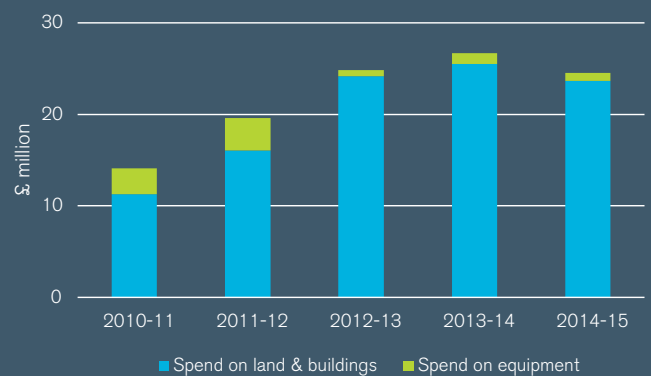
TEACHING INCOME



STUDENT AND STAFF NUMBERS



CAPITAL INVESTMENT



Highlights From 2014-15



**TOP
20**
FOR TEACHING
QUALITY



**TOP
2%**
OF UNIVERSITIES
IN THE WORLD



19th
IN THE UK FOR
QUALITY OF
OUR RESEARCH

**TOP
4**



IN THE UK FOR
SOCIAL SCIENCE
RESEARCH



303rd
IN QS WORLD
UNIVERSITY
RANKINGS



DEPARTMENTS IN THE
TOP 25 FOR RESEARCH



35th
OVERALL IN THE TIMES
AND SUNDAY TIMES GOOD
UNIVERSITY GUIDE



2nd
IN THE UK FOR
STUDENT
SATISFACTION

Key Performance Indicators

	2016 Target		2014-15 Performance		2013-14 Performance	
	Rank	Value	Rank	Value	Rank	Value
Overall <i>The Times and Sunday Times Good University Guide</i> rank	30th	688	35th	674	32nd	684
Research quality	10th	2.9	19th	2.49	16th	2.77
Research intensity		93%		83%		83%
PhD/staff ratio		1.74		1.08		1.98
Research income/staff		£80k		£59k		£59k
Student satisfaction	30th	83.5%	10th	85.1%	8th	85.7%
Entry qualifications	30th	422	82nd	313	53rd	343
Student retention	30th	91.4%	73rd	85.6%	58th	86.6%
Good degrees	30th	74.7%	66th	68.9%	70th	64.7%
Graduate employability	30th	75.2%	81st	64.1%	65th	65.2%
Research degree completion		67.5%		64.5%		64.5%
Internationalisation		34.1%		35.3%		32.6%
Work/study abroad		13.7%		9%		9%
Teaching qualifications		28.2%		42.6%		26.6%
Cash surplus/income		5.5%		5.3%		3.3%
Liquidity days (minimum)		30		83		124
EBITDA/debt servicing (minimum)		1.5		2.2		1.9

Future Outlook

Early admissions figures for 2015-16 indicate that the University remains on track to achieving the objective of 50% growth in student numbers by 2019. Indications are that 2015-16 will be another remarkable year in terms of student recruitment, coming very close to the overall record intake achieved in 2014-15 and exceeding last year's undergraduate intake, while maintaining a quality threshold and within the context of a challenging recruitment market. Postgraduate taught numbers are expected to be short of the intake target due to a combination of visa and economic issues in the international market and the impact of the £9,000 fee on the Home/EU market.

Essex is relatively small amongst UK research intensive multi-faculty universities and is looking forward to a period of continuing growth in which it can benefit from economies of scale. Already well positioned to do so, with capacity at the Southend Campus benefitting from the opening of The Forum Southend-on-Sea in September 2013, exciting projects have now reached fruition on the Colchester Campus: the Silberrad Student Centre and Library Extension, and the Essex Business School building both opened in summer 2015. There is space to develop and consolidate the East 15 campus at Loughton. Expansion is continuing with our partners Kaplan (University of Essex Online and Kaplan Singapore), the Edge Hotel School, and the Tavistock and Portman NHS Foundation Trust. Infrastructure is in place for further development of the Knowledge Gateway at the Colchester Campus.

The Knowledge Gateway at the Colchester Campus is seen as an extraordinarily valuable asset for the promotion of excellence in research and excellence in education. Since October 2014 tenants have begun to take possession of Phase 1 of the Parkside Office Village development which is now almost fully occupied. Based on this success and with support from the South East Local Enterprise Partnership, a further development of Parkside is planned. A master plan for the Knowledge Gateway has been completed and plans for an Innovation Centre are substantially advanced.

The University leads the world in research fields such as quantitative social sciences and technology areas linked to big data analytics. Accordingly, the Knowledge Gateway is strategically very well placed to connect with flourishing new opportunities in these specialisms, with industry and Essex researchers working together in a supportive, innovative and ground-breaking way. By integrating a campus ethos into the fabric of our research park, established and start-up companies will gain from fresh thinking and accelerated growth.

The University will look to develop close partnerships with business tenants through student internship programmes and collaborative research. To keep pace with the latest advice from entrepreneurial experts and financial issues, particularly those facing small to medium enterprises, Essex Business School will be a close neighbour. Our greatest asset, our students, will benefit from having a thriving business park as an integral part of our University family to enrich their student experience. Likewise, our business tenants will be able to tap into our youthful

ambition and high-achieving graduates and gain from the kudos of being situated in a well-supported innovation hub. From the vantage point gained by the improvements in its key performance indicators the University views its future outlook in a positive light. Nonetheless, it is aware that the funding arrangements for education may change again in the lifetime of the current parliament and that funding for research is declining in real terms. The University will seek to find a path to expansion that is bounded by the financial framework set within its financial supporting strategy to ensure that the expansion is sustainable.

Risks

The University's Risk Management Group regularly reviews the risk register and reports to the Audit and Risk Management Committee on strategic, financial and operational risks and force majeure. The risk management policy synchronises with the strategic plan and associated key performance indicators. It is designed to ensure that the University undertakes a comprehensive programme of actions to optimise student recruitment and provide a transformative educational experience in an environment where the majority of income comes from student fees. The strategic risk register also demonstrates high cognisance of reputational risks that might arise from a poor league table position or loss of research standing. The University has made significant advances with regard to managing risks, particularly around provision of a transformational education, student recruitment and its reputation. Nonetheless, the University remains keenly aware of the potential for unprecedented volatility in income streams. It is also focusing on the need to refurbish its estate in the context of limited availability of capital grants.

Investment, Liquidity and Debt

The investment asset allocation targets are:

	Global Equities	Absolute Return Funds	Cash
Permanent Endowments	95%	-	5%
Expendable Endowments	75%	20%	5%

At 31 July 2015, £6.2m of general funds were invested in equity and absolute return investments.

Cash was managed conservatively with deposits in the University's clearing bank (Lloyds Bank) and in a range of AAA-rated money market funds. Cash balances reduced from £57.7m to £39.6m over the year. A target of holding minimum cash balances equating to 30 liquidity days (ie the number of days of average expenditure cash balances could support) has been set and at 31 July 2015 actual liquidity days amounted to 83 days.

Total debt outstanding was £115.1m (£116.8m in 2013-14) as at 31 July 2015.

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

Covenant Definition	Bank Requirement	Actual 2014-15
Ratio of total external debt to total funds (excluding pension liability)	< 1.0	0.7
Debt servicing costs as a % of turnover	< 7.0%	3.3%
I&E Reserve (excluding pension liability)	> £50m	£69.4m
No historic cost deficit in any three consecutive years	>£500k	£6.7m

Pensions

The University operates three pension schemes, the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS) and Superannuation Arrangements of the University of London (SAUL). All three schemes are defined benefit schemes. Previously, the University operated the University of Essex Pension Scheme (UEPS) however this merged with SAUL on 1 September 2014 and from that date the scheme ceased to exist. USS and SAUL are both multi-employer schemes and it is not possible to identify the University's share of the underlying assets and liabilities. They are therefore accounted for on a defined contribution basis.

LGPS is closed to new members, SAUL is open to new staff on grades 1 to 6 and USS is open to new staff on grades 7 to 11.

On an FRS17 valuation basis, the deficit in LGPS has decreased by £1.2m from £12.3m to £11.1m as at 31 July 2015. Funding levels, on an FRS17 basis, are: USS 72% (31 March 2015), LGPS 81% (31 July 2015) and SAUL 95% (31 March 2011).

The University has agreed funding plans to cover increases in future service cost and past service deficits of LGPS.

Public Benefit

10 highlights of 2014-15

£258.9m

Contribution to the local economy

£23.3m

Research funding in 2014-15

88,397

Essex graduates around the world

34,000

People inspired by our TEDx lectures

16,243

Beneficiaries of our Outreach work

11,065

Students studying at Essex

9,000+

Visitors to our 50th anniversary exhibition
Something Fierce

5,000+

New students welcomed in October 2015

4,448

Number of 2015 graduates

4,000+

Alumni, students, staff and members of the community
at our 50th Homecoming celebration

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".

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).

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

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 also 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.

Our new Silberrad Student Centre opened in 2015



Students working in Zest on our Colchester Campus



Education

“The QAA review highlighted many positive aspects of the student experience including peer mentoring, the personal tutor system and the development of study skills.”

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.

A strong focus on improving all areas of the student learning experience won the University of Essex a commendation from the higher education watchdog, the Quality Assurance Agency (QAA) in February 2015.

The QAA review highlighted many positive aspects of the student experience including peer mentoring, the personal tutor system and the development of study skills. Essex's commitment to providing students with opportunities to improve their employment skills and prospects was also identified as good practice.

In October 2014, we welcomed just over 5,000 new students - our largest intake in the history of the University. In 2014-15, 11,065 students were studying at Essex at undergraduate and postgraduate level. We saw close to 4,500 students graduate in July 2015 and we now have a global community of alumni totalling close to 90,000.

Our undergraduate and postgraduate students are members of a university focused on excellence in education which aims to ensure all its academic provision is underpinned by a commitment to research-led education in all its forms. We believe the research undertaken at Essex should add value to the student experience.

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

The high quality of the educational experience we provide is shown by the feedback we have received. In the 2015 National Student Survey, 92 per cent of students expressed overall satisfaction with their undergraduate course, placing us joint second out of all mainstream UK universities.



Students celebrating their success in the Big Essex Award

“Our Big Essex Award provided recognition to 550 students for their extracurricular activities, volunteering and work experience.”

Award-winning initiatives include our Frontrunners work placement scheme, while our Big Essex Award provided recognition to 550 students for their extracurricular activities, volunteering and work experience.

We have been awarded Q-Step Affiliate status for the Department of Government, the Department of Sociology and Essex Business School for our commitment to developing high-quality quantitative research skills. We are one of only three institutions to have received this accolade.

Our staff are committed to excellence in education. We have a professional development scheme focused on developing the skills of our staff with many gaining formal recognition through the Higher Education Academy (HEA) as Associate Fellows, Fellows, Senior Fellows and Principal Fellows.

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

We are also part of the Environment East (EnvEast) Doctoral Training Partnership backed by the Natural Environment Research Council (NERC), the Consortium for Humanities and the Arts South-East England (CHASE) Doctoral Training Partnership supported by the Arts and Humanities Research Council and the EPSRC Centre for Doctoral Training (CDT) in Intelligent Games and Game Intelligence (IGGI).

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

We meet the different study needs of students by working with Kaplan Open Learning to deliver online undergraduate and postgraduate courses through University of Essex Online. We have also opened the first hotel school within a real four-star hotel, in partnership with education charity the Edge Foundation. The Edge Hotel School is developing the future leaders of the hospitality industry.



Professor Wayne Martin from the Essex Autonomy Project

Research

“The Research Excellence Framework (REF, December 2014), ranked Essex 19th nationally for research excellence with nine of our departments ranked in the top 25 in their subject area”

We are one of the leading research-intensive universities in the country and the Research Excellence Framework (REF, December 2014), ranked Essex 19th nationally for research excellence with nine of our departments ranked in the top 25 in their subject area including the Department of Government which was once again ranked first. We are in the top four in the country for social science research according to REF.

The QAA review singled out the University's high quality research environment and the development opportunities offered to postgraduate research students, who spoke very positively about Essex's research culture. This included the Proficio professional development scheme for doctoral students, postgraduate journals, and opportunities to present research papers at seminars and conferences.

Our research feeds directly into the learning experience for 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 businesses 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.

We have established the Institute for Analytics and Data Science to bring together our academic experts in analytics and data science from across our University to offer cutting-edge research, specialist postgraduate courses and vital insights for business.

Lorna McGregor and Professor Maurice Sunkin are leading our research on big data and human rights



Our Colchester Campus is home to the UK Data Archive and Institute for Social and Economic Research



Research projects making an impact across the world

We have continued to build on our reputation in 2014-15 by taking forward projects which have an impact at a local, national and global level.

This includes:

- The Economic and Social Research Council (ESRC) has awarded Essex nearly £5 million, matched by £1 million from the University, to lead the first global project investigating the human rights implications of the collection, storage and use of big data.
- The Essex Autonomy Project (EAP) was shortlisted in the Research Project of the Year category of the Times Higher Education Awards 2015.
- Our new Centre for Research in Language Development throughout the Lifespan (LaDeLi) is the first centre of its kind in the UK and will study all aspects of language development from childhood to old age.
- Essex has identified child fitness levels are falling at an even faster rate than first feared.
- We are investigating growth, equal opportunities, migration and markets as part of a £500,000 project supported by Horizon 2020.
- Essex scientists have created a first-of-its-kind virtual engineering laboratory which enables engineers to work on the same project at the same time wherever they are in the world.
- A bionic hand that can sense pressure and temperature and transmit the information back to the brain is the focus of a new £1.4m UK research partnership involving the University of Essex.
- Essex researchers working with the University of Exeter Medical School and the NHS Sustainable Development Unit have shown modern material lifestyles are failing to make us happier, damaging our health, are no longer sustainable and cost the overall UK economy £180 billion each year.
- A prestigious Grand Challenges Explorations grant, an initiative funded by the Bill & Melinda Gates Foundation, is supporting innovative global health and development research project looking at "brain function in infancy".
- A national centre aimed at improving decision making by public bodies and the quality of administrative justice is being established at Essex through a major grant from the Nuffield Foundation.

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

A new ESRC Business and Local Government Data Research Centre has also been established at Essex, which is working in partnership with the universities of East Anglia and Kent to support access to business and local government data. The universities together form the Eastern Academic Research Consortium (ARC).

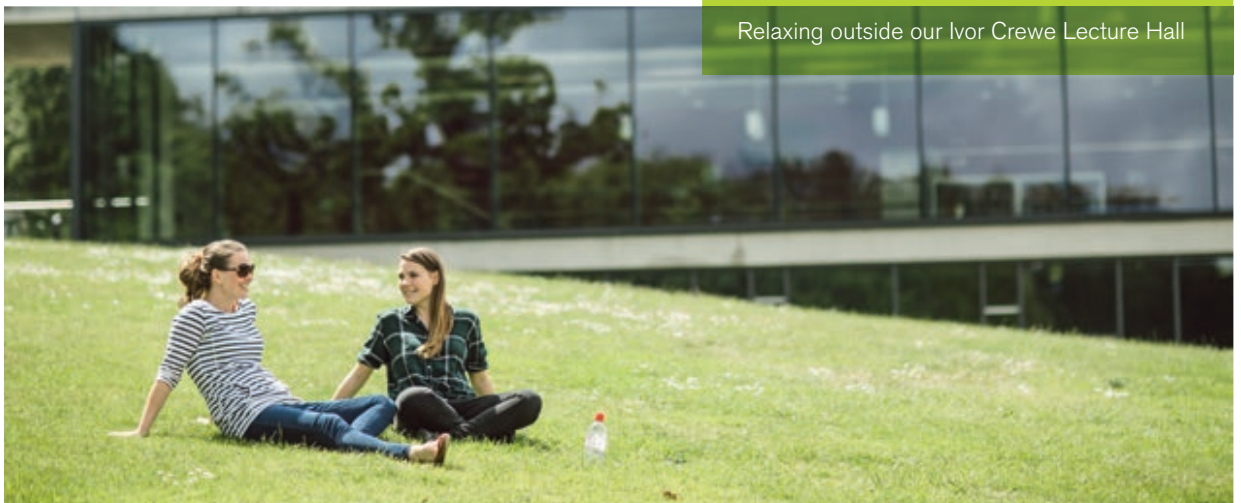
Our academics share their work through publication in a wide range of internationally recognised journals and they also make a huge range of their work available through the University of Essex Research Repository.

“We are a partner of online news site The Conversation and our academics have contributed more than 100 articles informed by their research which have been read by over 700,000 people.”

We are a partner of online news site The Conversation and our academics have contributed more than 100 articles informed by their research which have been read by over 700,000 people.

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.

Relaxing outside our Ivor Crewe Lecture Hall



Graduation 2015 was our biggest ever



Increasing Access

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

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

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

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

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

This work helps us consistently exceed our HESA (Higher Education Statistical Agency) Widening Participation Performance Indicator benchmarks for students from under-represented groups. We have introduced new systems to monitor the progress of these students at Essex.

In 2015 we launched the VI6 Partnership with six schools in Colchester and Tendring to offer sixth formers the chance to study for their A Levels at the University of Essex's Colchester Campus. The partnership is thought to be the first of its kind in the UK.

“The Essex Collaborative Outreach Network has been launched to help more young people across Essex go into higher education.”

The Essex Collaborative Outreach Network led by the University of Essex and Anglia Ruskin University has also been launched to help more young people across Essex go into higher education as part of a £22 million national scheme.

Knowledge Transfer Partnership success for our academics

Our Knowledge Transfer Partnership programme is one of the most active in the Eastern region and we are sharing our expertise with a wide range of businesses across a number of sectors including logistics, transport and data analytics.

KTP successes include:

- Human rights organisation Minority Rights Group International (MRG) is working with Essex language processing experts to develop a new tool for accurately recording civilian-reported human rights abuses around the world.
- KTP Associate Miguel Martinez-Alvarez was named a Business Leader of Tomorrow at the national Best of the Best Awards organised by InnovateUK in November 2014 for his work on an Essex-led KTP with London-based company Signal which is developing the next generation of market intelligence analysis systems.
- Experts at Essex are working with data science consultancy Profusion to use statistical methods and data analytics to develop an enhanced understanding of customer behaviour which will then drive better customer experiences.

Knowledge Exchange and Community Engagement

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

We contribute £258.9m to the local economy and approximately £455.2m to the national output every year. See our Economic Impact Report for more information.

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

Our internships programme is offering students and graduates the chance to develop their skills and experience within a particular field, while providing businesses and organisations the chance to benefit from their knowledge, skills and expertise. Through the scheme many interns have secured long-term jobs and feedback indicates businesses have gained significant economic benefits. We have massively extended our work placement programme and our students having the opportunity to work at leading companies as part of their course.

The University is also supporting Creative Colchester as a new hub for the creative industries in north Essex.

The Essex Book Festival organising team is now based in the University's Centre for Creative Writing. Festival events were held across the county to promote interest in literature and encourage creativity. Academics from a number of departments took part in events at our campuses and venues throughout Essex.

As part of our 50th anniversary celebration we coordinated a programme of events and talks celebrating our research. Over 4,000 alumni, students, staff and members of the community joined our 50th Homecoming celebration at our

Colchester Campus in September. More than 9,000 visited our 50th exhibition *Something Fierce* celebrating the bold, 'brutalist' sixties architecture of the Colchester Campus; the unique academic vision and the vibrant community of scholars and students they created.

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

“We contribute £258.9m to the local economy and approximately £455.2m to the national output every year.”

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

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

Students at Essex are also involved in putting the knowledge they learn on their courses into practice through practical initiatives such as the Essex Law Clinic in our School of Law and the Human Rights Clinic in our Human Rights Centre. Many societies and activities within the Students' Union are directly linked to putting the skills and knowledge students gain from their studies into practice including volunteering initiatives coordinated through vTeam, which had 1,250 student volunteers in 2014-15.

“Volunteering initiatives coordinated through vTeam, had 1,250 student volunteers in 2014-15.”

Art Exchange, the University gallery, has a year-round programme of events and exhibitions attended by both the public and our students. Shows have included *Abject Subject* organised by MA students from the Centre for Curatorial Studies.

The Essex Collection of Art from Latin America (ESCALA), which comprises more than 700 works, also provides resources for academic study and arts education. In 2014, ESCALA organised the very successful *Connecting Through Collecting* exhibition in Southend to mark its 20th anniversary.

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

Knowledge Gateway to become regional business hub

In February 2015, Prime Minister David Cameron identified the Knowledge Gateway, the University's research and business park, as a key part of the Government's long-term economic plan for the East of England.

The 43-acres Knowledge Gateway site is becoming a regional hub for research and development and innovative businesses. By 2025 the Knowledge Gateway will be the location of choice in the eastern region for knowledge-based enterprises in science, technology and the creative sector drawing on Essex's global reputation for analytics and data science and outstanding support for SMEs. The first phase, Parkside Office Village, is already home to close to 20 growing businesses which want to locate themselves at the University to benefit from the potential to collaborate and access our expertise and graduates. Parkside is also home to the Games Hub, a partnership to develop the next generation of games developers which has already helped establish two new companies.

Corporate Governance Statement

Corporate Governance and Accountability Arrangements

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

The University Council

Members of Council are the trustees of the University which is an exempt charity. The University's Council comprises ex officio external members, a student member, ex officio appointed employees, employees elected by Senate. The roles of Chancellor and Pro-Chancellors (including the Chair of Council) are separated from the role of the University's Chief Executive, the Vice-Chancellor.

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

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

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

The Committees of Council

The Council delegates some business to a number of committees:

- Audit and Risk Management
- Strategy and Resources
- Nominations
- Remuneration

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

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

The responsibilities of the Audit and Risk Management Committee include:

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

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

In respect of its development, strategic management and financial responsibilities, the Council receives recommendations and advice from the Strategy and Resources Committee. The Committee also reviews reports on business, operational and compliance matters from the University Steering Group. The Committee met six times during the year.

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

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

The University Senate

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

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.

Responsibilities of the Council

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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

The following tables show the attendance of members of the University Council during 2014-15 at Council and its key committees, along with other members of committees who are not trustees or members of Council.

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

Name	Audit and Risk Management		Strategy and Resources		Nominations		Remuneration	
	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended
Andrew Keeble			6	6				
Bryn Morris			6	6	4	4	2	2
Professor Aletta Noval			6	5				
Robin Paddock	4	3						
Kash Pandya	4	4						
Professor David Sanders			6	5				
Brian Stapleton (11)	2	0						
Riccardo Tazzini	4	4						

Council

1. Lord Currie of Marylebone was appointed as an external member of Council with effect from 1 April 2015, so was only eligible to attend two meetings during 2014-15
2. Adrian Chira joined on 1 July 2015
3. Dr Richard Cornes was appointed as a Senate-elected member of Council with effect from 1 January 2015
4. Celia Edey was appointed as a co-opted member of the Nominations Committee on 3 November 2014, so was only eligible to attend three meetings during 2014-15
5. Chantel Le Carpentier's term of office ended on 30 June 2015
6. Lady Sally Irvine was appointed as an appointed member of the Nominations Committee on 3 November 2014, so was only eligible to attend three meetings during 2014-15
7. Dr Laura Mansel-Thomas resigned with effect from 20 November 2014
8. Professor David Pevalin joined on 1 January 2015
9. Tim Porter was appointed as an external member of Council on 23 November 2014, so was only eligible to attend 3 meetings during 2014-15. He was also appointed member of Audit and Risk Management committee on 1 August 2015, but was only eligible to attend two meetings during 2014-15.
10. There was one vacancy during 2014-15

Audit and Risk Management Committee

11. Brian Stapleton resigned with effect 23 January 2015.

Auditor's Report to the Members of Council

We have audited the group and University financial statements (the "financial statements") of the University of Essex for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Corporate Governance Statement on pages 17 to 20, the Governing Body is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code 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 University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- income has been applied in accordance with the University's Statutes
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met

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

November 2015

Accounting Policies

Accounting Convention

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

Basis of Consolidation

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

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

Full details of the activities of the Universities subsidiaries and joint ventures are disclosed in Note 30.

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

Recognition of Income

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

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

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

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

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

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

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

Accounting for Donations and Endowment Funds

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

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

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

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

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

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

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

Receipts and Payments made on Behalf of Others

The University receives and disburses various funds on behalf of funding bodies and these are known as 'agency arrangements'. This includes the payment of HEFCE grant to academic partners, NHS bursaries and Access to Learning Funds. These funds are excluded from the University's income and expenditure account as the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. Receipts and disbursements made under agency arrangements are disclosed in Note 31.

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty.

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

Investments

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

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

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

Financial Instruments

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

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

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

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rate of exchange. The resulting exchange rate differences are recorded as either a gain or a loss on exchange in the Income and Expenditure account for the financial year.

Maintenance of Premises

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

Land and Buildings

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

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

Fixed Asset Impairments

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

Intangible Assets and Goodwill

Expenditure on assets that do not have physical substance but are identifiable and controlled by the University are capitalised at historical cost when it will bring benefits for more than one financial year, this includes goodwill.

Heritage Assets

The University holds various non-operational assets in the form of a collection of paintings, prints and similar artworks mainly dating from the 20th century, which were acquired through a combination of donations and purchases. The University does not actively seek to add to the collection, other than through the commissioning of photographic portraits of senior Trustees. It is the University's intention to maintain the collection and no disposals are currently foreseen. The majority of the collection is on public display in the library and a record of the items is held by the University for insurance purposes. These assets are included in the balance sheet at market valuation. 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. The University's external Heritage assets are not depreciated.

Equipment

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

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

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

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

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

Depreciation

Tangible fixed assets are stated at cost less 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 on the following bases:

Leasehold and Freehold Buildings

50 years, except for certain minor works which require 20 years

Motor Vehicles

Between five and ten years dependent upon the expected useful economic life

Equipment

Between five and ten years dependent upon the expected useful economic life

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

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

Stocks

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

Provisions, Contingent Liabilities and Contingent Assets

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

Contingent assets are disclosed by way of a note, where there is a possible, rather than a present, asset arising from a past event.

Pension Schemes

The University participates in three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS) and Superannuation Arrangement for University of London (SAUL). The members of the University of Essex Pension Scheme (UEPS) transferred to SAUL on 1 September 2014. The assets of the schemes are held in separate trustee-administered funds. All four schemes are defined benefit schemes and are contracted out of the State Second Pension (SP2).

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

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

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

In addition to the three main schemes, the University volunteered to be a pilot employer for the NEST (National Employment Savings Trust) pension scheme for staff employed under UECS terms and conditions. Being a pilot employer for the new scheme meant early adoption of the initiative in 2013, which did not become statutory until 2014. The schemes will be monitored and regulated by the DWP, The Pensions Regulator and NEST Corporation.

Taxation Status

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

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

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

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

Deferred Tax

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

Intra-group Transactions

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

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

Joint Venture Entities

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

Leases

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

Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the Institution, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Consolidated Income and Expenditure Account

Year Ended 31 July 2015

	Notes	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Income			
Funding body grants	1	16,542	23,199
Tuition fees and education contracts	2	104,137	86,990
Research grants and contracts	3	24,069	22,640
Other income	4	62,221	57,872
Endowment and investment income	5	601	521
Total income		207,570	191,222
Less: Share of income from joint ventures	4	(18,242)	(19,005)
Net income		189,328	172,217
Expenditure			
Staff costs	7	95,515	90,297
Other operating expenses	8	75,133	65,606
Depreciation	8	7,492	8,116
Interest and other finance costs	8	4,643	4,031
Total expenditure	9	182,783	168,050
Surplus after depreciation of tangible fixed assets at valuation		6,545	4,167
Share of operating profit / (loss) in joint venture	12	179	(359)
Surplus after depreciation of assets at valuation and tax		6,724	3,807
Gain on disposal of fixed asset		0	0
Surplus for the year transferred to accumulated income in endowment funds	21	4	224
Surplus for the year retained within general reserves		6,728	4,031

All items of income and expenditure arise from continuing operations

The notes on pages 30 to 63 form an integral part of these Financial Statements

Statement of Group Total Recognised Gains and Losses

Year Ended 31 July 2015

	Notes	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		6,724	3,807
Gain on disposal of fixed asset		0	0
Unrealised deficit on revaluation of fixed assets	22	0	0
Unrealised gain on investments	22	572	378
Appreciation of endowment assets	21	593	289
New endowments	21	89	203
Actuarial gain / (loss) in respect of pension schemes	22	279	(2,385)
Deferred tax on UECS pension liability	22	130	0
Credit on elimination of pensions liability	22	1,712	0
Total recognised gains relating to the year		10,099	2,292
Increase in value of Joint Ventures	22	(284)	(745)
Total recognised gains since last report		9,815	1,547
Reconciliation			
Opening reserves and endowments		57,239	55,692
Total recognised gains for the year		9,815	1,547
Closing reserves and endowments		67,054	57,239

The notes on pages 30 to 63 form an integral part of these Financial Statements

Balance Sheet

as at 31 July 2015

	Notes	Consolidated		University	
		Year Ended	Year Ended	Year Ended	Year Ended
		31 July 2015	31 July 2014	31 July 2015	31 July 2014
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10	234,416	217,747	221,353	204,796
Investments	11	6,249	5,677	39,388	38,816
Investment in joint ventures:	12				
Share of gross assets		38,347	38,299	0	0
Share of gross liabilities		(15,227)	(14,584)	0	0
		263,785	247,139	260,741	243,612
Endowment assets	13	6,925	6,247	6,925	6,247
Current assets					
Stocks	14	274	302	152	168
Debtors	15	9,839	8,266	8,595	7,678
Investments	16	29,462	47,302	29,462	47,302
Cash at bank and in hand		10,165	9,871	7,308	7,603
		49,740	65,741	45,517	62,751
Less: Creditors: amounts falling due within one year	17	(40,483)	(37,776)	(46,550)	(44,719)
Net current assets		9,257	27,965	(1,033)	18,032
Total assets less current liabilities		279,967	281,351	266,633	267,891
Less creditors: amounts falling due after more than one year	18	(117,446)	(119,409)	(110,775)	(112,615)
Less: Provisions for liabilities	19	(894)	(799)	(836)	(799)
Total net assets excluding pension liability		161,627	161,143	155,022	154,477
Net pension liability	29	(10,982)	(19,133)	(10,461)	(18,918)
Total net assets including pension liability		150,645	142,010	144,561	135,559
Deferred capital grants	20	61,465	62,154	61,465	62,154
Joint venture deferred capital grant reserve	33	22,126	22,617	0	0
Endowments					
Expendable	21	6,345	5,736	6,345	5,736
Permanent	21	580	511	580	511
		6,925	6,247	6,925	6,247
Reserves					
Income and expenditure account exc pension reserve	22	69,356	68,942	84,877	84,893
Pension reserve	22	(10,982)	(19,133)	(10,461)	(18,918)
Income and expenditure account including pension reserve		58,374	49,809	74,416	65,975
Revaluation reserve	22	1,755	1,183	1,755	1,183
		60,129	50,992	76,171	67,158
Total Funds		150,645	142,010	144,561	135,559

The Financial Statements were approved by the Governing Body on 23 November 2015 and were signed on its behalf on that date by:

PROFESSOR A. FORSTER, Vice-Chancellor **D. BOYLE, Chair of Council** **A. KEEBLE, Director of Finance**

The notes on pages 30 to 63 form an integral part of these Financial Statements

Consolidated Cash Flow Statement

Year Ended 31 July 2015

	Notes	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Net cash inflow from operating activities	23	16,734	10,426
Returns on investments and servicing of finance			
Income from endowments		205	78
Income from investments		396	443
Interest paid		(4,922)	(4,168)
		(4,321)	(3,647)
Capital expenditure and financial investment			
Proceeds from sales of tangible fixed assets		0	85
Proceeds from sales of fixed asset investments		0	0
New endowments received	21	89	203
Endowment funds invested	13	0	0
Payments made to acquire tangible fixed assets	10	(24,560)	(26,429)
Payments made to acquire fixed asset investments		0	0
Deferred capital grants received	20	1,844	1,962
Payment arising from pension merger	22	(5,500)	0
		(28,127)	(24,179)
Cash (outflow)/inflow before management of liquid resources	24	(15,714)	(17,400)
Management of liquid resources			
Increase in short term investments		17,840	(22,172)
Financing			
New secured loans		199	132,704
Repayments of amounts borrowed	24	(1,946)	(94,511)
		(1,747)	38,193
Increase/(decrease) in cash in the year	24	379	(1,379)
Reconciliation of net cash flow to movement in net debt			
		31 July 2015	31 July 2014
		£'000	£'000
Increase/(decrease) in cash for the year	24	379	(1,379)
Change in short term deposits	24	(17,840)	22,172
Change in debt	24	1,747	(38,193)
Change in net debt		(15,714)	(17,400)
Net debt at 1 August		(58,951)	(41,551)
Net debt at 31 July	24	(74,665)	(58,951)

The notes on pages 30 to 63 form an integral part of these Financial Statements

Notes to the Accounts

for the year ended 31 July 2015

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
1 Funding body grants		
Recurrent - teaching grant	4,846	10,776
Recurrent - research grant	8,844	8,795
Specific grants	1,128	1,489
Deferred capital grants released in year - buildings (note 20)	1,265	1,229
Deferred capital grants released in year - equipment (note 20)	459	910
	16,542	23,199
2 Tuition fees and education contracts		
Full-time home and EU students	57,993	44,327
Full-time international students	35,007	31,048
Part-time students	1,017	902
Non-credit-bearing tuition fees	2,814	3,415
NHS contracts	7,227	7,219
Research training support grant	79	79
	104,137	86,990
3 Research grants and contracts		
Research Councils	17,500	16,605
UK-based charities	1,105	1,116
UK central government, local authorities and health authorities	1,005	880
UK industry, commerce and public corporations	422	435
European Union government bodies	2,360	2,607
Other overseas	896	997
Research and Development Expenditure Credit	781	0
	24,069	22,640

Notes to the Accounts

for the year ended 31 July 2015

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
4 Other income		
Other services rendered:		
Income from academic partnerships	2,124	2,152
Other sources	256	277
Commercial services income	33,761	29,081
Deferred capital grants (non-funding council) released in year - buildings (note 20)	809	810
Rental income	1,075	696
Other income	5,954	5,851
Income from joint ventures	18,242	19,005
	62,221	57,872
5 Endowment and investment income		
Income from fixed asset investments	167	157
Income from expendable endowments	187	73
Income from permanent endowments	18	5
Income from current asset investments	229	286
	601	521
6 Surplus for the year		
The surplus on continuing operations for the year is made up as follows:		
University's surplus for the year	6,314	9,806
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	108	119
Profits / (losses) retained by subsidiary undertakings and joint ventures	306	(5,893)
	6,728	4,031

Notes to the Accounts

for the year ended 31 July 2015

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
7 Staff costs		
Salaries	73,250	71,180
Social security costs	5,774	5,324
Other pension costs	16,491	13,793
Total	95,515	90,297
Aggregate emoluments of the Vice-Chancellor for year to 31 July	237	228
<p>The emoluments of the Vice-Chancellor are shown prior to any salary sacrifice arrangements. The University's pension contributions to USS are paid at the same rate as for other employees and for the Vice-Chancellor these amounted to £40,373. (2013-14: £39,040).</p> <p>Compensation for loss of office paid to senior members of staff for 2014-15 was £0k (2013-14: £0k)</p> <p>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.</p>		
Remuneration of other higher paid staff, excluding employer's pension contributions:	No.	No.
£100,000 to £109,999	6	8
£110,000 to £119,999	5	11
£120,000 to £129,999	5	3
£130,000 to £139,999	2	1
£140,000 to £149,999	1	0
£150,000 to £159,999	1	1
	20	24
Average staff numbers by major category :	No.	No.
Academic	670	649
Research	95	87
Senior Support	472	447
Other Support	476	423
General Support	392	402
	2,105	2,008

Notes to the Accounts

for the year ended 31 July 2015

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
8 Other operating expenses		
Books and periodicals	3,081	2,524
Equipment and consumables	4,014	3,199
Food and drink	1,585	1,057
Gas, water and electricity	4,046	4,117
Grants to Students' Union	1,888	1,138
Insurance	474	472
Long-term maintenance programme and minor works	3,133	3,581
Other expenses	7,157	11,527
Postage, telephones, printing and stationery	883	898
Adverts and marketing	1,388	1,017
Security	1,344	1,001
Professional, audit and consultancy fees	4,904	2,697
Rates and rental of premises	9,190	7,270
Repairs and routine maintenance of estates	3,411	3,410
Research survey fieldwork	8,903	8,367
Scholarships (fee waivers and bursaries)	8,617	4,666
Travel and subsistence	2,329	2,084
IT / AV Equipment	4,708	3,703
Pension deficiency payments	1,838	541
Agents commission	2,270	2,199
(Gain)/Loss on disposal of fixed asset	(30)	138
	75,133	65,606

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

Statutory audit fee: £55,426 (2013-14: £58,000)

Audit-related assurance services: £3,070 (2013-14: £7,000)

Taxation advisory services: £10,500 (2013-14: £186,612)

Depreciation, impairment and amortisation

The depreciation, impairment and amortisation charge is represented by:

Deferred capital grants released (Note 20)	2,533	2,949
General income	4,959	5,167
	7,492	8,116

Finance charges

Bank Interest payable	4,922	4,168
Net (credit) / charge on pension scheme (FRS17)	(279)	(137)
	4,643	4,031

Notes to the Accounts

for the year ended 31 July 2015

9 Analysis of total expenditure by activity

	Staff costs	Other operating expenses	Depreciation and Amortisation	Interest paid	2014-15 Total	2013-14 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments and centres	50,526	6,482	0	0	57,008	54,079
Academic services	8,362	6,853	0	0	15,215	12,379
Research grants and contracts	8,338	10,568	0	0	18,906	18,802
Residences and catering	6,929	18,102	2,103	1,737	28,871	26,300
Premises	4,678	8,746	5,281	0	18,705	18,652
Administration	10,376	5,907	0	0	16,283	13,101
Other services rendered	241	734	0	0	975	1,036
General education expenditure	1,903	5,641	0	0	7,544	7,638
Student and staff facilities	3,234	8,884	108	65	12,291	7,796
Early retirements and severances	300	0	0	0	300	276
Other expenses	628	3,216	0	2,841	6,685	7,991
	95,515	75,133	7,492	4,643	182,783	168,050

Trustees

No trustee has received any remuneration/waived payments from the group during the year. Ten trustees are also employees of the University but received no additional payment for acting as trustees. The total expenses paid to or on behalf of 25 trustees was £nil (2014 - £nil to 25 trustees).

Notes to the Accounts

for the year ended 31 July 2015

10 Tangible assets

Consolidated	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Total £'000
Cost						
At 1 August 2014	215,711	3,201	16,487	39,070	798	275,267
Adjustments	0	0	0	0	0	0
Additions	1,315	375	857	22,013	0	24,560
Transfers	48,862	0	2,563	(51,425)	0	0
Disposals	(375)	0	(40)	0	0	(415)
At 31 July 2015	265,513	3,576	19,867	9,658	798	299,412
Depreciation						
At 1 August 2014	46,416	819	10,285	0	0	57,520
Adjustments	0	0	0	0	0	0
Charge for the year	5,207	60	2,225	0	0	7,492
Impairments	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	(16)	0	0	(16)
At 31 July 2015	51,623	879	12,494	0	0	64,996
Net Book Value						
At 31 July 2015	213,890	2,697	7,373	9,658	798	234,416
At 31 July 2014	169,295	2,382	6,202	39,070	798	217,747
University						
Cost						
At 1 August 2014	209,429	3,201	15,112	31,679	798	260,219
Adjustments	0	0	0	0	0	0
Additions	1,144	0	772	21,743	0	23,659
Transfers	48,862	0	2,563	(51,425)	0	0
Disposals	0	0	(40)	0	0	(40)
At 31 July 2015	259,435	3,201	18,407	1,997	798	283,838
Depreciation						
At 1 August 2014	44,539	819	10,065	0	0	55,423
Adjustments	0	0	0	0	0	0
Charge for the year	4,981	60	2,037	0	0	7,078
Transfers	0	0	0	0	0	0
Disposals	0	0	(16)	0	0	(16)
At 31 July 2015	49,520	879	12,086	0	0	62,485
Net Book Value						
At 31 July 2015	209,915	2,322	6,321	1,997	798	221,353
At 31 July 2014	164,890	2,382	5,047	31,679	798	204,796

Notes to the Accounts

for the year ended 31 July 2015

Tangible assets - continued

University Land and Buildings include £5.226m (2013-14: £5.226m) in respect of freehold land which is not depreciated and leasehold properties with a net book value of £2.322m (2013-14: £2.382m).

Additions to University land and buildings in the year includes £21.743m (2013-14: £21.810m) for assets in the course of construction, for which no depreciation charge has been made. Land, buildings and equipment with a net book value of £99.066m (2013-14: £69.140m) have been funded by capital grants of £36.351m and other gifts and donations of £25.214m.

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.

11 Investments

	Consolidated		University	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000	£'000	£'000
At 1 August	5,677	5,299	38,816	33,685
Additions	0	0	0	4,753
Revaluations credited to the revaluation reserve	572	378	572	378
At 31 July	6,249	5,677	39,388	38,816
Comprising:				
Equities	6,202	5,630	6,202	5,630
Subsidiary companies:				
University of Essex Knowledge Gateway Holdings Ltd	0	0	17,312	17,312
Universal Accommodation Group Ltd	0	0	2,893	2,893
University of Essex Campus Services Ltd	0	0	1,333	1,333
Wivenhoe House Hotel Ltd	0	0	11,601	11,601
Other investments	47	47	47	47
	6,249	5,677	39,388	38,816

Land designated for the development of the Knowledge Gateway is held by the University of Essex Knowledge Gateway Holdings Ltd, a wholly owned subsidiary. Details of investments in all subsidiary undertakings are included in note 30.

Notes to the Accounts

for the year ended 31 July 2015

12 Investment in Joint Ventures

University of Campus Suffolk Limited

	Year Ended 31 July 2015		Year Ended 31 July 2014	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		17,909		18,730
Expenditure		(17,730)		(19,089)
Profit before tax		179		(359)
Balance sheet				
Fixed assets	32,075		32,686	
Current assets	6,038		5,388	
		38,113		38,074
Creditors: amounts due within one year	(2,757)		(2,068)	
Creditors: amounts due after more than one year	(12,272)		(12,309)	
		(15,029)		(14,377)
Share of net assets in University Campus Suffolk Ltd		23,084		23,697

University Campus Suffolk Ltd is a company limited by guarantee with two members, the University of Essex and the University of East Anglia, to promote the establishment of a university campus in Suffolk. For the year ending 31 July 2015 it recorded a surplus of £359k after taxation (£719k deficit in 2013-14).

During the year, UCS Ltd purchased goods and services to the value of £387k from the University (2013-14: £370k) of which £1k was outstanding at 31 July 2015 (2013-14: £176k). UCS Ltd provided services to the University to the value of £7k, (2013-14: £9k) with £nil outstanding at 31 July 2015. (2013-14: £nil)

University Campus Suffolk Ltd have been accounted for as a joint venture in accordance with FRS 9. The level of profit included within the consolidated financial statements is as shown above and in the summary of joint ventures on page 43.

Notes to the Accounts

for the year ended 31 July 2015

Investment in joint venture - continued

Southend-on-Sea Forum Management Limited

	Year Ended 31 July 2015		Year Ended 31 July 2014	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		333		275
Expenditure		(333)		(275)
Profit before tax		0		0
Balance sheet				
Fixed assets	0		0	
Current assets	234	234	225	225
Creditors: amounts due within one year	(198)		(207)	
Creditors: amounts due after more than one year	0	(198)	0	(207)
Share of net assets in Southend-on-Sea Forum Management Ltd		36		18

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. It was incorporated on 1 November 2011 and was dormant until 21 August 2013, when construction of The Forum building in Southend-on-Sea was formally completed. The Forum opened to the public on 30 September 2013. For the year ending 31 July 2015 it recorded a surplus of £nil (2013-14: £nil).

During the year, SoSFML Ltd purchased goods and services to the value of £2k from the University (2013-14: £4k) of which £nil was outstanding at 31 July 2015 (2013-14: £nil). SoSFML Ltd provided services to the University to the value of £307k (2013-14: £435k) with £nil outstanding at 31 July 2015 (2013-14: £nil).

Southend-on-Sea Forum Management Ltd has been accounted for as a joint venture in accordance with FRS 9. The level of profit included within the consolidated financial statements is as shown above and in the summary of joint ventures below.

Notes to the Accounts

for the year ended 31 July 2015

Investment in joint venture - continued

Total investment in Joint Ventures:

	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000
Total income from joint ventures recognised in the Income Statement		
Income from UCS	17,909	18,730
Income from SoSFML	333	275
Total Income from joint ventures	18,242	19,005

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

(Loss) / Profit from UCS	179	(359)
(Loss) / Profit from SoSFML	0	0
Total (loss) / profit from joint ventures	179	(359)

Share of gross assets and liabilities in joint ventures:

Share of gross assets in UCS	38,113	38,074
Share of gross assets in SoSFML	234	225
Total share of gross assets in joint ventures	38,347	38,299
Share of gross liabilities in UCS	(15,029)	(14,377)
Share of gross liabilities in SoSFML	(198)	(207)
Total share of gross liabilities in joint ventures	(15,227)	(14,584)

On 8 January 2015, the University purchased 51 £1 shares in Eastern HE Cost Sharing Limited, a company which was incorporated in England and Wales on the same date. This company is a joint venture between the University and University Campus Suffolk and these entities have equal voting rights. The company was dormant for the 2014-15 financial year and will commence trading in the 2015-16 financial year.

Notes to the Accounts

for the year ended 31 July 2015

13 Endowment assets (Consolidated and University)

	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000
Balance at 1 August	6,247	5,979
New endowments invested	89	0
Increase in market value of investments	593	289
(Decrease) / Increase in cash balances held for endowment funds	(4)	(21)
Balance at 31 July	6,925	6,247
Represented by		
Absolute return funds	0	936
Equities	6,163	4,634
Cash at bank held for endowment funds	762	677
Total endowment assets	6,925	6,247

14 Stock

	Consolidated		University	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000	£'000	£'000
Stock	274	302	152	168

15 Debtors

	Consolidated		University	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	997	1,134	759	427
Student fees	1,683	1,784	1,683	1,784
Research debtors	478	1,676	478	1,676
Prepayments and accrued income	6,079	3,642	4,925	3,613
Other debtors	602	30	537	30
Amounts due from subsidiary companies	0	0	213	148
	9,839	8,266	8,595	7,678

Notes to the Accounts

for the year ended 31 July 2015

16 Investments

	Consolidated		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2015	31 July 2014	31 July 2015	31 July 2014
	£'000	£'000	£'000	£'000
Deposits maturing:				
In one year or less	29,369	47,209	29,369	47,209
Between one and two years	0	0	0	0
	29,369	47,209	29,369	47,209
Other investments:	93	93	93	93
	29,462	47,302	29,462	47,302

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 2015 the weighted average interest rate of these fixed rate deposits was 0.82% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 173 days. The fair value of these deposits was not materially different from the book value.

17 Creditors: amounts falling due within one year

	Consolidated		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2015	31 July 2014	31 July 2015	31 July 2014
	£'000	£'000	£'000	£'000
Secured loans	1,914	1,821	1,914	1,821
Unsecured loans	125	125	125	125
Payments received in advance	16,185	16,345	16,185	16,345
Research grants received on account	5,927	6,891	5,927	6,891
Trade creditors	5,619	4,540	5,310	4,232
Social security and other taxation payable	2,002	1,074	1,777	977
Accruals and deferred income	8,711	6,980	6,998	6,009
Amounts due to subsidiary companies	0	0	8,314	8,319
	40,483	37,776	46,550	44,719

Notes to the Accounts

for the year ended 31 July 2015

18 Creditors : amounts falling due after more than one year

	Consolidated		University	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000	£'000	£'000
Analysis of secured and unsecured loans:				
Due within one year or on demand	2,039	1,946	2,039	1,946
Due between one and two years	2,109	4,346	2,109	1,946
Due between two and five years	9,144	6,443	6,744	6,443
Due in five years or more	101,762	104,066	101,762	104,066
	115,054	116,801	112,654	114,401
Due within one year or on demand	(2,039)	(1,946)	(2,039)	(1,946)
Due after more than one year	113,015	114,855	110,615	112,455
Other creditors:				
Due between one and two years	4,271	4,394	0	0
Due between two and five years	0	0	0	0
Due in five years or more	160	160	160	160
	4,431	4,554	160	160
Total	117,446	119,409	110,775	112,615

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 2015, the University had loans with Lloyds totaling £112m (2013-14: £114m), repayable by 2043.

19 Provisions for liabilities

	Consolidated		University	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000	£'000	£'000
General Provision				
At 1 August 2014	799	0	799	0
Utilised in year	(38)	0	(38)	0
Transfer from income and expenditure account	133	799	75	799
At 31 July 2015	894	799	836	799

The University entered an arrangement with Uliving to deliver new student accommodation facilities, The Meadows, on the Colchester Campus. Uliving built an additional 648 rooms for the University, of which 228 are in townhouses with the remaining 420 being en-suite. Part of the arrangement was that for the period 2013-14 to 2015-16 the University would guarantee 100% of the rental income. The University has made a provision of £541k for the year 2015-16 against the likelihood of rentals not being received based on historic void rates. In addition the provision includes a sum relating to a potential repayment of a research grant.

Notes to the Accounts

for the year ended 31 July 2015

20 Deferred capital grants

Consolidated and University	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2014			
Buildings	35,213	26,023	61,236
Equipment	918	0	918
Total	36,131	26,023	62,154
Cash receivable			
Buildings	1,844	0	1,844
Equipment	0	0	0
Total	1,844	0	1,844
Released to income and expenditure account			
Buildings (notes 1 and 4)	(1,265)	(809)	(2,074)
Equipment (note 1)	(459)	0	(459)
Total	(1,724)	(809)	(2,533)
At 31 July 2015			
Buildings	35,792	25,214	61,006
Equipment	459	0	459
Total	36,251	25,214	61,465

Grants received in the year included £1.8m from HEFCE for building costs.

Grants released to the income and expenditure account are to fund depreciation charges as shown in notes 9 and 10.

Notes to the Accounts

for the year ended 31 July 2015

21 Endowments (Consolidated and University)

	Total Year Ended 31 July 2014 £'000	Additions and transfers £'000	Change in Market Value £'000	Income £'000	Expenditure £'000	Total Year Ended 31 July 2015 £'000
Restricted permanent endowment funds	511	6	47	18	(2)	580
Restricted expendable endowment funds	5,736	83	546	187	(207)	6,345
	6,247	89	593	205	(209)	6,925
Linked charities (restated)	1,009	0	0	17,613	(17,730)	892
	7,256	89	593	17,818	(17,939)	7,817

Funds and charities with income below £100,000:

Fellowships and scholarships	1,281	32	98	45	(51)	1,405
Prize funds	332	7	32	8	(14)	365
Chairs and lectureships	1					1
Other	1,841	50	171	42	(39)	2,065

Funds and charities with income over £100,000:

University Campus Suffolk (restated)	1,009	0	0	17,613	(17,730)	892
John Silberrad Trust Fund	2,792	0	292	110	(105)	3,089
	7,256	89	593	17,818	(17,939)	7,817

	2013-14 Total £'000	Restricted Expendable £'000	Restricted Permanent £'000	2014-15 Total £'000
Represented by:				
Endowment capital	6,473	6,624	531	7,155
Accumulated income	(226)	(279)	49	(230)
	6,247	6,345	580	6,925

Notes to the Accounts

for the year ended 31 July 2015

22 Reserves

	Year Ended 31 July 2015	
	Consolidated £'000	University £'000
Income and Expenditure reserves		
At 1 August	68,942	84,893
Surplus retained for the year	6,728	6,314
Increase in value of joint ventures	(284)	0
Add back pension deficit	(530)	(830)
Payment to eliminate pension reserve	(5,500)	(5,500)
At 31 July	69,356	84,877
Pension reserve		
At 1 August	(19,133)	(18,918)
Actuarial loss	279	415
Surplus retained within reserves	530	830
Deferred tax on UECS pension liability	130	-
Closure of UEPS pension reserve	7,212	7,212
At 31 July	(10,982)	(10,461)
Revaluation reserve		
At 1 August	1,183	1,183
Revaluation of investments	572	572
Transfer to Income and Expenditure Reserve	0	0
At 31 July	1,755	1,755

Notes to the Accounts

for the year ended 31 July 2015

23 Reconciliation of surplus before tax and profit on disposal of assets to net cash inflow from operating activities

	Notes	Consolidated	
		Year Ended 31 July 2015	Year Ended 31 July 2014
		£'000	£'000
Surplus on continuing activities after depreciation of assets at cost		6,545	4,167
Depreciation	10	7,492	7,161
Impairment	10	0	1,050
Loss / (profit) on disposal of tangible fixed assets		403	138
Profit on disposal of fixed assets investments		0	0
Deferred capital grants released to income	20	(2,533)	(2,949)
Investment income	5	(601)	(521)
Interest payable	8	4,922	4,168
Decrease / (increase) in stocks	14	28	166
(Increase) / decrease in debtors	15	(1,573)	(600)
(Decrease) / Increase in creditors	17	2,490	(420)
Increase / (decrease) in provisions	19	95	799
Pension costs less contributions payable	29	(534)	(2,733)
Net cash inflow from operating activities		16,734	10,426

24 Analysis of changes in net debt

	Notes	Consolidated			
		At 1 August 2014	Cash Flows	Non-Cash Changes	At 31 July 2015
		£'000	£'000	£'000	£'000
Cash at bank and in hand					
Endowment assets	13	677	85	0	762
Other		9,871	294	0	10,165
		10,548	379	0	10,927
Short-term investments	16	47,302	(17,840)	0	29,462
Debts due within one year	17	(1,946)	1,946	(2,039)	(2,039)
Debts due after one year	18	(114,855)	(199)	2,039	(113,015)
		(58,951)	(15,714)	0	(74,665)

Notes to the Accounts

for the year ended 31 July 2015

25 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2015:

	Consolidated		University	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000	£'000	£'000
Commitments contracted for	36	21,983	36	21,487
Authorised but not contracted for	23,075	0	22,031	0
	23,111	21,983	22,067	21,487

26 Contingent liabilities

The University entered an arrangement with Uliving to deliver new student accommodation facilities, The Meadows, on the Colchester campus. Uliving built an additional 648 rooms for the University, of which 228 are in townhouses with the remaining 420 being en-suite. Part of the arrangement was that for the period 2013-14 to 2015-16 the University would guarantee 100% of the rental income. The University has made a provision of £541k for the year 2015-16 against the likelihood of rentals not being received based on historic void rates however there is a potential future liability that the full guarantee would need to be paid. The University considers this risk highly unlikely.

27 Lease obligations

	Year Ended	Year Ended
	31 July 2015	31 July 2014
	£'000	£'000
Leases expiring within one year	0	16
Leases expiring between two and five years	0	0
Leases expiring after five years	67	67
	67	83

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

Notes to the Accounts

for the year ended 31 July 2015

28 Disclosure of related party transactions

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

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

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

Due to the 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 2015 the University paid the Union a revenue grant of £1.888m (2013-14: £1.138m). The Union's income and expenditure account shows the following:

	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000
Income	2,072	1,866
Expenditure	(1,977)	(1,859)
Operating surplus / (loss) before and after transfers from / (to) reserves	95	7

Miss Chantelle Le Carpentier was a Council member during 2014-15 who also sat on Essex Students' Union Board.

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

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

Notes to the Accounts

for the year ended 31 July 2015

29 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 01 September 2014 the University of Essex Pension Scheme (UEPS) merged into the Superannuation Arrangements of the University of London (SAUL). This effectively means the Scheme ceased on 01 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 for some employees and Wivenhoe House Hotel Limited also pays into a scheme called NEST. NEST and the personal pension schemes are all defined contribution schemes.

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

	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000
Contribution to USS	14,155	13,580
Contribution to LGPS	418	339
Contributions to UEPS	42	554
Contribution to SAUL	587	4
Contribution to NEST	2	0
Contribution to personal pensions	8	0
LGPS additional University costs to fund past service deficiency	1,534	1,538
UEPS additional University costs to fund past service deficiency	0	405
Net adjustment from FRS 17 staff costs	(255)	(2,627)
Total pension cost	16,491	13,793

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

	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000
LGPS pension liability	(10,982)	(12,280)
UEPS pension liability	0	(6,853)
Total pension liability	(10,982)	(19,133)

Notes to the Accounts

for the year ended 31 July 2015

Universities Superannuation Scheme (USS)

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

The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. The total pension cost for the institution was £14.2m (2013-14: £13.6m) as shown above. There are no prepaid or outstanding contributions at the balance sheet date.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

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.

FRS 17 liability numbers have been produced for the using the following assumptions:

	At 31 July 2015	At 31 July 2014
Discount rate	3.30%	4.50%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.40%
Price inflation (CPI)	2.20%	2.60%

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

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	At 31 July 2015	At 31 July 2014
Males currently aged 65	24.2 years	23.7 years
Females currently aged 65	26.3 years	25.6 years
Males currently aged 45	26.2 years	25.5 years
Females currently aged 45	28.6 years	27.6 years

Existing benefits

Scheme assets	£49.0 bn	£41.6 bn
FRS 17 liabilities	£67.6 bn	£55.5 bn
FRS 17 deficit	£18.6 bn	£13.9 bn
FRS 17 funding level	72%	75%

Notes to the Accounts

for the year ended 31 July 2015

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 2014-15 was 21.5% (2013-14 21.4%). In addition, the University made a further payment of £1.534m (2013-14: £1.538m) towards the scheme deficiency.

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-13
Actuarial method	Projected Unit
Pension increases	2.5% per annum
Salary scale increases	4.3% per annum
Market value of assets at date of last valuation (whole fund)	£3,926 million

The proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) was 80%.

Actuarial Assumptions

A full actuarial valuation was carried out at 31 March 2014, and updated to 31 July 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2015	At 31 July 2014
Financial assumptions	%	%
Rate of increase in salaries	4.10	4.30
Rate of increase in pension payments	2.30	2.50
Expected return on assets	5.70	5.70
Discount rate for liabilities	3.40	4.00
Inflation assumptions	2.30	2.50
Split of assets between investment categories		
Equities	65.00	64.00
Government Bonds	4.00	6.00
Other Bonds	10.00	11.00
Property	12.00	12.00
Cash	2.00	3.00
Other	7.00	4.00

Notes to the Accounts

for the year ended 31 July 2015

Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme

	Long-term rate of return expected at 31 July 2015	Whole fund value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2013	Whole fund value at 31 July 2013 £'000	Long-term rate of return expected at 31 July 2013	Whole fund value at 31 July 2013 £'000
	%		%		%	
Equities	5.70	3,248,000	6.50	2,570,000	6.50	2,570,000
Government Bonds	2.60	200,000	3.40	312,000	3.40	312,000
Other Bonds	3.30	500,000	4.30	312,000	4.30	312,000
Property	4.70	600,000	5.50	428,000	5.50	428,000
Cash	2.30	100,000	0.50	117,000	0.50	117,000
Other	3.30	350,000	4.30	156,000	4.30	156,000
Total market value of assets		4,998,000		3,895,000		3,895,000

	Consolidated 31 July 2015 £'000	University 31 July 2015 £'000	University 31 July 2015 £'000	University 31 July 2014 £'000	University 31 July 2013 £'000
Estimated asset share	48,252	44,597	44,597	40,941	38,942
Present value of scheme liabilities	(59,364)	(55,058)	(55,058)	(53,010)	(52,860)
Deferred Tax Asset	130	0	0	0	0
Deficit in the scheme	(10,982)	(10,461)	(10,461)	(12,069)	(13,918)
	81%	81%	81%	77%	74%

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.

Notes to the Accounts

for the year ended 31 July 2015

Local Government Pension Scheme (LGPS) - continued

Mortality and life expectancy assumptions

	At 31 July 2015	At 31 July 2014
Post retirement mortality assumptions:		
Active members	Males - 100% S1PA CMI_2012_M [1.5%] Females - 100% S1PA CMI_2012_F [1.5%]	Males - 100% S1PA CMI_2012_M [1.5%] Females - 100% S1PA CMI_2012_F [1.5%]
Current Pensioners	Males - 100% S1PA CMI_2012_M [1.5%] Females - 100% S1PA CMI_2012_F [1.5%]	Males - 100% S1PA CMI_2012_M [1.5%] Females - 100% S1PA CMI_2012_F [1.5%]
Life expectancy:		
Male current pensioner aged 65	22.8 years	22.7 years
Female current pensioner aged 65	25.2 years	25.1 years
Male future pensioner aged 65	25.1 years	24.9 years
Female future pensioner aged 65	27.6 years	27.4 years

Notes to the Accounts

for the year ended 31 July 2015

Local Government Pension Scheme (LGPS) - continued

	Consolidated At 31 July 2015 £'000	University At 31 July 2015 £'000	University At 31 July 2014 £'000
Analysis of amount charged to staff costs within operating surplus			
Current service charge	(617)	(520)	(520)
Settlements and curtailments	1	300	0
Total operating charge	(616)	(220)	(520)
Analysis of net return on pension scheme			
Expected return on pension scheme assets	2,469	2,306	2,244
Interest on pension liabilities	(2,199)	(2,063)	(2,188)
Net return	270	243	56
Amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)			
Actual return less expected return on pension scheme assets	(513)	(377)	(609)
Actuarial (loss)/gain recognised in the STRGL	(513)	(377)	(609)
Movements in deficit during the year			
Deficit in scheme at 1 August	(12,284)	(12,069)	(13,918)
Movements in the year:			
Current service charge	(617)	(520)	(520)
Contributions	2,031	1,962	2,922
Past service cost and curtailment loss	0	0	0
Other outgoings	0	0	0
Net interest/return on assets	270	243	56
Actuarial (loss)/gain	(513)	(377)	(609)
Settlement and Curtailment	1	300	0
Deferred Tax Asset	130	0	0
Deficit in scheme at 31 July	(10,982)	(10,461)	(12,069)

Notes to the Accounts

for the year ended 31 July 2015

Local Government Pension Scheme (LGPS) - continued

	Consolidated Year Ended 31 July 2015 £'000	University Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Change in benefit obligation during the period to 31 July			
At beginning of year	55,603	53,010	52,860
Current service cost	617	520	520
Interest on pension liabilities	2,199	2,063	2,188
Member contributions	154	134	148
Actuarial losses on liabilities	3,173	2,888	(511)
Benefits paid	(2,381)	(2,304)	(2,195)
Losses (gains) on curtailments	13	13	0
Liabilities assumed/(extinguished) on settlements	(14)	(1,266)	0
At end of year	59,364	55,058	53,010
Analysis of movement in the market value of the scheme assets			
At beginning of year	43,323	40,941	38,942
Expected return on plan assets	2,469	2,306	2,244
Actuarial (losses) / gains on assets	2,656	2,511	(1,120)
Employer contributions	2,031	1,962	2,922
Member contributions	154	134	148
Benefits/transfers paid	(2,381)	(2,304)	(2,195)
Settlement prices received/(paid)	0	(953)	0
At end of year	48,252	44,597	40,941

History of Experience Gains and Losses	2014-15 £'000	2013-14 £'000	2012-13 £'000	2011-12 £'000	2010-11 £'000
Difference between the expected and actual return on scheme assets:					
Amount	2,656	(1,077)	4,950	(1,739)	(369)
Percentage of scheme assets	5.50%	(2.49%)	12.04%	5.30%	1.10%
Experience gains arising on the scheme liabilities:					
Amount	(9)	805	(28)	12	368
Percentage of scheme liabilities	0.02%	(1.45%)	0.05%	0.00%	0.80%
Total amount recognised in the Statement of Total Recognised Gains and Losses:					
Amount	(513)	(472)	3,395	(3,362)	(3,287)
Percentage of scheme liabilities	(0.86%)	(0.85%)	6.13%	6.60%	6.80%

In the 2015-16 year, the University estimates the employer contribution will be £405k.

Notes to the Accounts

for the year ended 31 July 2015

University of Essex Pension Scheme (UEPS)

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

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

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

Actuarial Assumptions

The FRS 17 disclosures as at 31 July 2015 reflect those adopted by the Scheme Trustees for the formal actuarial. However due to the scheme being closed on 1 September 2014, there are limited or no disclosures for 31 July 2015.

	At 31 July 2014 %
Financial Assumptions	
Rate of increase in salaries	4.30
Rate of increase in pension payments	3.30
Expected return on assets	5.90
Discount rate for liabilities	4.00
Inflation assumptions	2.50
Split of assets between investment categories	
Equities	78
Corporate bonds	9
Government bonds	11
Cash	2

Notes to the Accounts

for the year ended 31 July 2015

University of Essex Pension Scheme (UEPS) - continued

Expected rate of return on assets in the scheme

	Whole fund value at 31 July 2015	Long-term rate of return expected at 31 July 2014	Whole fund value at 31 July 2014	Long-term rate of return expected at 31 July 2013	Whole fund value at 31 July 2013
	£'000	%	£'000	%	£'000
Equities	0	6.5	15,929	6.5	14,847
Corporate bonds	0	4.0	1,899	4.3	1,589
Government bonds	0	3.4	2,339	3.4	2,157
Cash	0	3.2	346	0.5	988
Total market value of assets	0		20,513		19,581
Present value of scheme liabilities	0		(27,366)		(24,807)
(Deficit) in the scheme	0		(6,853)		(5,226)
	0%		75%		79%

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

	At 31 July 2015	At 31 July 2014
	£'000	£'000
Analysis of amount charged to income and expenditure account		
Current service charge	(78)	(819)
Past service cost	(1,152)	0
Losses/(gains) on curtailments and settlements	7,213	0
Total operating charge	5,983	(819)
Analysis of net return on pension scheme		
Expected return on pension scheme assets	97	1,120
Interest on pension liabilities	(88)	(1,044)
Net return	9	76

Notes to the Accounts

for the year ended 31 July 2015

University of Essex Pension Scheme (UEPS) - continued

	At 31 July 2015 £'000	At 31 July 2014 £'000
Amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	792	(497)
Actuarial (loss) arising on the scheme liabilities	0	(1,416)
Actuarial (loss)/gain recognised in the STRGL	792	(1,913)
Movements in deficit during the year		
Deficit in scheme at 1 August	(6,853)	(5,226)
Movements in the year:		
Current service charge	(78)	(819)
Past service cost	(1,152)	0
Contributions	70	1,029
Net interest/return on assets	9	76
Actuarial (loss)/gain	792	(1,913)
Deficit extinguished on settlements	7,212	0
Deficit in scheme at 31 July	0	(6,853)
Change in benefit obligation during the period to 31 July		
At beginning of year	27,366	24,807
Current service cost	78	819
Past service cost	1,152	0
Interest on pension liabilities	88	1,044
Member contributions	0	21
Actuarial loss on liabilities	0	1,416
Benefits paid	(26)	(741)
Liabilities (extinguished) on settlements	(28,658)	0
At end of year	0	27,366
Analysis of movement in the market value of the scheme assets		
At beginning of year	20,513	19,581
Expected return on plan assets	97	1,120
Actuarial (loss)/gain on assets	792	(497)
Employer contributions	70	1,029
Member contributions	0	21
Benefits and transfers paid	(26)	(741)
Asset attributed on settlements	(21,446)	0
At end of year	0	20,513

Notes to the Accounts

for the year ended 31 July 2015

University of Essex Pension Scheme (UEPS) - continued

History of Experience Gains and Losses	2013-14	2012-13	2011-12	2010-11
	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets:				
Amount	(497)	1,905	(670)	777
Percentage of scheme assets	(2.42%)	9.73%	3.42%	4.82%
Experience gains arising on the scheme liabilities:				
Amount	884	(288)	(29)	490
Percentage of scheme liabilities	3.23%	(1.16%)	(0.10%)	3.00%
Total amount recognised in the Statement of Total Recognised Gains and Losses;				
Amount	(1,913)	385	(4,935)	1,264
Percentage of the present value of scheme liabilities	(6.99%)	1.55%	22.50%	7.70%

Due to the scheme being closed on 1 September 2014, there were no actuarial disclosures for the history of experience of gains and losses for 2014-15

Notes to the Accounts

for the year ended 31 July 2015

Superannuation Arrangements of the University of London (SAUL)

Since 01 June 2014, the University has participated in SAUL which is a centralised defined benefit scheme for all qualified employees and contracted out of the State Second Pension. The assets are held in separate Trustee-administered funds. SAUL is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. It is therefore not possible to identify the University's share of the scheme's underlying assets and liabilities. Contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

Actuarial Assumptions

Pre-retirement discount rate	6.80%
Post-retirement discount rate	4.70%
General* salary increases	3.75% until March 2014, 4.50% thereafter
Retail Prices Index (RPI) inflation	3.50%
Consumer Prices Index (CPI) inflation	2.80%
Pension increases in payment (excess over GMP)	2.80%
Mortality - base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females
Mortality - future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25%

*an additional allowance is made for promotional salary increases

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 £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

From 01 July 2012, new members of SAUL joined a Career Average Revalued Earnings (CARE) benefit structure. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021. A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

From 01 July 2012, new members of SAUL joined a Career Average Revalued Earnings (CARE) benefit structure. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021.

Notes to the Accounts

for the year ended 31 July 2015

30 Subsidiary undertakings

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

Company	Principal Activity	At	At
		31 July 2015	31 July 2014
		£1 Shares	£1 Shares
University of Essex Enterprises	Acquisition, protection and licensing of intellectual property from the University	2	2
Wivenhoe House Hotel Ltd	Development and operation of a hotel school	11,600,620	11,600,620
University of Essex Campus Services Ltd	Management of commercial activities at the University	1,333,586	1,333,586
University of Essex Knowledge Gateway Holdings Ltd	Holding land on behalf of the University for development as a Research Park	17,311,682	17,311,682
University of Essex Knowledge Gateway Ltd	Development and marketing of a Research Park	5,171,002	5,171,002
University of Essex Environmental Facilities Ltd	Dormant throughout the year	100,000	100,000
East 15 Acting School Ltd	Dormant throughout the year	2	2
University of Essex (Elmstead Road) Ltd	Dormant throughout the year	2	2
Universal Accommodation Group Ltd	Holding land on which student accommodation is located	1	1

Trading results of wholly owned subsidiaries:

	Year Ended	Year Ended
	31 July 2015	31 July 2014
	£'000	£'000
University of Essex Enterprises Ltd*	(7)	1
Wivenhoe House Hotel Ltd*	(201)	(1,571)
University of Essex Campus Services Ltd*	250	162
University of Essex Knowledge Gateway Holdings Ltd *	(1)	(2)
Universal Accommodation Group Ltd*	110	118
University of Essex Knowledge Gateway Ltd *	(131)	(53)
	20	(1,345)

* Trading results before tax and gift aid payments

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

Notes to the Accounts

for the year ended 31 July 2015

31 Agency Arrangements

	University	
	2014-15	2013-14
	£'000	£'000
Access Funds		
Balance brought forward at 1 August	0	20
Funding council grants received	0	282
	0	302
Disbursed to students	0	(302)
Balance carried forward at 31 July	0	0
NHS Bursaries		
Payments received from NHS organisations	26	375
Disbursed to students	(26)	(375)
Balance unspent at 31 July	0	0

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

HEFCE Teaching Grant

Payments received from HEFCE	1,523	3,240
Payments made to partner institutions	(1,523)	(3,240)
Balance unspent at 31 July	0	0

HEFCE Research Grant

Payments received from HEFCE	247	292
Payments made to partner institutions	(247)	(292)
Balance unspent at 31 July	0	0

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

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

Notes to the Accounts

for the year ended 31 July 2015

32 Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) - Adjusted

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

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

	Consolidated	
	2014-15	2013-14
	£'000	£'000
Surplus on continuing operations after depreciation but before joint ventures:	6,545	4,167
add back depreciation, amortisation and impairment charge	7,492	8,211
less release of deferred capital grants (note 20)	(2,533)	(2,949)
add back interest payable (note 8)	4,643	4,031
less general interest income (note 5)	(396)	(443)
add back FRS 17 (Charges) (note 22)	(530)	(2,729)
EBITDA	15,221	10,288

33 Joint Venture Deferred Capital Grants Reserve

	2014-15	2013-14
	£'000	£'000
At 1 August	22,617	23,350
Joint venture deferred capital grants received	242	109
Released to income and expenditure account	(733)	(842)
At 31 July	22,126	22,617

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