

Financial Statements

2015–16



University of Essex



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Chair's Introduction



I am pleased to have been appointed to the role of Chair of the University Council with effect from 1 August 2016. Council is very grateful to David Boyle, who chaired for the last two years with great skill and leadership. Turnover has risen to £198m and cash surpluses of £9.7m and £10.6m were generated for 2014-15 and 2015-16 respectively. I am pleased to report that the University is on track to achieve the longstanding target of a cash surplus of 5.5% of income (expected to be in the order of £11m) in the 2016-17 financial year. Generating cash surpluses at these levels has given us the opportunity to continue to invest in our staff base and our facilities for the benefit of our students.

I should point out that the accounting result for 2015-16 is distorted by accounting entries relating to University Campus Suffolk becoming the independent University of Suffolk with effect from 1 August 2016, and so ceasing to be a joint venture of the universities of Essex and East Anglia. The entries are purely accounting adjustments with no underlying transactions.

2016 marks the half-way point in the University's Strategic Plan 2013-2019 and I am delighted to report that the interim milestone of being ranked amongst the top 30 universities in *The Times Good University Guide* has been achieved. This has required a commitment to achieving very high standards in student employability, student satisfaction, good degrees, staff student ratios, academic research and facilities spend. Students joining the University at the beginning of the 2016-17 academic year form part of our largest ever cohort of new members of the University and we remain on track to increase the number of students by 50% during the period of the Strategic Plan.

The University Council is fully committed to creating an environment in which our students can develop the skills and experiences that are in demand from employers. As a consequence, it is particularly gratifying that the award-winning support programmes and strong links with employers that we have supported mean that the University of Essex is a top 20 university for helping new graduates find jobs and go on to further study. The UK Performance Indicators for employment of graduates released by the Higher Education Statistics Agency (HESA) show 96% of University of Essex graduates in 2014-15 found work or were continuing their studies within six months of completing their first degree. This means the University is 19th out of UK mainstream universities for new graduate employment - up 3.3% from the previous year and well above the national average of 93.9%. The University is also ranked seventh in the UK among non-specialist universities for its performance against its national benchmark, which takes into account its student intake profile and its geographical location.

It has also been a year in which important developments on the University's campuses have received wider recognition. The striking Silberrad Student Centre and Library Extension have been named building of the year in the Eastern region by the Royal Institute of British Architects. As one of the biggest buildings on campus, it houses a state-of-the-art student media centre, 180-space reading room and excellent IT and group working facilities. It also features works from the Essex Collection of Art from Latin America based at the University.



The new home of Essex Business School won the Design through Innovation category at the Royal Institution of Chartered Surveyors (RICS) Awards 2016 for the East of England. State-of-the-art facilities include a virtual Bloomberg trading floor and innovation booths for group-working plus dedicated working space for postgraduate and research students. The new building is a flagship building on the Knowledge Gateway which is being developed to become the location of choice in the eastern region for knowledge-based enterprises in science, technology and the creative sector. Parkside Office Village, just across from the new Business School, is already providing a home to 20 businesses with new phases under development due to the level of demand. At the same time a £10 million Innovation Centre, accommodating up to 52 new start-up companies also received planning approval.

The new North Teaching Centre on the Colchester Campus opened to students early in 2016, providing 28 high quality teaching rooms to accommodate growth while further developments take place; particularly a new, state-of-the-art £13.2m teaching centre for science, technology, engineering and mathematics (STEM) students. The new building will transform Square 1 of the Colchester Campus into a dedicated science square with new collaborative learning spaces and interdisciplinary teaching facilities. Essex received a £5m award from the Higher Education Funding Council for England (HEFCE) towards the project – the highest award available for STEM facilities. The University will now match this with an additional £8.2m. Work has started on site with the new centre opening in 2017.

The University remains committed to being a cosmopolitan, internationally-oriented university that is welcoming to students and staff from all countries - and a university where you can find the world in one place. Immediately following the EU Referendum, Council approved a range of new initiatives to increase the University's international presence, physically and digitally, around the world including mainland Europe.

The University is taking a significant stride towards gender equality by closing the pay gap for female professors. The whole higher education sector faces a challenge in dealing with the gender pay gap at professorial level and the University has already taken wide-ranging steps to address the issue. In support of this work, Council approved plans which mean that

female professorial staff received a one off uplift to their salaries to ensure the pay gap was completely closed by October 2016. No significant pay gaps have been identified at other grades and for other staff groups and the University will be taking further steps to ensure this remains the case.

I would like to record our warm thanks to Professor David Sanders, who's primary focus returns to his own research, after a second and extended term of office as Pro-Vice Chancellor for Research. David led the University's submissions to the Research Assessment Exercise in 2001 and Research Excellence Framework 2014; securing results of which the University is justly proud. I am very pleased that, following her excellent work as Director of the Institute for Social and Economic Research, Professor Heather Laurie is our new Pro-Vice Chancellor for Research. Thanks are also due to Professor Roger Hawkins for his assured leadership as the Executive Dean for the Faculty of Social Sciences. I am delighted to welcome Professor Sasha Roseneil who joined the University from Birkbeck, University of London and took over from Roger as Executive Dean. The Vice-Chancellor and his senior team are providing the outstanding leadership that the University needs in rapidly changing times.

The University is reliant upon its students and staff to make its campuses vibrant and to constantly push at the frontiers of knowledge. I would like to pay tribute to their extraordinary hard work and creativity in making excellent progress in delivering an ambitious strategic plan and positioning the University favourably to face challenges and opportunities to come.

David Currie
Chair of Council



Strategic Report

Objectives and Strategy

The University of Essex's mission is to provide excellence in research and excellence in education. Having achieved its aim to be ranked amongst the top thirty universities in the United Kingdom (as measured by *The Times Good University Guide*) by 2016, the University now aims to reach the top twenty-five by 2019 and to grow student numbers by 50% between 2013 and 2019. Supporting this is a financial strategy that seeks to ensure sustainability and growth through the generation of sufficient cash to maintain and improve our high-quality infrastructure for research and education. The University has made great improvements in the employability of students, the proportion of first and 2:1s and facility spend per student, contributing to its rise up the league table.

Financial Performance during 2015-16

Buoyant student recruitment has led to record income levels and operating surplus at the University of Essex. The University remains on track to deliver on its growth target and its strategy to increase cash surpluses to fund investment in teaching and research infrastructure, improved facilities and improved staff/student ratios.

Measures of financial performance have been affected by the introduction of FRS 102 and the revised Statement of Recommended Practice. This set of financial statements is the first to be prepared under these new standards, with comparative figures for 2014-15 re-stated in a manner which complies with the new requirements. The most obvious outcome is that reported results are more volatile from year to year. The areas where the volatility has been most marked relate to the treatment of pension liabilities and the movement in provisions from one year to the next, and in the treatment of donations, endowments and capital grants. The changes have had no significant effect on the reporting of operating cash flows, which have remained strongly positive, but may serve to disguise the underlying performance of the University to the extent that they affect the reported operating surplus. Across the sector there has been extensive debate regarding the most appropriate

single measure of financial performance with a consensus that the previous measure, Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) has been rendered less meaningful given the different choices available to institutions in recognising income and disclosing exceptional items. A new measure has been proposed for future years, based on adjusted operating cashflow. For financial management purposes, in 2012 the University set its own long-term internal target of a cash surplus of 5.5% of income, based on EBITDA but excluding capital grants and donations, pension provision movements, endowment movements and non-repeat exceptional items, and including finance costs and capital repayments. In 2015-16 the University achieved the long-term target for the first time, a year ahead of expectations.

This encouraging outcome is disguised in the Consolidated Statement of Comprehensive Income and Expenditure by: i) adjustments to the University's pension liabilities and other actuarial losses, and ii) the disposal of the University's interest in University Campus Suffolk Ltd, now the University of Suffolk. Regarding pensions the total cost is £6.6m. Regarding University Campus Suffolk Ltd, the University had been carrying 50% of the value of this company on its balance sheet in previous years, accounting for it as a joint venture under the equity method. Following the granting of degree-awarding powers in November 2015 and University title in May 2016, the University of Essex (along with the University of East Anglia) relinquished its control of the new University on 1 August 2016. The costs of disposing of the University's interest in University Campus Suffolk Ltd have been disclosed on the Consolidated Statement of Comprehensive Income and Expenditure in 2015-16 as a single item under the heading 'accounting adjustment associated with group reorganisation'. This is partly offset by the release of capital grants relating to UCS Ltd activity; any performance conditions attached to these were deemed to have been met when that company acquired independent status.

While the regulatory changes render impossible full financial comparisons with periods before 2014-15, there are data available which reveal the longer-term performance of the University, and its success in recruiting more students, investing in education and research infrastructure, and in attracting greater sums of research income from sponsors.

Student Numbers

Full-time equivalents studying at University of Essex campuses

	2010-11 FTE	2011-12 FTE	2012-13 FTE	2013-14 FTE	2014-15 FTE	2015-16 FTE	Growth over 5 years
Home/EU	7,498	7,716	7,784	7,703	8,245	8,989	+20%
Overseas	2,596	2,574	2,710	2,587	2,820	2,830	+9%
Total	10,094	10,290	10,494	10,290	11,065	11,819	+17%
Undergraduate	7,743	8,418	8,097	8,072	8,663	9,595	+24%
Postgraduate	2,351	1,872	2,397	2,218	2,402	2,224	-5%
Total	10,094	10,290	10,494	10,290	11,065	11,819	+17%

Student numbers grew by 17% between 2010-11 and 2015-16, predominantly among home/EU students and among undergraduates, despite the higher-rate fee increases phased in over three years from 2012. The most striking period of growth is between 2013-14 and 2015-16, between which student numbers grew by nearly 15% over a two year period.

Capital Investment

	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £'000	Total £'000
Total investment	19,606	24,814	26,702	24,560	19,686	115,368

Over the last five years the University has invested over £115m in high-quality infrastructure for research and education. Major projects completed prior to 2015-16 included the RIBA National Award-winning Silberrad Student Centre and Albert Sloman Library Extension, The Forum building on the Southend Campus, and the flagship building that accommodates the Essex Business School. In 2015-16 work continued on a variety of projects including the North Teaching Centre (opened Spring 2016), further development of the Knowledge Gateway site at Parkside, and enhancements to sporting facilities.

Capital projects scheduled for 2016-17 and later years include completion of the new Science, Technology, Engineering and Mathematics (STEM) building; enhanced sports facilities including new tennis courts, a new sports hall and new sport study space; new student facilities at our East 15 Acting School at the Loughton Campus; and new student accommodation at Colchester campus, as well as further development of the Knowledge Gateway.

Research Contract Income

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £'000	3-year growth
Total income	21,626	22,640	24,069	26,077	+21%

Research contract income rose to a record high in 2015-16. Indirect costs recovered from research contract activities similarly rose to record levels.

Academic partnerships

Although the University's partnership with the former University Campus Suffolk Ltd is coming to an end, other partnerships have begun to demonstrate their value in financial terms. The University's investment in Essex Online has begun to pay back after some years of operation. By contrast, in its first full year of operation, its investment in Kaplan Singapore has performed ahead of expectations and has generated a significant return. A new agreement with the Tavistock and Portman NHS Trust, signed off in 2015, has also produced increased revenues. In the year the University signed a new agreement with North West University, China, that in years to come will be a significant source of new revenue and new students.

Cash

Cash is managed conservatively with deposits in the University's clearing bank (Lloyds Bank) and in a range of AAA-rated money market funds. Cash, cash equivalents and short term investments increased from £40.4m to £45.8m over the year. A target of holding minimum cash balances equating to 60 liquidity days (i.e. the number of days of average expenditure cash balances could support) has been set. At 31 July 2016 actual liquidity days amounted to 105 days.

Total long-term debt outstanding at 31 July 2016 was £114.9m (2015 £117.4m).

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.

Future Prospects

The University continues to plan for growth in increasingly volatile markets. In the light of the outcome of the EU referendum vote on 23 June 2016 the University has restated its commitments to the values of inclusivity and internationalism and stepped up its international recruitment activities. The risk of a 'chilling effect' on non-UK EU recruitment, and to a lesser extent the limiting of Research Council studentships to UK PGR students, is significant and the University needs to strike the right balance between prudence and action to capitalise on opportunities that might arise to maintain the momentum in delivering against the University's strategic plan objectives.

Early admissions figures for 2016-17 indicate that the University remains on track to achieving the objective of 50% growth in student numbers by 2019. The University is anticipating that it will exceed last year's record intake with substantial strengths in undergraduate and HEU postgraduate taught recruitment, but with under-recruitment against non-EU postgraduate taught targets. The University also anticipates being under-target for postgraduate research. Given significant external challenges – increased competition during the second year of removal of Student Number Controls and continued challenges around visa requirements – the predicted outcome is encouraging. To date, no adverse impact of Brexit on EU applicant behaviour has been noted.

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. It is well positioned to do so, with capacity at the Southend Campus benefitting from the opening of The Forum in September 2013. At the Colchester Campus the Silberrad Student Centre and Library Extension and the building housing the Essex Business School both opened in summer 2015. There are also plans to develop the base of the East 15 Acting School at the Loughton Campus.

Infrastructure is in place for further development of the Knowledge Gateway at the Colchester Campus. This is an extraordinarily valuable asset for the promotion of excellence in research and excellence in education. Since October 2014 tenants have taken possession of phase 1 of the Parkside development which is now almost fully occupied. Based on this

success and with support from the South East Local Enterprise Partnership, further development of Parkside is going ahead. 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, the 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.

Principal Risks and Uncertainties

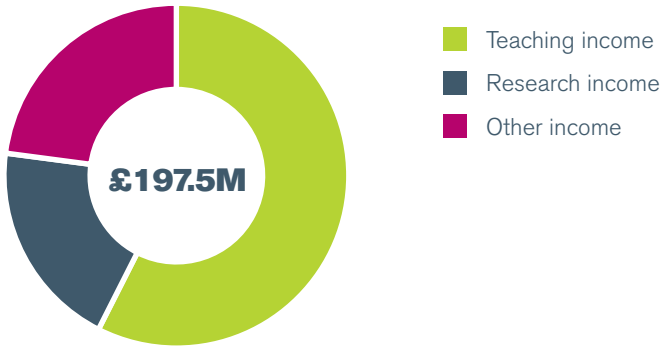
The University's Risk Management Group regularly reviews the risk register and reports to the Audit and Risk Management Committee on strategic, financial and operational risks and force majeure. The risk management policy synchronises with the strategic plan and associated key performance indicators. 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 focussing on the need to refurbish its estate in the context of limited availability of capital grants.

Key Performance Indicators

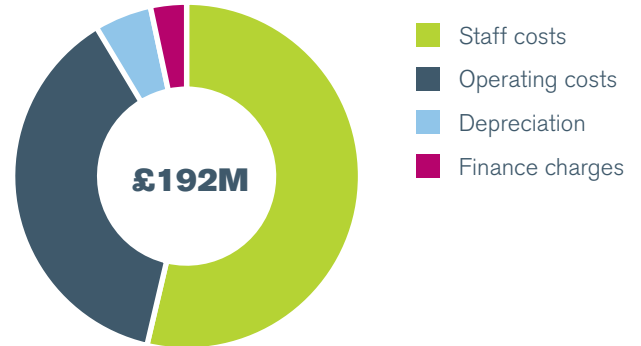
	Target		2015-16 Performance		2014-15 Performance	
	2016	2019	Rank	Value	Rank	Value
Overall <i>The Times and Sunday Times Good University Guide</i> rank	30th		30th	701	35th	674
Research quality		20th	25th	37.2	19th	
Research impact (intensity-weighted)		20th	29th	2.55		
Citation count		20th	54th	20,317		
Research intensity (% submitted)		100%		94%		83%
PhD/staff ratio	1.36		29th	1.00		1.08
Research income/staff		£105k	26th	£62.5k		£59k
Student satisfaction	30th		24th	84.0%	10th	85.1%
Entry qualifications	30th		86th	313	82nd	313
Student completion	30th		51st	88.3%	73rd	85.6%
Good degrees	30th		51st	74.3%	66th	68.9%
Graduate employability	30th		55th	73.4%	81st	64.1%
Internationalisation	34.1%		19th	35.2%		35.3%
Work/study abroad	13.7%			10.7%		9.0%
Teaching qualifications	31.1%			46.2%		42.6%
Cash surplus/income	5.5%			5.5%		5.3%
Liquidity days (minimum)	60			105		83
EBITDA/debt servicing (minimum)	1.5			2.4		2.2

Financial Statements

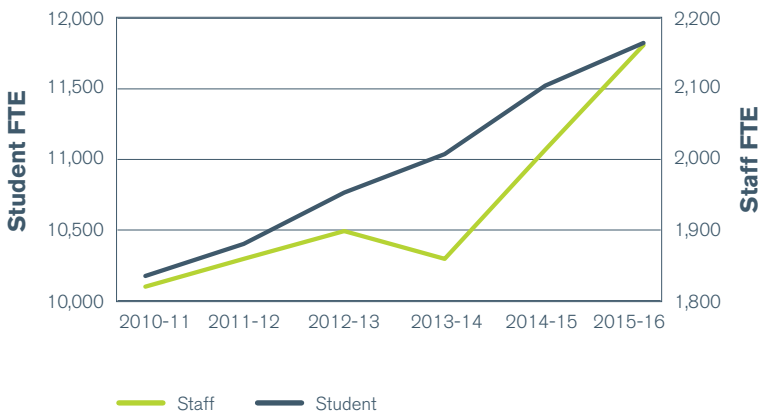
INCOME 2015-16



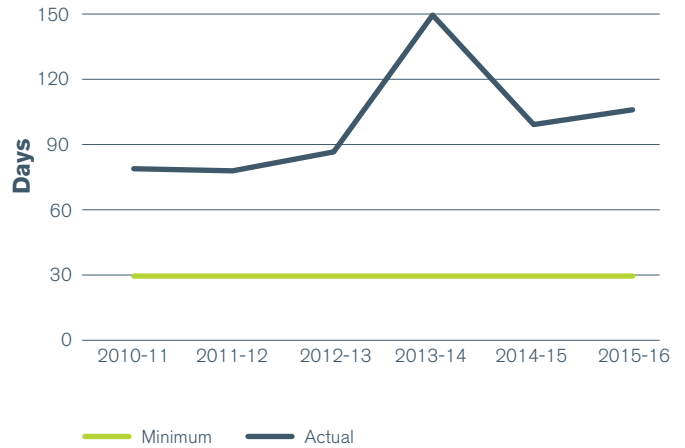
EXPENDITURE 2015-16



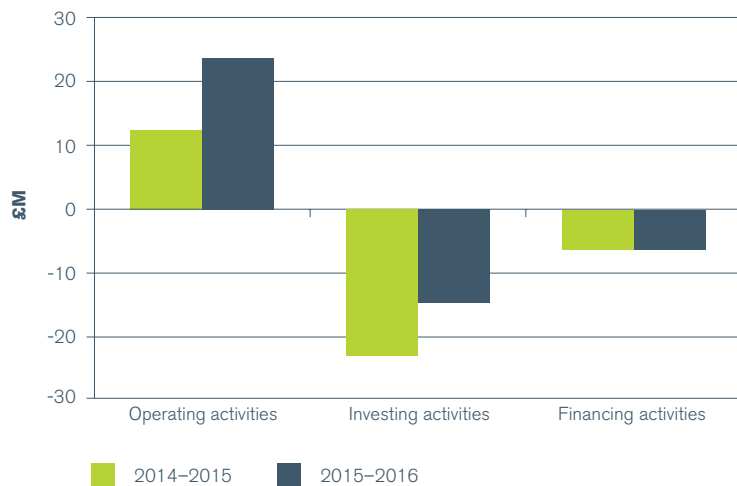
STUDENT AND STAFF NUMBERS



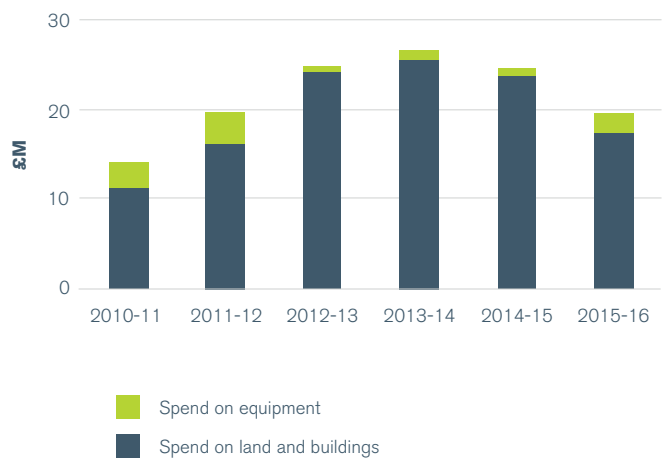
LIQUIDITY DAYS

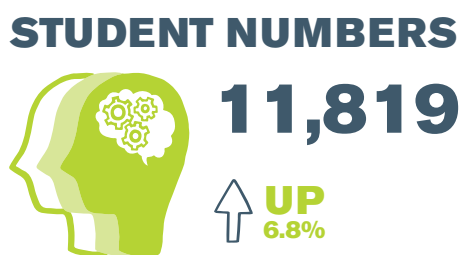


CASH FLOWS



CAPITAL INVESTMENT



Quick Overview 2015-16

Highlights From 2015-16



**TOP
20**
FOR TEACHING
QUALITY



19th
IN THE UK FOR
QUALITY OF
OUR RESEARCH

**TOP
4**



IN THE UK FOR
SOCIAL SCIENCE
RESEARCH



DEPARTMENTS IN THE
TOP 25 FOR RESEARCH



8th
IN THE UK FOR
STUDENT
SATISFACTION



OF UNIVERSITIES
IN THE WORLD



TOP 20
FOR INTERNATIONAL
OUTLOOK
(TIMES HIGHER
EDUCATION WORLD
UNIVERSITY RANKINGS)



OVERALL IN THE TIMES
AND SUNDAY TIMES GOOD
UNIVERSITY GUIDE

Public Benefit Highlights

£464m

Contribution to the local economy

£26m

Research funding in 2015-16

£10m

planned investment in the Innovation
Centre

£2.6m

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

93,088

Essex graduates around the world

11,000

Beneficiaries of our Outreach work

13,430

Students studying at Essex

4,000+

New students welcomed in October
2016

4,691

Number of 2016 graduates

Public Benefit

Our new building for Essex Business School



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

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.

Education



“We are a beacon of internationalism and according to *Times Higher Education* we are the 5th most international university in the UK.”

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.

In October 2015, we welcomed just over 5,000 new students as the University continues to pursue its strategic goal of growing by 50% over the period covered by the Strategic Plan. Essex has been identified as one of the top 20 fastest growing universities in the UK. In 2015-16, 13,430 students were studying at Essex at undergraduate and postgraduate level. We saw close to 4,700 students graduate in July 2016 and we now have a global community of alumni approaching 100,000.

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. Our Undergraduate Research Opportunities Programme gives students the chance to contribute to real-life research taking place in their departments.

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 work placements and study abroad.

Graduation 2016



Big Essex Awards celebration



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 2016 National Student Survey, 90% of students expressed overall satisfaction with their undergraduate course, placing us in the top 10 out of all mainstream UK universities for the fourth year running.

We are a beacon of internationalism and according to the Times Higher Education we are the 5th most international university in the UK. Essex's truly global academic community means it is ranked 21st overall in THE's list of the top 200 most international universities in the world. In 2015-16, 5,000 Essex students came from outside the UK and close to 150 different countries were represented in the University community.

Award-winning initiatives include our Frontrunners work placement scheme, while our Big Essex Award provided recognition to more than 675 students for their extracurricular activities, volunteering and work experience – double the number taking part last year. The Association of Graduate Careers Advisory Services (AGCAS) named Frontrunners the employability project of the year at the national Awards for Excellence.

The popular THINK series which challenges students to debate controversial and thought-provoking subjects and to broaden their views won the Guardian University Award for Student Experience.

Students also were recognised through a number of awards:

- PhD student and film-maker Elena Dirstaru won an award of Merit from the IndieFest Film Awards for her documentary *But They Can't Break Stones* which focuses on the treatment of women in Nepal.
- Language and Linguistics student Karla Drpic, won the United Nations Many Languages, One World Academic Impact Essay Contest – the third year in a row an Essex student has won and been invited to speak at the UN.
- Essex Psychology PhD student Katie Groves was one of the six finalists in the national Vitae Three Minute Thesis (3MT) competition.
- First year BSc Nursing (Adult) student Tahnee Kemp was named student of the year by South Essex Partnership University NHS Foundation Trust (SEPT).
- In one of Essex's three target sports the women's basketball team won the Basketball England National Cup final in its first year in the competition.

Our alumni continue to make a big impact. Four alumni won British Council Education UK Alumni Awards for outstanding achievements in business and social impact – human rights lawyer Dr Leticia Osorio from Brazil, linguist Dr Abdullah Al Fraidan from Saudi Arabia, language teacher Jainwei Zheng from China and entrepreneur Ankit Mehrotra from India.

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.



Due to its reputation for high standards of postgraduate training and excellence for research, Essex will lead the new South East Network for Social Sciences (SeNSS) Doctoral Training Partnership as part of the Economic and Social Research Council's new national Doctoral Training Network. SeNSS includes 10 universities, will widen access to postgraduate study and will deliver the highest quality training in the social sciences.

Essex is also a key partner in the new Social Biological Centre for Doctoral Training, called Soc-B, led by University College London which will be 50 per cent co-funded by ESRC and BBSRC.

We continue to be 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 (IGI).

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.

Research

Professor Tracy Lawson, Director of Plant Phenomics Research Facility



“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 QS World University Rankings by Subject placed eight subjects at Essex in the world elite with Sociology, Politics and International Studies, and Social Policy and Administration in the top 100 globally.

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 business at a regional, national and international level.

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

We have established the Institute for Analytics and Data Science (IADS) 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. Led by Professor Maria Fasli, IADS has been awarded £22m of external research funding. IADS will move onto Parkside Office Village on the Knowledge Gateway in 2016-17 to foster even stronger links with companies in the region and beyond.

The world-leading longitudinal study, Understanding Society, will continue to be led by the Institute for Social and Economic Research after securing a further £27.5m from the Economic and Social Research Council. The panel survey of 40,000 people provides important information about people’s social and economic circumstances, attitudes, behaviours and health to inform policy and practice in the UK and abroad.

The £5m Human Rights, Big Data and Technology project led by the Human Rights Centre continues to explore the positive and negative implications of Information and Communications Technology and big data on individual rights.

The University is working with Essex County Council and Suffolk County Council as part of a £2.2m project aimed at improving and targeting services for vulnerable people using the latest data analysis techniques. The funding will also establish a hub to support communities and public services and double the number of University of Essex students involved in community based volunteering. The partnership places Essex at the forefront of applying research innovations to the challenges our communities face.

Research projects include:

- Professor Prem Sikka from Essex Business School was the lead author of an independent review of Her Majesty's Revenue and Customs commissioned by the Labour Party which has called for fundamental reform.
- Professor Massimo Poesio from the School of Computer Science and Electronic Engineering (CSEE) is investigating how online games can help us understand the way we use language after receiving a €2.5 million ERC (European Research Council) Advanced Grant.
- Dr Ayse Guveli from the Department of Sociology is part of a €2.4m international research project team looking at the lives of Turkish migrants since the 1960s as part of the unprecedented study.
- A £650,000 project funded by the Biotechnology and Biological Sciences Research Council (BBSRC) led by Dr Tracy Lawson in the School of Biological Sciences will look to improve wheat yields to help cope with the world's booming population.
- A £600,000 project led by Professor Yasemin Soysal from the Department of Sociology jointly funded by the Economic and Social Research Council (ESRC) and the Deutsche Forschungsgemeinschaft (DFG) is comparing the experiences of Chinese and Japanese higher education students.
- Researchers from the School of Biological Sciences are working on a £250,000 Prostate Cancer UK funded project to test a new method of treatment that uses adult stem cells to deliver a cancer killing protein directly to the prostate cancer cells. If successful, it could revolutionise treatment for men with advanced prostate cancer.
- The Essex Autonomy Project led a research project involving leading lawyers, academics and the Mental Health Foundation to help assess whether the three legal jurisdictions of England and Wales, Scotland and Northern Ireland comply with the United Nations Convention on the Rights of Persons with Disabilities (CRPD).
- Levels of coral bleaching not seen since the 1998 El Niño was discovered throughout a key Seychelles reef system by marine scientists from Essex's Coral Reef Research Unit working with the University of Technology Sydney.
- The Ethics of Powerlessness project sees Essex philosophers working with academics and healthcare professionals including staff at St Helena Hospice in Colchester to respond to a crisis in public policy regarding how to care for the most vulnerable patients.

Awards for our academics this year include:

- Professor Anthony King was awarded the prestigious Sir Isaiah Berlin Prize by the Political Studies Association for his lifelong contribution to political studies.
- Professor Renos Papadopoulos from the Centre for Psychoanalytic Studies received an award for his Outstanding Contribution to the Field of Family Therapy from the European Family Therapy Association (EFTA).
- Emeritus Professor Dick Hobbs received the Outstanding Achievement Award from the British Society of Criminology.
- Professor Jonathan Slapin from the Department of Government won both the 2016 Richard F. Fenno Jr. Prize and the Leon Epstein Outstanding Book Award for his latest book, *The Politics of Parliamentary Debate: Parties, Rebels and Representation*.
- Human Rights Centre Director Professor Lorna McGregor received the Antonio Cassese Prize for International Criminal Law Studies from the Journal of International Criminal Justice.
- The Essex Autonomy Project led by Professor Wayne Martin in the School of Philosophy and Art History was highly commended in the Research Project of the Year category of the Times Higher Education Awards.
- Professor Matthias Röhrig Assunção from the Department of History won the Royal Historical Society's Public History Prize for a film documentary on *Body Games and capoeira*.
- Professor Kristian Skrede Gleditsch from our Department of Government, has become the first Political Scientist to receive an Anneliese Maier Research Award.

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.

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 in 2015-16 informed by their research which have been read over 2.6m times globally and generated more than 1,100 comments.

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 to protect our research reputation.

Increasing Access



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

Through the ground breaking Schools Membership Scheme, Essex is developing long-term high impact relationships with local schools to help raise aspirations and attainment and support the transition of students to university. This year Essex has supported more than 100 different schools events and activities, involving 11,000 school students.

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 and teachers.

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.

The VI6 Partnership with six schools in Colchester and Tendring launched in 2015 is continuing to offer sixth formers the chance to study a wider choice of subjects at A Level through studying on our Colchester Campus with students from partnership schools. The partnership is thought to be the first of its kind in the UK and was shortlisted for the Times Higher Education's Widening Participation or Outreach Initiative of the Year.

Knowledge Exchange and Community Engagement

Work on our Innovation Centre starts in 2017



“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.”

In December 2015, an independent Economic Impact Report demonstrated that Essex supports economic growth in the region by contributing £464m each year.

Spin-out company Ultrasoc, a company using debugging and analytics technology to improve the performance analysis of microchips, was named Best New Company at the 2015 Electra awards and named by Mishcon de Reya and City AM, in the 2016 Leap 100 list of companies to watch.

Another spin-out Metrarc is part of a consortium which has won funding worth nearly £400,000 from the UK's innovation agency Innovate UK to combat growing security threats to the management of personal health data.

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.

A partnership of universities including Essex has secured £9.4m of funding from the European Regional Development Fund (ERDF) to support innovation and growth amongst British small businesses.

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 Essex Book Festival organising team has been based in the University's Centre for Creative Writing since 2015. Festival received significant support from the Arts Council and 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.

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



Dr Matt Lodder helped create a landmark exhibition at the Museum of London on tattoos

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

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 more than 1,300 student volunteers in 2015-16 delivering more than 10,500 hours of voluntary service.

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 an exhibition titled Work Space Pressure which reflected on the nature of contemporary working life and was 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, now has a dedicated Teaching and Research Space designed to share its resources with the international academic community and for arts education. ESCALA also has work on public display area in the Silberrad Centre and the Albert Sloman Library.

The Albert Sloman Library is home to a number of important archives which provide valuable resources for researchers and

Knowledge Transfer Partnership success

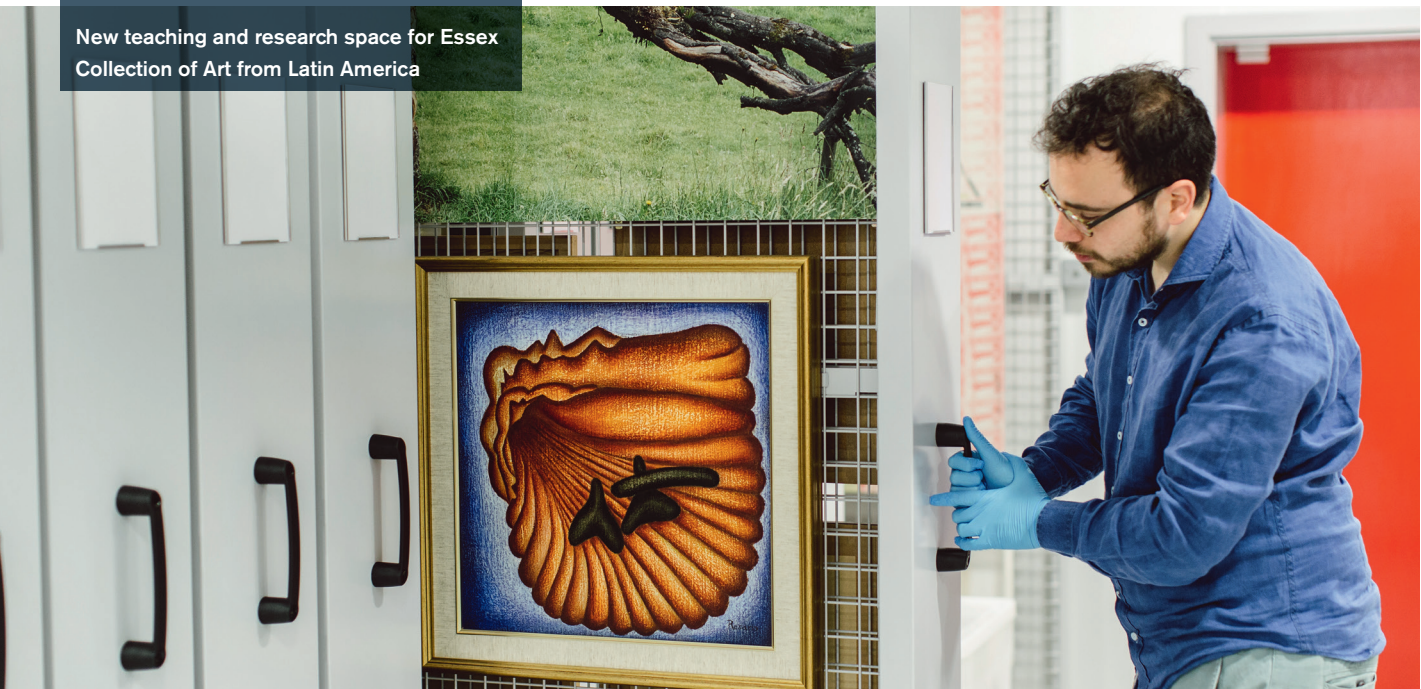
Our Knowledge Transfer Partnership programme is the largest in the Eastern region and we are sharing our expertise with a wide range of businesses across a number of sectors including logistics, transport and data analytics.

KTP successes include:

- Leading UK legal publisher and insight firm Mondaq has teamed up with data analytics experts at the Essex for a ground-breaking Knowledge Transfer Partnership (KTP). Academics will use advanced data analytics to make Mondaq's digital platform more intelligent and insightful for customers.
- The KTP with London-based company Signal which is developing the next generation of market intelligence analysis systems continues to receive awards. Innovate UK awarded the KTP with the 'Best of the Best' Award and it was also shortlisted in the Outstanding Contribution to Innovation and Technology category of the Times Higher Education Awards.

the public. New additions the University's collection in 2015-16 included the Archive of Participation which began in 1977 and includes a wide range of material relating to participation, user and citizen involvement in political and policy process, services and communities.

New teaching and research space for Essex
Collection of Art from Latin America



The archive of influential wild writer J A Baker also found a new home at Essex this year. The archive includes letters, early manuscripts of *The Peregrine*, ornithological diaries and unpublished work.

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.

More shows linked to companies created by East 15 students and graduates were staged at the Edinburgh Fringe Festival than ever before in 2016 thanks to extra support from the University. East 15 companies have also performed across the UK and internationally including London and New York.

Our academics have been involved in a whole range of creative projects encouraging public engagement with the arts and ideas:

- Dr Matt Lodder from the School of Philosophy and Art History helped create *Tattoo London*, a landmark exhibition at the Museum of London which is helping challenge perceptions about the art form and celebrating the work of tattoo artists throughout history.
- Dr Elizabeth Kuti from the Department of Literature, Film, and Theatre Studies is *Writer-in-Residence* at Hampton Court Palace and has created performances seen by tens of thousands of visitors.
- Dr Gavin Grindon from the School of Philosophy and Art History curated the *Museum of Cruel Designs* in Banksy's Dismaland "bemusement park".
- Dr Shohini Chaudhuri curated a season of film screenings and talks for *The Mosaic Rooms* in London, exploring how contemporary filmmaking from the Arab world challenges mainstream media perceptions.

Knowledge Gateway keeps growing

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.

In 2017 work will start on the £10 million Innovation Centre at the heart of the Knowledge Gateway to accommodate more than 50 growing start-ups.

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.

The University is also supporting Creative Colchester as a new hub for the creative industries in north Essex. A report by Creative England showed Colchester was 8th in the country for the importance of the creative industries and the Knowledge Gateway is supporting this.

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 one full and two half away days. Of its 25 members, a majority are external members drawn from outside the University.

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 Committees of Council

The Council delegates some business to a number of committees:

- Audit and Risk Management;
- Resources;
- Nominations; and
- Remuneration.

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

The Audit and Risk Management Committee 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 on the degree of assurance 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 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 twice during the year.

The University Senate

The Senate is the highest academic authority of the University. It is responsible for the promotion of academic work in both teaching and research, for the regulation of educational arrangements and the maintenance of discipline. It receives quality audit reports from both the Quality Assurance Agency and in-house departmental reviews. Currently it has 5 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.

The following tables show the attendance of members of the University Council during 2015-16 at Council and its key committees, along with other members of committees who are not trustees or members of Council.

Council Members (Trustees)

Name	Council		Audit and Risk Management		Resources		Nominations		Remuneration	
	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended
David Boyle	4	4			6	6	3	3	2	2
Professor Joan Busfield ⁴	4	4								
Adrian Chira ¹	3	3			6	4				
Dr Richard Cornes ⁷	0	0								
David Currie	4	3			6	5				
Celia Edey	4	4	4	4			3	3		
Professor Anthony Forster	4	4			6	6	3	3	2	2
Professor Fabian Freyenhagen ³	4	4								
Zoe Garshong ²	1	0								
Paul Gray	4	4			6	6				
Dr Elizabeth Hall	4	4								
Jane Hamilton	4	2								
Dr Sally Irvine ⁶	1	1					2	1		
Professor Joanna Jackson	4	3			6	6	3	3		
Judith Judd	4	4			6	6			2	2
Dr Nancy Kula ⁵	3	4								
Joe Lister	4	3	4	3						
Milan Makwana	4	3	4	3					2	2
Professor Sean Nixon	4	4								
Professor David Pevalin	4	2								
Professor Jules Pretty	4	3			6	6				
Tim Porter	4	4	4	4						
Geoffrey Probert	4	1			6	5			2	2
Professor Christine Raines	4	4								
Hayley Read	4	4	4	4						
Paula Rothero	4	4								
Maria Stanford ⁹	4	3			6	4	3	2	2	2
One vacancy ⁸	3	0								

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

Name	Audit and Risk Management		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	3	3	2	2
Professor Aletta Norval			6	5				
Kash Pandya	4	4						
Professor David Sanders			6	3				
Riccardo Tazzini	4	4						
Robin Paddock	4	3						

Council

- 1) Adrian Chira's term of office ended on 30 June 2016
- 2) SU President Zoe Garshong joined on 1 July 2016
- 3) Professor Fabian Freyenhagen was appointed as of 1 August 2015
- 4) Professor Joan Busfield was re-appointed as of 1 August 2015
- 5) Dr Nancy Kula was appointed as of 1 November 2015
- 6) Dr Sally Irvine resigned as of 4 February 2016 from both Council and Nominations Committee
- 7) Dr Richard Cornes resigned as of 26 October 2015
- 8) There is one vacancy from 4 February 2016 – 31 July 2016

Nominations

- 9) Meeting November 2015 - Maria Stanford was standing by to join by telephone but was not able to do so due to technical issues

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COUNCIL OF THE UNIVERSITY OF ESSEX

We have audited the financial statements of the University of Essex for the year ended 31 July 2016 set out on pages 31 to 65. 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Council, 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 Council and auditor

As explained more fully in the Corporate Governance Statement set out on page 24 to 28 the Council 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 Council; 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 Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and 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; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 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 2016

Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, issued in 2014, and in accordance with applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain categories of fixed assets).

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. Intra-group transactions are eliminated on consolidation.

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

Significant judgements and estimates

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

A second area where a significant judgement has been made relates to the treatment of capital grants receivable by one of the University's joint ventures, University Campus Suffolk Ltd, in which the University possessed a 50% stake while it exercised significant control over the company. The University's accounting policies require recognition of income when performance-related conditions have been met, but regarding these grants there is an absence of definitive evidence that might determine if and when this might apply. The University regards the over-riding purpose of its interest in University Campus Suffolk as being to prepare the ground for the creation of the independent University of

Suffolk, and thus has taken the view that any performance-related conditions should be deemed to have been met at the point at which the company and new university arrived at its independent status, and the University of Essex relinquished its control.

Income recognition

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

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

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

Grant funding

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

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

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

Donations and endowments

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

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

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

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

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

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

Accounting for retirement benefits

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

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

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

Defined contribution plan

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

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The University's obligation is to provide the agreed benefits to current and former employees, bearing actuarial risk (that benefits will cost more than expected) and investment risk (that returns on assets set aside to fund the benefit will be lower than expected). The University should recognise a liability for its obligations under defined benefit plans net of plan assets. This is achieved by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the University, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Employment benefits

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

Finance leases

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

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

Service concession arrangements

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

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

Operating leases

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

Foreign currency

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

Fixed assets

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

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

Depreciation

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

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

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

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

Where any asset is depreciated, no charge is made to Statement of Comprehensive Income in the year of acquisition. In the year

of disposal, however, a full year's charge is made regardless of the timing of the disposal.

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

Heritage assets

The University holds a collection of paintings, prints and similar artworks acquired through a combination of donations and purchases. It is the University's intention to maintain the collection, the majority of which is on public display in the library. These assets are included in the Balance Sheet at market valuation. The University's external valuer (Lyon & Turnbull) carried out a full valuation of the collection on 18 February 2010. The values were established on the basis of the valuer's assessment of the likely replacement cost at suitable specialist retail outlets, having given consideration to the quality and condition of the items. These heritage assets are not depreciated.

Investment properties

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

Investments

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

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

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

Stock

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

Cash and cash equivalents

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

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- i. the University has a present obligation (legal or constructive) as a result of a past event;
- ii. it is probable that an outflow of economic benefits will be required to settle the obligation; and
- iii. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

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

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

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

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

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

Taxation

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

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

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

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

Reserves

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

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

Transition to 2015 SORP

The University is preparing its financial statements in accordance with the 2015 HE SORP for the first time and consequently has applied the first-time adoption requirements. An explanation of how the transition to the SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 30.

Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2016

	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Income			
Funding body grants	1	20,099	17,631
Tuition fees and education contracts	2	109,510	104,137
Research grants and contracts	3	26,077	24,069
Other income	4	75,587	62,322
Endowment and investment income	5	424	601
Donations and endowments	6	788	89
Total income		232,485	208,849
Less: Share of income from joint ventures	4	(34,967)	(18,073)
Net income		197,518	190,776
Expenditure			
Staff costs *	8	103,161	108,848
Other operating expenses	9	72,508	75,110
Depreciation	9	10,105	8,519
Interest and other finance costs	9	6,446	5,135
Total expenditure	10	192,220	197,612
Surplus/(deficit) before other gains and losses and share of operating surplus of joint ventures		5,298	(6,836)
Share of operating surplus/(deficit) in joint ventures	14	15,202	(1,775)
Gain on investments		1,172	1,165
Accounting adjustment associated with group reorganisation **		(20,112)	0
Surplus / (deficit) for the year		1,560	(7,446)
Actuarial (loss) / gain in respect of pension schemes		(4,607)	2,878
Increase / (decrease) in value of joint ventures		19	(284)
Total comprehensive loss for the year		(3,028)	(4,852)
Represented by:			
Endowment comprehensive income for the year		1,135	455
Restricted comprehensive income for the year		663	223
Unrestricted comprehensive loss for the year		(4,021)	(5,530)
Revaluation reserve comprehensive loss for the year		(805)	0
		(3,028)	(4,852)

All items of income and expenditure arise from continuing operations.
The notes on pages 42 to 65 form an integral part of these Financial Statements.

* The fall in staff costs between 2014-15 and 2015-16 is connected to a significant charge arising in 2014-15 following the agreement in that year of a deficit recovery plan for the Universities Superannuation Scheme, of £12.5m.

** Relating to the value of the University's share of University Campus Suffolk Ltd at the time of its gaining independence as the University of Suffolk, following the acquisition of degree-awarding powers and university title in 2015-16.

Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2016

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000		
Balance at 1 August 2014	4,212	2,035	199,740	805	206,792
(Deficit) / surplus from the income and expenditure statement	0	0	(7,446)	0	(7,446)
Other comprehensive income	455	223	1,916	0	2,594
Total comprehensive income for the year	455	223	(5,530)	0	(4,852)
Balance at 1 August 2015	4,667	2,258	194,210	805	201,940
Surplus/(deficit) from the income and expenditure statement	0	0	1,560	0	1,560
Other comprehensive income	1,135	663	(6,386)	0	(4,588)
Transfers between revaluation and income and expenditure reserve	0	0	805	(805)	0
Total comprehensive income for the year	1,135	663	(4,021)	(805)	(3,028)
Balance at 31 July 2016	5,802	2,921	190,189	0	198,912

University	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000		
Balance at 1 August 2014	4,212	2,035	210,258	805	217,310
(Deficit) / surplus from the income and expenditure statement	0	0	(5,583)	0	(5,583)
Other comprehensive income	455	223	2,162	0	2,840
Total comprehensive income for the year	455	223	(3,421)	0	(2,743)
Balance at 1 August 2015	4,667	2,258	206,837	805	214,567
Surplus/(deficit) from the income and expenditure statement	0	0	6,706	0	6,706
Other comprehensive income	1,135	663	(5,750)	0	(3,952)
Transfers between revaluation and income and expenditure reserve	0	0	805	(805)	0
Total comprehensive income for the year	1,135	663	1,761	(805)	2,754
Balance at 31 July 2016	5,802	2,921	208,598	0	217,321

The notes on pages 42 to 65 form an integral part of these Financial Statements

Balance Sheets as at 31 July 2016

	Notes	Consolidated		University	
		Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Fixed assets					
Tangible assets	11	334,693	326,794	320,267	313,731
Heritage assets	12	798	798	798	798
Investment Properties	11	2,670	3,916	2,670	3,916
Investments	13	7,081	12,412	40,220	45,551
Investment in joint ventures	14	55	4,946	0	0
		345,297	348,866	363,955	363,996
Current assets					
Stocks	15	277	274	166	152
Debtors	16	11,552	9,839	10,520	8,680
Investments	17	11,000	8,750	11,000	8,750
Cash and cash equivalents		34,785	31,639	31,535	28,782
		57,614	50,502	53,221	46,364
Less: Creditors: amounts falling due within one year	18	(43,146)	(39,045)	(46,295)	(45,110)
Net current assets		14,468	11,457	6,926	1,254
Total assets less current liabilities		359,765	360,323	370,881	365,250
Less creditors: amounts falling due after more than one year	19	(114,923)	(117,446)	(109,421)	(110,775)
Pension provisions	20	(45,650)	(40,067)	(43,922)	(39,072)
Other provisions	20	(280)	(870)	(217)	(836)
Total net assets		198,912	201,940	217,321	214,567
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	5,802	4,667	5,802	4,667
Income and expenditure reserve - restricted reserve	22	2,921	2,258	2,921	2,258
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		190,189	194,210	208,598	206,837
Revaluation reserve		0	805	0	805
Total Reserves		198,912	201,940	217,321	214,567

The Financial Statements were approved by the Governing Body on 28 November 2016 and were signed on its behalf on that date by:

PROFESSOR A. FORSTER
Vice-Chancellor

D. CURRIE
Chair of Council

A. KEEBLE
Director of Finance

The notes on pages 35 to 60 form an integral part of these Financial Statements

Consolidated Cash Flow Statement

Year Ended 31 July 2016

	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus / (deficit) for the year		5,298	(6,836)
Adjustment for non-cash items			
Depreciation	11	10,105	8,519
Revaluation of investment property	11	1,246	(270)
Gain on investments		(410)	0
(Increase) / decrease in stocks	15	(3)	28
Increase in debtors	16	(1,713)	(1,572)
Increase in creditors		2,758	773
Increase in provisions		386	7,804
Adjustment for investing or financing activities			
Loss on disposal of tangible fixed assets		24	399
Investment income	5	(424)	(601)
Interest payable	9	5,580	4,643
Endowment income		(475)	(64)
Net cash inflow from operating activities		22,372	12,823
Cash flows from investing activities			
Disposal of non-current asset investments		6,912	0
(Investment in) / withdrawal of short term investments	17	(2,250)	1,250
Investment income	5	424	601
Payments made to acquire tangible fixed assets	11	(18,028)	(24,560)
		(12,942)	(22,709)
Cash flows from financing activities			
Interest paid	9	(5,580)	(4,643)
Endowment cash received	21	475	64
New secured loans		1,400	200
Repayments of amounts borrowed		(2,579)	(1,946)
		(6,284)	(6,325)
Increase / (decrease) in cash for the year		3,146	(16,211)
Cash and cash equivalents at beginning of the year		31,639	47,850
Cash and cash equivalents at end of the year		34,785	31,639

The notes on pages 42 to 65 form an integral part of these Financial Statements

Notes to the Accounts

for the year ended 31 July 2016

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
1 Funding body grants		
Recurrent - teaching grant	3,987	4,846
Recurrent - research grant	8,288	8,844
Specific grants	1,865	2,906
Capital grants	5,959	1,035
	20,099	17,631
2 Tuition fees and education contracts		
Full-time home and EU students	63,979	57,993
Full-time international students	34,245	35,007
Part-time students	1,001	1,017
Non-credit-bearing tuition fees	2,683	2,814
NHS contracts	7,510	7,227
Research training support grant	92	79
	109,510	104,137
3 Research grants and contracts		
Research Councils	19,498	17,500
UK-based charities	1,012	1,105
UK central government, local authorities and health authorities	1,083	1,005
UK industry, commerce and public corporations	610	422
European Union government bodies	2,858	2,360
Other overseas	755	896
Other sources	10	0
Research and Development Expenditure Credit	251	781
	26,077	24,069
4 Other income		
Other services rendered:		
Income from academic partnerships	2,530	2,124
Other sources	302	256
Commercial services income	29,756	33,676
Capital grants (non-funding council)	0	809
Rental income	1,184	1,075
Gain on revaluation of investment property	0	270
Other income	6,848	6,039
Income from joint ventures	34,967	18,073
	75,587	62,322
5 Endowment and investment income		
Investment income on endowments	29	147
Investment income on restricted reserves	15	58
Other investment income	380	396
	424	601
6 Donations and endowments		
New endowments	475	64
New donations with restrictions	313	25
	788	89

Notes to the Accounts

for the year ended 31 July 2016

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
7 Surplus for the year		
The surplus on continuing operations for the year is made up as follows:		
University's surplus / (deficit) for the year	6,706	(5,583)
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	157	193
Losses retained by subsidiary undertakings and joint ventures	(5,304)	(102)
	1,559	(5,492)

8 Staff costs

Staff Costs :

Salaries	77,641	73,032
Social security costs	6,558	5,774
Movement on USS provision	1,656	12,539
Movement on SAUL provision	233	0
Other pension costs	17,073	17,503
Total	103,161	108,848

Emoluments of the Vice-Chancellor:

Salary	238,613	228,333
Benefits	8,635	8,743
Pension contributions to USS	43,171	40,373
	290,419	277,449

Compensation for loss of office paid to senior members of staff for 2015-16 was £0k (2014-15: £0k)

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

Remuneration of other higher paid staff, excluding employer's pension contributions:	No.	No.
£100,000 to £109,999	4	6
£110,000 to £119,999	5	5
£120,000 to £129,999	3	5
£130,000 to £139,999	4	2
£140,000 to £149,999	1	1
£150,000 to £159,999	1	1
	18	20

Average staff numbers by major category :

Academic	707	670
Research	100	95
Senior Support	521	472
Other Support	456	476
General Support	383	392
	2,167	2,105

Key management personnel

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

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Key management personnel compensation	1,160	1,054

Trustees

The total expenses paid to or on behalf of 25 council members were £3,586 (2014-15: £1,309 to 25 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

Notes to the Accounts

for the year ended 31 July 2016

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
9 Other operating expenses		
Books and periodicals	2,919	3,081
Equipment and consumables	3,237	4,014
Food, drink and hospitality	1,351	1,897
Gas, water and electricity	3,358	3,508
Cleaning	586	629
Grants to Students' Union	2,404	1,888
Insurance	457	474
Long-term maintenance programme and minor works	3,326	3,133
Other expenses	6,187	8,014
Postage, telephones, printing & stationery	1,077	883
Professional and consultancy fees	5,409	4,904
Rates and rental of premises	8,276	9,190
Repairs and routine maintenance of estates	4,364	4,533
Research survey fieldwork	8,851	8,903
Scholarships (fee waivers and bursaries)	7,960	8,617
Travel, subsistence and accommodation	2,799	2,657
IT / AV Equipment	4,649	4,708
Fire safety and security	464	448
Adverts and marketing	1,111	1,388
Agents commission	2,477	2,271
Loss on revaluation of investment property	1,246	0
(Gain)/Loss on disposal of fixed asset	0	(30)
	72,508	75,110

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

Statutory audit fee: £56,312 (2014-15: £55,426)
Audit-related assurance services: £27,120 (2014-15: £3,070)
Taxation advisory services: £13,400 (2014-15: £10,500)

Depreciation, impairment and amortisation

Depreciation charge on tangible fixed assets	10,105	8,519
	10,105	8,519

Finance charges

Bank Interest payable	5,580	4,643
Net charge on pension scheme	866	492
	6,446	5,135

10 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation and Amortisation £'000	Interest paid £'000	2015-16 Total £'000	2014-15 Total £'000
Academic departments and centres	54,117	6,560	0	0	60,677	57,385
Academic services	9,061	6,876	0	0	15,937	15,277
Research grants and contracts	9,329	11,192	0	0	20,521	18,906
Residences and catering	7,480	13,315	3,151	1,704	25,650	30,173
Premises	4,985	9,562	6,846	0	21,393	18,702
Administration	11,661	6,247	0	0	17,908	16,382
Other services rendered	230	525	0	0	755	975
General education expenditure	2,200	5,737	0	0	7,937	7,544
Student and staff facilities	3,435	7,947	108	64	11,554	12,290
Early retirements and severances	0	53	0	0	53	300
Other expenses	663	4,494	0	4,678	9,835	19,678
	103,161	72,508	10,105	6,446	192,220	197,612

Notes to the Accounts

for the year ended 31 July 2016

11 Tangible assets

Consolidated	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Cost							
At 1 August 2015	335,110	11,494	22,045	9,658	798	3,916	383,021
Additions	5,383	157	2,131	10,357	0	0	18,028
Transfers	968	0	184	(1,152)	0	0	0
Disposals	(24)	(7)	(75)	0	0	0	(106)
Revaluations	0	0	0	0	0	(1,246)	(1,246)
At 31 July 2016	341,437	11,644	24,285	18,863	798	2,670	399,697
Depreciation							
At 1 August 2015	38,140	879	12,494	0	0	0	51,513
Charge for the year	7,054	266	2,785	0	0	0	10,105
Impairments	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	(7)	(75)	0	0	0	(82)
At 31 July 2016	45,194	1,138	15,204	0	0	0	61,536
Net Book Value							
At 31 July 2016	296,243	10,506	9,081	18,863	798	2,670	338,161
At 31 July 2015	296,970	10,615	9,551	9,658	798	3,916	331,508
University							
Cost							
At 1 August 2015	329,032	11,119	20,585	1,997	798	3,916	367,447
Additions	5,246	0	1,931	9,068	0	0	16,245
Transfers	968	0	184	(1,152)	0	0	0
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	(1,246)	(1,246)
At 31 July 2016	335,246	11,119	22,700	9,913	798	2,670	382,446
Depreciation							
At 1 August 2015	36,037	879	12,086	0	0	0	49,002
Charge for the year	7,000	61	2,648	0	0	0	9,709
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
At 31 July 2016	43,037	940	14,734	0	0	0	58,711
Net Book Value							
At 31 July 2016	292,209	10,179	7,966	9,913	798	2,670	323,735
At 31 July 2015	292,995	10,240	8,499	1,997	798	3,916	318,445

University Land and Buildings include £48.5m (2014-15: £48.5m) in respect of freehold land which is not depreciated. Included in the cost of fixed assets is aggregated interest capitalised of £2.8m (2014-15: £2.8m)

Additions to University land and buildings in the year includes £10.8m (2014-15: £21.7m) for assets in the course of construction, for which no depreciation charge has been made.

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

On the date of transition to FRS 102, an asset with the value of £3.6 million was transferred from property, plant and equipment to investment property. The valuation was also prepared by Gerald Eve, with an effective date of 1 August 2014 and using Depreciated Replacement Cost and Fair Value equivalent to Market Value methods. This property was revalued at 31 July 2016 using the rate of the average growth in retail buildings in Eastern England.

In August 2016 the University disposed of a modular teaching unit to a third party and entered into a lease agreement for the premises for a period of seven years. These transactions will be reflected in the financial statements for the year ended 31 July 2017.

Notes to the Accounts

12 Heritage assets

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

13 Investments

	Consolidated		University	
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
At 1 August	12,412	11,840	45,551	44,979
(Disposals) / Additions	(5,331)	0	(5,331)	0
Revaluations credited to the revaluation reserve	0	572	0	572
At 31 July	7,081	12,412	40,220	45,551
Comprising:				
Equities	7,034	12,365	7,034	12,365
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
	7,081	12,412	40,220	45,551

14 Investment in Joint Ventures

University of Campus Suffolk Limited

	Year Ended 31 July 2016 £'000		Year Ended 31 July 2015 £'000	
Income and expenditure account				
Income		34,567		17,740
Expenditure		(19,365)		(19,515)
Surplus/(deficit) before tax		15,202		(1,775)
Balance sheet				
Fixed assets	0		33,210	
Current assets	0		6,038	
		0		39,248
Creditors: amounts due within one year	0		(3,549)	
Creditors: amounts due after more than one year and provisions	0		(30,789)	
		0		(34,338)
Share of net assets in University Campus Suffolk Ltd		0		4,910

University Campus Suffolk Ltd has been accounted for as a joint venture in accordance with FRS 102 Section 15. It ceased to be a joint venture of the University of Essex and University of East Anglia at the time of its gaining independence as the University of Suffolk, following the acquisition of degree-awarding powers and university title in 2015-16. It began trading as the University of Suffolk from 1 August 2016. Prior to adjusting the financial statements for FRS102, it recorded a deficit of £1,345,000 for the year ending 31 July 2016 (2014-15 deficit: £3,547,000). However, when adjusting for FRS102, there has been a material judgement that all capital grants (£22.1m) brought forward were performed in 2015-16 and, accordingly, released to income when the objective of creating an independent University of Suffolk was achieved. This results in the large increase in income shown above in 2015-16. The cost of the disposal to the University of Essex is shown on the Consolidated Statement of Comprehensive Income and Expenditure as 'accounting adjustment associated with group reorganisation'.

During the year, UCS Ltd purchased goods and services to the value of £378,000 from the University (2014-15: £387,000) of which £377,000 was outstanding at 31 July 2016 (2014-15: £1,000). UCS Ltd provided services to the University to the value of £7,000, (2014-15: £7,000) with £nil outstanding at 31 July 2016 (2014-15: £nil).

The level of surplus included within the consolidated financial statements is as shown above and in the summary of joint ventures on page 48. The surplus reflects the University's judgement that performance conditions attaching to capital grants receivable by University Camous (Suffolk) Ltd were met in 2015-16, when that company acquired independent status.

Notes to the Accounts

for the year ended 31 July 2016

14 Investment in joint venture (continued)

Southend-on-Sea Forum Management Limited

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		331		333
Expenditure		(331)		(333)
Profit before tax		0		0
Balance sheet				
Fixed assets	0		0	
Current assets	192	192	234	234
Creditors: amounts due within one year	(137)		(198)	
Creditors: amounts due after more than one year	0	(137)	0	(198)
Share of net assets in Southend-on-Sea Forum Management Ltd		55		36

Southend-on-Sea Forum Management Ltd (SoSFML) is a joint venture between University of Essex, Southend-on-Sea Borough Council and South Essex College of Further and Higher Education. The joint venture was established in order to oversee the property management of the Forum building in Southend which is the UK's first integrated academic and public library and combines the modern teaching facilities of South Essex College, the research and learning environment of the University of Essex and the municipal library of Southend-on-Sea Borough Council. For the year ending 31 July 2016 it recorded a surplus of £nil (2014-15: £nil).

During the year, SoSFML Ltd purchased goods and services to the value of £2k from the University (2014-15: £2k) of which £31 was outstanding at 31 July 2016 (2014-15: £nil). SoSFML Ltd provided services to the University to the value of £325k (2014-15: £307k) with £nil outstanding at 31 July 2016 (2014-15: £nil).

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

Eastern HE Cost Sharing Limited

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		69		0
Expenditure		(69)		0
Profit before tax		0		0
Balance sheet				
Fixed assets	0		0	
Current assets	2	2	0	0
Creditors: amounts due within one year	(2)		0	
Creditors: amounts due after more than one year	0	(2)	0	0
Share of net assets in Eastern HE Cost Sharing Limited		0		0

Eastern HE Cost Sharing Ltd is a joint venture between University of Essex and University of Suffolk. The principal activity of the company is the provision of internal audit services. The company was incorporated on 8 January 2015 but was dormant until 1 August 2015 when it began trading. For the year ending 31 July 2016 it recorded a surplus of £nil (2014-15: £nil).

During the year, Eastern HE Cost Sharing Ltd purchased goods and services to the value of £133k from the University (2014-15: £nil) of which £nil was outstanding at 31 July 2016 (2014-15: £nil). Eastern HE Cost Sharing Ltd provided services to the University to the value of £116k (2014-15: £nil) with £nil outstanding at 31 July 2016 (2014-15: £nil).

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

Notes to the Accounts

for the year ended 31 July 2016

14 Investment in joint venture (continued)

Total investment in Joint Ventures:

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Total income from joint ventures recognised in the Income Statement		
Income from UCS	34,567	17,740
Income from SoSFML	331	333
Income from Eastern HE Cost Sharing Ltd	69	0
Total Income from joint ventures	34,967	18,073

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

Profit / (loss) from UCS	15,202	(1,775)
Profit / (loss) from SoSFML	0	0
Profit / (loss) from Eastern HE Cost Sharing Limited	0	0
Total profit / (loss) from joint ventures	15,202	(1,775)

Share of gross assets and liabilities in joint ventures:

Share of net assets in UCS	0	4,910
Share of net assets in SoSFML	55	36
Share of net assets in Eastern HE Cost Sharing Limited	0	0
Total share of gross assets in joint ventures	55	4,946

15 Stock

	Consolidated		University	
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Stock	277	274	166	152

16 Debtors

	Consolidated		University	
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Amounts falling due within one year:				
Trade debtors	463	997	143	759
Student fees	3,320	1,683	3,320	1,683
Research debtors	0	478	0	478
Prepayments and accrued income	7,204	6,079	6,422	4,925
Other debtors	565	602	332	537
Amounts due from subsidiary companies	0	0	303	298
	11,552	9,839	10,520	8,680

Notes to the Accounts

for the year ended 31 July 2016

17 Investments

	Consolidated		University	
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Deposits maturing:				
In one year or less	11,000	8,750	11,000	8,750
	11,000	8,750	11,000	8,750

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 2016 the weighted average interest rate of these fixed rate deposits was 0.95% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 165 days. The fair value of these deposits was not materially different from the book value.

18 Creditors : amounts falling due within one year

	Consolidated		University	
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Secured loans	1,984	1,914	1,984	1,914
Unsecured loans	1,299	125	219	125
Payments received in advance	17,235	14,407	17,235	14,407
Research grants received on account	3,956	5,927	3,956	5,927
Trade creditors	5,729	5,619	5,399	5,310
Research creditors	1,613	0	1,613	0
Social security and other taxation payable	2,405	2,002	1,905	1,777
Accruals and deferred income	8,925	9,051	6,973	7,336
Amounts due to subsidiary companies	0	0	7,011	8,314
	43,146	39,045	46,295	45,110

Notes to the Accounts

for the year ended 31 July 2016

19 Creditors : amounts falling due after more than one year

	Consolidated		University	
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Analysis of secured and unsecured loans:				
Due within one year or on demand	3,283	2,039	2,203	2,039
Due between one and two years	4,050	2,109	2,420	2,109
Due between two and five years	7,222	9,144	7,222	6,744
Due in five years or more	99,320	101,762	99,320	101,762
	113,875	115,054	111,165	112,654
Due within one year or on demand	(3,283)	(2,039)	(2,203)	(2,039)
Due after more than one year	110,592	113,015	108,962	110,615
Other creditors:				
Due between one and two years	4,171	4,271	0	0
Due between two and five years	0	0	0	0
Due in five years or more	160	160	459	160
	4,331	4,431	459	160
Total	114,923	117,446	109,421	110,775

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 2016, the University had loans with Lloyds totaling £110m (2014-15: £112m), repayable by 2043.

20 Provisions for liabilities

Consolidated

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined Benefit Obligations £'000	Total Pensions Provisions £'000
At 1 August 2015	29,085	0	10,982	40,067
Utilised in year	(1,203)	0	0	(1,203)
Additions in year	3,306	231	3,249	6,786
At 31 July 2016	31,188	231	14,231	45,650

University

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined Benefit Obligations £'000	Total Pensions Provisions £'000
At 1 August 2015	28,611	0	10,461	39,072
Utilised in year	(1,167)	0	0	(1,167)
Additions in year	2,984	223	2,810	6,017
31 July 2016	30,428	223	13,271	43,922

USS and SAUL deficit

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

Notes to the Accounts

for the year ended 31 July 2016

21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2016	2015
	£'000	£'000	Total £'000	Total £'000
Balances at 1 August 2015				
Capital	902	3,874	4,776	4,298
Accumulated income / (expenditure)	40	(149)	(109)	(86)
	942	3,725	4,667	4,212
New endowments	75	400	475	64
Investment income	7	21	28	147
Expenditure	(16)	(150)	(166)	(170)
	(9)	(129)	(138)	(23)
Increase in market value of investments	156	642	798	414
At 31 July 2016	1,164	4,638	5,802	4,667
Represented by:				
Capital	1,133	4,916	6,049	4,776
Accumulated income / (expenditure)	31	(278)	(247)	(109)
	1,164	4,638	5,802	4,667
Analysis by type of purpose:				
Scholarships and bursaries	1,089	32	1,121	935
Prize funds	28	155	183	155
General	47	4,451	4,498	3,577
	1,164	4,638	5,802	4,667
Analysis by asset				
Current and non-current asset investments			4,814	4,305
Cash & cash equivalents			988	362
			5,802	4,667

Notes to the Accounts

for the year ended 31 July 2016

22 Restricted Reserves

Reserves with restrictions are as follows:

	Donations	
	2016 Total £'000	2015 Total £'000
Balances at 1 August 2015	2,258	2,035
New donations	313	25
Investment income	15	58
Increase in market value of investments	374	179
Expenditure	(39)	(39)
	350	198
At 31 July 2016	2,921	2,258
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and bursaries	711	470
Prize funds	244	208
General	1,966	1,580
	2,921	2,258
Analysis by asset		
Current and non-current asset investments	2,220	1,858
Cash & cash equivalents	701	400
	2,921	2,258

Notes to the Accounts test

for the year ended 31 July 2016

23 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016:

	Consolidated		University	
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Commitments contracted for	13,450	36	13,172	36
Authorised but not contracted for	24,043	23,075	14,294	22,031
	37,493	23,111	27,466	22,067

24 Lease obligations

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Leases expiring after five years	67	67
	67	67

Leases are for land and buildings.

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

25 Disclosure of related party transactions

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

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

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

Due to the nature of the relationship between the entities, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2016 the University paid the Union a revenue grant of £2.404m (2014-15: £1.888m). The Union's income and expenditure account shows the following:

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Income	2,470	2,072
Expenditure	(2,341)	(1,977)
Operating surplus before and after transfers from / (to) reserves	129	95

Mr Adrian Chira was a Council member during 2015-16 who also sat on Essex Students' Union Board.

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

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

The Director of Finance received £6k during the course of the year from UMAL Ltd, a company which provides cover for terrorism risk, for serving as a Director of that company.

Notes to the Accounts

for the year ended 31 July 2016

26 Pension Schemes

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

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

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

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

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

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

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

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Contribution to USS	15,429	14,155
Contribution to LGPS	378	418
Contributions to UEPS	0	42
Contribution to SAUL	1,048	587
Contribution to NEST	24	2
Contribution to personal pensions	11	8
LGPS additional University costs to fund past service deficiency	1,604	1,534
USS additional University costs to fund past service deficiency	1,656	12,539
SAUL additional University costs to fund past service deficiency	233	0
LGPS actuarial adjustment to pension costs	(1,421)	757
Total pension cost	18,962	30,042

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

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
LGPS pension liability	(14,231)	(10,982)
USS pension liability	(31,188)	(29,085)
SAUL pension liability	(231)	0
Total pension liability	(45,650)	(40,067)

Notes to the Accounts

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

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

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

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

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

	At 31 July 2016	At 31 July 2015
Discount rate	3.60%	3.30%
Pensionable salary growth	n/a	3.5% in first year, 4.0% thereafter
Price inflation (CPI)	2.20%	2.20%

Notes to the Accounts

for the year ended 31 July 2016

26 Universities Superannuation Scheme USS (continued)

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

Male member's mortality	98% of S1NA ["light"] YoB tables - no age rating
Female member's mortality	99% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	At 31 July 2016	At 31 July 2015
Males currently aged 65	24.3 years	24.2 years
Females currently aged 65	26.5 years	26.4 years
Males currently aged 45	26.4 years	26.3 years
Females currently aged 45	28.8 years	28.7 years
Scheme assets	£49.8 bn	£49.1 bn
Total scheme liabilities	£58.3 bn	£60.2 bn
FRS 102 total scheme deficit	£8.5 bn	£11.1 bn
FRS 102 total funding level	85%	82%

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 2015-16 was 21.5% (2014-15: 21.5%).

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

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

Last actuarial valuation	31 March 2013
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 2013, and updated to 31 July 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2016	At 31 July 2015
Financial assumptions	%	%
Rate of increase in salaries	3.70	4.10
Rate of increase in pension payments	1.90	2.30
Expected return on assets	9.00	5.70
Discount rate for liabilities	2.20	3.40
Inflation assumptions	1.90	2.30
Split of assets between investment categories		
Equities	69.00	65.00
Government Bonds	4.00	4.00
Other Bonds	4.00	10.00
Property	11.00	12.00
Cash	3.00	2.00
Alternative assets	4.00	7.00
Other managed funds	5.00	n/a

Notes to the Accounts

for the year ended 31 July 2016

26 Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme

	Consolidated 31 July 2016 £'000	University 31 July 2016 £'000	University 31 July 2015 £'000	University 31 July 2014 £'000
Estimated asset share	52,058	48,081	44,597	40,941
Present value of scheme liabilities	(66,529)	(61,352)	(55,058)	(53,010)
Deferred Tax Asset	240	0	0	0
Deficit in the scheme	(14,231)	(13,271)	(10,461)	(12,069)
	78%	78%	81%	77%

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

Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent fund valuation, which was carried out at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% pa.

	At 31 July 2016	At 31 July 2015
Life expectancy:		
Male current pensioner aged 65	22.9 years	22.8 years
Female current pensioner aged 65	25.3 years	25.2 years
Male future pensioner aged 65	25.2 years	25.1 years
Female future pensioner aged 65	27.7 years	27.6 years

	Consolidated At 31 July 2016 £'000	University At 31 July 2016 £'000	University At 31 July 2015 £'000
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Amounts recognised in the profit and loss statement are:

Service cost	616	496	220
Net interest on the defined liability	346	323	448
Administration expenses	23	21	22
Total operating charge	985	840	690

Re-measurements in other comprehensive income

Return on Fund assets in excess of interest	2,535	2,352	3,224
Change in financial assumptions	(6,991)	(6,326)	(2,879)
Experience gain/(loss) on defined benefit obligation	22	22	(9)
Remeasurement of the (defined liability) / net assets	(4,434)	(3,952)	336

Movements in deficit during the year

Deficit in scheme at 1 August	(10,982)	(10,461)	(12,069)
Movements in the year:			
Current service charge	(616)	(496)	(520)
Contributions by employer including unfunded	2,060	1,982	1,962
Net interest on the defined liability	(346)	(323)	(448)
Liabilities assumed on settlements	0	0	1,266
Return on assets less interest	2,535	2,352	3,224
Actuarial loss	(6,969)	(6,304)	(2,888)
Settlement and Curtailment	0	0	(966)
Deferred Tax Asset	110	0	0
Administration expenses	(23)	(21)	(22)
Deficit in scheme at 31 July	(14,231)	(13,271)	(10,461)

Notes to the Accounts

for the year ended 31 July 2016

26 Local Government Pension Scheme (LGPS) - continued

	Consolidated Year Ended 31 July 2016 £'000	University Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Change in benefit obligation during the period to 31 July			
At beginning of year	59,364	55,058	53,010
Current service cost	616	496	520
Interest cost on pension liabilities	1,991	1,833	2,063
Change in financial assumptions	6,991	6,326	2,879
Experience (gain) / loss on defined benefit obligation	(22)	(22)	9
Liabilities extinguished on settlements	0	0	(1,266)
Estimated benefits paid net of transfers in	(2,501)	(2,407)	(2,252)
Past service costs, including curtailments	0	0	13
Contributions by Scheme participants	141	119	134
Unfunded pension payments	(51)	(51)	(52)
At end of year	66,529	61,352	55,058
Analysis of movement in the market value of the scheme assets			
At beginning of year	48,252	44,597	40,941
Interest on assets	1,645	1,510	1,615
Return on assets less interest	2,535	2,352	3,224
Administration expenses	(23)	(21)	(22)
Contributions by employer including unfunded	2,060	1,982	1,962
Contributions by Fund participants	141	119	134
Estimated benefits paid plus unfunded net of transfers in	(2,552)	(2,458)	(2,304)
Settlement prices paid	0	0	(953)
At end of year	52,058	48,081	44,597

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 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.

Notes to the Accounts

for the year ended 31 July 2016

26 University of Essex Pension Scheme (UEPS) - continued

Actuarial Assumptions

The 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 and 31 July 2016.

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 2016 £'000	At 31 July 2015 £'000
Analysis of amount charged to income and expenditure account		
Current service charge	0	(78)
Past service cost	0	(1,152)
Losses on curtailments and settlements	0	7,213
Total operating charge	0	5,983

Analysis of net return on pension scheme

Expected return on pension scheme assets	0	97
Interest on pension liabilities	0	(88)
Net return	0	9

	At 31 July 2016 £'000	At 31 July 2015 £'000
--	-----------------------------	-----------------------------

Amount recognised in the statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	0	792
Actuarial gain recognised in the STRGL	0	792

Movements in deficit during the year

Deficit in scheme at 1 August	0	(6,853)
Movements in the year:		
Current service charge	0	(78)
Past service cost	0	(1,152)
Contributions	0	70
Net interest/return on assets	0	9
Actuarial gain	0	792
Deficit extinguished on settlements	0	7,212
Deficit in scheme at 31 July	0	0

Change in benefit obligation during the period to 31 July

At beginning of year	0	27,366
Current service cost	0	78
Past service cost	0	1,152
Interest on pension liabilities	0	88
Benefits paid	0	(26)
Liabilities extinguished on settlements	0	(28,658)
At end of year	0	0

Analysis of movement in the market value of the scheme assets

At beginning of year	0	20,513
Expected return on plan assets	0	97
Actuarial gain on assets	0	792
Employer contributions	0	70
Benefits and transfers paid	0	(26)
Asset attributed on settlements	0	(21,446)
At end of year	0	0

Notes to the Accounts

for the year ended 31 July 2016

26 Superannuation Arrangements of the University of London (SAUL)

General description of the pension scheme

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

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

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

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

Funding Policy

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

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

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

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

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

Accounting Policy

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

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

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability to be recognised by University of Essex in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £223,325 as at 31 July 2016 (2014-15: £nil). This liability is based on a projection of Salaries over the period to 31 March 2018.

Notes to the Accounts

for the year ended 31 July 2016

27 Subsidiary undertakings

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

Company	Principal Activity	At 31 July 2016 £1 Shares	At 31 July 2015 £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 31 July 2016 £'000	Year Ended 31 July 2015 £'000
University of Essex Enterprises Ltd*	(3)	(7)
Wivenhoe House Hotel Ltd*	(12)	(201)
University of Essex Campus Services Ltd*	(635)	77
University of Essex Knowledge Gateway Holdings Ltd *	(1)	(1)
Universal Accommodation Group Ltd*	106	108
University of Essex Knowledge Gateway Ltd *	(161)	(131)
	(706)	(155)

* 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 2016

28 Agency Arrangements

	University	
	2015-16	2014-15
	£'000	£'000
NHS Bursaries		
Payments received from NHS organisations	2	26
Disbursed to students	(2)	(26)
Balance unspent at 31 July	0	0

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

HEFCE Teaching Grant

Payments received from HEFCE	1,454	1,523
Payments made to partner institutions	(1,454)	(1,523)
Balance unspent at 31 July	0	0

HEFCE Research Grant

Payments received from HEFCE	177	247
Payments made to partner institutions	(177)	(247)
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.

29 Events after the reporting period

During 2015/16 the University added the North Teaching Centre to its estate at a total cost of £4.4m. The building is constructed of modular components which, themselves, cost £2.9m. In August 2016, the University sold the modular components and entered into a lease to secure their use for seven years.

Notes to the Accounts

for the year ended 31 July 2016

30 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement

		University			University		
	Notes	2007 SORP	1 August 2014 Effect of transition to 2015 SORP	2015 SORP	2007 SORP	31 July 2015 Effect of transition to 2015 SORP	2015 SORP
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Fixed Assets	1	203,998	94,203	298,201	220,555	93,176	313,731
Heritage assets		798	0	798	798	0	798
Investment Properties	1	0	3,646	3,646	0	3,916	3,916
Investments	2	38,816	5,570	44,386	39,388	6,163	45,551
		243,612	103,419	347,031	260,741	103,255	363,996
Endowment assets	2	6,247	(6,247)	0	6,925	(6,925)	0
Current assets							
Stock		168	0	168	152	0	152
Trade and other receivables	3	7,678	0	7,678	8,595	85	8,680
Investments	4	47,302	(37,302)	10,000	29,462	(20,712)	8,750
Cash and cash equivalents	2/4	7,603	37,979	45,582	7,308	21,474	28,782
		62,751	677	63,428	45,517	847	46,364
Less: Creditors: amounts falling due within one year	5	(44,719)	(276)	(44,995)	(46,550)	1,440	(45,110)
Net current (liabilities)/assets		18,032	401	18,433	(1,033)	2,287	1,254
Total assets less current liabilities		267,891	97,573	365,464	266,633	98,617	365,250
recorded within other Comprehensive Income.							
Creditors: amounts falling due after more than one year		(112,615)	0	(112,615)	(110,775)	0	(110,775)
Provisions							
Provisions for liabilities		(799)	0	(799)	(836)	0	(836)
Other pension liability	6	(18,918)	(15,822)	(34,740)	(10,461)	(28,611)	(39,072)
Total net assets		135,559	81,751	217,310	144,561	70,006	214,567
Deferred capital grants	7	62,154	(62,154)	0	61,465	(61,465)	0
Restricted Reserves							
Income and expenditure reserve - endowment reserve	8	6,247	(2,035)	4,212	6,925	(2,258)	4,667
Income and expenditure reserve - restricted reserve	8	0	2,035	2,035	0	2,258	2,258
Unrestricted Reserves							
Income and expenditure reserve - unrestricted		65,975	144,283	210,258	74,416	132,421	206,837
Revaluation reserve		1,183	(378)	805	1,755	(950)	805
		73,405	143,905	217,310	83,096	131,471	214,567
Total Reserves		135,559	81,751	217,310	144,561	70,006	214,567

Notes to the Accounts

Notes to the reconciliation of reserves

- 1) On the date of transition to FRS 102, the University revalued its land and student accommodation at fair value and as a first time adopter, in accordance with paragraph 35.10 (c) of the 2015 SORP, it is using this fair value as the deemed cost of the assets. The valuation was prepared by Gerald Eve, an independent valuer, with an effective date of 1 August 2014. The valuation was prepared using Depreciated Replacement Cost and Fair Value equivalent to Market Value methods. At the date of the valuation, land had a net book value of £5.2 million and student accommodation had a net book value of £50.9 million. At the same date, one asset was also reclassified from property, plant and equipment to investment property and this was revalued by the same valuer using the same methods.
- 2) Endowment cash and investments are no longer shown separately as endowment assets and have been reclassified to the cash and investment balances.
- 3) The change to receivables represents a late gift aid payment from a subsidiary company.
- 4) Short term investments with a maturity of less than 3 months were reclassified as cash and cash equivalents.
- 5) An annual leave accrual was included within creditors. Also certain deferred capital grants were released from creditors.
- 6) A pension deficit liability for the USS pension scheme was calculated for the year ended 31 July 2014 and 31 July 2015. Changes to the way that the LGPS pension liability is calculated under FRS 102 have also been incorporated.
- 7) The University has adopted the performance method for capital grants under FRS 102. No performance conditions were attached to any of these grants therefore they were all released to income.
- 8) Restricted donations have been separated out from the endowments balance and reclassified to restricted reserves.

Notes to the Accounts

for the year ended 31 July 2016

30 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

		Consolidated			Consolidated		
	Notes	2007 SORP	1 August 2014 Effect of transition to 2015 SORP	2015 SORP	2007 SORP	31 July 2015 Effect of transition to 2015 SORP	2015 SORP
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Fixed Assets	1	216,949	94,203	311,152	233,618	93,176	326,794
Heritage assets		798	0	798	798	0	798
Investment properties	1	0	3,646	3,646	0	3,916	3,916
Investments	2	5,677	5,570	11,247	6,249	6,163	12,412
Investment in joint ventures:	3	23,715	(16,711)	7,004	23,120	(18,174)	4,946
		247,139	86,708	333,847	263,785	85,081	348,866
Endowment assets	2	6,247	(6,247)	0	6,925	(6,925)	0
Current assets							
Stock		302	0	302	274	0	274
Trade and other receivables		8,266	1	8,267	9,839	0	9,839
Investments	4	47,302	(37,302)	10,000	29,462	(20,712)	8,750
Cash and cash equivalents	2/4	9,871	37,979	47,850	10,165	21,474	31,639
		65,741	678	66,419	49,740	762	50,502
Less: Creditors: amounts falling due within one year	5	(37,776)	(278)	(38,054)	(40,483)	1,438	(39,045)
Net current (liabilities)/assets		27,965	400	28,365	9,257	2,200	11,457
Total assets less current liabilities		281,351	80,861	362,212	279,967	80,356	360,323
recorded within other Comprehensive Income.							
Creditors: amounts falling due after more than one year		(119,409)	0	(119,409)	(117,446)	0	(117,446)
Provisions							
Provisions for liabilities	6	(799)	0	(799)	(894)	24	(870)
Other pension liability	7	(19,133)	(16,079)	(35,212)	(10,982)	(29,085)	(40,067)
Total net assets		142,010	64,782	206,792	150,645	51,295	201,940
Deferred capital grants	8	62,154	(62,154)	0	61,465	(61,465)	0
Joint venture deferred capital grant reserve	3	22,617	(22,617)	0	22,126	(22,126)	0
Restricted Reserves							
Income and expenditure reserve - endowment reserve	9	6,247	(2,035)	4,212	6,925	(2,258)	4,667
Income and expenditure reserve - restricted reserve	9	0	2,035	2,035	0	2,258	2,258
Unrestricted Reserves							
Income and expenditure reserve - unrestricted		49,809	149,931	199,740	58,374	135,836	194,210
Revaluation reserve		1,183	(378)	805	1,755	(950)	805
		57,239	149,553	206,792	67,054	134,886	201,940
Total Reserves		142,010	64,782	206,792	150,645	51,295	201,940

Notes to the Accounts

Notes to the reconciliation of reserves

- 1) On the date of transition to FRS 102, the University revalued its land and student accommodation at fair value and as a first time adopter, in accordance with paragraph 35.10 (c) of the 2015 SORP, it is using this fair value as the deemed cost of the assets. The valuation was prepared by Gerald Eve, an independent valuer, with an effective date of 1 August 2014. The valuation was prepared using Depreciated Replacement Cost and Fair Value equivalent to Market Value methods. At the date of the valuation, land had a net book value of £5.2 million and student accommodation had a net book value of £50.9 million. At the same date, one asset was also reclassified from property, plant and equipment to investment property and this was revalued by the same valuer using the same methods.
- 2) Endowment cash and investments are no longer shown separately as endowment assets and have been reclassified to the cash and investment balances.
- 3) Relates to the effect of the restatement of grants under FRS 102 of the University's joint venture, University of Campus Suffolk.
- 4) Short term investments with a maturity of less than 3 months were recategorised as cash and cash equivalents.
- 5) An annual leave accrual was included within creditors. Also certain deferred capital grants were released from creditors.
- 6) The change to provisions for liabilities represents a deferred tax adjustment accounted for in one of the subsidiary companies.
- 7) A pension deficit liability for the USS pension scheme was calculated for the year ended 31 July 2014 and 31 July 2015. Changes to the way that the LGPS pension liability is calculated under FRS 102 have also been incorporated.
- 8) The University has adopted the performance method for capital grants under FRS 102. No performance conditions were attached to any of these grants therefore they were all released to income.
- 9) Restricted donations have been separated out from the endowments balance and reclassified to restricted reserves.

Notes to the Accounts

for the year ended 31 July 2016

30 Transition to FRS102 and the 2015 SORP continued

		University			
	Notes	2007 SORP £'000	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income					
Tuition fees and education contracts		104,137	0	0	104,137
Funding body grants	1	16,542	0	1,089	17,631
Research grants and contracts		24,069	0	0	24,069
Other income	2	34,771	0	355	35,126
Investment income		568	0	0	568
Total income before donations and endowments		180,087	0	1,444	181,531
Donations and endowments		0	89	0	89
Total income		180,087	89	1,444	181,620
Expenditure					
Staff costs	3	89,668	0	13,082	102,750
Other operating expenses		72,341	0	0	72,341
Depreciation	4	7,078	0	1,027	8,105
Interest and other finance costs	5	4,689	0	483	5,172
Total expenditure		173,776	0	14,592	188,368
Gain on investments		0	1,165	0	1,165
Surplus / (deficit) before other gains and losses		6,311	1,254	(13,148)	(5,583)
Actuarial gain in respect of pension schemes		0	2,840	0	2,840
Surplus for the year transferred to accumulated income	4	4	(4)	0	0
Total comprehensive income for the year		6,315	4,090	(13,148)	(2,743)

Notes to the reconciliation of surplus/(deficit)

- 1) The University has adopted the performance method for capital grants under FRS 102. No performance conditions were attached to any of these grants therefore they were all released to income.
- 2) As a result of the revaluation which took place on 1 August 2014, one asset was reclassified from property, plant and equipment to investment property. During the year to 31 July 2015, the investment property was revalued using the rate of the average growth in retail buildings in Eastern England.
- 3) Staff costs were increased principally due to the new pension deficit provision required for the USS pension scheme and further costs for the LGPS pension scheme. The LGPS additional profit and loss charge is offset by a credit within the other comprehensive income. They also increased due to the new annual leave accrual required by FRS 102.
- 4) An additional depreciation charge was incurred as a result of the revaluation of the student accommodation buildings.
- 5) An interest cost for the unwinding of the discount factor on the pension liability has been included

Notes to the Accounts

for the year ended 31 July 2016

30 Transition to FRS102 and the 2015 SORP continued

Consolidated					
	Notes	2007 SORP £'000	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income					
Tuition fees and education contracts		104,137	0	0	104,137
Funding body grants	1	16,542	0	1,089	17,631
Research grants and contracts		24,069	0	0	24,069
Other income	2	62,221	0	101	62,322
Investment income		601	0	0	601
Total income before donations and endowments		207,570	0	1,190	208,760
Donations and endowments		0	89	0	89
Total income		207,570	89	1,190	208,849
Less: Share of income from joint ventures		(18,242)	0	169	(18,073)
Net income		189,328	89	1,359	190,776
Expenditure					
Staff costs	3	95,515	0	13,333	108,848
Other operating expenses		75,133	0	(23)	75,110
Depreciation	4	7,492	0	1,027	8,519
Interest and other finance costs	5	4,643	0	492	5,135
Total expenditure		182,783	0	14,829	197,612
Gain on investments		0	1,165	0	1,165
Share of operating surplus in joint venture	6	179	0	(1,954)	(1,775)
Surplus / (deficit) before other gains and losses		6,724	1,254	(15,424)	(7,446)
Actuarial gain in respect of pension schemes		0	2,121	757	2,878
Surplus for the year transferred to accumulated income		4	(4)	0	0
Increase in value of joint ventures		0	(284)	0	(284)
Total comprehensive income for the year		6,728	3,087	(14,667)	(4,852)

Notes to the Accounts

Notes to the reconciliation of surplus/(deficit)

- 1) The University has adopted the performance method for capital grants under FRS 102. No performance conditions were attached to any of these grants therefore they were all released to income.
- 2) As a result of the revaluation which took place on 1 August 2014, one asset was reclassified from property, plant and equipment to investment property. During the year to 31 July 2015, the investment property was revalued using the rate of the average growth in retail buildings in Eastern England. In addition, part of the movement relates to the effect of the restatement of grants under FRS 102 of the University's joint venture, University of Campus Suffolk.
- 3) Staff costs were increased principally due to the new pension deficit provision required for the USS pension scheme and further costs for the LGPS pension scheme. The LGPS additional profit and loss charge is offset by a credit within the other comprehensive income. They also increased due to the new annual leave accrual required by FRS 102.
- 4) An additional depreciation charge was incurred as a result of the revaluation of the student accommodation buildings.
- 5) An interest cost for the unwinding of the discount factor on the pension liability has been included
- 6) Relates to the effect of the restatement of grants under FRS 102 of the University's joint venture, University of Campus Suffolk.

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents as shown in the Financial Position transition note.



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