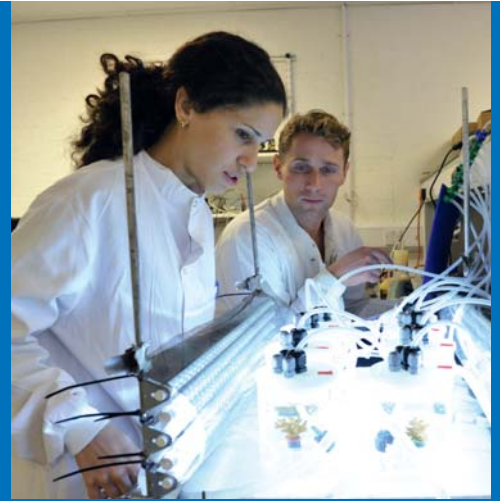




Annual Review and Financial Statements

2009-10



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Principal officers of the University

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Deputy Vice-Chancellor
Professor Rob Massara BA PhD CEng FIEE
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Treasurer
Celia Edey JP DL

Registrar and Secretary
Dr Tony Rich BA PGCE PhD

Librarian
Robert Butler BSc MSc

Vice-Chancellor's introduction

We are continuing to achieve significant success at Essex despite the many challenges now facing the UK's higher education sector. In 2009-10 we saw excellent performances in student recruitment, research income and our overall financial position as our local, regional and international impact continued to grow.

Effective management and the hard work of colleagues on all sides of the University have helped achieve our best financial results for many years. We are exceeding many of our key strategic targets, with total income rising to £139 million in 2009-10, an increase of 13 per cent.

A record level of research income was won for the third consecutive year with grants and contracts rising 16 per cent to £21.1 million from £18.2 million in the previous year.

Our international commitment to research excellence was boosted when Jawaharlal Nehru University in India became the first member of our Global Alliance, which is building lasting research-orientated partnerships with leading universities.

We have managed to square the circle of increasing student numbers whilst simultaneously improving student satisfaction.

Record numbers of students began courses at the University this year, while the National Student Survey ranked Essex in the top 20 nationally, a significant improvement from 34th last year. In addition, the University was placed in the top 15 for best all-round student experience according to the *Times Higher Education* (THE) survey.

Major projects completed as part of our £200 million-plus capital investment plan include the £5 million Teaching Centre and £1.4 million Sports Centre redevelopment at the Colchester campus, as well as the £36 million University Square student accommodation and a new teaching suite at the Southend Campus.

Work on the infrastructure for the Knowledge Gateway development at the Colchester Campus has begun. World-renowned architect and Essex alumnus Daniel Libeskind has been selected to design the landmark building that will house the Institute for Democracy and Conflict Resolution at the heart of the Knowledge Gateway.

In Southend we are working with partners on the £26.9 million Elmer Square regeneration project which will include a shared library plus new teaching and learning space.

Although this has been an excellent year we do find ourselves in a time of dramatic and radical change in the landscape of higher education. We will need to deal with a very different dynamic in terms of home and European Union student recruitment, and will need a tight focus on the quality of student experience. We will need to develop our international activities further, and deal with potential changes to the student visa system.

I am confident that the University of Essex is well-placed to deal with these challenges. We have the necessary resolve and vision, complemented by an excellent staff, a strong academic focus and well-functioning management systems. As ever in our almost 50-year history we will adapt to the new circumstances and will, I am sure, emerge from the period of uncertainty stronger and more successful.

Professor Colin Riordan
Vice-Chancellor



Building our future

New facilities at the Colchester and Southend campuses are helping to improve the learning and living experiences for Essex students.

At Colchester, the new 2010-11 academic year got under way with the opening of the innovative £5 million Teaching Centre, transforming the redundant 1960s central boiler house into 19 modern teaching rooms, equipped with the latest teaching technology, a theatre rehearsal space and spacious social area.

The University's commitment to providing state-of-the-art facilities is also evident in the new internet cafe Zest, with adjoining IT pods for group working, and the new £1.4 million gym and fitness suite. The new sports facilities provide more than 130 fitness stations and new studios for activities such as aerobics, dance and yoga.

The University has an ambitious £200 million-plus investment programme. Construction has started on the University's major Knowledge Gateway development at Colchester to provide a new home for social scientific research and development and business space, with the infrastructure works due to be completed in Spring 2011. It will be anchored by the flagship Institute for Democracy and Conflict Resolution, to be designed by world-renowned architect and Essex alumnus Daniel Libeskind.

Work will also begin in 2011 on the £10 million transformation of the historic Wivenhoe House into the UK's first fully-functioning country house hotel to be run and staffed by students, supervised by industry professionals. Designed to prepare the future leaders of the hospitality industry, the Edge Hotel School will open in 2012.

Transforming Southend Campus

At Southend, the £36 million 561-room University Square development provides colourful, modern residences with en-suite facilities to enhance the student experience. The vibrant new accommodation incorporates many green and sustainable features. Southend Campus has also been enhanced by the development of the £700,000 Elmer Suite, providing additional professional teaching and learning space for students.

Architects have been appointed to develop Elmer Square, a £26.9 million joint venture with Southend-on-Sea Borough Council and South Essex College to provide an integrated academic and community library and modern teaching facilities.



Enriching the experience

Ensuring students graduate with a high quality qualification and are equipped for future challenges is a key focus at Essex.

The University was ranked 16th for student satisfaction in this year's National Student Survey with 88 per cent of Essex students saying they were satisfied with their course. This is up three per cent on last year and is five per cent above the national average.

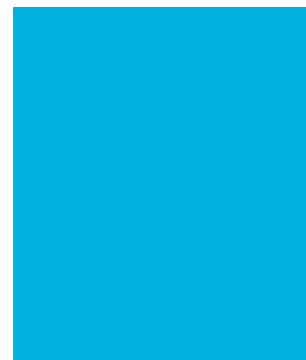
The Departments of Art History and Philosophy and the Centre for Psychoanalytic Studies all achieved 100 per cent satisfaction ratings and Essex is ranked in the top 10 for a number of science, social science and humanities subjects.

This year's academic highlights included a two-week residency by Nobel Laureate and Essex's new Professor of Poetry Derek Walcott with students taking part in a series of workshops with the celebrated writer. Student Pete Fitzgerald said: 'It was a privilege and an honour to be taught by Professor Walcott.'

A major initiative to encourage students to develop the skills future employers are looking for and get the most out of their time at Essex was launched in 2009-10. The Big e campaign is using workshops, lectures and special events including the Essex Apprentice, the Big e awards and Essex Business Boot Camp to inspire students, build-up their skills and recognise their achievements.

Enterprising students also competed against other university teams in The Prince's Trust fundraising challenge, Million Makers. Team Essex came second nationally and raised over £1,800 through a number of fundraising activities.

Essex students have always made a valuable contribution through volunteering and this year marked the 40th anniversary of Nightline – a confidential listening and advice service run by students and pioneered at the University. Established in 1970 by students with the support of staff, Essex Nightline has inspired many others across the country and beyond. Branches have been set up in the United States, Canada, Switzerland and Germany, in many cases by former Essex students.



Research awards 2009-10

This has been a record year for generating research income across the University with £21.1 million worth of grants and contracts secured by staff in 2009-10. A full list of research grants can be found on the Research and Enterprise Office website at: www.essex.ac.uk/reo.

Some highlights include:

Changing nature of consumerism

Project title: Consumption work and societal divisions of labour

Grant: £648,349

Funding body: European Research Council

Duration: Three years

The changing nature of work, the division of labour and the way consumers buy, use, re-use and even dispose of goods is being researched by Professor Miriam Glucksmann from the Department of Sociology. The research will compare attitudes in the UK, Sweden, France, Taiwan and South Korea.

Discovering the ocean's chemical secrets

Project title: Role of Dimethyl Sulphide (DMS) in Pelagic Trophic Interactions

Grant: £414,151

Funding body: Natural Environment Research Council

Duration: Three years and three months

As the most abundant natural source of sulphur in the atmosphere the marine trace gas dimethyl sulphide (DMS) is seen as having huge significance as it counterbalances the global warming effects of carbon dioxide. The research by Dr Michael Steinke from the Department of Biological Sciences and Dr Edward Codling from the Department of Mathematical Sciences will analyse DMS production in marine environments.

Helping computer games to 'think'

Title: UCT for games and beyond

Grant: £401,057

Funding Body: Engineering and Physical Sciences Research Council

Duration: Three years

A joint research project between Essex, Imperial College and the University of Bradford is aiming to improve artificial intelligence within computer games. Professor Simon Lucas from the School of Computer Science and Electronic Engineering is leading the project at Essex.

Uncovering cultural links between Brazil and Angola

Project title: The Angolan roots of capoeira

Grant: £367,846

Funding body: Arts and Humanities Research Council

Duration: Three years

The influence of Angola on the celebrated Afro-Brazilian art form of capoeira is being investigated by Dr Matthias Röhrig Assunção from the Department of History. Dr Assunção is leading a multi-disciplinary team including film maker Richard Pakleppa, Angolan history specialist Dr Mariana Candido from Princeton University and Mestre Cobra Mansa, founder and president of the International Foundation of Capoeira Angola.

Note: Grant awards are spread across a number of financial years. Total research income received during individual years is reported in the Financial Statements.

Books by Essex Academics

Books authored and edited by Essex academics in 2009-10 include:

Net Neutrality: Towards a Co-regulator Solution by Dr Chris Marsden from the School of Law.

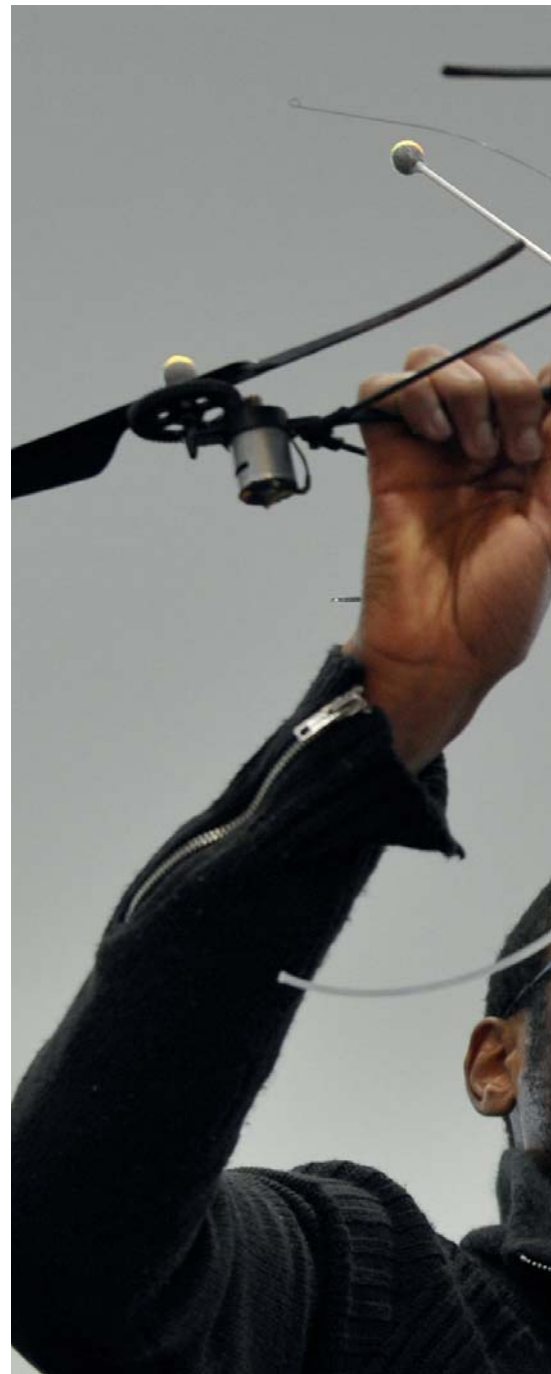
Measuring Human Rights by Professor Todd Landman, Director of the Institute for Democracy and Conflict Resolution, and Edzia Carvalho.

Psychodynamic Counselling with Children and Young People - An Introduction by Sue Kegerreis from the Centre for Psychoanalytic Studies.

Caribbean Perspectives on Modernity: Returning Medusa's Gaze by Dr Maria Cristina Fumagalli from the Department of Literature, Film and Theatre Studies.

Britain at the Polls 2010, edited by Dr John Bartle from the Department of Government, and Dr Nicholas Allen from the University of London.

Human Exposure to Pollutants via Dermal Absorption and Inhalation edited by Professor Ian Colbeck from the Department of Biological Sciences and Professor Mihalis Lazaridis from Technical University of Crete.





Research impact

Research at Essex is making a difference in how we understand the world, approach the key challenges facing society and live our lives from day to day.

The four Global Challenges established by the University are continuing to encourage multi-disciplinary research and international collaboration to tackle issues of worldwide significance.

Meanwhile, a whole range of research projects have had an impact across a number of fields. These include:

How we really live our lives

Understanding Society is the largest study of its kind in the world and is being supported by a £23.9 million grant from the Economic and Social Research Council. A total of 100,000 individuals in 40,000 British households are being surveyed as part of the project led by the Institute for Social and Economic Research. Data was released to researchers across the country in December and initial findings were announced in January 2011.

Take a dose of nature

A study by Professor Jules Pretty and Dr Jo Barton from the Interdisciplinary Centre for Environment and Society found just a small dose of nature each day benefits people's mood, self-esteem and mental health. Worldwide media coverage was generated by the research which found just five minutes of green exercise produced a significant positive effect.

Helping peacekeepers succeed

The United Nations Peacekeeping Law Reform Project is led by Scott Sheeran from the School of Law and is looking at the legal and human rights issues surrounding this type of mission. A clearer legal framework for peacekeeping forces and better guidance on the human rights obligations for different missions are among the key aims of the two major studies being produced by the project.

An only child is a happy child

Academics at the Institute for Social and Economic Research and the University of Warwick found that children with fewer siblings are happier – and that children from single-child families are the most contented. Bullying may be part of the problem, with 31 per cent of children saying they are hit, kicked or pushed by a brother or sister "quite a lot" or "a lot".

Gene control breakthrough

A research team led by Dr Elena Klenova from the Department of Biological Sciences has furthered our understanding of how proteins work as teams to control genes in our cells. The research could help unravel the mechanisms of disease such as cancer and was undertaken in partnership with the Cancer Research UK Cambridge Research Institute and the Karolinska Institute in Sweden.

Rise in spending on drugs revealed

A marked rise in expenditure on prescription drugs and the number of prescribed medicines being dispensed was discovered by Professor Joan Busfield from the Department of Sociology. A 60 per cent increase in expenditure on drugs by the NHS in England over a 10 year period was reported, while the number of prescribed medicines increased from an average of eight per person in 1989 to 16.4 in 2009.

Breakfast key to better child health

A review of 4,000 children found those who missed breakfast were more likely to be unfit compared with those who always managed to eat something in the morning. Dr Gavin Sandercock from the Department of Biological Sciences, who led the research, said: "It appears that children who regularly eat breakfast are thinner, more active and even fitter than those who don't"



Public benefit

Teaching and research

Students benefit greatly from studying at a research-intensive university. Major investment continues to improve the facilities and this year's National Student Survey placed Essex in the top 20 nationally for student satisfaction.

In 2009-10 the University's student population was 9,723 full time equivalents, who were registered on one of 818 programmes. A total of 1,749 first degrees (foundation and bachelor degrees) were awarded, along with 1,322 higher degrees (masters and doctorates).

The last Research Assessment Exercise placed the University ninth nationally for the quality of its research, confirming its worldwide reputation. Projects being undertaken by Essex academics are at the forefront of helping to understand society, tackle key health problems, protect the environment and improve existing technology.

The Global Challenge initiative has established four interdisciplinary research projects to address issues of worldwide significance. These will focus on how to achieve sustainable growth at a local, national and global level;

finding solutions to global threats such as climate change and the depletion of natural resources; states in transition after the ending of violent conflicts or repressive regimes; and how to adapt the internet to the challenges of the 21st century.

During the year 106 research projects were completed and 207 research projects were in progress at the end of the year.

The scope of the University's highly-respected research centres and studies show the breadth of issues addressed. These include: the British Election Study, the Interdisciplinary Centre for Environment and Society, the Centre for Trauma, Asylum and Refugees, the Coral Reef Research Unit, the Human Rights Centre, the Institute for Democracy and Conflict Resolution, the Institute for Social and Economic Research and the Sports, Performance and Fatigue Unit.

Increasing access

Thousands of students visit the University to learn about higher education and the Widening Participation team works with more

than 100 schools and colleges across Essex plus Suffolk and east London.

Students and staff visit schools to raise awareness of higher education amongst pupils and their parents. Insight into Higher Education days are held at the University while student ambassadors work as 'associates' in local secondary schools as part of the Aim Higher Associates Scheme.

Schools also benefit from lectures, tours and laboratory and research placements organised by staff to link with the National Curriculum.

Summer schools cover different subjects including drama and IT. Some are particularly designed for students accompanied by a parent or carer, young people in care and people with learning difficulties.

The University's success in widening participation is shown by the background of our students – 17.5 per cent of under 21-year-old students are from low participation post codes (2008-09 entry data) and 38.9 per cent of under 21-year-old students are from social classes 4,5,6 and 7 (2008-09 entry data).



Vice-Chancellor Colin Riordan receives the Queen's Anniversary Prize

The University's charitable aims

The University's Royal Charter sets out the objectives which form its 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 the trustees of the University and decision making takes 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).

The University's work covers many charitable purposes recognised by the Charities Act 2006 alongside the core focus on the advancement of education. This includes the advancement of health, the advancement of citizenship and community development, the advancement of arts, culture, heritage and

science, the advancement of amateur sports, the advancement of human rights and conflict resolution and the advancement of environmental protection or improvement.

The University admits students solely according to ability without reference to ethnic origin, class, religion, sexuality or any other characteristic. The University's Access Agreement with the Office of Fair Access (OFFA) ensures no student is deterred from applying to the University on the grounds of financial hardship.

Bursaries are provided to aid students from low income households and the University undertakes and funds a large amount of outreach work. This includes school and college visits, supporting students with disabilities and supporting students with non-traditional entry qualifications. There were 2,550 bursaries and scholarships awarded during 2009-10 to students studying at the University.

Impact in the community

The University is committed to sharing its expertise locally, nationally and internationally.

Public lectures, performances, conferences and events are organised at all campuses plus local venues. Major events hosted by the University include Race for Life at the Colchester Campus and the Polish Arts Festival in Southend.

The Lakeside Theatre in Colchester, Clifftown Studios in Southend and Corbett Theatre at Loughton are all highly valued facilities hosting numerous public performances.

There is also a year-round programme of events and exhibitions at the Art Exchange, the University Gallery, which informs its extensive work with local schools and colleges.

In Colchester the Philosophy Cafes, Twilight Zone Cafes, Language Learning Cafes and Cafe Scientifique have all helped increase informal links between academics and the public and events.

In Southend, the University has organised with partner organisations extensive free business support workshops and their value has been shown by their huge popularity with companies in the area.

More than 300 students have signed up with the Students' Union to take part in voluntary work. Student-led projects include the Street Law and Human Rights Education initiative in local schools and the Essex Law Clinic and Business Dynamos projects. Among the many charities supported by both students and staff is the Talking Newspaper for the visually impaired.

Other important public resources include the Albert Sloman Library which holds many internationally important archives. The Library also puts on public display artworks from the University of Essex Collection of Latin American Art (UECLAA).



Chair's Report

The funding of universities and the way students are supported is about to undergo fundamental change following the publication of Lord Browne's Review "Securing a sustainable future for higher education" and the UK Government's plans for significant reductions in public expenditure aimed at addressing its sizeable fiscal deficit. These changes will be far reaching. A White Paper is promised in the winter and the Coalition Government's proposals have to pass the legislative hurdles in Parliament. Over the coming months the University will be developing its strategy for operating in the new environment. Amid this uncertainty it is heartening to be able to report on another solid financial performance for the year ended 31 July 2010, standing the University in good stead to face future challenges.

A 13 per cent increase in turnover to £139m and a surplus for the year of £7m was generated as a result of strong growth in student demand, the benefits of earlier cost reduction exercises and the containment of costs in the face of increased activity. University Campus Suffolk, a joint venture with the University of East Anglia, also made a contribution to the improved performance.

While student demand, low pay inflation and the benefits from previous exercises to reduce costs have played an essential part in the University's financial performance last year, underpinning this are the new management structures introduced in August 2008. These structures have matured and 2009-10 represents the first year in which budget managers have owned their budgets and taken full accountability for their outturn. This has led to costs being contained in the face of stiff pressures and to new developments being proposed that will further strengthen the University's future financial performance.

The University's record surplus was also matched by a record level of capital investment of nearly £40m with the completion of the University Square student accommodation in Southend, an innovative conversion of a former boiler house into high quality teaching space on the Colchester Campus and the commencement of the Knowledge Gateway project which aims to link academia to business, non-governmental organisations and government.

The top-level finance key performance indicators for the five year period to 2012-13 are:

Key performance indicator: target	Outturn in 2009/10
■ Income growth: 5% of average of previous 3 years	13.2%
■ Operating surplus of 3.5% by the start of 2010-11	4.4% ¹
■ Student number growth: 1600 over 5 years	1,455 in 09-10
■ Income from philanthropic sources: £6m over 5 years	£1m in 09-10

Last year I acknowledged the receipt of a £1m legacy from the estate of the late John Silberrad from Loughton to fund postgraduate research scholarships. I am very pleased to be able to report that a further distribution from the estate of £1m was received during 2009-10. This £2m endowment will be a great help in supporting students to undertake research at the University.

I began by acknowledging the challenges that the University and the whole UK HE sector will face in the coming years. The financial performance for 2009-10 places the University in a strong position but it also reflects the University's approach to sound finances and sound financial management. I would like to thank the Vice-Chancellor and his team, along with all the University staff who have contributed to the success of 2009-10.

Bill Gore
Chair of Council

¹ This is the surplus generated by academic activities, commercial services and general interest income excluding joint ventures, staff severance costs and pensions FRS17 accounting charges.

Financial Highlights

(2008-09 comparative figures shown in brackets)

- Total income up 13.2% to £139m (£123m)
- Surplus before staff severance costs and joint ventures of £6.9m (£2.6m)
- EBITDA of £10.8m (£6.9m).
- Capital expenditure of £39.9m (£15.7m)
- Net assets of £137m (£117m)
- Net debt of £44m (£27m)

Summary Finances	2009-10	2008-09	Change	
	£'000	£'000	£'000	%
Income				
Funding Council grants	35,775	34,867	+908	+3%
Tuition fees and academic contracts	54,853	44,340	+10,513	+24%
Research grants and contracts	21,103	18,184	+2,919	+16%
Other income (excluding joint venture income)	26,893	24,473	+2,420	+10%
Endowment and investment income	336	903	-567	-63%
Total Income	138,960	122,798	+17,162	+13%
Total expenditure <i>excluding staff severance</i>	132,864	120,430	+13,761	+10%
Operating surplus	6,096	2,368	+3,728	
less staff severance costs and exceptional items	(642)	(1,962)		
add share of profit/(loss) in joint ventures	801	(498)		
add FRS17 pension accounting credit	783	266		
Surplus for the year	7,038	174	+6,864	
EBITDA (as defined and disclosed in note 30)	10,828	6,838	+3,966	
Capital expenditure	39,905	15,732	+24,173	
Capital grants received	5,018	7,619	-2,601	
Net debt	44,324	26,783	+17,541	
Net assets	136,717	117,371	+19,346	

Student Numbers	2009-10		2008-09		Change	
	FTEs	FTEs	FTEs	FTEs	FTEs	%
Home/EU	7,172	74%	6,183	75%	+989	+16%
Overseas	2,551	26%	2,085	25%	+466	+22%
	9,723	100%	8,268	100%	+1,455	+18%
Undergraduate	7,333	75%	6,362	77%	+971	+15%
Postgraduate	2,390	25%	1,906	23%	+484	+25%
	9,723	100%	8,268	100%	+1,455	+18%

FTE = full time equivalent, excludes partner institutions

Operating and Financial Review

Regulation and Business Environment

The University is an exempt charity established by Royal Charter in 1965 and is regulated by the Higher Education Funding Council for England (HEFCE), which, since June 2010, has additionally been given the role of regulating the University's charitable affairs.

Established in Colchester, the University also operates campuses in Loughton and Southend.

These financial statements are those of the University of Essex group, comprising the University, its various subsidiary undertakings and joint ventures. The most material of these is University Campus Suffolk Ltd, a joint venture with the University of East Anglia. Details of this and other subsidiary undertakings and joint ventures are included in note 26 of the financial statements.

The University operates in a mix of regulated and unregulated markets with the majority of income coming from non-public sources. The University has discretion over fee setting and student recruitment in overseas markets and in home/EU markets for postgraduate, part-time undergraduate and short courses. Home/EU tuition fees and student recruitment are currently regulated markets with fee caps and volume restrictions determined by government or HEFCE. Research grant and contract funding is a fiercely competitive market place.

Funding from HEFCE is governed by a Financial Memorandum which sets out the conditions of grant which the University must satisfy in order to receive public funding.

The Financial Statements are produced in accordance with the Statement of Recommended Practice for Further and Higher Education (SORP) which is based on UK generally accepted accounting principles. The Financial Statements are also compliant with the HEFCE Accounts Direction 2009-10.

This review has been prepared in accordance with the Reporting Statement: Operating and Financial Review published by the Accounting Standards Board.

Public Benefit

For more on the University of Essex's public benefit please see page 8 and 9.

“Essex will be acknowledged as a powerful regional university with global impact and an international reputation that is unparalleled for a university of our size”

Vision and Financial Strategy

The University's Vision and Strategy 2009-2013

"In five years' time Essex will be acknowledged as a powerful regional university with global impact and an international reputation that is unparalleled for a university of our size. The University will achieve its growth through partnership (regional and international) and developing its multi-campus footprint. We will be advantageously placed in the world top 200 universities as defined by the Times Higher Education listings. The broad direction of travel is to build an international strategic alliance consisting of multilateral relations with a small number of selected universities from around the world. We are looking for:

- *a means of helping to fulfil our economic, social and cultural obligations (addressing global challenges and questions of social justice, with a particular focus on Africa);*
- *international research collaboration;*
- *sharing best practice in teaching and learning;*
- *shared marketing and profiling opportunities;*
- *global influence and an academic focus on global challenges.*

The international alliance will be underpinned by a strong regional base that will:

- *fulfil our academic aspirations in research and teaching;*
- *fulfil our economic, social and cultural responsibilities to the Eastern region;*
- *meet government aspirations on widening participation and employer engagement;*
- *help to secure our position in recruitment terms".*

Supporting this is a financial strategy with ambitions to grow income by 5% on average annually, creating a 3.5% surplus on our continuing operations, after providing for an extra recurrent investment in sustainability and strategic initiatives. The surplus will be deployed as 1% contingency and 2.5% strategic and capital investment. To achieve this student numbers need to grow by 1,600 (revised from 1,100 in last year's plan) and staff costs as a proportion of income need to move towards the 1994 Group average. A greater contribution from philanthropic sources will be sought amounting to £5m over the planning period.

The University has made substantial progress towards delivering this plan.

- A five year capital plan is well under way; over the last two years capital investment has amounted to £55m.
- The staff cost ratio has fallen as a result of cost reductions and income growth; the gap between the University and its peers has fallen in the last two successive years and we await the publication of our peers' financial statements to see if the gap has narrowed yet further in 2009-10.
- Student numbers increased by 1,455 FTEs in 2009-10 alone, on top of strong growth the previous year.
- In the last two years the University has secured a legacy of £2m to fund post-graduate research.
- In May 2010 the University signed an agreement with Jawaharlal Nehru University in India as its first member of the global alliance. Based on overlapping and complementary research interests, the alliance will also include opportunities for student mobility and joint educational activities.

In many respects the University has exceeded its expectation of performance over the first 2 years of the strategic plan as the table below illustrates.

Key Performance Indicators

Strategic Priorities	Target	Performance
Research	<p>Top ten ranking for research quality.</p> <p>Research grant and contract income to increase by 5% per year.</p> <p>90% of eligible staff submitted to RAE/REF</p>	<p>Ranked 9th in the RAE2008 by grade point average (source: The Times)</p> <p>16% increase in 09-10 15% increase in 08-09 (source: financial statements)</p> <p>92% in RAE2008</p>
Student experience	<p>Improved National Student Survey (NSS) ranking</p> <p>Overall student satisfaction rate of 85% in NSS;</p> <p>Employability - 90% in employment or graduate study</p>	<p>Ranked 19th for all non-specialist UK HEIs in the 2010 NSS (source: NSS)</p> <p>88% overall satisfaction in 2010 NSS 85% in 2009 NSS (source: NSS)</p> <p>87.1% in employment or graduate study (source: HESA DLHE data)</p>
Global impact	<p>Market share and growth – to have 35% of students from outside the UK</p> <p>20% of students from more than 120 countries</p> <p>No more than 8% of students from one non-UK country</p> <p>Top 200 University in THE world ranking</p>	<p>38% from non-UK countries in 09-10 36% in 08-09 (source: internal data)</p> <p>20% from 124 countries in 09-10 20% in 08-09 (source: internal data)</p> <p>8.5% highest single country concentration in 09-10 6.9% in 08-09 (source: internal data)</p> <p>Ranked 248 in 2010 Ranked 273 in 2009 (source: THE World Rankings)</p>
Finance	<p>Surplus 3.5% of turnover (Surplus before early retirement costs, joint ventures and FRS17 credit)</p> <p>Cash balance sufficient to fund 25 days average expenditure</p> <p>Affordability of debt (operating cash flow to net debt servicing costs ratio to exceed 1.0)</p> <p>Staff costs/Income ratio to be in line with 1994 Group</p> <p>5% growth of income</p>	<p>4.4% in 09-10 1.9% in 08-09 (source: financial statements)</p> <p>60 days in 09-10 56 days in 08-09</p> <p>6.8 in 09-10 3.1 in 08-09</p> <p>54.6% in 09-10 57.2% in 1994 group (08-09)</p> <p>13.2% in 09-10 12.4% in 08-09</p>

Results for the Year

An outstanding year, with strong student number growth coupled with contained payroll costs, enabled the University to post its best financial results of the last decade.

The surplus on continuing operations before joint ventures of £6.2m compares to a surplus of £672k achieved in 2008/09.

The University measures its own operating performance by excluding early retirement costs and credits arising from pensions accounting under Financial Reporting Standard 17 as well as excluding the performance of joint ventures. On this basis the operational surplus for the year was £6.1m (£2.4m in 08-09), representing 4.4% of turnover (1.9% in 08-09) exceeding the target 3.5%:

	2009-10	2008-09
	£'000	£'000
Surplus on continuing operations (excluding joint ventures)	6,237	672
add back staff severance costs	642	1,962
less credit arising from pensions accounting (FRS17)	(783)	(266)
Underlying Surplus for the year from University operations	6,096	2,368
% of total turnover	4.4%	1.9%

EBITDA increased to £10.8m compared to £6.8m in 2008/09, reflecting the improvement in operational performance.

Turnover for the year grew by 13.2% to stand at £139m, an increase driven by:

- 16% increase in home/EU tuition fees to £20.2m
- 31% increase in overseas tuition fee income to £25.2m
- 16% rise in research grant and contract income to £21.1m
- 74% increase in NHS contract income to £5.6m

In August 2008 new management structures were introduced, giving financial responsibility and accountability for virtually all of the University's operations to four Pro Vice Chancellors, each heading an academic faculty, and to the Registrar and Secretary heading Professional and Commercial services. These new structures evolved during 2008-09 but it was only at the start of 2009-10 that the new budget managers could claim ownership of their budgets and plans. The outturn performance for 2009-10 represents the first real test of the new arrangements.

Aided by strong levels of demand from prospective students and a national environment that has led to the containment of pay inflation, the new accountability arrangements have played a significant part in the strong financial performance delivered by the University over the last year.

The University's student body has increased by 18% over the year on a full time equivalent basis. Growth has been balanced across all categories with increases in the number of undergraduates (+15%), postgraduates (+25%), Home/EU funded students (+16%) and overseas students paying full tuition fees (+22%).

In August 2009 health contracts for physiotherapy and occupational therapy courses transferred to the University from the Colchester Institute, along with 11 staff. This, along with the continued expansion of undergraduate nursing degree programmes in Southend, resulted in total income from health service education contracts increasing by 74% over the year to £5.6m.

It has been teaching activity that has driven the University's outstanding financial performance over the last year. Research activity has been less successful, at least in financial terms.

Despite maintaining the University's high quality profile for research, ranking 9th in the UK, the financial settlement from the 2008 Research Assessment Exercise (2008 RAE) followed through in 2009-10 and this has worked against the University. Public investment in research has been focused more on science, technology, engineering and mathematics disciplines, ones in which the University does not feature substantially. Coupled with methodology changes in how the 2008 RAE worked, resulting in total public funding being spread more thinly across a greater number of institutions, and an absolute growth of research volume at Essex that was less than its peers, this has conspired to reduce the University's research block grant. In 2009-10 research block grant fell by £1.4m (or 13%) to £9.8m. This reduction is not associated with any change to the University's cost base, so flows straight to the bottom line.

In contrast, income from the numerous projects that comprise research grants and contracts rose by 16% over the year to stand at £21.1m. Much of this growth was due to the award of large grants in the Institute of Social and Economic Research (ISER), in particular the award of £30.6m of grants over five years for the *Understanding Society* project, a ground breaking socio-economic study of 100,000 individuals in 40,000 British households. ISER also successfully renewed its grant funding for the Research Centre on Micro Social Change, an award worth £3.2m over 3 years. While income from all research grants and contracts has increased by 16%, associated expenditure rose by a more than matching 19% and as a consequence the financial contribution towards the University's indirect costs rose by a very modest £99k over the year.

Income from residences, catering and conferences stood at £15.6m, virtually unchanged compared to the previous year. This reflects the University's decision to close Wivenhoe House Hotel in December 2009 for a major refurbishment and this also accounts for the majority of

the staff severance costs incurred during the year. The hotel is scheduled to re-open in 2012 as the Edge Hotel School.

Staff costs grew by 5.5% over the year (excluding FRS17 pensions credit), as a result of lower pay inflation and containment of staff number growth. Total staff FTEs increased by 38 over the year (up 2%), including 11 staff who transferred to the University from the Colchester Institute. In all total staff costs represent 54% of total turnover, compared to 59% in 2008-09 and an average for our peers in the 1994 Group of 57.2% (2008-09 figures as 2009-10 are not yet available). Aligning our staff costs to those of our peers was an explicit objective of the University's strategy and the University is on the right trajectory to achieving this following on from successive cost reduction exercises involving significant sums spent on staff severance, and the containment of pressure for additional staff in the light of impressive student number growth. We will be paying particular attention to this ratio, its trend and where it stands in relation to our peers over the coming years before we can judge how successful we have been at achieving our strategic objectives.

Subsidiary Undertakings and Joint Ventures

The University operates a number of wholly-owned subsidiary companies.

University Campus Suffolk Ltd (UCS), a joint venture with the University of East Anglia, commenced operations at the start of 2007-08 and delivers a range of higher education activity. UCS is a company limited by guarantee with the University exercising joint control with UEA. Its total income for the year was £34.8m, an increase of 13.5% over the year and its surplus was £1.621m (£996k loss in 08-09) representing 4.7% of turnover. The University has provided loan guarantees of £9m with the University of East Anglia underwriting a similar amount to fund capital projects undertaken by UCS. Half of the reported UCS performance for 2009-10 is reflected in these group financial statements.

Wivenhoe Technology Ltd is the University's technology transfer company where intellectual property generated within the University is assigned and exploited. Its loss for the year of £6k (£76k profit in 08-09) reflects diminishing income from patents. This is likely to continue to decline in the short-term but is rapidly being replaced by the growth of consultancy activity that the University runs through the company.

WP Management Ltd operates campus conference activity and Wivenhoe House Hotel. In 2009-10 a loss of £333k was incurred (£23k loss in 08-09). This was due to part-year trading losses in Wivenhoe House Hotel along with closure costs. The company has recently agreed to change

its name to University of Essex Commercial Services Ltd and its role will expand to include the Day Nursery and external contracts.

Wivenhoe House was closed in December 2009 for a major refurbishment. It will reopen in 2012 as a 4-star quality hotel which will also be the home of the Edge Hotel School, a high-end conservatoire for the hospitality industry, funded by the Edge Foundation and the University. On opening the University will lease the building to a newly created and wholly owned subsidiary company, Wivenhoe House Hotel Ltd which will operate the newly opened hotel.

Universal Accommodation Group Ltd is a special purpose vehicle acquired by the University in 2003, holding the freehold of University Quays, a 770 bed space student accommodation facility. The company charges the University a lease rental for the property and in return the University levies loan charges to the company. The accommodation itself is operated by the University. A surplus for the year of £238k (£205k surplus in 08-09) was recorded.

The University's Knowledge Gateway project, involving the development of land on the Colchester campus for a variety of uses, is being developed by two wholly owned subsidiary companies: University of Essex Knowledge Gateway (Holdings) Ltd, which owns the freehold land on a site, and University of Essex Knowledge Gateway Ltd, which is a principal development partner for the project. Construction of site infrastructure, a £7.4m project involving new roads, services and a new entrance to the site, is currently under way.

Capital Investment

The capital investment plan is a 5 year plan to address major estates issues, IT and management information systems infrastructure. Our investment priorities are:

- student facilities to enhance the learning and life experience of our students;
- research to allow us to address global challenges and improve our position internationally;
- maintenance and enhancement of the fabric of the University to allow us to grow and flourish.

Delivery started during 2008-09 with the University Square student accommodation project in Southend, completed on budget and ahead of programme in July 2010.

Capital investment stood at £39.9m (£15.7m in 08-09) financed in large part from the University's £100m loan facility.

Major projects include:

- University Square, Southend – a £37m project providing 561 bed spaces, completed in July 2010;
- The Teaching Centre – a £5.3m project that has converted a large redundant former boiler house into high quality teaching space;
- Evolve Sports Fitness Suite – a £1.4m project that has extended the capacity of the sports centre and provided state of the art sports fitness facilities;
- Refurbishment of Square 2.

The difference between capital expenditure, grant funding and loan drawings amounts to £10.9m. This has been temporarily financed from the University's own resources as a result of strong cash flow during the year.

Investments, Liquidity and Debt

The investment asset allocation targets are:

	UK Equities	Absolute Return Funds	Cash
Permanent Endowments	95%	-	5%
Expendable Endowments	75%	20%	5%
General Funds	-	-	100%

The University is currently in a transition towards the new target asset allocation policy and as at 31 July 2010 equity investments currently back general funds to the tune of £6.2m. Equities amounting to £1.5m were disposed of during the year as the University implements the asset allocation policy. After balance sheet date, £4.4m of general fund equities were transferred to endowment funds in exchange for cash and as a result general funds are now invested in equities to the tune of £4.5m. The Investment and Loan Sub-Committee has called a temporary halt to the disposal programme in light of the University's robust cash position and the relative return offered by equities compared to cash deposits. This is being kept under constant review.

All UK equity investments are held in the Charishare Fund, a common investment fund managed by Blackrock. The investment objective is to outperform the FTSE All Share Index. The Fund returned 17.4% over the year compared to 21.1% by the FTSE All Share Index (to 30 June 2010). Over the last 3 years the Fund marginally under-performed the benchmark by returning -6.0% pa compared to the FTSE All Share Index of -5.7% pa.

In 2008-09 the University received a legacy from the estate of John Silbarred for £1.06m. The executors have since made a further distribution to the University of an additional £1m received in 2009-10. The £2m Silbarred legacy is to be used to fund post-graduate research students.

Cash is managed conservatively with deposits in the University's clearing bank (LloydsTSB) and in an AAA-rated money market fund. Cash balances increased from £17.9m to £23.4m over the year. A target of holding minimum cash balances equating to 25 liquidity days (ie the number of days of average expenditure cash balances could support) has been set and at 31 July actual liquidity days amounted to 63 days.

Net cash flow from operating activities was £17.1m (£6.9m in 09-10), an increase deriving from improved operating performance as well as an improvement to working capital.

Total debt outstanding at 31 July 2010 was £67.6m. The University has two bank loans, with LloydsTSB and Barclays Bank. The LloydsTSB loan facility is for £122m, of which £53.7m has been drawn. The loan facility includes a 5-year revolving facility which then terms out over 30 years, commencing in November 2013. During the revolving facility period there are no capital repayments on the loan which is helping to conserve cash during the development phase of the capital programme. As at 31 July 2010, the Barclays Bank loan had £14.0m outstanding.

The University's interest-rate management policy is to fix a majority of its interest costs. This is achieved through a mixture of fixed-rate loans and interest-rate swaps. At 31 July 2010 47% of total debt was hedged in this way. However, in August 2010 a new £40m interest-rate swap commenced and this has resulted in fixing the majority of the University's interest rate costs. The University has entered into a further forward-starting interest swap of £40m which will commence in August 2011 and has been timed to coincide with expected further loan drawings during 2010-11.

The University was fully compliant with its banking covenants and is confident of remaining so:

Covenant Definition	Bank Requirement	Actual 2009-10
Ratio of operating cash inflow to net debt servicing costs	>1.0	6.8
Debt servicing costs as a % of turnover	<7.0%	2.0%
I&E Reserve (excluding pension liability)	>£50m	£88m
Ratio of total debt to total funds (excluding pension liability)	<1.0	0.4

Pension Schemes

The University participates in three pension schemes. The Universities Superannuation Scheme (USS) is open to all new staff while the Essex County Council Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS) are both closed to new members. USS is a pooled scheme so is accounted for on a defined contribution basis.

On an FRS17 valuation basis, the combined deficits in LGPS and UEPS have reduced by 21% from £21.3m to £16.8m as at 31 July 2010. Funding levels, on an FRS17 basis, are: USS 86% (31 March 2010), LGPS 69% (31 July 2010) and UEPS 81% (31 July 2010).

Employer contribution rates increased from 14% of salary to 16% on 1 October 2009 in relation to USS. USS has also undergone a prolonged review of its structure in order to ensure it can remain financially viable. This is currently subject to a statutory consultation with the scheme's membership and changes are due to be implemented in April 2011.

The University has agreed funding plans to cover increases in future service cost and past service deficits of its two closed defined benefit pension schemes.

Sustainability

Sustainability is a core principle of all of the research, teaching and business activities at the University of Essex. Through these activities, we seek a future for Essex as an educational model for healthy and sustainable living. The University aspires to be one of the greenest in the country, and to act as an exemplar both to other institutions of higher education and to regional bodies. In 2008 a Green Task Force was established with membership drawn from staff and students with coordinating and implementing a sustainability policy for the University.

A newly formed Sustainability Strategy Group has been established to oversee the University's carbon management plan, approved by Council on 19 July 2010. The plan affirms the University's commitment to making a full contribution to tackling the issue of climate change, supporting the efforts of the UK as a whole and higher education sector in particular. The Plan sets out the following University objectives and targets:

Objective	Target date
1. Carbon Reduction	
1.1 Reduce absolute Scope 1 and Scope 2 greenhouse gas emissions by 35% in CO ₂ e terms by 2020 on a 2005 baseline. A target of 35% has been chosen as it is what is believed to be challenging but achievable by the University given the constraints of inefficient buildings and budgets. However, it is still broadly in line with HEFCE sector targets.	2020
1.2 Meet an interim target to reduce Scope 1 and Scope 2 emissions by 20% by 2015 on a 2005 baseline.	2015

Objective	Target date
2. Carbon Reporting and Accounting	
2.1 Instigate annual monitoring and reporting of greenhouse gas emissions in conformity with the Greenhouse Gas Protocol.	July 2011
2.2 Put systems in place to enable the University to collect data on Scope 3 emissions and include these in reporting, including: <ul style="list-style-type: none"> ■ Waste recycling/recovery and disposal; ■ Water consumption; ■ Transport of staff and students to the University and between sites; ■ Conference and business travel and travel associated with placements and field trips; ■ Procurement. 	July 2012
2.3 Gain Carbon Trust Standard certification	March 2011
3. Operational	
3.1 The University Estate will be converted to low carbon buildings by: <ul style="list-style-type: none"> ■ Ensuring all new buildings are designed to achieve BREEAM Excellent by 2011; ■ Ensuring that all refurbishment projects include an assessment of measures to improve energy and carbon efficiency; ■ Where practicable and with due regard to the palette of existing materials on campus, all building materials will be sourced from the BRE Green Guide to specifications categories A-C from 2010. 	2011 2011 2011
3.2 Energy efficiency and whole life cost considerations will form a key part of procurement from 2010. These considerations will particularly apply to ICT and other electrical equipment procurement criteria.	July 2010
3.3 The University has instituted a revolving Green Fund for minor energy efficiency projects. This will be supported and enhanced in the future.	July 2011
3.4 The University will assess onsite renewable and ambient energy options and report on their viability to achieve the carbon reduction milestones.	July 2010
3.4 The University will assess onsite renewable and ambient energy options and report on their viability to achieve the carbon reduction milestones.	July 2010
3.5 The use and occupancy of space will be assessed and optimised to ensure the most energy- and carbon-efficient use of campus space.	2013

Future Outlook

The University has experienced unprecedented levels of domestic and international demand from students over the last two years. This has continued into 2010-11 and is expected to continue into 2011-12 as students seek entry into the HE sector ahead of the introduction of a new tuition fee and student finance system proposed by the Government.

Realistic levels of nationally determined pay awards are also likely to be a factor in the next year or so as the Government is proposing a public sector pay freeze for the next two years, something it will almost certainly factor into future university funding settlements. Perhaps the biggest uncertainty that could impact on the next two years is the phasing of proposed Government cuts to public funding and whether these cuts will be timed to match other proposed funding reforms that commence in 2012-13 or whether funding cuts will precede these other reforms. The outlook for the University looks more uncertain for 2011-12 despite the underlying strong performance of the University.

From 2012-13 the UK HE sector will undergo substantial change if Government plans are implemented, driven by two separate but inter-related reviews. The Government has accepted the thrust of Lord Browne's report ("*Securing a sustainable future for higher education*", October 2010) and this is reflected in the outcome of the Government's Comprehensive Spending Review announced in October 2010. Under the new proposals the English HE sector will experience a significant degree of deregulation with the cap on home/EU tuition fees rising from the current £3,290 to an upper cap of £9,000, the possibility of funded student number constraints at institutional level being removed, coupled with a very significant reduction of public funding for teaching. The Government's proposals also include a simplification and enhancement of financial support provided to students, including a £150m national student scholarships programme and an increased and non-means tested maintenance loan. Current means tested non-repayable grants will also continue. There is much detail missing and the proposals have to pass through Parliament unscathed before they are implemented but the changes will be far reaching:

- It is likely that there will be differences in the level of tuition fees charged between institutions as some may struggle to charge a fee of £9,000 and maintain student numbers;
- If student number constraints are lifted this could have a more profound impact than the issue of fee levels. The current student number controls provide a means for

managing the market in an orderly way, providing stability at institutional level. Deregulation of student numbers could mean that stronger Universities will be able to grow their numbers, if they wish, and this may take market share away from weaker institutions;

- A significant increase in fees, even though they are not paid up-front, may impact on the level of total demand and on demand for certain disciplines that are no longer supported from public funding, principally arts, humanities and social science programmes.

In all the changes could create a real market place, with competition for students and price variability between institutions. More than ever Universities will be responsible for their own destiny as the safety nets of regulated fees and regulated markets are removed. The Browne Review also contemplates the possibility of institutional failure and proposes ways in which this might be managed.

The University believes it is well positioned to succeed in the new environment. While there may be a short term reaction to the new system, possibly heralding a surge of applications in 2011-12 and a dip in 2012-13, the advantages and the direct financial return individuals receive from gaining a degree, along with the disadvantages of not having a degree in the work place, are likely to be persuasive and result in demand for higher education remaining strong. Those universities positioned at the quality end of the spectrum and that have diversified sources of income are also likely to be in a stronger position than others. This characterisation fits the University of Essex. However, the University is not complacent. The challenges of formulating the right set of strategies will be immense and the cost of making mistakes could be significant.

Research funding has largely been protected in the Comprehensive Spending Review with a flat-line cash grant over the next four years, however, this still represents a real terms cut of around 9%. Competition for research grant and contract funding is expected to intensify in the coming years and it is possible that research block grant may be concentrated even more on science and technology which might further disadvantage the University.

University Council has resolved to maintain its target surplus of 3.5% of turnover and continue with its capital investment plan. Both are deemed essential in order for the University to be strongly positioned in the new competitive environment. This will mean that some re-balancing of income and expenditure will be required and this is being led under a 'save and earn' initiative. Details are still under development as this is informed by the size and timing of expected cuts in teaching funding.

Risk

The University's Risk Management Group reviews the risk register three times a year and reports to the Audit and Risk Management Committee. Risks are categorised under a number of main headings as set out below, outlining the principal high risks faced by the University:

Strategic

Significant fall in overseas student recruitment due to economic or political factors; significant fall in teaching reputation and student experience, significant fall in research reputation. The University has maintained its research quality ratings and improved its student satisfaction score in the National Student Survey.

The change of Government has heralded a change of policy in relation to immigration. The potential for overseas students and staff to be denied entry into the UK has increased as the UK Border Agency tightens entry to non-EU citizens. As an international University, the University recruit staff in the global market place, as well as recruiting a significant number of overseas students that not only enrich the student experience but also generates significant export income for the UK economy.

Uncertainties over the new tuition fee regime and reduced public funding for teaching pose significant risks. Detail is slowly emerging, although there is still much that is missing. A key concern is the potential for the very significant cuts in teaching grant to precede the University's ability to earn new income streams from higher fees. This will cause some transitional issues that will need careful management.

Operational Risk categories

Finance

Pension costs still pose a risk although the recent review of USS may have mitigated this risk, provided it is implemented in April 2011 as expected; the University is due to receive an updated actuarial valuation of one of its support staff pension schemes in the Autumn 2010 and this is expected to show continued strains funding pensions.

Academic

Poor quality audit report, significant student retention problem would both pose risks although both are carefully managed.

Human resources

The industrial relations landscape at national level may be becoming more volatile as trade unions respond to a heady combination of pensions reform, public funding cuts, increased job insecurity and low pay awards.

Physical

Incomplete evacuation of a building in an emergency; loss of sensitive material from laboratories.

Health & Safety

Failure of senior management or trustees to comply with increasing health and safety legislation; failure to manage organisational causes of stress.

Data

Loss of reputation through data management errors

Force Majeure

Outbreak of communicable disease such as swine flu, although the official 2009 pandemic had very little noticeable impact at the University.

“The University has maintained its research quality ratings and improved its student satisfaction score in the National Student Survey”

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 and co-opted external members, students, ex officio employees, employees elected by Senate and members appointed by Court. 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 Chairman (CUC) Governance Code of Practice issued in November 2004.

The Council met six times during the year. Of its 25 members a majority are lay members drawn from outside the University.

During 2009-10 Council conducted a review of its own effectiveness and as a result implemented a number of changes.

The Committees of Council

The Council delegates some business to a number of committees:

- Audit and Risk Management,
- Equality and Diversity,
- Finance and Strategy,
- Health and Safety,
- Nominations,
- Remuneration.

All of these committees are formally constituted with published terms of reference. With the exception of the Health and Safety Committee, the chair of each committee is a lay member of Council. The disclosures in relation to these committees follow those in respect of Council itself.

The Audit and Risk Management Committee comprises solely external members, three of whom are lay 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 Committee met three times in the year.

The responsibilities of the Audit and Risk Management Committee include:

- reporting to Council annually on the effectiveness of the internal control system and the pursuit of value for money, together with an opinion on risk management and data quality;
- advising on the appointment of the internal auditor and approval of the internal audit plan;
- receipt of both an annual report from internal audit, which includes an opinion of the effectiveness of the University's system of internal control, and reports on each assignment including recommendations;
- advising the Council as necessary on the appointment of 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 Finance and Strategy Committee. The Committee met seven times during the year.

The Equality and Diversity Committee seeks to ensure that the equality and diversity policies are fully effective and that the University is in compliance with legislation. The Committee met twice during the year.

The Health and Safety Committee reports to the Council at least annually on health and safety matters including compliance with government legislation and regulations. The Committee met twice 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 four times during the year.

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

The University Senate

The Senate is the highest academic authority of the University. It is responsible for the promotion of academic work in both teaching and research, for the regulation of educational arrangements and the maintenance of discipline. It receives quality audit reports from both the Quality Assurance Agency and in-house departmental reviews. Currently it has 6 representatives on Council each appointed for two years.

A review of the effectiveness of Senate was conducted in 2006 and its recommendations have been implemented.

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 of the University, along with receiving the Financial Statements.

Responsibilities of the Council

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

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

fair view of the state of affairs of the University and its subsidiary undertakings and the surplus or deficit and cash flows for the year.

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

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

The Council has taken reasonable steps to:

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

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

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

- a professional internal audit team whose annual programme is approved by the Audit and Risk Management Committee;
- a Risk Register which contains weightings (of likelihood and impact) linked to the Strategic Plan which also informs the internal audit planning process.

Any system of internal control or risk management is designed to manage rather than eliminate the risk of

failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The following tables show the attendance of members of the University Council during 2009-10 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 & Risk		Finance & Strategy		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
Mr Chris Balch (1)	2	2	1	1						
Mr Neil Barnard	4	3								
Mr David Boyle	4	4			7	7				
Ms Nicola Colston (2)	2	1	2	2						
Mr Richard Cornes	4	3								
Dr Pam Cox	4	4			7	6	4	4		
Lord Currie of Marylebone	4	4			7	4				
Mrs Celia Edey	4	3	3	3						
Ms Dee Evans (3)	2	2								
Mrs Julie Garbutt (4)	3	1					2	1		
Mr Bill Gore	4	4			7	7	4	4	1	1
Mr Paul Gray	4	3			7	7			1	1
Prof Martin Henson	4	3								
Mr Peter Hulme	4	4								
Dr Aulay Mackenzie	4	3								
Prof Rob Massara	4	4			7	7				
Mr Ibbi Mehmet	4	3								
Dr Richard Nicol	4	1							1	0
Ms Deborah Regal	4	0	3	0						
Prof Colin Riordan	4	4			7	7	4	4	1	1
Dr Rainer Schulze	4	3								
Prof Kevin Schürer	4	4								
Mrs Rosy Stamp	4	3							1	1
Ms Auriol Stevens	4	4			7	7	4	4		
Mr Phillip Tolhurst	4	4			7	6			1	1
Dr Marion Wood	4	2								
Other Committee members (who are not trustees of the University)										
Mr Peter Giblin			3	3						
Dr John Grote			3	2						
Mrs Elizabeth Lloyd			3	3						
Prof Andy Downton					7	6				
Mr Andrew Connolly					7	6				
Dr Tony Rich					7	7	4	4	1	1
Prof Nigel South					7	6				
Mr Riccardo Tazzini			3	3						
Prof Christine Temple					7	7				

(1) Mr Chris Balch resigned from Council on 30 June 2010

(2) Ms Nicola Colston resigned from Council on 31 March 2010

(3) Ms Dee Evans joined Council on 17 May 2010

(4) Ms Julia Garbutt resigned from Council on 31 May 2010

Independent auditors' 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 2010 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related Notes to the Financial Statements 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing body in accordance with the financial memorandum dated June 2008. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditors' 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's board of governors and auditors

The governing body's responsibilities for preparing the Annual Report and the financial statements in accordance with the University's statute, the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the governing body's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the Operating and Financial Review is not consistent with the financial statements, if the University has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chair's Report, Financial Highlights, Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements and of whether the accounting policies are appropriate to the group and University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2010 and of the surplus of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, and with the Higher Education Funding Council for England.

Deloitte LLP
Chartered Accountants and Statutory Auditors
St. Albans, United Kingdom
29th November 2010

Accounting Policies

Accounting Convention

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

Basis of Consolidation

The Financial Statements comprise the consolidated results of the University of Essex and its subsidiaries (Note 26) and the University's share of the results and reserves of its joint venture companies. These subsidiaries undertake activities which, for legal and commercial reasons, are more appropriately operated through limited companies. Their activities include a hotel, conferences and services for a wide variety of commercial organisations and individuals, the rental of student residences, the acquisition, protection and licensing of intellectual property from the University and the holding of land pending its development as a research park. The subsidiary companies transfer all taxable profits to the University through Gift Aid. Joint ventures are consolidated according to the proportionate share the University has in each.

The consolidated Financial Statements do not include those of the University of Essex Students' Union. The grant to the Students' Union is disclosed in Note 8, and the Union's financial results are summarised in Note 27.

Recognition of Income

Income from HEFCE recurrent grants is included net of grant paid over by the University to its partner colleges. Income from HEFCE revenue grants for specific purposes is included to the extent that expenditure is incurred during the year. Grants and donations received in respect of expenditure on fixed assets are treated as deferred capital grants and released to the income and expenditure account in line with depreciation, over the useful economic life of the asset.

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

Income from research grants and contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs. All other income including that from endowments, short-term deposits and other investments is credited to the Income and Expenditure Account once entitlement to this income has been earned.

Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event when it is probable that a transfer of economic benefit will be required to settle the obligation, and this transfer can be reliably estimated.

Pension Schemes

The University participates in three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS) for academic and related staff, and the Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS) for other staff. 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 Second Pension (SP2).

Because of the mutual nature of the USS scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. 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.

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

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

Foreign Currencies

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

Investments

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

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

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

Accounting for Charitable Donations

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

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

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

The total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen. This, less any part of the return which has previously been applied for the purposes of the institution, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Cash Flows and Liquid Resources

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

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

Maintenance of Premises

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

Taxation Status

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

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

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

Land and Buildings

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

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

Heritage Assets

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

Equipment

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

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

- motor vehicles and other general equipment - between five and ten years dependent upon the expected useful economic life;
- computer equipment - three years;
- equipment acquired for specific research projects - project life (generally three years).

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

Stocks

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

Financial Instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Consolidated Income and Expenditure Account

For the year ended 31 July 2010

	Note	2009-10 £'000	2008-09 £'000
Income			
Funding council grants	1	35,775	34,867
Tuition fees and educational contracts	2	54,853	44,340
Research grants and contracts	3	21,103	18,184
Other income	4	44,290	39,844
Endowment and investment income	5	336	903
Total income: Group and share of joint ventures		156,357	138,138
Less: share of income in joint ventures		(17,397)	(15,340)
Total income		138,960	122,798
Expenditure			
Staff costs	7	75,811	72,470
Other operating expenses	8	48,164	41,546
Depreciation and amortisation	8	5,702	5,104
Finance charges	8	3,046	3,006
Total expenditure	9	132,723	122,126
Surplus on continuing operations after depreciation of tangible fixed assets at cost		6,237	672
Share of profit/(loss) in joint ventures		801	(498)
Surplus for the financial year		7,038	174
Transfers from endowment funds		97	2
Surplus for the financial year retained within general reserves	6	7,135	176

All items of income and expenditure arise from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2010

	Note	2009-10 £'000	2008-09 £'000
Surplus on continuing operations after depreciation of assets at cost, disposal of assets and tax		7,038	174
Capitalisation of heritage assets	10	798	0
Unrealised gains/(losses) on investments	11	722	(1,330)
Appreciation/(depreciation) of endowment asset investments	19	152	(263)
New endowments	19	1,000	1,060
Actuarial gains in respect of pension schemes		3,715	12
Total recognised gains/(losses) relating to the year		13,425	(347)
Increased holding in joint ventures		220	(611)
Total recognised gains since last report		13,645	(958)
Reconciliation			
Opening reserves and endowments		58,110	59,346
Opening pension deficit	25	(21,299)	(21,577)
Recognised gains relating to the year		13,645	(958)
Closing reserves and endowments		50,456	36,811

Balance Sheet

As at 31 July 2009

	Note	Consolidated		University	
		2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Fixed assets					
Tangible assets	10	182,239	147,169	160,391	125,213
Investments	11	6,237	6,868	22,200	21,981
Investment in joint ventures					
Share of gross assets	26	36,641	34,507	0	0
Share of gross liabilities	26	(10,568)	(12,710)	0	0
		214,549	175,834	182,591	147,194
Intangible assets	12	1,226	1,362	1,226	1,362
Endowment assets	13	4,521	3,465	4,521	2,459
Current assets					
Stocks and stores		295	263	295	248
Debtors	14	9,447	8,910	9,988	9,525
Debtors - amounts due after more than one year	14	0	92	19,555	19,647
Investments		5,000	5,008	5,000	5,008
Cash at bank and in hand		15,931	10,715	14,861	10,370
		30,673	24,988	49,699	44,798
Creditors - amounts falling due within one year	15	(29,417)	(21,249)	(29,124)	(21,044)
Net current assets		1,256	3,739	20,575	23,754
Total assets less current liabilities		221,552	184,400	208,913	174,769
Creditors - amounts falling due after more than one year	16	(67,629)	(44,682)	(67,629)	(44,682)
Provisions for liabilities and charges	17	(405)	(1,048)	(405)	(1,048)
Total net assets excluding pension liability		153,518	138,670	140,879	129,039
Pension liability	25	(16,801)	(21,299)	(16,801)	(21,299)
Total net assets including pension liability		136,717	117,371	124,078	107,740
Deferred capital grants and gifts	18	59,877	57,418	59,877	57,418
Joint venture deferred capital grant reserve	31	26,384	23,142	0	0
Endowments					
Restricted Expendable	19	4,165	3,079	4,165	2,073
Restricted Permanent	19	356	386	356	386
		4,521	3,465	4,521	2,459
Reserves					
Income and expenditure account excluding pension reserve	21	62,014	54,645	75,759	69,162
Pension reserve	25	(16,801)	(21,299)	(16,801)	(21,299)
Income and expenditure account including pension reserve	21	45,213	33,346	58,958	47,863
Revaluation reserve	20	722	0	722	0
		45,935	33,346	59,680	47,863
Total funds		136,717	117,371	124,078	107,740

The Financial Statements on pages 26 to 51 were approved by the Council of the University on 29th November 2010 and signed by:

PROFESSOR C. RIORDAN
Vice-Chancellor

W GORE
Chair of Council

A. CONNOLLY
Director of Finance

Consolidated Cash Flow Statement

For the year ended 31 July 2010

	Note	2009-10 £'000	2008-09 £'000
Net cash inflow from operating activities	23	17,149	6,912
Returns on investment and servicing of finance			
Income from endowment asset investments		73	113
Income from investments		263	790
Interest payable		(1,832)	(2,035)
		(1,496)	(1,132)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	10	(39,905)	(15,732)
Sale of fixed asset investments		1,343	958
Sale of endowment assets		0	481
New endowments received		1,000	1,060
Endowment funds invested		(650)	0
Deferred capital grants received		5,018	7,619
		(33,194)	(5,614)
Cash (outflow)/inflow before management of liquid resources		(17,541)	166
Management of liquid resources			
Decrease in short term investments		8	1,375
		8	1,375
Financing			
Loan repayment in the year		(950)	(1,020)
New loans received		23,953	7,160
		23,003	6,140
Increase in cash in the year		5,470	7,681
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year	24	5,470	7,681
Cash outflow from management of liquid resources	24	(8)	(1,375)
Net loans received in year		(23,003)	(6,140)
Movement in net debt in the period		(17,541)	166
Net debt at 1 August 2009		(26,783)	(26,949)
Net debt at 31 July 2010	24	(44,324)	(26,783)

Notes to the Financial Statements

For the year ended 31 July 2010

	Note	2009-10 £'000	2008-09 £'000
1 Funding council grants			
Recurrent - teaching grant		22,221	20,355
Recurrent - research grant		9,778	11,211
Special grants		1,901	1,796
Deferred capital grants released in year - buildings	18	1,112	963
Deferred capital grants released in year - equipment	18	763	542
		35,775	34,867
2 Tuition fees and educational contracts			
Full-time HE tuition fees			
UK and EU students charged home fees		20,244	17,463
Students charged overseas fees		25,215	19,239
Part-time credit-bearing fees		1,089	858
Non-credit-bearing tuition fees		2,651	3,425
NHS contracts		5,616	3,225
Research support grants		38	130
		54,853	44,340
3 Research grants and contracts			
Research Councils		16,623	14,043
UK-based charities		604	581
UK central government, local authorities and health authorities"		824	881
UK industry, commerce and public corporations"		286	458
European Union government bodies		2,183	1,786
Other overseas		469	356
Other sources		41	37
Deferred capital grants (non-funding council) released in year - equipment	18	73	42
		21,103	18,184
4 Other income			
Other services rendered:			
Course validation fees		2,002	1,805
UK central government, local authorities and health authorities"		37	25
UK industry, commerce and public corporations"		184	317
European Union government bodies		26	67
European Union other		0	8
Other overseas		92	90
Other sources		34	76
Residences, catering and conferences		15,619	15,677
Deferred capital grants (non-funding council) released in year - buildings	18	611	453
Day Nursery		932	902
Rental income		617	918
Other income		6,739	4,166
Income from joint ventures		17,397	15,340
		44,290	39,844

Notes to the Financial Statements

For the year ended 31 July 2010

	Note	2009-10 £'000	2008-09 £'000
5 Endowment and investment income			
Income from fixed asset investments		193	355
Income from expendable endowments	19	50	98
Income from permanent endowments	19	23	15
Income from short term investments		70	435
		336	903

6 Surplus for the year

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

University's surplus for the year		6,583	489
Surplus generated by subsidiary undertakings and transferred to the University under gift aid		0	76
Profits generated by subsidiary undertakings and joint ventures		552	(389)
		7,135	176

7 Staff costs

Wages and salaries		60,048	59,342
Social security costs		4,712	4,748
Other pension costs		13,048	9,617
Pensions adjustment (FRS17)	25	(1,997)	(1,237)
		75,811	72,470

Emoluments of the Vice-Chancellor for year to 31 July

182 181

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rate as for other employees and for the Vice-Chancellor these amounted to £31,177 (2008-09: £27,510).

No higher paid member of staff received compensation for loss of office during the two years to 31 July 2010.

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.

	Number of Staff	
	2009-10	2008-09
Remuneration of higher paid staff, excluding employer's pension contributions		
£100,000-£109,999	6	3
£110,000-£119,999	0	1
£120,000-£129,999	3	1
	9	5

The average monthly number of staff (including senior post-holders) employed by the University and its subsidiaries during the year, expressed as full-time equivalents by grade, was:

Academic staff	585	565
Research staff	101	97
Senior support staff	361	336
Other support staff	333	310
General support staff	405	439
	1,785	1,747

Notes to the Financial Statements

For the year ended 31 July 2010

	Note	2009-10 £'000	2008-09 £'000
8 Other operating expenses			
Auditors fees		102	226
Books and periodicals		1,904	1,848
Early retirements and severances		642	1,962
Equipment and consumables		4,722	3,993
Food and Drink		1,059	861
Gas, water and electricity		4,378	4,026
Grants to Students' Union		1,324	959
Insurance		513	456
Long-term maintenance programme		3,137	2,782
Minor works		539	493
Other expenses		10,289	8,255
Postage and telephones		957	879
Printing and stationery		1,355	1,320
Professional and consultancy fees		2,558	1,874
Rates and rental of premises		335	347
Repairs and routine maintenance of estates		3,304	2,868
Research survey fieldwork		5,903	3,973
Scholarships (fee waivers and bursaries)		2,887	2,453
Travel and subsistence		2,256	1,971
		48,164	41,546
Auditors fees include:			
Fees payable for audit of the University and its subsidiary companies		49	68
Non audit services		53	158
		102	226
Depreciation and amortisation			
The depreciation and amortisation charge is represented by:			
Deferred capital grants released	18	2,559	2,000
General income		3,143	3,104
		5,702	5,104
Finance charges			
Interest payable		1,832	2,035
Net charge on pension scheme (FRS17)		1,214	971
		3,046	3,006

9 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation and Amortisation £'000	Interest paid £'000	Total £'000	2008-09 £'000
Academic departments and centres	41,525	5,784	55	0	47,364	46,099
Academic services	6,543	4,512	0	0	11,055	9,538
Research grants and contracts	7,557	9,722	55	0	17,334	14,514
Residences, catering and conferences	3,685	7,903	1,141	1,515	14,244	13,613
Premises	4,441	8,427	4,261	0	17,129	15,193
Administration and central services	7,617	2,112	54	317	10,100	10,044
Other services rendered	405	326	0	0	731	765
General educational services	1,298	3,773	0	0	5,071	3,698
Student and staff facilities	2,487	3,710	0	0	6,197	4,415
Early retirements and severances	0	642	0	0	642	1,962
Other expenses	253	1,253	136	1,214	2,856	2,286
Total per income and expenditure account	75,811	48,164	5,702	3,046	132,723	122,127

Trustees

No trustee has received any remuneration/waived payments from the group during the year (2009 - none). Ten trustees are also employees of the University but received no additional payment for acting as trustees.

The total expenses paid to or on behalf of 25 trustees was £nil (2009 - £nil to 25 trustees).

Notes to the Financial Statements

For the year ended 31 July 2010

	University				Companies			Consolidated
	Land and Buildings	Equipment	Assets in course of construction	Total	Land and Buildings	Equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 August 2009	134,343	7,929	11,774	154,046	24,699	43	0	178,788
Additions	5,710	2,140	32,465	40,315	0	0	388	40,703
Transfers	3,920	0	(3,920)	0	0	0	0	0
Disposals	0	(1,434)	0	(1,434)	0	(33)	0	(1,467)
At 31 July 2010	143,973	8,635	40,319	192,927	24,699	10	388	218,024
Depreciation								
At 1 August 2009	24,687	4,146	0	28,833	2,775	11	0	31,619
Charge for year	3,538	1,563	0	5,101	466	2	0	5,569
Depreciation on disposals	0	(1,398)	0	(1,398)	0	(5)	0	(1,403)
At 31 July 2010	28,225	4,311	0	32,536	3,241	8	0	35,785
Net book value								
At 31 July 2010	115,748	4,324	40,319	160,391	21,458	2	388	182,239
At 31 July 2009	109,656	3,783	11,774	125,213	21,924	32	0	147,169

University Land and Buildings include £4.082m (2008-09:£4.082m) in respect of freehold land which is not depreciated and leasehold properties with a net book value of £2.185m (2008-09: £2.234m).

Additions to University land and buildings in the year includes £32.853m for assets in the course of construction and for which no depreciation charge has been made. Land, buildings and equipment with a net book value of £59.877m (2008-09: £57.418m) have been funded by capital grants of £37.566m and other gifts and donations of £22.311m.

The total for additions to University equipment includes £798k for works of art deemed to be heritage assets and which have been capitalised in 2009/10. The University's external valuer (Lyon & Turnbull) carried out a full valuation of the collection at 18th 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 due consideration to quality and condition for a similar item.

	Consolidated		University	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
At 1 August	6,868	9,277	21,981	24,390
(Disposals)/Additions	(1,353)	(958)	(503)	(958)
Reclassified as cash	0	0	0	0
Revaluations credited/(debited) to the revaluation reserve	722	(1,330)	722	(1,330)
Revaluations debited to the income and expenditure account	0	(121)	0	(121)
At 31 July	6,237	6,868	22,200	21,981
Comprising:				
Treasury gilts	0	0	0	0
Equities	6,190	6,821	6,190	6,821
Fixed Interest investments	0	0	0	0
Subsidiary companies:				
University of Essex Research Park Holdings Ltd	0	0	12,191	12,191
Universal Accommodation Group Ltd	0	0	2,892	2,892
Wivenhoe House Hotel Ltd	0	0	850	0
Other investments	47	47	77	77
	6,237	6,868	22,200	21,981

Land designated for the development of a Research Park is held by the University of Essex Knowledge Gateway Holdings Ltd, a wholly owned subsidiary. Details of investments in all subsidiary undertakings are included in note 26.

Current asset investments relate to money market funds with immediate access.

Notes to the Financial Statements

For the year ended 31 July 2010

12 Intangible assets

	Consolidated and University	
	2009-10	2008-09
Cost	£'000	£'000
At 1 August	1,498	0
Additions	0	1,498
At 31 July	1,498	1,498
Amortisation		
At 1 August	136	0
Charge for the year	136	136
At 31 July	272	136
Net book value		
At 31 July	1,226	1,362

On 31 October 2008 the University ended its partnership with Insearch Ltd. The intangible asset represents the discounted value of the goodwill arising from acquisition of the business from Insearch Ltd. This is being amortised over an 11 year period from 2008 to 2019.

13 Endowment assets

	Consolidated		University	
	2009-10	2008-09	2009-10	2008-09
	£'000	£'000	£'000	£'000
Balance at 1 August	3,465	2,670	2,459	2,670
New endowments invested	1,650	0	2,656	0
Disposal of investments	0	(481)	0	(481)
Increase/(decrease) in market value of investments	152	(263)	152	(263)
Increase/(decrease) in cash balances held for endowment funds	(746)	1,539	(746)	533
At 31 July	4,521	3,465	4,521	2,459
Represented by:				
Absolute return funds	639	0	639	0
Equities	1,402	1,239	1,402	1,239
Cash at bank held for endowment funds	2,480	2,226	2,480	1,220
Total endowment assets at market value	4,521	3,465	4,521	2,459

During the year the John Silberrad Trust Fund was dissolved and funds of £1m transferred to the University. A further £1m was received from the estate of John Silberrad which was added to the existing endowment.

14 Debtors

	Consolidated		University	
	2009-10	2008-09	2009-10	2008-09
	£'000	£'000	£'000	£'000
Trade debtors	2,321	2,167	1,901	2,045
Student fees	265	746	265	746
Research debtors	5,244	3,977	5,244	3,977
Prepayments and accrued income	1,617	2,020	1,546	2,126
Amounts owed by subsidiary undertakings	0	0	1,032	631
Total amounts falling due within one year	9,447	8,910	9,988	9,525
Long-term debtors	0	92	19,555	19,647
	9,447	9,002	29,543	29,172

On acquisition of Universal Accommodation Group Ltd in 2004 the University loaned the company £21.779m in order for the company to repay its debt. During 2009 the repayment terms were re-negotiated with the University to achieve a repayment profile in line with funding projections for the company. Under this agreement the loan will be fully repaid by 2024.

Notes to the Financial Statements

For the year ended 31 July 2010

15 Creditors: amounts falling due within one year

	Consolidated		University	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Secured loans	950	950	950	950
Payments received in advance	12,330	7,604	12,330	7,604
Research grants received on account	3,816	2,437	3,816	2,437
Trade creditors	3,200	3,013	3,045	2,977
Social security and other taxation payable	1,559	1,481	1,559	1,470
Accruals and deferred income	7,562	5,764	7,424	5,606
	29,417	21,249	29,124	21,044

16 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Loans secured on freehold property:				
repayable between one and two years	950	950	950	950
repayable between two and five years	4,963	3,015	4,963	3,015
repayable after five years	60,559	39,457	60,559	39,457
	66,472	43,422	66,472	43,422
Other loans:				
repayable between one and two years	150	150	150	150
repayable between two and five years	450	450	450	450
repayable after five years	557	660	557	660
	1,157	1,260	1,157	1,260

In October 2008 the University terminated its partnership arrangement with Insearch Ltd and a termination payment of £1.8m is payable in instalments between 2008 and 2019. The initial net discounted financial liability amounted to £1.25m using a discount rate of 4.31%.

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 late 2008 the University secured additional loan facilities of £100m from Lloyds TSB to finance a new capital investment programme. As at 31 July 2010 the University had drawn down £31m. The revolving facility extends to 2013 at which time the loan will term for 30 years. At the same time the University re-financed an existing loan of £22m with Lloyds TSB. For both loans a five-year repayment holiday has been negotiated.

The University also has a bank loan with Barclays Bank (£14m at 31 July 2010) repayable in equal instalments to March 2025.

The University's interest-rate management policy is to fix a significant proportion of its interest costs. This is achieved through a mixture of fixed-rate loans and interest rate swaps. As at 31 July 2010 47% of total debt was managed in this way. From August 2010 a significant new interest rate swap of £40m commenced which will increase this percentage.

17 Provisions for liabilities and charges

	Part-time	Consolidated and University		Total £'000
	employees £'000	Future severances £'000	Early retirement £'000	
At 1 August 2009	20	882	146	1,048
Utilised in year	(20)	(722)	(48)	(790)
Charge for the year	0	147	0	147
At 31 July 2010	0	307	98	405

The provision for part-time employees relates to members of the Universities Superannuation Scheme.

The future severances provision exists to meet the costs of employees who have agreed to take early retirement or voluntary severance under the University's restructuring scheme. It will be utilised during the next financial year.

The early retirement provision has been set up to meet enhanced unfunded pension benefits for former staff who are members of the Local Government Pension Scheme. It is estimated that the provision will be fully utilised in the Income and Expenditure Account by 2016.

Notes to the Financial Statements

For the year ended 31 July 2010

18 Deferred capital grants and gifts

	Funding Council £'000	Consolidated and University Other grants £'000	Total £'000
At 1 August 2009			
Buildings	34,580	21,487	56,067
Equipment	1,290	61	1,351
	35,870	21,548	57,418
Cash received			
Buildings	2,468	1,410	3,878
Equipment	1,103	37	1,140
	3,571	1,447	5,018
Released to income and expenditure account (notes 1, 3 and 4):			
Buildings	(1,112)	(611)	(1,723)
Equipment	(763)	(73)	(836)
	(1,875)	(684)	(2,559)
At 31st July 2010			
Buildings	35,936	22,286	58,222
Equipment	1,630	25	1,655
	37,566	22,311	59,877

Grants received in the year included £3.571m from HEFCE for both building costs and equipment. In addition the Homes and Communities Agency contributed £1.123m to the Southend campus development, and The Edge Foundation gave £324k for the development of a hotel school at Wivenhoe House.

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

19 Endowments

	Restricted Expendable £'000	University Restricted Permanent £'000	2009-10 Total £'000	2008-09 Total £'000
Capital value	2,073	386	2,459	2,602
Accumulated income	0	0	0	68
At 1 August	2,073	386	2,459	2,670
Net additions	2,006	0	2,006	54
Appreciation/(depreciation) of endowment asset investments	124	28	152	(263)
Transfers	58	(58)	0	0
Income for year	50	23	73	113
Expenditure for year	(146)	(23)	(169)	(115)
At 31st July	4,165	356	4,521	2,459
Capital value	4,195	356	4,551	2,393
Accumulated income	(30)	0	(30)	66
	4,165	356	4,521	2,459

	Restricted Expendable £'000	Consolidated Restricted Permanent £'000	2009-10 Total £'000	2008-09 Total £'000
Capital value	3,013	386	3,399	2,602
Accumulated income	66	0	66	68
At 1 August	3,079	386	3,465	2,670
Net additions	1,000	0	1,000	1,060
Appreciation/(depreciation) of endowment asset investments	124	28	152	(263)
Transfers	58	(58)	0	0
Income for year (note 5)	50	23	73	113
Expenditure for year	(146)	(23)	(169)	(115)
At 31st July	4,165	356	4,521	3,465
Capital value	4,195	356	4,551	3,399
Accumulated income	(30)	0	(30)	66
	4,165	356	4,521	3,465

Notes to the Financial Statements

For the year ended 31 July 2010

20 Revaluation Reserve

	Consolidated and University	
	2009-10	2008-09
	£'000	£'000
At 1 August	0	1,415
Revaluations in the year	722	(1,330)
Transfer to income and expenditure reserves	0	(85)
At 31 July	722	0

21 Movement on general reserves

	Consolidated		University	
	2009-10	2008-09	2009-10	2008-09
	£'000	£'000	£'000	£'000
At 1 August	33,346	33,684	47,863	47,201
Surplus for the year	7,135	176	6,582	565
Transfer from/(to) Revaluation Reserve (note 20)	0	85	0	85
Increase/(decrease) in net assets from joint ventures	219	(611)	0	0
Actuarial (loss)/gain in respect of pension schemes	3,715	12	3,715	12
Capitalisation of heritage assets	798	0	798	0
At 31 July	45,213	33,346	58,958	47,863
Balance represented by:				
Pension reserve	(16,801)	(21,299)	(16,801)	(21,299)
Income and expenditure account excluding pension reserve	62,014	54,645	75,759	69,162
At 31 July	45,213	33,346	58,958	47,863

University reserves include an amount of £12,121,000 resulting from the transfer of land that had £nil net book value from the University to University of Essex Knowledge Gateway Holdings Ltd.

22 Capital commitments

	Consolidated and University	
	2009-10	2008-09
	£'000	£'000
Provision has not been made for the following capital commitments at 31 July 2010:		
Commitments contracted for:	14,101	31,775
Authorised but not contracted for:	10,222	1,697
	24,323	33,472

23 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	Consolidated and University	
	2009-10	2008-09
	£'000	£'000
Surplus on continuing operations after depreciation of assets at cost	6,237	672
Depreciation and amortisation (notes 9 and 12)	5,702	5,104
Deferred capital grants released to income (note 18)	(2,559)	(2,000)
Pension cost less contributions payable	(783)	(266)
Decrease in current asset investments	8	121
Decrease in stocks	(32)	26
Decrease/(increase) in debtors (note 14)	(445)	(2,168)
(Decrease)/increase in creditors	8,168	3,682
(Decrease)/increase in provisions (note 17)	(643)	609
Endowment and investment income	(336)	(903)
Finance charges	1,832	2,035
Net cash inflow from operating activities	17,149	6,912

24 Analysis of changes in net debt

	At 1 August 2009	Cash flows	Other changes	At 31 July 2010
	£'000	£'000	£'000	£'000
Cash at bank and in hand	10,715	5,216	0	15,931
Endowment asset investments	2,226	254	0	2,480
Current asset investments (short term deposits)	12,941	5,470	0	18,411
	5,008	(8)	0	5,000
	17,949	5,462	0	23,411
Debt due within one year	(950)	950	(950)	(950)
Debt due after one year	(43,782)	(23,953)	950	(66,785)
	(26,783)	(17,541)	0	(44,324)

Notes to the Financial Statements

For the year ended 31 July 2010

25 Pension Schemes

The University has three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS). 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.

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. As UEPS became a closed scheme from March 2004, all new staff are now eligible to join USS.

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

	2009-10 £'000	2008-09 £'000
Contribution to USS	9,832	6,837
Contribution to LGPS	474	489
LGPS additional University costs to fund past service deficiency	1,331	1,114
Contributions to UEPS	865	774
Uof EPS additional University costs to fund past service deficiency	546	403
Net adjustment from FRS 17 staff costs	(1,997)	(1,237)
Total pension cost	11,051	8,380

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

	2009-10 £'000	2008-09 £'000
LGPS pension liability	(13,788)	(17,621)
UEPS pension liability	(3,013)	(3,678)
Total pension liability	(16,801)	(21,299)

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 135,000 active members and the university has 1,375 active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004 requiring schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An inflation risk premium adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds, particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% RPI per annum.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum, which included an additional assumed investment return over gilts of 2% per annum, salary increases would be 4.3% per annum, plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities, and pensions would increase by 3.3% per annum.

Notes to the Financial Statements

For the year ended 31 July 2010

25 Universities Superannuation Scheme (continued)

Standard mortality tables were used as follows:

Male member's mortality	PA92 MC YoB tables rated down 1 year
Female member's mortality	PA92 MC YoB tables with no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the market value of the assets of the whole scheme was £28,842m and the value of the past service liabilities was £28,135m, indicating a surplus of £707m. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based upon spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumes asset outperformance over gilts of 1.7% per annum, compared to 2% per annum for the technical provisions, giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, decided to agree to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions since these affect both the valuation rate of interest and the inflation assumption which, in turn, impacts on the salary and pension increase assumptions.

On the FRS17 basis, using an AA bond discount rate of 7.1% per annum based upon spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements whereas a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact upon scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (Move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

Notes to the Financial Statements

For the year ended 31 July 2010

25 Universities Superannuation Scheme (continued)

The USS is a last man standing scheme so that in the event of the insolvency of any participating employers in the USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cashflow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

From 1 April 2009, the University has operated a salary sacrifice arrangement for this scheme. As a result, the University's contributions in 2009/10 were higher than previous years in that they include the former employee contributions.

The total pension cost for WP Management Limited was £21k (2009: £20k). There are no prepaid or outstanding contributions at the balance sheet date. The contribution rate payable by the University was 14% of pensionable salaries, increasing to 16% from October 2009.

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 contribution rates for 2009-10 were 15.2% for the University until April 2010 when the rate was increased to 16.3% and 6% for employees (5.5% for manual workers). In addition, the University made a further payment of £1.331m (2008-09: £1.115m) towards the scheme deficiency.

The pensions cost 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 2007
Actuarial method	Projected Unit
Investment return pre retirement	6.9% per annum
Investment return post retirement	5.4% per annum
Pension increases	3.1% per annum
Salary scale increases	4.6% per annum
Market value of assets at date of last valuation (whole fund)	£3,043 million
The proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) was	79.6%

Actuarial Assumptions

A full actuarial valuation was carried out at 31 March 2007, and updated to 31 July 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2010	At 31 July 2009
Financial Assumptions	%	%
Rate of increase in salaries	4.20	4.70
Rate of increase in pension payments	2.70	3.70
Expected return on assets	6.78	6.65
Discount rate for liabilities	5.50	6.30
Inflation assumptions	2.70	3.70
Split of assets between investment categories		
Equities	59.40	71.40
Government Bonds	7.40	5.80
Other Bonds	5.60	8.70
Property	11.70	7.60
Cash	3.20	6.50
Other	12.70	0.00

Notes to the Financial Statements

For the year ended 31 July 2010

25 Local Government Pension Scheme (LGPS) - continued

Expected rate of return on assets in the scheme	Long-term rate of return expected at 31 July 2010 %	Whole fund value at 31 July 2010 £'000	Long-term rate of return expected at 31 July 2009 %	Whole fund value at 31 July 2009 £'000	Long-term rate of return expected at 31 July 2008 %	Whole fund value at 31 July 2008 £'000
Equities	7.50	1,712,000	7.50	1,732,000	7.50	1,979,000
Government Bonds	4.20	213,000	4.50	141,000	4.80	265,000
Other Bonds	5.10	161,000	5.80	211,000	5.90	219,000
Property	6.50	337,000	6.50	184,000	6.50	291,000
Cash	0.50	92,000	0.50	158,000	5.00	130,000
Other	7.50	366,000	0.00	0	0.00	0
Total market value of assets		2,881,000		2,426,000		2,884,000
University of Essex estimated asset share		31,035		26,624		28,825
Present value of scheme liabilities		(44,823)		(44,245)		(46,792)
(Deficit) in the scheme		(13,788)		(17,621)		(17,967)
		69%		60%		62%

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.

Mortality and life expectancy assumptions

At 31 July 2010

At 31 July 2009

Post retirement mortality assumptions:

Active members

PA 92mc YOB Tables

PA 92mc YOB Tables

Current Pensioners

PA 92mc YOB Tables

PA 92mc YOB Tables
(if retired in normal health)

Life expectancy:

Male (Female) current pensioner aged 65

23.1 (25.9) years

23.1 (25.9) years

Male (Female) future pensioner aged 65

22.0 (25.0) years

22.0 (24.9) years

At
31 July 2010
£'000

At
31 July 2009
£'000

Analysis of amount charged to income and expenditure account

Current service charge	(587)	(722)
Past service cost/(gain)	0	(50)
Curtailed loss	0	(45)
Total operating charge	(587)	(817)

Analysis of net return on pension scheme

Expected return on pension scheme assets	1,678	1,893
Interest on pension liabilities	(2,742)	(2,729)
Net return	(1,064)	(836)

Amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

Actual return less expected return on pension scheme assets	3,573	290
Actuarial gain recognised in the STRGL	3,573	290

Movements in deficit during the year

Deficit in scheme at 1 August 2009	(17,621)	(17,967)
Movements in the year:		
Current service charge	(587)	(722)
Contributions	1,923	1,709
Past service cost and curtailment loss	0	(95)
Other outgoings	(12)	0
Net interest/return on assets	(1,064)	(836)
Actuarial gain/(loss)	3,573	290
Deficit in scheme at 31 July 2010	(13,788)	(17,621)

Notes to the Financial Statements

For the year ended 31 July 2010

25 Local Government Pension Scheme (LGPS) - continued

	At 31 July 2010 £'000	At 31 July 2009 £'000
Change in benefit obligation during the period to 31 July		
At beginning of year	44,245	46,792
Current service cost	587	722
Interest on pension liabilities	2,742	2,729
Member contributions	199	208
Past service cost	0	50
Actuarial gains/(losses) on liabilities	(713)	(4,273)
Curtailements	0	24
Benefits paid	(2,237)	(2,007)
At end of year	44,823	44,245
Analysis of movement in the market value of the scheme assets		
At beginning of year	26,612	28,792
Expected return on plan assets	1,678	1,893
Actuarial gains/(losses) on assets	2,860	(3,983)
Employer contributions	1,923	1,709
Member contributions	199	208
Benefits/transfers paid	(2,237)	(2,007)
At end of year	31,035	26,612

History of Experience Gains and Losses	2009-10 £000	2008-09 £000	2007-08 £000	2006-07 £000	2005-06 £'000
Difference between the expected and actual return on scheme assets:					
Amount	2,860	197	7,456	1,201	1,959
Percentage of scheme assets	9.2%	0.7%	26.2%	3.8%	6.9%
Experience gains arising on the scheme liabilities:					
Amount	0	0	0	0	869
Percentage of scheme liabilities	0.0%	0.0%	0.0%	0.0%	2.1%
Total amount recognised in the Statement of Total Recognised Gains and Losses:					
Amount	3,573	197	7,456	1,201	(73)
Percentage of the present value of scheme liabilities	1.7%	0.4%	2.8%	2.8%	0.0%

In 2010-11 the University estimates that it will pay £2.039m in future service contributions and £1.458m in respect of the past service deficit.

University of Essex Pension Scheme (UEPS)

The UEPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The contribution rates for 2009-10 were 21.5% for the University (2008-09 18%) and 6% for employees. In addition, the University made a further payment of £546,000 (2008-09: £397,220) towards the scheme deficiency.

The pensions cost 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 date	31 July 2007
Actuarial method	Projected Unit
Price inflation	3.3% per annum
Investment return pre retirement	6.25% per annum
Investment return post retirement	5.25% per annum
Pension increases	3.3% per annum
Salary scale increases	4.8% per annum
Market value of assets at 1 August 2007	£8.285m
The proportion of members' accrued benefits covered by the actuarial value of assets was 77%.	

Notes to the Financial Statements

For the year ended 31 July 2010

25 University of Essex Pension Scheme (UEPS) - continued

Actuarial Assumptions

The full actuarial valuation carried out at 31 July 2007 has been updated to 31 July 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

	At	At					
	31 July 2010	31 July 2009					
	%	%					
Financial Assumptions							
Rate of increase in salaries	4.40	4.70					
Rate of increase in pension payments	3.40	3.70					
Expected return on assets	6.54	6.60					
Discount rate for liabilities	5.40	6.00					
Inflation assumptions	3.40	3.70					
Split of assets between investment categories							
Equities	77.05	73.50					
Corporate bonds	10.30	11.55					
Government bonds	8.35	8.70					
Cash	4.30	6.25					
Expected rate of return on assets in the scheme							
	Long-term rate of return expected at 31 July 2010 %	Whole fund value at 31 July 2010 £'000		Long-term rate of return expected at 31 July 2009 %	Whole fund value at 31 July 2009 £'000	Long-term rate of return expected at 31 July 2008 %	Whole fund value at 31 July 2008 £'000
Equities	7.3	9,614		7.5	6,936	7.5	6,480
Corporate bonds	5.4	1,286		4.5	1,091	6.1	672
Government bonds	4.3	1,044		6.0	819	4.8	857
Cash	0.5	532		0.5	599	5.0	807
Total market value of assets		12,476			9,445		8,816
Present value of scheme liabilities		(15,489)			(13,123)		(12,426)
Deficit in the scheme		(3,013)			(3,678)		(3,610)
		81%			72%		71%

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

Mortality and life expectancy assumptions

FRS disclosures up to July 2006 used the standard PXA92 series tables as used in the formal actuarial valuation in 2004. The trustees agreed that the formal funding valuation as at 31 July 2007 should be based on the standard mortality table PXA92 based on each member's actual year of birth and allowing for future improvements in mortality in line with the medium cohort projections. The University agreed to adopt these tables to calculate the liabilities for the FRS 17 disclosure as at 31 July 2010

	At	At
	31 July 2010	31 July 2009
	PXA92 (YOB) mc	PXA92 (YOB) mc
	PXA92 (YOB) mc	PXA92 (YOB) mc
	At	At
	31 July 2010	31 July 2009
	£'000	£'000
Life expectancy assumptions		
Non-pensioners		
Pensioners		
Analysis of amount charged to income and expenditure account		
Current service charge	(862)	(826)
Past service cost	0	0
Total operating charge	(862)	(826)
Analysis of net return on pension scheme		
Expected return on pension scheme assets	655	646
Interest on pension liabilities	(805)	(781)
Net return	(150)	(135)

Notes to the Financial Statements

For the year ended 31 July 2010

25 University of Essex Pension Scheme (continued)

	At 31-Jul-10 £'000	At 31-Jul-09 £'000			
Amount recognised in the statement of total recognised gains and losses (STRGL)					
Actual return less expected return on pension scheme assets	1,185	(1,113)			
Actuarial gains and losses arising on the scheme liabilities	(1,031)	835			
Actuarial gain/(loss) recognised in the STRGL	154	(278)			
Movements in surplus/(deficit) during the year					
Deficit in scheme at 1 August 2009	(3,678)	(3,610)			
Movements in the year:					
Current service charge	(862)	(826)			
Contributions	1,523	1,198			
Other outgoings	0	(27)			
Net interest/return on assets	(150)	(135)			
Actuarial gain/(loss)	154	(278)			
Deficit in scheme at 31 July 2010	(3,013)	(3,678)			
Change in benefit obligation during the period to 31 July					
At beginning of year	13,123	12,426			
Current service cost	862	826			
Interest on pension liabilities	805	781			
Member contributions	23	160			
Actuarial (gain)/loss on liabilities	1,031	(835)			
Benefits paid	(355)	(235)			
At end of year	15,489	13,123			
Analysis of movement in the market value of the scheme assets					
At beginning of year	9,445	8,816			
Expected return on plan assets	655	646			
Actuarial gain/(loss) on assets	1,185	(1,113)			
Employer contributions	1,523	1,198			
Member contributions	23	160			
Benefits and transfers paid	(355)	(262)			
At end of year	12,476	9,445			
History of Experience Gains and Losses					
	2009-10 £'000	2008-09 £'000	2007-08 £'000	2006-07 £'000	2005-06 £'000
Difference between the expected and actual return on scheme assets:					
Amount	1,186	(1,113)	(686)	151	238
Percentage of scheme assets	-9.5%	-11.8%	-7.8%	1.8%	3.5%
Experience gains arising on the scheme liabilities:					
Amount	0	0	(1,228)	353	0
Percentage of scheme liabilities	0.0%	0.0%	-9.9%	3.6%	0.0%
Total amount recognised in the Statement of Total Recognised Gains and Losses					
Amount	154	(278)	(1,914)	747	(159)
Percentage of the present value of scheme liabilities	1.0%	-2.1%	-15.4%	7.6%	1.8%

In 2010-11 the University estimates that it will pay £944k in future service contributions and £410k in respect of the past service deficit. From 1 April 2009 the University has operated a salary sacrifice arrangement for this scheme. As a result the University's contributions in 2009-10 are higher than previous years in that they include the former employee contributions.

Notes to the Financial Statements

For the year ended 31 July 2010

26 Subsidiary Undertakings and Joint Ventures

The University has the following wholly owned subsidiary companies:

Company	Activity	At 31 July 2010 £1 Shares	At 31 July 2009 £1 Shares
Wivenhoe Technology Ltd	Acquisition, protection and licensing of intellectual property from the University	2	2
Wivenhoe House Hotel Ltd	Development and operation of a hotel school	850,000	0
W P Management Ltd	Management of commercial activities at the University	30,002	30,002
University of Essex Knowledge Gateway Holdings Ltd	Holding land on behalf of the University for development as a Research Park	12,190,682	12,190,682
University of Essex Knowledge Gateway Park Ltd	Development and marketing of a Research Park	50,002	50,002
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	Development of student accommodation	1	1
Trading results of wholly owned subsidiaries:		2009-10 £'000	2008-09 £'000
Wivenhoe Technology Ltd		(6)	76
Wivenhoe House Hotel Ltd		0	0
W P Management Ltd		(333)	(23)
University of Essex Knowledge Gateway Holdings Ltd		(26)	(27)
Universal Accommodation Group Ltd		238	205
University of Essex Knowledge Gateway Ltd		(72)	0
		(199)	231

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

During the year the John Silberrad Trust Fund, a separate endowment fund administered by the University, was dissolved. The funds are now held directly by the University as an expendable endowment fund (see note 13).

The aim of the Carisbrooke-Essex Partnership is to establish a research park on campus. The university has transferred 40 acres of land into a wholly-owned subsidiary company, University of Essex Knowledge Gateway Holdings Ltd, in exchange for £12,190,680 of redeemable preference shares.

University Campus Suffolk Ltd is a company limited by guarantee with two members, the University of Essex and the University of East Anglia, to promote the establishment of a university campus in Suffolk. For the year ending 31 July 2010 it recorded a surplus of £1,621k after taxation (£996k deficit in 2008-09). On 9 September 2008 UCS Ltd was gifted land with an estimated value of £9.3m by Ipswich Borough Council to aid the development of Phase II of the capital programme. In the event that any part of the site remains undeveloped after 31 March 2013 the Council has the option to repurchase it for £1.

During the year UCS Ltd purchased goods and services to the value of £322k from the University (2008-09: £306k) of which £150k was outstanding at 31 July 2010 (2008-09: £nil). UCS Ltd provided services to the University to the value of £20k, with £5k (2008-09: £nil) outstanding at 31 July 2010.

The Carisbrooke-Essex Partnership and University Campus Suffolk Ltd have been accounted for as joint ventures in accordance with FRS 9. The level of surplus/(deficit) from each of the joint ventures included within the consolidated financial statements was as follows:

Joint Venture	Year-end date	2009-10 £'000	2008-09 £'000
Carisbrooke-Essex Partnership	31 July	(14)	0
University Campus Suffolk Ltd	31 July	815	(498)
		801	(498)

Notes to the Financial Statements

For the year ended 31 July 2010

26 Subsidiary Undertakings and Joint Ventures (continued)

The University's 50% share of the gross assets and liabilities of its joint ventures was:

	UCS Ltd	Carisbrooke- Essex	2009-10 Total	2008-09 Total
	£'000	£'000	£'000	£'000
Fixed Assets	34,589	0	34,589	28,317
Current Assets	2,051	1	2,052	6,190
Total Assets	36,640	1	36,641	34,507
Current Liabilities	(2,948)	(9)	(2,957)	(6,460)
Liabilities - amounts falling due after more than one year	(7,611)	0	(7,611)	(6,250)
Total Liabilities	(10,559)	(9)	(10,568)	(12,710)

27 Related Party Transactions

The related parties of the University are the wholly and partially owned subsidiary undertakings (listed in note 26 of these Financial Statements), the University of Essex Students' Union and the members of the Council.

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

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

Due to the level and nature of transactions between the organisations, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2010 the University paid the Union a revenue grant of £752,534 (2008-09: £655,400), and provided accommodation free of rent. The Union's income and expenditure account shows the following:

	2009-10 £'000	2008-09 £'000
Income	1,467	1,260
Expenditure	(1,310)	(1,278)
Operating (deficit)/surplus before and after transfers from/(to) reserves	157	(18)

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

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

28 Contingent Liabilities

On 14 July 2008 the University provided a guarantee to Barclays Bank PLC on behalf of University Campus Suffolk (UCS). The guarantee supports a loan of £12.5m by the bank to UCS in respect of building works, and liability is shared equally between the University and the University of East Anglia.

On 27 April 2010 UCS entered into an additional loan facility of £8m with Barclays Bank PLC. The loan has been guaranteed by the University and the University of East Anglia in equal proportion. The facility remained undrawn as at 31 July 2010.

Notes to the Financial Statements

For the year ended 31 July 2010

29 Agency Arrangements

	University 2009-10 £'000	2008-09 £'000
Hardship Funds		
Balance brought forward at 1 August	25	(7)
Funding council grants received	249	286
Interest earned	0	0
Total	274	279
Disbursed to students	(242)	(254)
Balance carried forward at 31 July	32	25
NHS Bursaries		
Payments received from NHS organisations	1,085	717
Disbursed to students	(1,085)	(717)
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	6,339	5,944
Payments made to partner institutions	(6,339)	(5,944)
Balance unspent at 31 July	0	0
HEFCE Research Grant		
Payments received from HEFCE	189	103
Payments made to partner institutions	(189)	(103)
Balance unspent at 31 July	0	0
Strategic Health Authority		
Payments received from East of England SHA	0	1,059
Payments made to partner institution	0	(1,059)
Balance unspent at 31 July	0	0
General Social Care Council		
Payments received from General Social Care Council	138	120
Payments made to partner institution	(138)	(120)
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 and Kaplan Ltd.

30 EBITDA

Earnings before interest, taxation and depreciation (EBITDA) is a measure of cash operating surplus. The reconciliation from the surplus on continuing operations and EBITDA is:

	Consolidated	
	2009-10 £'000	2008-09 £'000
Surplus on continuing operations after depreciation but before joint ventures:	6,237	672
add back depreciation and amortisation charge	5,702	5,104
add back impairment of investments	0	121
less release of deferred capital grants (note 18)	(2,559)	(2,000)
add back interest payable (note 9)	1,832	2,035
less general interest income (note 5)	(263)	(790)
add back FRS 17 credit/(charges)	(783)	(266)
add back release of provision for part time pensions	20	0
add back exceptional non-recurrent items:		
Staff restructuring costs	642	1,962
EBITDA	10,828	6,838

Notes to the Financial Statements

For the year ended 31 July 2010

31 Joint Venture Deferred Capital Grants Reserve

	2009-10 £'000	2008-09 £'000
At 1 August	23,142	21,234
Joint venture deferred capital grants received	4,446	3,909
Released to income and expenditure account	(1,204)	(2,001)
At 31 July	26,384	23,142

Five-Year Summary of Financial Position (unaudited)

For the year ended 31 July

	2005-06 £'000	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000
Income and Expenditure Account					
Income					
Funding council grants	29,996	33,741	33,622	34,867	35,775
Tuition fees and educational contracts	26,028	30,303	35,329	44,340	54,853
Research grants and contracts	15,203	14,268	15,744	18,184	21,103
Other income	20,893	22,107	35,278	39,844	44,290
Endowment and investment income	1,153	1,247	1,205	903	336
Total	93,273	101,666	121,178	138,138	156,357
Less share of joint venture income	(899)	(971)	(11,976)	(15,340)	(17,397)
Total income	92,374	100,695	109,202	122,798	138,960
Expenditure					
Staff costs	58,147	62,736	67,392	72,470	75,811
Other operating expenses	25,458	32,248	32,948	41,546	48,164
Depreciation	3,030	3,921	4,406	5,104	5,702
Interest paid	2,480	2,651	2,482	3,006	3,046
Total expenditure	89,115	101,556	107,228	122,126	132,723
Surplus after depreciation of assets at cost	3,259	(861)	1,974	672	6,237
Share of operating loss in joint venture	(15)	(11)	(353)	(498)	801
Profit on disposal of fixed assets	0	6,151	0	0	0
Surplus for the year	3,244	5,279	1,621	174	7,038
Balance Sheet as at 31 July					
Total fixed assets	117,276	138,976	166,680	175,834	214,549
Intangible Assets	0	0	0	1,362	1,226
Endowment assets	11,970	2,602	2,670	3,465	4,521
Current assets	22,547	21,307	18,079	24,988	30,673
Creditors: amounts falling due within one year	(18,536)	(17,118)	(18,049)	(21,249)	(29,417)
Total assets less current liabilities	133,257	145,767	169,380	184,400	221,552
Creditors: amounts falling due after more than one year	(40,622)	(38,592)	(36,562)	(44,682)	(67,629)
Provisions for liabilities	(805)	(1,217)	(439)	(1,048)	(405)
Pension liability	(14,257)	(12,383)	(21,577)	(21,299)	(16,801)
Net assets	77,573	93,575	110,802	117,371	136,717
Deferred capital grants	43,638	47,444	51,799	57,418	59,877
Endowments	11,970	2,602	2,670	3,465	4,521
Reserves	21,965	43,229	56,333	33,346	45,935
Total funds	77,573	93,275	110,802	94,229	110,333

Financial Statistics

Surplus as a percentage of turnover	3.6%	5.2%	1.5%	0.1%	5.3%
Margin on research grants and contracts (income less direct expenditure/income)	24.6%	20.9%	22.0%	20.2%	17.9%
Margin on residences, catering & conferences (income less direct expenditure/income)	13.6%	13.8%	14.6%	15.2%	9.6%
Current ratio (current assets/current liabilities)	1.2	1.2	1.0	1.2	1.0
Debt as percentage of total turnover	45.7%	37.7%	31.8%	32.4%	43.3%
Liquidity days (number of days of average expenditure excluding depreciation supported by cash balances)	64	54	39	56	60
Debtor days (number of days income excluding Funding Council grant represented by debtors due within one year)	36	32	33	37	33

Honorary graduates 2010

Each year the University honours distinguished individuals who either have a connection to the University or the county of Essex, or who have made a significant contribution to a field of study represented at the University.



Rt Hon John Bercow MP is an Essex graduate and Speaker of the House of Commons. He was named Opposition MP of the Year in 2005 in the Channel Four/Hansard Society Political Awards and was elected Speaker in 2009. Since his appointment, he has supported calls for reform of the Commons and increased public engagement with parliament.



Hanif Lalani OBE is an Essex graduate and has enjoyed an incredibly successful career with telecommunications giant BT. He progressed to the role of Chief Executive of BT Global Services after a number of senior roles including Chief Executive of BT Northern Ireland. He was awarded an OBE in 2003 for services to business in Northern Ireland.



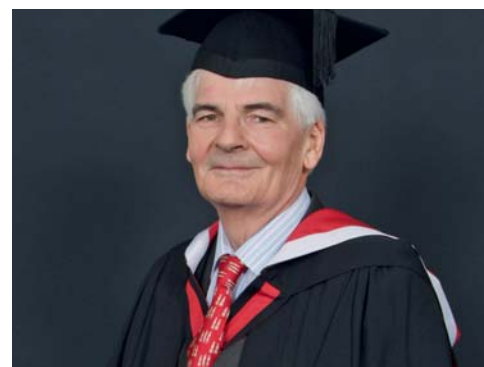
Dr Katherine Rake OBE is currently Chief Executive of the Family and Parenting Institute. Previously she was Director of women's rights campaigning group, the Fawcett Society. She was awarded an OBE for services to equal opportunities and has campaigned on many issues including equal pay, fair political representation and better treatment in the justice system.



Griff Rhys Jones is an award-winning comedian, actor, writer, director and producer. He formed a hugely successful comedy partnership with Mel Smith, with whom he founded Talkback Productions. He has worked extensively as an actor in television and theatre, recently starring in the West End production of *Oliver!* He is also a leading campaigner on conservation, town planning and community issues.



Lord Triesman of Tottenham, an Essex graduate, was appointed the first independent chairman of the FA in 2008 and was also chairman of the 2018 Football World Cup bid team until May 2010. A former student radical, academic and leading trade unionist, Lord Triesman was appointed General Secretary of the Labour Party in 2001, made a Life Peer in 2004 and held various senior government roles.



Professor Kevin Boyle, who died in December 2010, received an honorary MA in the Theory and Practice of Human Rights at last summer's Graduation. He was a leading expert in International Human Rights Law and a Professor of Law at the University of Essex, where he was also Director of the Human Rights Centre from 1990 to 2001 and from 2006 to 2007. He was Chair of the International Council of Minority Rights Group and founding Director of Article 19.

Statistics

Students 2009-10

Total undergraduates	7,846
Total postgraduates	2,818
Total students	10,664

Overseas	2,688
Occasional/exchange students	141
Men	4,879
Women	5,781
Mature students at undergraduate level	26%

Campuses

Colchester	9273
Loughton campus	417
Southend	829
Academic Partnerships	147

Origin of non-UK students

EU	1,209
Europe (non EU)	323
Africa	322
Asia	1,865
North America	119
Central and South America	112
Australasia	4

Students by discipline

Undergraduates

Social Sciences	1,472
Science and Engineering	2,386
Humanities and Comparative Studies	2,046
Law and Management	1,946

Postgraduate

	<i>Taught</i>	<i>Research</i>
Social Sciences	420	327
Science and Engineering	673	273
Humanities and Comparative Studies	312	124
Law and Management	421	103
Staff development	19	19
Academic Partnerships	78	69
Total	1,923	896

Students at partner institutions

Colchester Institute	1,300
South East Essex College (now SEC)	980
Writtle College	1,120
Kaplan Open Learning	730
Tavistock and Portman NHS Trust	120
Total	4250
University Campus Suffolk	5,060

Staff

Academic	585
Research	101
Senior Support	361
Other Support	333
General Support	405
Total	1,785

2010 National Student Survey results

Students expressing overall satisfaction	88% (+ 3%)
Results from each section (percentage increase/decrease on 2008):	
Teaching	86% (+2%)
Assessment and feedback	66% (+1%)
Academic support	77% (+1%)
Organisation and management	79% (+2%)
Learning resources	81% (no change)
Personal development	77% (+2%)

Origin of non-UK students

Albania	5
Algeria	1
Angola	11
Armenia	3
Australia	2
Austria	8
Azerbaijan	7
Bahamas	2
Bahrain	5
Bangladesh	16
Barbados	1
Belgium	11
Bermuda	4
Bhutan	1
Botswana	18
Brazil	20
Brunei	21
Bulgaria	67
Cameroon	1
Canada	21
Chile	7
China	737
Colombia	12
Costa Rica	1
Croatia	2
Cyprus	222
Czech Republic	5
Denmark	9
Ecuador	1
Egypt	14
Estonia	18
Finland	20
France	148
Gambia	2
Georgia	6
Germany	110
Ghana	7
Gibraltar	2
Greece	196
Guatemala	2
Honduras	2
Hong Kong	148
Hungary	1
Iceland	4
India	196
Indonesia	5
Iran	32
Iraq	13
Ireland, rep	35
Israel	5
Italy	73
Jamaica	3
Japan	54
Jordan	27
Kazakhstan	81
Kenya	4
Kuwait	20
Kyrgyzstan	2
Latvia	20
Lebanon	2
Libya	37
Lithuania	62
Luxembourg	13
Macao	5
Malawi	4
Malaysia	41
Malta	8
Mauritania	1
Mauritius	4
Mexico	51
Moldova	1
Morocco	1
Mozambique	1
Myanmar	2
Nepal	4
Netherlands	29
New Zealand	2
Nigeria	191
Norway	136
Oman	1
Pakistan	57
Palestine	6
Peru	2
Philippines	3
Poland	44
Portugal	25
Qatar	13
Romania	83
Russia	17
Saudi Arabia	173
Senegal	2
Serbia	1
Singapore	9
Slovakia	4
South Africa	2
South Korea	16
Spain	42
Sri Lanka	7
Sudan	4
Swaziland	1
Sweden	21
Switzerland	18
Syria	27
Taiwan	37
Tajikistan	1
Tanzania	5
Thailand	45
Turkey	61
Turkmenistan	3
Uganda	3
Ukraine	5
United Arab Emirates	12
United States	98
Uruguay	2
Uzbekistan	7
Venezuela	1
Vietnam	19
Yemen	2
Zambia	4
Zimbabwe	4
Other	1

Note: The figures on this page are based on a headcount of registered students as of 1 December 2009, these student numbers include full-time, part-time and modular study students. As a result they will be different from statistics which refer to Full-Time Equivalents.

Acknowledgements

Research sponsors

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Since August 2008 the University has also benefited from the Government's matched funding programme. Introduced to encourage charitable giving to higher education, this programme, which runs until July 2011, can see donations matched by a further 50 per cent.

The University wishes to thank those that have made a generous contribution and personally invested in Essex's future, especially during a particularly difficult economic climate.

Philanthropic giving has supported many students and a whole range of projects at Essex during 2009-10. For further information on our current fundraising projects and making a donation to the University, please contact the Development and Alumni Relations Office:

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Summary of philanthropic income 2009-10

Individual giving	£46,450
Legacies	£1,000,000
Trusts and foundations	£1,266,484
Corporations	£63,800
Matched funding	£548,582
Gift Aid	£9,073
Total	£2,934,389



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