

Northumbria University

Annual Report and Financial Statements 2014 / 2015



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It is a great pleasure to introduce the Financial Statements for 2014-15, and to describe the work and achievements of our staff and students in what has been an excellent year for Northumbria University. In the pages that follow there are numerous examples that demonstrate our attainments, marking a step-change in the University's performance and real progress towards the goals set out in our Corporate Strategy and Vision.

In financial terms, we increased our income to £241m and made significant investments in our students, our staff and our infrastructure, including £14.2m on capital developments, while maintaining the financial stability of the University with net assets of £166.9m and a historical cost surplus of £6.1m.

Northumbria University achieved the biggest rise in research power of any university in the Research Excellence Framework 2014, and significant gains in employability outcomes of our graduates. We have also achieved a significant improvement in the results of the National Student Survey and strong recruitment, simultaneously achieving higher levels of entry qualification and growth, in both undergraduate and postgraduate student numbers.

Over the year we have seen growing evidence of our positive strategic direction. Northumbria was ranked top 50 in the UK for research power and had the 4th largest increase in quality research funding (REF 2014). Northumbria continues to attract and retain world-class and internationally-leading researchers across all of our Faculties. The University has led on distinctive research collaborations and partnerships, and is attracting more research funding and recognition from a range of sources. Northumbria is ranked 30th in the Times Good University Guide 2016 (based on 2014/15 data) for student satisfaction measured by the three core learning and teaching indicators, and in the National Student Survey 2015, 88% of students were satisfied with their course (against a national average of 86%) and over half our courses achieved 90% or more satisfaction. And our investment in our high quality facilities continues to be recognised with Northumbria's University Library ranking joint 2nd in the UK alongside Cambridge in the Times Higher Education Student Experience Survey 2015.

Increasing numbers of highly qualified students continue to choose to come here to study, making Northumbria the top post-92 University for entry standards, moving up from 48th to 46th (and 34th in England). This is evidence of our improved performance over the last twelve months across a range of measures and the consequence of a strategy that is fundamentally grounded in quality across all of our activities. Northumbria is improving and repositioning fast, and in line with our vision for 2025. Working together with focus and ambition, we will build on our achievements this year, and continue to transform ourselves.

Finally, in 2015 we also welcomed the fourth Chancellor of Northumbria University, Baroness Grey-Thompson. Together we will work continuously to achieve our joint ambition to aim high, inspire and change lives.

The University's achievements over the past 12 months and its solid financial position provide a strong foundation from which we can continue to work on making our ambitious Vision 2025 a reality. The University's global, national and regional presence continues to grow. This includes the University strengthening its links with institutions in Indonesia and its growing presence in the capital through its London campus.

By harnessing the talent and experience of our staff and students, combining academic excellence, an outstanding experience and demand focus, Northumbria will demonstrate that it is a new kind of excellent university, and increasingly the natural choice for students, staff and partners.

Professor Andrew Wathey

Vice-Chancellor and Chief Executive



Northumbria University's Annual Report and Financial Statements for 2014/15 highlight many and varied achievements over the period.

The Annual Report and Financial Statements 2014-15 provide an opportunity to reflect on the overall performance of the University – not only the formal performance as reported through the financial outturn of the University and the corporate disclosures required as part of the good governance of the University, but also the University's wider progress against the route-map that we set out in the Corporate Strategy 2013-18. The end of 2014/15 marks two years into the Corporate Strategy period, and there is a clear indication that the objectives we have set are paying dividends. Central to this is the increase in both the quality and number of Home/EU Undergraduate students admitted each year and our success in this key area represents no small achievement in an environment which includes the lifting of the cap on student numbers and intensified competition within the HE sector.

During 2014/15 the University also received confirmation of its outstanding performance in the REF 2014 which is the result of deliberate investment and focus over the last 5 years. This success is central to the re-positioning of the University as a highly credible research player in this Corporate Strategy period, and provides both a solid reputational and financial base for further investment in the research strategy of the University.

In combining this emerging research excellence with an outstanding teaching, learning and student experience, underpinned by innovation in enterprise and engagement, Northumbria is demonstrating that its strategy to become a new type of excellent university may be ambitious, but is wholly achievable.

We recognise that the Corporate Strategy represents the first phase of achieving the step-change in the reputation and positioning of the University, building on a strong and solid base. The Board of Governors and the University Executive know that the most valuable resource the University has

is its staff and the Corporate Strategy and wider vision will not be achieved without their talents and commitment. In 2014/15, continued work and engagement with staff at all levels of the University has been a key priority and is central to empowering them to deliver the strategy. This important work will continue in 2015/16 and beyond.

For me, two stand-out events in 2014/15 demonstrated the reach and commitment of the University's global, national and regional communities of supporters, including alumni and partners. The first was the Enterprise and Innovation Dinner in November 2014 which was an opportunity to showcase the entrepreneurial spirit and achievements of the University's staff and students, both current and former. The event raised significant sums to fund student-led innovation initiatives and the guest of honour, alumnus Sir Jonathan Ive, Senior Vice-President of Design at Apple, provided fitting inspiration for students and guests alike.

The second stand-out event of 2014/15 was the inauguration of Baroness Tanni Grey-Thompson as the University's fourth Chancellor, following in the footsteps of Lord Stevens of Kirkwhelpington who gave ten years of distinguished service in the role. Tanni has already shown herself to be an inspiration to both students and staff and is a fitting embodiment of the aspirations of the University. We all look forward to working with her in the years to come.

Chris Sayers

Chair of the Board of Governors

NORTHUMBRIA'S ACHIEVEMENTS

In 2014/15, Northumbria was **ranked top 50 in the UK for research power** and had the 4th largest increase in quality research funding (REF 2014). According to Times Higher Education, Northumbria had the biggest rise in research power of any university in the UK.



Northumbria is ranked **30th in the UK** for satisfaction in the Times Good University Guide 2016 across the three core Learning and Teaching indicators (Teaching, Assessment and Feedback and Academic Support).

In the 2015 National Student Survey, 88% of students were satisfied with their course: **Over half our courses achieved 90% or more satisfaction and seven scored 100%.**

In 2015, Northumbria became - at 34th in England and 44th across the UK - **the top post-1992 University for entry points.** Northumbria's average UCAS points for 2015 entry were 369.

94% of students are in work or further study six months after graduation as reported in the Destination of Leavers of Higher Education Survey 2015.

Northumbria is **ranked 7th in the UK** for the number of graduates in professional employment on permanent contracts.



In 2015, Northumbria is ranked **3rd in the UK for overall satisfaction** in the International Student Barometer.



Team Northumbria secured 8th position in the 2014/15 British Universities & Colleges Sport (BUCS) National League Table for the second year running.

In 2014/15, the University secured a **£6.7M Higher Education Funding Council for England (HEFCE) teaching capital award** (2014-2016) which is now being invested in STEM facilities across Engineering and Environment.



IN 2014/15 AT A GLANCE



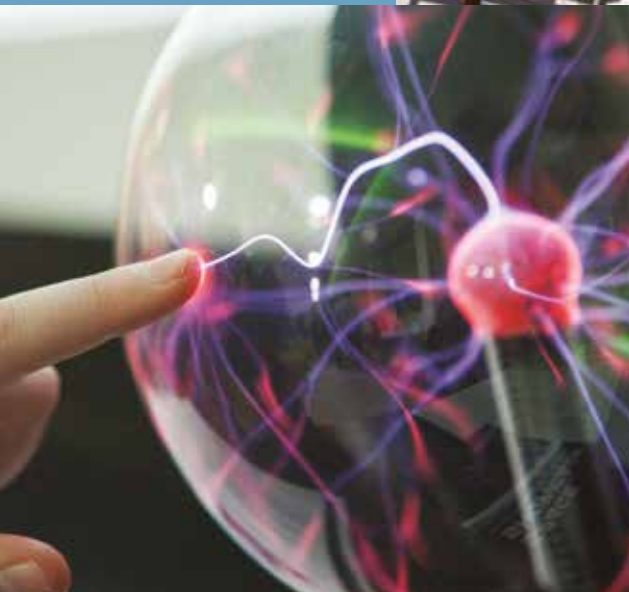
In 2014, Northumbria was ranked the **number one university in the UK for graduate start-ups** based on estimated turnover. It is also 4th among UK universities based on the number of jobs created by its graduate start-ups, according to the same data.



In 2014/15, Northumbria is ranked **2nd best in the UK for student accommodation** and is **top 3 for best student community**; best value for money; and best customer service.



Northumbria's University Library is **ranked joint 2nd in the UK** alongside Cambridge in the Times Higher Education Student Experience Survey 2015.



The £3M Think Physics project officially launched in 2014/15. The project was awarded £1.2M by the Higher Education Funding Council for England (HEFCE) for the project addressing progression into Higher Education by underrepresented groups, particularly females.

In 2015, Northumbria has the **UK's best student support team** after Student Support and Wellbeing won the most "Outstanding Student Services Team" award.



Introduction

This document includes an overview of performance during 2014/15 along with the Financial Statements of the University for 2014/15. The document has been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education Institutions* and the Accounts Directions issued by the Higher Education Funding Council for England (HEFCE).

History and Development of the University

Northumbria's international reputation is the result of a distinctive combination of being a research-rich, business focused, professional university with a global reputation for academic excellence. Since its foundation in the city of Newcastle upon Tyne, the University has developed into a successful regional, national and international institution. The University was formed as a Polytechnic in 1969 from the amalgamation of three regional colleges: Rutherford College of Technology, the College of Art & Industrial Design, and the Municipal College of Commerce. These colleges themselves had origins which were deeply rooted in the region: designed to expand educational opportunity, to create an environment for learning and innovation and to fulfil potential. This philosophy of offering real world

business-focussed programmes which relate to the professions across the University's broad academic portfolio continues to this day, resulting in its top ten ranking for the number of graduates entering professional employment.

More than £200m has been invested in Northumbria's estate, environment and facilities in recent years, including development of the £30m Sport Central complex. The scale and pace of investment has been a key driver in meeting the University's goal to deliver an outstanding student experience, and has done much to raise satisfaction levels among students. Northumbria was ranked 31st in the 2014 Times Higher Education Student Experience Survey, with students rating the



NewcastleGateshead

University's facilities among the best in the country. This was reinforced in the most recent National Student Survey, which saw Northumbria students rate seven courses with a satisfaction score of 100%.

Northumbria offers a breadth of programmes in popular subjects at first degree level, as well as offering a broad portfolio of executive education for business, the professions and a wealth of other organisations. Northumbria has been the largest provider of postgraduate taught education in the region for three successive years.

Northumbria University, with more than 35,000 students, is distinctive due to the diverse and comprehensive offer it makes to its students and partners alike. It has a national and global reach,

with a satellite campus in the City of London, and programmes delivered in collaboration with prestigious partners worldwide. More than 8,000 international students from 128 countries now study at one of Northumbria's campuses, or on a Northumbria course overseas.

Vision 2025 and Corporate Strategy 2013-18

Northumbria University creates and applies knowledge for the benefit of individuals, communities and the economy. Through excellent research, teaching and innovation we transform lives, making a powerful contribution to cultural and economic development and regeneration, locally, nationally and globally.

Vision 2025

To fulfil this Mission in the new HE environment, Northumbria has set out a new Vision for 2025 to be a research-rich, business-focused professional university with a global reputation for academic excellence.

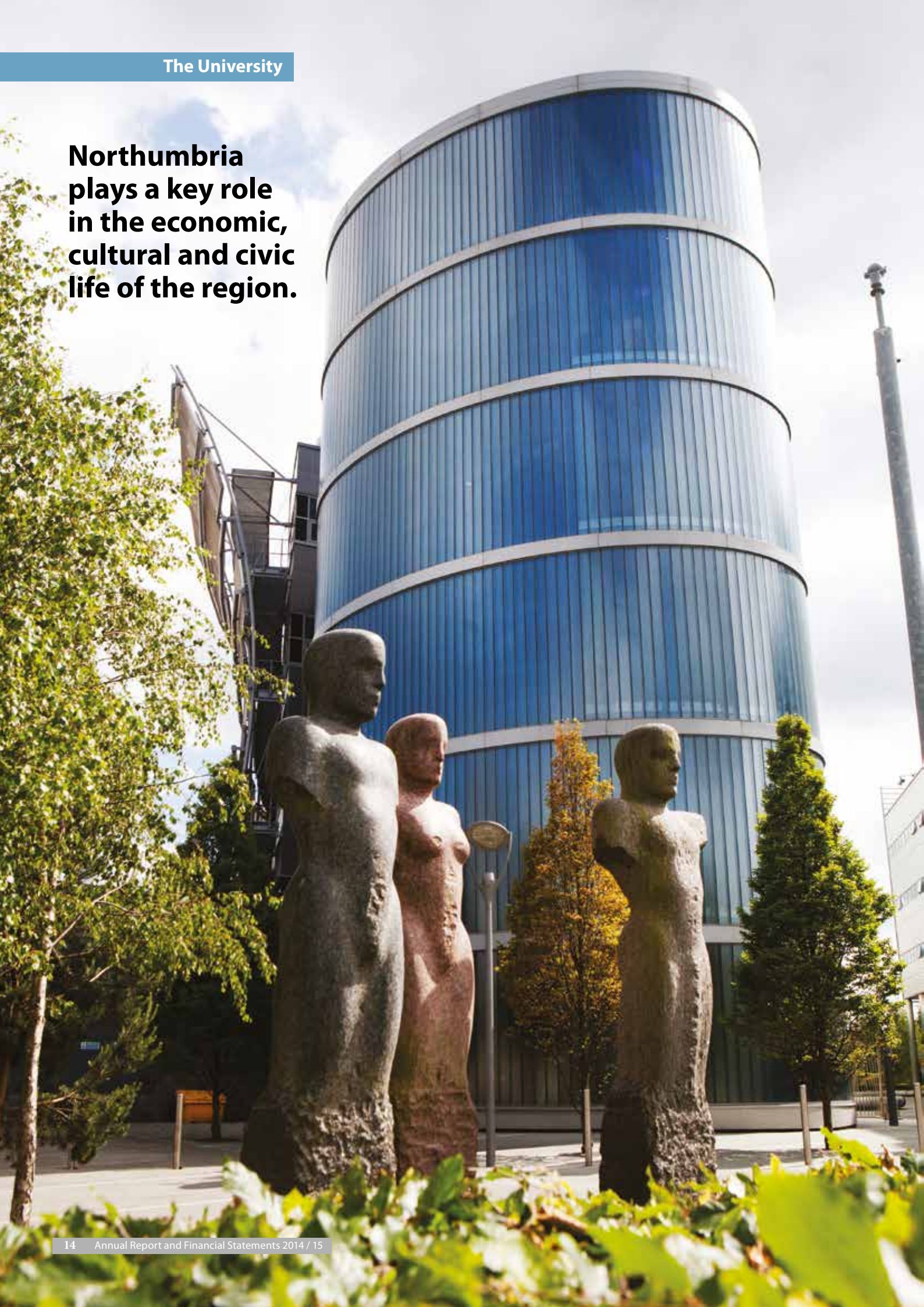
It will give Northumbria a distinctive, competitive advantage by combining academic excellence with a real-world focus, and will mean:

- Northumbria graduates are distinguished by their intellectual expertise and prowess, their leadership capability and employability.
- The University has significant global reach, with its skills and research deployed to benefit societies worldwide, making full use of technological advances in delivery.
- Northumbria produces world-leading and internationally excellent research that drives excellence across the University.
- Partnership working is a stylistic trait that creates mutual gains in reputation and sustainability at home and overseas; and is the basis for the University's interactions with the world of business.
- There is a 'One University' culture – modern, ambitious and demand focused. Northumbria's financial sustainability maximises reinvestment in the quality and impact of its activities.

Northumbria has set out a new Vision for 2025 to be a research-rich, business-focused professional university with a global reputation for academic excellence



**Northumbria
plays a key role
in the economic,
cultural and civic
life of the region.**





Corporate Strategy 2013–18

Under the umbrella of Vision 2025, 2013/14 was the first year of the Corporate Strategy for the five years to 2018. The Corporate Strategy 2013-18 sets out the steps that are needed to develop the University's core activities of research, the student experience, international work and partnership working to achieve the overall goal of its vision. It is the first phase of achieving the step change set out in the Vision. Throughout 2013-2018 the University will:

- Build global reputation, market position and revenue streams.
- Grow high quality research and use it to drive excellence in all the University's activities.
- Maximise student and stakeholder satisfaction.
- Strengthen operational efficiency and effectiveness, and foster a culture of continuous improvement.

REVIEW OF OPERATIONS

Tuition Fees and Funding

Northumbria University's fee for Home/EU Undergraduates in 2014/15 was set at £9,000. This was the first year that the University charged the maximum fee in line with the majority of English HEIs, representing an inflationary increase of 2.9% for continuing students. In 2014/15 the University continued to have one of the most generous packages of financial support for students of UK HEIs.

Northumbria remains committed to widening participation to encourage the best and brightest students, regardless of background, to apply to Northumbria; to enable them to complete their studies and to succeed academically, personally and professionally. Northumbria's Access Agreement with the Office for Fair Access (OFFA) sets out the actions it will take to achieve its Widening Participation Strategy. In 2014/15 annual expenditure on scholarships and bursaries amounted to £19.1m.

The Board of Governors endorsed the University Executive's new Postgraduate Taught Programmes (PGT) Strategy in November 2014, which included providing better access to finance to our PGT students and enable easy payment terms, as well as entering into discussions with a Credit Union to open access to finance. In 2014/15, the University also confirmed the criteria for its 2015 bursary scheme which is a match-funded HEFCE scheme offering 155 bursaries worth £10k each to PGT students in September 2015.

Northumbria is committed to transparency in all of its operations and activities, including the Student Experience. The University has made a commitment that no student will be faced with additional costs for any element of their course that is considered mandatory. The University believes this supports students with their financial planning and ensures that all students, irrespective of background and income, will be able to benefit from a full and rewarding learning experience. The University will continue to monitor the impact of all of its fees, bursaries and scholarships to ensure they support the University's strategic development and provide a package of support for its students which is among the best in the sector. More information is provided in the Public Benefit Statement of this document.

People

Recruiting, retaining and developing high-calibre staff is critical to the University's success. During 2014/15, the University has continued its REF 2014 Strategy to focus on recruiting high quality, doctorally-qualified academic staff to drive a further improvement in academic quality.

The new Academic Employment Framework and workload model was becoming embedded in 2014/15, implemented to ensure that teaching is informed by research and enterprise activity of Northumbria academic staff. The University's new Performance Development and Appraisal (PDA) Scheme was also launched in 2014/15. This has seen a step change in the number of staff participating in the PDA process, which now exceeds 90%. 2015/16 will focus on ensuring engagement in the PDA is as effective as possible in driving a dialogue and achievement of 'SMART' performance objectives for all staff in the University.

The implementation of corporate systems for the management of efficient HR processes have continued in 2014/15 including a new integrated HR and Payroll System. This has become a key tool for staff which provides new ways of undertaking key HR processes and replaces multiple paper based, inefficient systems throughout the University. This has provided improved Management Information and a foundation on which to build ambitious and exciting new HR functionality in future years.

In 2014/15 the University continued to invest significantly in a number of Talent, Leadership and Graduate programmes aligned to the Leadership Attributes, which embed the seven dimensions of leadership at Northumbria. In 2014/15 the Extended Leadership Team and the Staff Engagement Forums were established and embedded as supporting mechanisms for fostering a 'One University' culture, along with a new Professoriate. These forums form part of a wide-ranging programme around Developing the University Culture, and what needs to evolve in order for the University to reach its full potential in line with the Corporate Strategy 2013-18 and Vision 2025. The change programme involves a wide range of stakeholders including governors, University Executive, the Extended Leadership Team and academic and professional services staff.

Estate

During 2014/15 the University continues to deliver its Estates Development Plan 2013-18, which was developed as a framework for the management and development of the estate for the next five years, in line with the University's Corporate Strategy and Vision 2025.

The Plan is based around four key themes:

- capital investment for the development.
- refurbishment and enhancement of the University campuses.
- safeguarding options and creating new proposals for longer term developments that enhance the overall value and flexibility of the estate.
- strategic property acquisitions to support the ambitions of the University and the disposal of surplus property assets to raise capital for reinvestment into the Corporate Strategy.

The Plan reflects the high level of investment made in the estate in recent years and is focussed on making greater use of the existing estate, improving space utilisation and becoming more sustainable by reducing energy consumption. Employment and Finance Committee approved a further £8.6m of capital spend during 2014/15 to improve the estate to create new or upgrade existing classrooms, laboratories and lecture theatres across the City and Coach Lane Campuses. The Estate Development Plan 2013-18 identifies the need to optimise the use of the University's core freehold estate. As noted in the Financial Statements, in 2014/15 the University disposed of Kingston Park Rugby Ground, a property held for investment purposes and Marleen Court, a residential housing development used as student accommodation. These transactions generated a gain of £1.7m for the University. Further work is underway in 2015/16 to optimise best use of the University's Estate, and identification of major capital investment projects which support the Corporate Strategy 2013-18.

Effective space utilisation to generate improved efficiencies and more effective ways of working are becoming more established. In 2014/15, space efficiencies have been identified for the Vice-Chancellor's Office, Research and Business Services, Academic Registry and Campus Services for delivery in 2014/15 and 2015/16, with forecast reduction of 37% in space requirements.

Sustainability

Environmental Sustainability continues to be a focus for the University with good practice being widely promoted to students and staff. A range of successful sustainability campaigns have been delivered during the year including Student Switch Off, NUS Green Impact and the Student Energy Ambassador scheme. The University now has over 400 students signed up to the Switch Off campaign, which is a 35% increase on participation in 2013/14. The University continues to ensure that 100% of the University's trade waste is now directed away from landfill. Projects in 2014/15 include LED corridor lighting upgrades, boiler

replacements and repair of the integrated photovoltaic system to Northumberland Building. There have also been significant improvements during the year to reduce Northumbria's carbon emissions.

The University has seen significant, sustained improvement in the People and Planet sector league table for Environmental Sustainability, moving up to 40th position in 2014 from 85th in 2013, as a positive direction of travel demonstrating the University's progress in this area.

Planning work is underway to prepare a new Carbon Management Plan to support the delivery of further significant improvements in Environmental Sustainability, including further reduction of the University's carbon emissions by another 6%, including installing a 100kw solar panel system to Sport Central and a new district heating network to City Campus. The University also entered into a new energy supply contract in 2014/15, to start from October 2015, which provides 100% green tariff renewable energy.

Information Technology

The IT Strategy 2013-18 represents a major investment for the University, as an enabler for improving the student experience and corporate efficiency. Central to the IT Strategy is the use of technology to transform the University's operations, including:

- shaping the taught on-campus experience.
- changing the world of distance learning in the UK and abroad.
- supporting collaborative research, student sociability, and our relations with employers and alumni.
- transforming our operations, making us more efficient.

Significant progress has been made with the implementation of the IT Strategy in 2014/15 with many of the planned projects are now underway or delivered. These include enhancing the student experience on campus through the implementation of the Electronic Submission, Assessment and Feedback (ESAF) across a range of programmes, greater use of technology in the classroom, an improved timetabling system to support both staff and students and 'Connect NU' as a new mobile application that will allow students to access a range of popular services on their own mobile devices including, finding and reserving library materials, accessing timetables, finding a PC on campus, looking up staff details.

IT has also enabled the delivery of more efficient corporate systems. Underpinning this has been the procurement of world-class enterprise storage solutions to deliver faster and more reliable services to students; the roll out of the SAP HR system where staff are able to book their holidays, access pay slips and record hours worked online using self-service function. This is combined with improved payroll and e-procurement using SAP to standardise the way we buy things, exploits online purchasing catalogues for a wide range of goods and services and is more efficient.

PUBLIC BENEFIT STATEMENT

The University is an 'exempt charity' under Schedule 2 of the Charities Act 1993 and Charities Act 2006 (now consolidated in Part 3 and Schedule 3 of the Charities Act 2011). On this basis, the University is not subject to direct registration with the Charity Commission. From 01 June 2010, HEFCE was designated 'principal regulator' of the University as exempt charity. The University has reviewed its relationship with its subsidiary, associated or linked charitable entities and does not have any which require reporting on a paragraph 'w' basis.

Whilst, no statutory definition exists of what constitutes the 'public benefit' under UK charity law, in producing this Statement the Board of Governors, as the University's Trustee Board, confirms that it has had due regard to the Charity Commission's public benefit guidance. In formulating and confirming this Public Benefit Statement, the Board of Governors notes that the principles of public benefit are that there must be an identifiable benefit or benefits to the public, or a section of the public. In the widest sense, Northumbria University provides public benefit to a diverse student body based in the North East of England (and drawn from across the world), London and overseas, spanning cultural, social, racial and other demographic categories. This is alongside the University's role in civic society and the many areas of the public, and public life, upon which the work of its students, graduates, staff, research and business and engagement activities makes a positive impact. The breadth of work and activities of the University advances several of the 12 charitable purposes described in section 3(1) of the Charities Act 2011, examples of which will be identified in this Statement. A number of the charitable purposes which are considered core to the wide-reaching work of the University are elaborated on in this Statement.

The advancement of education

The fundamental charitable purpose of the University is the 'advancement of education', through promoting, sustaining and increasing individual and collective knowledge and understanding across its Higher Education offer, to advance the skills and expertise of its student beneficiaries, and society more widely through its outreach activities and engagement such as the Public Lecture programme. The Board, the University Executive and staff believe that education has the capacity to transform the lives, prospects and livelihoods of individuals and communities to create graduates who are global citizens who can make a positive contribution to society.

The Board and the University Executive recognise, however, that not all segments of society enjoy equal levels of access to education. Opening access to HE through widening participation therefore continues to be a priority at Northumbria. In 2014/15 the University's annual expenditure on access and retention through scholarships and bursaries was in the region of £19.5m. This helps ensure wide-ranging and highly-valued outreach activities and a seamless pre-entry journey for all potential students. The development of partnership activity across

the North East region and beyond continues through Northumbria's compact scheme, *NU Entry*, which has expanded its geographical and regional reach into more schools in 2014/15 to support students with the potential to succeed in HE who come from backgrounds that have traditionally been barriers to entry. Other initiatives include the further development of the Higher Education Foundation Certificate (HEFC) programme.

For 2016/17 entry onwards, the University Executive has devised a new Widening Participation Plan, endorsed by the Board, which seeks to target student support resources most effectively, beyond the point of securing access to university, but ensuring they continue to benefit whilst in study through student retention and progression through to graduation. This commitment is evident in the student support services provided through Northumbria's Student Support and Wellbeing Team which delivers an integrated service comprising, Welfare and International Support, Counselling and Mental Health and Disability Support.

In June 2015, Northumbria University was presented with the Times Higher Education's Leadership and Management award for 'Outstanding Student Services Team' in recognition of the excellence of support offered to students through Northumbria's Student Support and Wellbeing team. The Team was commended for projects including the transformation of support for students who were considering changing course or possibly dropping out of their studies, its new approach to counselling and mental health services to support students experiencing personal, emotional and mental health issues and a new central welcome event which was developed for new students to help to ensure a smooth transition into university life.

An important aspect of the University's objects to advance education through the transmission of knowledge is the creation of new knowledge through its research. Research undertaken across the four Faculties of the University supports several charitable purposes set out in the Charities Act 2011. As measured by the Research Excellence Framework (REF) 2014, Northumbria's research has 'world leading' or 'internationally excellent' impact on a range of beneficiaries across several of the charitable purposes, including through the influencing of international and national public policy, illustrative examples of which are summarised in the table below:

The advancement of health and saving lives	The prevention or relief of poverty	The advancement of environmental protection and improvement	The advancement of human rights, conflict resolution or reconciliation	The advancement of arts, culture, heritage or science
Translational research with Newcastle University into screening and brief intervention around harmful alcohol consumption by GPs and other frontline professionals	Using Research into Homelessness and Social Exclusion to Develop New Services for Young People	Understanding local food systems to achieve greater environmental benefits through reduced "food miles"	Improving Human Resilience through Disaster and Development Research	Policy, legislation and funding for cultural and built heritage asset preservation in South East Europe
Improving the design of health related websites		Implementation of photovoltaic systems in the UK and Europe	Changing the way we think about women and men in disasters	Developing the Educational Profile of Genre Film Festivals
The impact of school breakfast club attendance on children's nutrition, cognition and social wellbeing, feeding directly into national educational initiatives, such as Every Child Matters, Inclusion Policies and extended School Services			Access to Justice Through Education: Building a Law Clinic Culture in the UK and Beyond	Eighteenth-Century Literature and Heritage Partnerships in the North East

The advancement of citizenship or community development

In 2014/15 Northumbria has continued to build on its European Regional Development Funding (ERDF) £1.1m University match-funded award, including a 'Northumbria Graduates into Business' project, demonstrating the University's contribution to regional and community development and graduate employment. The project enabled Northumbria Graduates to take on a paid internship in North East based small to medium-sized enterprise. The Scheme which ran until June 2015, has enabled the University to extend the support it provides to SMEs in the North East and supported the creation of 30 new graduate start-up businesses, to create permanent jobs as a result of the project.

This project complements the wider community development work, which is further strengthened by Northumbria's Student Engagement Centre, which aims to provide all students from Newcastle Business School and Northumbria Law School with a work-related learning experience, which provides reciprocal benefits to our graduates and local businesses. The scheme is anchored in the local community, where graduate start-ups are regional employers, and fosters citizenship in encouraging students to consider careers in smaller businesses, social enterprises and business start-ups.

Newcastle Business School (NBS) has deepened its relationship with the Calvert Trust charity centre at Kielder Water, which specialises in enabling people with disabilities to access outdoor activities such as Canoeing and Rock Climbing. For the third year in a row, students from NBS have visited the Centre which provides an opportunity for team-based interaction between disabled and non-disabled young people. This includes a chance for Northumbria students to meet people with disabilities in a neutral setting and experience aspects of what it is like to have a disability, using equipment to replicate certain disabilities.

The University continues to apply its pedagogic and research expertise in clinical legal education to the direct benefit of the community, as well as the professional and pastoral development of its students through the work of the Student Law Office (SLO). The SLO was awarded a prestigious Queen's Anniversary Prize for Higher and Further Education in November 2014. Since 2005 the SLO has represented more than 1,200 clients, including some of Newcastle's most vulnerable members of society, securing over £1 million on their behalf in judgments and, more importantly, ensuring that clients understand their legal rights and are able to secure access to justice. Building on this success, the SLO has recently been named a finalist in the 'Law in the Community' category in the 2015 Halsbury Legal Awards.



northumbria
UNIVERSITY NEWCASTLE

Corporate Governance Statement

Corporate Governance Statement

The University of Northumbria at Newcastle is a Higher Education Corporation (HEC), incorporated following enactment of the Education Reform Act 1988, and granted 'university' title and associated powers in the Further and Higher Education Act 1992. The Instrument and Articles of Government set out the objects, powers and governance framework of the Board, Academic Board and Vice-Chancellor. The Instrument was last amended by Order of the Privy Council in 2012.

The Board of Governors and its Committees

The Board of Governors confirms that it complies with the *HE Code of Governance* published by the Committee of University Chairs in December 2014. At its February 2015 meeting, the Board undertook an impact assessment of compliance with the Seven Primary Elements of HE Governance and noted that it satisfied these, with no substantive departures or variations.

The Board of Governors is responsible for determining the mission and educational character of the University, the safeguarding of its assets and for seeking assurance that the Vice-Chancellor and Chief Executive has an effective system of accountability and internal control in place. The Board's specific duties are detailed in a revised *Statement of Primary Responsibilities* for the Board adopted in September 2011, and Principles adopted in November 2012. The Board has ultimate responsibility for:

- approving and reviewing the mission of the University, and in particularly Vision 2025 and the Corporate Strategy 2013-18
- acting as the University's ultimate legal authority and receiving assurance that systems are in place to comply with its legal and regulatory obligations to a range of bodies
- the effective and efficient use of resources, the solvency of the University and the Corporation, and the safeguarding of their assets
- ensuring that the Vice-Chancellor and Chief Executive develops a framework of risk management and assurance and systems are in place for the establishment and monitoring of systems of control and accountability
- being the Trustee Board of the University and ensuring that the University complies with charity law and satisfies its public benefit purposes
- observing the Committee on Standards in Public Life, and approve a wider ethical framework within which the University operates
- protecting the collective student interest, as delegated to the Vice-Chancellor and Chief Executive
- appointing the Vice-Chancellor and Chief Executive, and determining arrangements for his/her pay and conditions of service, and the monitoring of his/her performance against agreed objectives by the Board
- delegating authority to the Vice-Chancellor and Chief Executive for the management of all the affairs of the University.
- establishing and operating processes for monitoring and evaluating the performance and effectiveness of the governing body.

Mechanisms are in place for the induction and development of Governors, and the collective evaluation of the Board, as well as an annual review of the Chair by the Board, which is overseen by the Senior Independent Governor. In 2014/15 the Chair of the Board received remuneration in support of his role, and the Board passed a resolution to apply the power to the Chairs of the Corporate Committees, which is disclosed in Note 7 of the Financial Statements. All Governors are entitled to reimbursement of out-of-pocket expenses incurred in discharging their responsibilities, also disclosed in Note 7 to the Financial Statements.

HEFCE's *Memorandum of assurance and accountability between HEFCE and institutions* and the CUC *Code* requires that the Board establishes Audit, Nominations (or similar) and Remuneration Committees, reflecting established required practice in corporate governance. The University has also established an Employment and Finance Committee and a Strategic Performance Committee.

Through Nominations Committee and close interaction between the Chair, Committee Chairs, Vice-Chancellor and Secretary, the Board regularly reviews its membership and those of its committees. During 2014/15 the Board appointed three new Independent Governors to replace vacancies arising and strengthen its skills-base, and has also welcomed newly-elected staff and student governors to the Board. A summary of the role of the key Board Committees, the Vice-Chancellor and Chief Executive and the University Executive is provided below.

Audit Committee provides assurance to the Board on the adequacy of the University's risk management, value for money, and data quality and assurance arrangements. The Committee also assesses compliance with University policies and procedures and wider legal and regulatory compliance, including the reporting of significant incidents and fraud and public interest disclosures. The Committee also reviews the performance and opinions of the external and internal auditors. Annually, the Committee provides an opinion on the adequacy of the arrangements in place within its oversight which informs the Statement on Internal Control.

Employment and Finance Committee advises the University Executive and monitors employment strategy and policy, finance strategy, estates, IT and other capital activities and projects to support the Corporate Strategy 2013-18.

Strategic Performance Committee has played a key role in supporting the University Executive in monitoring performance against the Corporate Strategy 2013-18. The Committee advises the University Executive in reviewing the strategic plans beneath the Corporate Strategy, and has monitored the University's performance in key external measures, including the National Student Survey (NSS), league tables and major data returns, including the Destination of Leavers of Higher Education (DLHE).

Remuneration Committee oversees the remuneration policy, base pay and performance incentive scheme decisions and severance payments as these apply to senior staff of the University. The Committee is chaired by the Board's Senior Independent Governor (a role distinct from the Chair or Deputy Chair) and comprises Independent Governors, an individual external to the Board and the University, co-opted to provide specialist advice on remuneration policy, and the Vice-Chancellor and Chief Executive, who is absent from discussions and decisions relating to his/her own salary.

Nominations Committee oversees the appointment, renewal, rotation and resignation of member of the Board and its Committees. Its remit extends to reviewing the wider skills-set of Board, governor performance, self-assessment and development and training needs. The Committee comprises Independent Governors, including the Chair of the Board, the Chairs of its Committees including the Vice-Chancellor and Chief Executive, and a senior staff member. The Committee has also co-ordinated a successful search for a new Chancellor on behalf of the Board in 2014/15.

Academic Board is chaired by the Vice-Chancellor and Chief Executive, and advises the Vice-Chancellor and, ultimately the Board of Governors, on matters of academic strategy and policy, as well as advising the Vice-Chancellor in this regard. Specifically, it is concerned with academic quality and standards and enhancement, the student experience and research and innovation activities, the work of which is supported by a suite of sub-committees.

The Vice-Chancellor and Chief Executive and the University Executive

The Vice-Chancellor and Chief Executive is responsible for the academic and executive leadership of the University delegated to the role-holder by the Board of Governors. Under the terms of the *Memorandum of assurance and accountability between HEFCE and institutions*, the Vice-Chancellor and Chief Executive is the 'Accountable Officer' who is the head of the University and is responsible for leadership of the academic affairs and executive management of the University. The Vice-Chancellor and Chief Executive is responsible to the governing body for ensuring compliance with the terms of the Financial Memorandum and for providing HEFCE with clear assurances to this effect.

Chaired by the Vice-Chancellor, the University Executive has collective responsibility for advising the Vice-Chancellor on delivery of the Corporate Strategy 2013-18. The University Executive is responsible for the strategic and operational management of the University through University Executive members' individual portfolios of responsibility and its collective leadership role.

Responsibilities of the Board of Governors in the preparation of the Financial Statements

The Board of Governors is responsible for ensuring that executive management maintain proper accounting records are maintained, which disclose with reasonable accuracy at any time the financial position of the University. The Financial Statements are prepared in accordance with the requirements of HEFCE's Account Directions for 2014/15, *the Statement of Recommended Practice: Accounting in Further and Higher Education* (2007) and other relevant accounting and financial reporting standards. The specific terms and conditions of the *Memorandum of Assurance and Accountability* require that Financial Statements are prepared for the University each financial year, which give a true and fair view of the state of affairs of the University and the surplus or deficit and cash flows for that year.

The Financial Statements for 2014/15 have been prepared on behalf of the Vice-Chancellor and Chief Executive and, ultimately the Board of Governors by the Finance Director and reviewed by the Employment and Finance Committee and Audit Committee and, informed by the opinion of the external auditors. The Financial Statements confirm that:

- suitable accounting policies are selected and applied consistently in accordance with UK general accepted accounting principles and the 'Statement of recommended practice: Accounting for further and higher education', and relevant legislation.
- judgments and estimates are made that are reasonable and prudent.
- applicable accounting standards have been followed subject to any material departures which would be disclosed and explained in the financial statements.
- the Financial Statements are prepared on the 'going concern' basis, reflecting the HEFCE Accounts Directions for 2014/15.

The Board has taken reasonable steps, through the assurance received through its committees and the Vice-Chancellor and Chief Executive, to ensure:

- funds from HEFCE are used only in accordance with provisions of the Further and Higher Education Act 1992, the HEFCE Memorandum of Assurance and Accountability, and any other conditions that HEFCE or other funding bodies may from time to time prescribe;
- reasonable discretion is exercised in the use of public funds and account taken of any relevant guidance on accountability, sustainability or propriety;
- the establishment and monitoring of systems of control and accountability, including financial and operational controls, with ultimate responsibility for the effective and efficient use of resources;
- safeguarding of the assets of the University and establishment of systems for prevention and detection of fraud, bribery and wider corruption;
- that the University is delivering Value for Money (VfM) from public funds.

Statement on Internal Control

1. The Statement on Internal Control (SIC) has been produced in line with HEFCE's Accounts Directions for 2014/15 and draws on extra-sector reference points, including the Financial Reporting Council's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* (September 2014). The development of the Statement has been informed by a review of the University's corporate risks and operational risks at the level of Faculties and Services, and the Business Assurance Map which is reviewed twice-yearly by the University Executive, Audit Committee and the Board of Governors.
2. In line with the third Primary Element of Governance in the HE Code (2014), the Board has received assurance that appropriate and effective systems of control and risk management operate across the University. The Financial Reporting Council's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* (2014), whilst outside the HE sector, are relevant in acknowledging that such systems cannot eliminate all risks, but it is the role of the Board to ensure that systems are robust and effective. The Board achieves this through a range of mechanisms, including the assurance through the periodic judgments, reporting and annual opinion of the Audit Committee, through executive management reporting via the Vice-Chancellor and Chief Executive as Accountable Officer, and other senior staff including the Chief Operating Officer and Head of Governance.
3. The University's system of internal control is designed to be 'protective' in helping manage and mitigate the risks of loss, mis-use or misappropriation of public, private and other funds and assets for which the Board is responsible, and engender the confidence of internal and external stakeholders in the University's systems of self-regulation. The internal control system is also 'proactive' in setting parameters and procedures to inform evidence-based judgments and decisions to be made on, as well as due-diligence and appropriate risk assessment of major projects and initiatives which support the Corporate Strategy 2013-18.
4. The University's system of internal control is characterised by a robust deliberative and decision-making structure discharged through the University Executive, Board of Governors and the wider corporate governance committee system. Underpinning this system is a 'no surprises' culture, ensuring control issues are reported through the University Executive into the Board and its Committees as appropriate. The Risk and Assurance Framework formally articulates and integrates the University's wider control arrangements, including the risk management function, data assurance function, business assurance mapping, corporate governance policy framework and arrangements for internal and external audit.

5. The University's committee-based governance system is led by the Board of Governors which demonstrates its responsibility for ensuring a sound system of internal control in the following ways:
 - i. its continued ownership of a Scheme of Delegation which clarifies delegated authorities for key decisions of its Committees, University Executive and other staff. However, it is recognised that greater clarity is required on occasions to ensure that reduce over-deliberation within the committee system, and entrust appropriate delegation;
 - ii. setting the tone for risk management across the University and to receive assurance through the Vice-Chancellor and Chief Executive that adequate arrangements have been put in place for the management of risk. During the year the Board of Governors considered the full Corporate Risk Register, including approval of the closure, combination and addition of corporate risks as summarised in the Audit Committee Annual Report, as well as more specific adjustments to the drivers, controls and status and rating of risks;
 - iii. participation in a five-yearly HEFCE Assurance Review, confirmed that reliance could be placed on the University's accountability arrangements and information;
 - iv. Board review and approval of the accountability returns submitted to HEFCE, including ensuring that robust scrutiny of these returns is delegated for review by Audit Committee and Employment and Finance Committee, the latter of which has held dedicated meetings and workshops to assess the budget and forecasts position;
 - v. a Strategic Review of Health and Safety by the University's new health and safety auditors. This review has led to a number of strategic and operational recommendations to strengthen the University's health and safety controls.
6. The risk management arrangements of the University are embedded through Board ownership and Executive leadership of the Corporate Risk Register. The Board seeks assurance that a sound and embedded reporting framework is in place, with clear risk responsibilities owned by executive management. This assurance is achieved through:
 - i. the operation of a Corporate Risk Register, Strategic Risks with cascading of risks through Faculty and Service Risk Registers and specific risk registers produced for strategic and operational projects;
 - ii. the requirement to identify Corporate and other risks relevant to all business items considered by the Board, its Committees and University Executive;
 - iii. consideration of the Corporate Risk Register at two meetings of the Audit Committee and Board each year following University Executive review;
 - iv. reviewing the Corporate Risk summary dashboard on the agenda of each meeting of the Audit, Employment and Finance and Strategic Performance Committees, to evaluate whether the status of corporate risks have been impacted by committee discussions and decisions;
 - v. Audit Committee responsibility for seeking assurance on the adequacy and effectiveness of the University's risk management arrangements from the internal auditors, and providing an opinion on this;
 - vi. ultimate executive management responsibility for risk resting with the Vice-Chancellor and Chief Executive, who allocates University Executive risk owners for each Corporate Risk, who in turn delegate Faculty and Service level risks as appropriate within their areas of line management;
 - vii. assigning management oversight of the Corporate Risk Register and Risk Management Framework to the Head of Governance/Secretary to the Board of Governors, who is supported by a Risk Manager;
 - viii. formulating the annual internal audit programme with reference to the Corporate Risk Register;
 - ix. continued work in 2014/15 to embed risk assessment in project management processes as overseen by the Project Board;
 - x. identifying a University Executive Senior Information Risk Owner (SIRO) from the University Executive, who is the Head of Governance/Secretary to the Board of Governors.
7. The Business Assurance Map (BAM) has continued to be developed in 2014/15, to plot the key internal controls and internal/external assurances for each of the University's key corporate systems and core processes. The Map has helped inform the Corporate Risk Register, Faculty and Service Registers and the internal audit programme.
8. The University continues to embed its data assurance and quality activities to inform judgments on the completeness and accuracy of data submitted to a range of external bodies, including HEFCE and HESA. In turn, work has been undertaken to further develop and demonstrate the University's arrangements for VfM. Annual and interim reports in both these areas have been reported to Audit Committee in 2014/15, which provides an annual opinion on the effectiveness and adequacy of arrangements in place in these areas, as part of the wider system of internal control.

9. On behalf of the Board of Governors, the University Executive and the Audit Committee have conducted the annual review of the University's systems of internal control. Assurance sources for this review include internal and external audit reports, feedback from inspections, internal monitoring systems and reports on any incidents or events that have highlighted internal control weaknesses. This is supported by the 2014/15 Internal Audit Opinion that the overall internal control environment is effective. While a number of improvements to internal control systems have been identified from specific areas of audit, no significant internal control weaknesses have been detected.

Chris Sayers

Chair of the Board of Governors

16 November 2015

Professor Andrew Wathey

Vice-Chancellor and Chief Executive

Register of Governors and Professional Advisors

Chancellor

The Lord Stevens of Kirkwhelpington¹

Board of Governors

The Governors are the ‘Trustees’ of the University, and the Board is the Trustee Board, under the terms of the University as an exempt charity under the terms of the Charities Act 2011.

Ms Alison Allden	(Independent Governor)
Mr Craig Apsey	(Independent Governor)
Mr James Bromiley²	(Independent Governor)
Mr Ian Brown³	(Independent Governor)
Mrs Lorraine Brown⁴	(Elected Professional Support Staff)
Mr David Clipsham	(Senior Independent Governor and Chair, Remuneration Committee)
Mr Alasdair Corfield	(Independent Governor and Chair, Audit Committee)
Ms Natalie-Dawn Hodgson	(President, Students’ Union and SU Representative)
Peter Donkin⁵	(Elected Professional Support Staff)
Dr Graham Hillier	(Independent Governor and Chair, Employment and Finance Committee)
Mr Joe Holt	(Students’ Union Representative)
Mr Derek Johnson	(Academic Staff Elected Representative)
Dr Alison Machin	(Academic Board, Academic Staff Nominee)
Ms Sally Pelham⁶	(Independent Governor)
Mr David Price	(Independent Governor)
Ms Amy Rice-Thomson	(Independent Governor)
Mr Chris Sayers	(Pro-Chancellor, Chair of the Board of Governors)
Mr Adam Serfontein	(Pro-Chancellor and Independent Governor)
Ms Christine Sorensen	(Academic Board, Academic Staff Nominee)
Miss Claire Templeton⁷	(Independent Governor)
Professor Andrew Wathey	(Vice-Chancellor and Chief Executive)
Mr David Warcup⁸	(Independent Governor)
Dr Jeya Wilson	(Independent Governor)

Secretary to the Board of Governors

Mr Adam Dawkins

Audit Committee Members

Mr Alasdair Corfield	(Independent Governor and Chair, Audit Committee)
Mr Ian Brown⁹	(Independent Governor)
Mr David Price	(Independent Governor)
Mr David Jennings	(Co-opted External Member)
Ms Amy Rice-Thomson	(Independent Governor)
Mr David Warcup¹⁰	(Independent Governor)

External Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Internal Auditor

PricewaterhouseCoopers LLP
Central Square South
Orchard St
Newcastle upon Tyne
NE1 3AZ

Bankers

Barclays Bank plc.
City Office
Percy Street
Newcastle upon Tyne
NE1 4QL

Bank of Scotland
Corporate Banking
3rd Floor, Earl Grey House
75 Grey Street
Newcastle upon Tyne
NE1 6EF

Santander UK plc
Level 9 Baltic Place
South Shore Road
Gateshead
NE8 3AE

Register of Interests and Disclosures

Entries in the Register of Governors’ interests is reviewed annually, and as required for new appointments to the Board, and is maintained by the Secretary to the Board of Governors, and may be accessed on the Governance Services webpages of the University’s website, or by contacting the Office at the address below:

Secretary to the Board of Governors

Vice-Chancellor’s Office
Sutherland Building
College Street
Newcastle upon Tyne
NE1 8ST
Telephone +44 (0)191 227 4520

¹ The Baroness Grey-Thompson was appointed as Chancellor from 15 July 2015, to be inaugurated from 01 October 2015.

² Appointed 19 December 2014

³ Resigned 05 February 2015 at end of three-year term

⁴ Resigned 15 December 2014 at end of three-year term

⁵ Elected with effect from 16 December 2014

⁶ As per footnote 2

⁷ Leave of Absence granted 12 March 2014 to 12 September 2014

⁸ As per footnote 2

⁹ Resigned 05 February 2015 at end of three-year term.

¹⁰ See footnote 8. Immediate appointment to Audit Committee, on appointment to the Board.

Five Year Summary of Key Statistics

	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000
Funding Council Grants	22,741	35,204	51,291	69,902	70,220
Tuition Fees and Educational Contracts	173,230	153,352	128,571	110,120	109,049
Research Grants and Contracts	5,330	4,643	5,595	4,685	4,400
Other Operating Income	38,255	32,830	32,239	29,758	29,123
Interest Receivable	1,412	291	258	138	128
Total Income	240,968	226,320	217,954	214,603	212,920
Total Expenditure	(240,173)	(221,532)	(213,986)	(208,195)	(200,077)
Surplus Before Disposal of Fixed Assets	795	4,788	3,968	6,408	12,843
Gains On Disposal of Fixed Assets	1,710	-	-	-	40
Surplus on Continuing Operations	2,505	4,788	3,968	6,408	12,883
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year	2,402	2,523	1,865	1,865	1,865
Realisation of Property Revaluation Gains of Previous Years	1,222	-	-	-	-
Historical Cost Surplus for Year	6,129	7,311	5,833	8,273	14,748
Net Cash Inflow from Operating Activities	17,166	21,682	27,165	20,141	22,760
(Decrease) Increase in Cash in the Year	(2,263)	21,995	10,520	7,227	2,933
Fixed Assets	316,580	329,447	332,635	310,010	312,524
Net Current Assets/(Liabilities)	22,991	12,084	(3,010)	(13,719)	(23,694)
Creditors due after more than 1 year	(70,225)	(72,524)	(66,255)	(67,021)	(67,787)
Provisions	(7,056)	(7,090)	(4,363)	(5,181)	(3,619)
NET ASSETS EXCLUDING PENSION LIABILITY	262,290	261,917	259,007	224,089	217,424
PENSION LIABILITY	(95,438)	(81,410)	(98,717)	(98,596)	(74,275)
NET ASSETS INCLUDING PENSION LIABILITY	166,852	180,507	160,290	125,493	143,149

Financial Highlights

The University's financial performance for 2014/15 can be summarised as follows:

- Total income of £241.0m
- Historical Cost Surplus of £6.1m.
- £17.2m cash generated from operating activities
- Cash at Bank and Short Term Deposits totalling £64.0m
- £14.2m investment in capital expenditure
- Net assets of £166.9m

The audited accounts have been prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education and also comply with the HEFCE Accounts Direction.

The consolidated results of the University are summarised below:

Results for year	2014/15 £m	2013/14 £m
Income	241.0	226.3
Expenditure	(240.2)	(221.5)
Surplus on Continuing Operations Before Disposal of Fixed Assets	0.8	4.8
Gain on Disposal of Fixed Assets	1.7	-
Surplus on Continuing Operations After Disposal of Assets	2.5	4.8
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year	2.4	2.5
Realisation of Property Revaluation Gains of previous years on Fixed Asset Disposals	1.2	-
Historical Cost Surplus for the Year	6.1	7.3
Surplus Percentage	2.5%	3.2%

Income

Total income in the year was £241.0m representing an increase of £14.7m (6.5%) over the previous year. The main movements year on year were:

- A reduction of £12.5m (35.4%) in Funding Council Grants to £22.7m. This was largely due to the on-going reductions in the HEFCE recurrent grant funding of £12.2m (40.1%) to £18.2m.
- An increase of £19.9m (13.0%) in Tuition Fees and Education Contracts to £173.2m. This reflected an increase of £18.9m (19.5%) in Full-Time Home and EU Students, with all undergraduates now on the new fees regime and an increase in the Nursing Education Contract of £1.0m (4.5%) largely due to additional payments for exceeding quality and retention parameters.
- An increase of £5.4m (16.5%) in Other Income to £38.3m. Some of the bigger increases over the year were Accommodation and Catering £2.9m (18.7%) mainly due to additional rent from Trinity Square residences and £1.6m (29.5%) on Collaborative Ventures.
- Interest Receivable was £1.1m up but this was largely down to the FRS 17 net interest calculation for the year.

Expenditure

Total expenditure was £240.2m, an increase of £18.7m (8.4%) in the year. Notable year on year movements were:

- Staff Costs increase of £5.0m (3.7%) to £139.2m. This cost represents 57.8% (2014: 59.3%) of Total Income and 57.9% (2014: 60.6%) of Total Expenditure.
- Other Operating Expenses increase of £10.4m (14.8%) to £81.0m. The major increases in the year were; £5.5m on Scholarships and Bursaries; £2.9m on Rent, Rates, and Utilities, due in part to Trinity Square residences; £1.9m on Professional Services.

Gains on Disposals of Fixed Assets

During the year the University disposed of Kingston Park Rugby Ground, a property held for investment purposes and Marleen Court, a residential housing development used as student accommodation. These transactions generated gross disposal proceeds of £7.8m and a gain of £1.7m.

Surplus

The net outcome was a Surplus on Continuing Operations of £2.5m and a Historical Cost Surplus of £6.1m which is 2.5% of Total Income.

Balance Sheet

The Net Assets of the University group stood at £166.9m, a reduction of £13.7m in the year. This was mainly due to the movement in the Pension Liability which increased by £14.0m, largely as a result of a reduction in the Discount Rate (reflecting the reduction in high quality bond yields over the same period) which had the effect of increasing the value of future pension liabilities.

Capital Programme

During the year, £14.2m was invested in the University's facilities and infrastructure. This spend comprised of; £7.1m on refurbishing the estate; £4.6m on IT equipment and systems; £2.5m on Faculty Teaching and Research equipment.

Some of the more significant estates project spends were £1.2m refurbishing teaching rooms, £0.9m on Coach Lane West for the Faculty of Health & Life Sciences and £0.5m on Student Central.

Cash Flow

During the year, £17.2m cash was generated from operating activities. This was utilised as follows; £3.2m net interest; £3.7m net Capital Expenditure and Financial Investment; £2.6m loan repayments; £10.0m placed on short term deposit. This led to an overall reduction in cash of £2.3m, leaving the Cash and Bank balance at £54.0m

Treasury Management

The University entered 2014/15 with a £96.0m Facility Agreement with its main banker, Barclays Bank plc. This comprised a £11.0m Term Loan and an £85.0m Revolving Credit Facility (RCF). The outstanding balances at 31 July 2014 were £7.1m on the Term Loan and £68.9m on the RCF, a total indebtedness of £76.0m.

In September 2014, a new £91.0m Facility Agreement was negotiated with Barclays which replaced the existing one. This comprised a £76.0m, 23 year Term Loan and a £15.0m, 5 year RCF, with any outstanding balances to be repaid at term end as there is no option to convert into a term loan. As at the year end, the term loan balance was £73.5m and there had been no funds drawn down against the RCF element of the facility.

Going Concern

The University believes that it has adequate resources to continue in operational existence for the foreseeable future and for this reason continues to adopt the going concern basis in the preparation of its financial statements.

In reaching this opinion on the financial sustainability of this institution, the following factors have been taken into account:

- Regular performance monitoring through monthly reporting, annual budgets and forecasting.
- Measurement against the Corporate Strategy and related Key Performance Indicators.
- Maintaining a risk register which considers both financial and non-financial strategic risks.
- Governance and Legal functions which covers all financial, statutory and regulatory compliances.
- Complying with the financial covenants of our lenders and HEFCE now and in the foreseeable future.
- The new £91.0m Facility Agreement gives the capacity to access up to £15.0m for working capital purposes should the need arise.
- A Cash Flow strategy which is aligned to the new funding regime and which takes into account the resultant peaks and troughs now occurring in cash balances.

Independent Auditor's Report to the Board of Governors of Northumbria University

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

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Responsibilities of the Board of Governors statement set out on pages 24 – 26 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.

Paul Moran (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Quayside House

110 Quayside

Newcastle upon Tyne

NE1 3DX

16 November 2015

Notes:

- (a) The maintenance and integrity of the Northumbria University website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Principal Accounting Policies

In accordance with FRS 18 'Accounting Policies', these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate for the University's activities.

a. Basis of Preparation

The financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice 'Accounting in Further and Higher Education' (SORP) and in accordance with applicable accounting standards. They conform to the guidance published by HEFCE.

b. Going Concern

Further information on the activities of the University, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial Review. The financial position of the University, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

At the year end the University had £73.5m of loans outstanding with lenders, all secured by a fixed charge on University property assets. The Facility Agreement with Barclays Bank plc of £96.0m ended on 31 July 2014. A new £91.0m facility was agreed on 12 September 2014. This comprises of a 23 year term loan of £76.0m and a 5 year, £15.0m Revolving Credit Facility (RCF) which is for working capital purposes only. Any amounts outstanding at the end of the RCF 5 year term must be repaid in full as there is no option to convert to a term loan.

The University generates significant levels of cash from its operating activities, with £17.2m being generated in 2014/15. The University's forecasts and financial projections indicate that it will be able to operate within these existing facilities and attached covenants for the foreseeable future, taking into account reasonably expected changes in performance.

Accordingly, the University believes that it has adequate resources to continue in operational existence for the foreseeable future and for this reason continues to adopt the going concern basis in the preparation of its financial statements.

c. Basis of Accounting

The financial statements are prepared under the historical cost accounting rules modified by the revaluation of certain tangible fixed assets and investments.

d. Basis of Consolidation

The consolidated financial statements combine the financial statements of the University and all its material subsidiary undertakings for the

financial year to 31 July 2015. Details of University's subsidiary undertakings are provided in Note 14 to the financial statements. In accordance with FRS 2 'Subsidiary Undertakings', the financial statements do not include those of the Northumbria Students' Union, as it is a separate organisation in which the University has no financial interest and exerts no control or significant influence over policy decisions.

The University has taken advantage of the exemption from the requirement to prepare its own Income and Expenditure Account.

e. Recognition of Income

The recurrent grant from HEFCE represents the funding allocation that is attributable to the current financial year and is credited directly to the Income and Expenditure Account.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Income used to acquire tangible fixed assets is credited to deferred capital grants and released to the Income and Expenditure Account so as to match the grant release to the related asset depreciation and impairment charges.

The University acts as an agent in the collection and payment of training bursaries from the Training and Development Agency and of Access Funds from HEFCE. Related payments received from the Training and Development Agency and HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 27 to the accounts.

f. Post-Retirement Benefits

The three principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Tyne and Wear Pension Fund (TWPF) and the Universities' Superannuation Scheme (USS).

All schemes are defined benefit schemes, but the TPS and USS are both multi-employer schemes and it is not possible to identify the assets of these schemes attributable to each institution. In accordance with FRS 17, these schemes are accounted for on a defined contribution basis and contributions to the schemes are included as expenditure in the period in which they are payable.

The University is able to identify its share of assets and liabilities of the LGPS and thus fully adopts FRS 17 "Retirement benefits" in accounting

for this scheme. Accordingly, the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which they arise. The operating costs, finance costs and expected return on assets are recognised in the Income and Expenditure Account with any other changes in the fair value of assets and liabilities being recognised in the Statement of Total Recognised Gains and Losses.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities. The attributable assets of the scheme are measured at their fair value, at the balance sheet date and are shown net of attributable scheme liabilities.

g. Maintenance of Premises

The University has a rolling maintenance programme that is reviewed on an annual basis. The cost of all maintenance is charged to the Income and Expenditure Account. Expenditure that extends the useful life of an asset or enhances an asset, is capitalised as defined by FRS 15 'Tangible fixed assets'.

h. Tangible Fixed Assets

i) Capitalisation

Tangible assets are capitalised where they are capable of being used for a period that exceeds one year and which:

- Individually have a cost not less than £5,000; or
- Collectively have a cost equal to or greater than £5,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

ii) Revaluation

In order to reflect the full value to the University of its land and buildings base, the estate is subject to a full independent, external revaluation every five years with interim valuations by year three. The last full valuation was applied as at 31 July 2013.

Changes in valuations, to the extent that they arise from changes in market conditions, are reflected in the Statement of Consolidated Total Recognised Gains and Losses. Changes in valuations, to the extent that they represent a consumption of economic benefits (and the reversal thereof), are charged/(credited) to the Income and Expenditure Account.

iii) Depreciation

Tangible assets are depreciated on a straight-line basis over their useful life as follows:

- Freehold Buildings - not more than 50 years;
- Long Leaseholds - not more than 50 years;
- Short Leaseholds and Leasehold improvements - life of the lease;
- Land - not depreciated;
- Equipment - 5 years;
- Motor Vehicles - 4 years;
- Computer Equipment and Software - 3 years; and
- Assets Costing Less Than £5,000 - written off in year of purchase.

No depreciation is provided on assets under construction.

iv) Capital Grants

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related grants and donations are treated as deferred capital grants and released to income so as to match the related asset depreciation and impairment charges.

v) Investment Properties

In accordance with Statement of Standard Accounting Practice No 19:

- a) Investment properties are revalued at open market values. All surpluses and deficits arising on valuation are taken directly to revaluation reserve except that any permanent diminution in the value of an investment property is taken to the income and expenditure account for the year; and
- b) No depreciation is provided in respect of freehold investment properties.

Independent, external valuations in respect of investment properties are performed at least every three years.

i. Impairment of Tangible Fixed Assets

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income and Expenditure Account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the Income and Expenditure Account if it is caused by a clear consumption of economic benefits. Otherwise, impairments are recognised in the Statement of Total Recognised Gains and Losses until the carrying amount reaches the asset's depreciated historic cost.

i) Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of

return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

ii) Reversals of impairment

For tangible fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j. Leases and Hire Purchase Contracts

The University has adopted SSAP 21 'Accounting for leases and hire purchase contracts'. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Income and Expenditure Account on a straight line basis over the period of the lease.

k. Stocks

In accordance with SSAP 9 'Stocks and long term contracts', stocks are valued at lower of cost and net realisable value. Consumable items are charged directly to Income and Expenditure Account.

l. Provisions

In accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets', provisions are recognised when the University has a present and legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where material, provisions are discounted to reflect the time value of money.

m. Liquid Resources and Cash

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to the carrying value or traded in an active market. Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities. Cash includes cash in hand and deposits repayable on demand.

n. 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 either at the rates at the date of the Balance Sheet or, where there are related forward exchange contracts, at contract rates. The resulting exchange differences are dealt with in the Income and Expenditure Account for the financial year.

o. Investments

In the University's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

p. Heritage Assets

Items that meet the definition under FRS 30 of a Heritage Asset (a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture) are capitalised if their acquisition costs exceeds £5,000. Any heritage assets owned by the University will be held at cost or valuation where reasonably obtainable.

q. Taxation

The University 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.

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

r. Endowment Funds

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

Restricted permanent endowments – the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.

Unrestricted permanent endowments – these are expendable at the discretion of the trustees with no requirement that capital can be maintained.

Expendable endowments – where trustees have the power of discretion to convert endowed capital into income.

**Consolidated Income and Expenditure Account
for the year ended 31 July 2015**

	Note	2015 £'000	2014 £'000
INCOME			
Funding Council Grants	1	22,741	35,204
Tuition Fees and Education Contracts	2	173,230	153,352
Research Grants and Contracts	3	5,330	4,643
Other Operating Income	4	38,255	32,830
Interest Receivable	5	1,412	291
Total Income		240,968	226,320
EXPENDITURE			
Staff Costs	6	139,162	134,206
Other Operating Expenses	8	80,996	70,551
Interest and Finance Costs	9	3,690	3,905
Depreciation	13	16,232	12,870
Impairment of Tangible Fixed Assets	13	93	-
Total Expenditure		240,173	221,532
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Impairments of Fixed Assets but before Disposals of Fixed Assets and Tax		795	4,788
Gain on Disposals of Fixed Assets		1,710	-
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Impairments and Disposals of Fixed Assets but before Tax		2,505	4,788
Taxation	11	-	-
Surplus on Continuing Operations after Tax	12	2,505	4,788

All items of income and expenditure arise from continuing operations.

Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	2015 £'000	2014 £'000
Surplus on Continuing Operations after Tax	2,505	4,788
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year	2,402	2,523
Realisation of property revaluation gains of previous years	1,222	-
Historical Cost Surplus for the Year	6,129	7,311

**Statement of Consolidated Total Recognised Gains and Losses
for the year ended 31 July 2015**

	Note	2015 £'000	2014 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Impairments of Fixed Assets and Tax		2,505	4,788
Actuarial (Loss)/Gain in Respect of Defined Benefit Pension Scheme	26	(15,850)	18,530
Actuarial Loss in Respect of Enhanced Pension Provision	19	(112)	(60)
Unrealised Losses on Property Impairment	13	(757)	(2,486)
Total Recognised (Losses)/Gains for the Year		(14,214)	20,772

**Consolidated reconciliation of movements in reserves
for the year ended 31 July 2015**

	Note	2015 £'000	2014 £'000
Opening Reserves		156,720	135,948
Total Recognised (Losses)/Gains for the Year		(14,214)	20,772
Closing Reserves	21	142,506	156,720

Balance Sheets at 31 July 2015

	Note	CONSOLIDATED		UNIVERSITY	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
FIXED ASSETS					
Tangible Fixed Assets	13	316,580	329,447	316,580	329,447
CURRENT ASSETS					
Stocks		101	148	101	148
Debtors	15	10,389	9,047	10,400	9,184
Assets Held for Sale	13	4,000	-	4,000	-
Investments	16	10,000	-	10,000	-
Cash at Bank and in Hand		54,000	56,263	53,995	56,262
		78,490	65,458	78,496	65,594
Creditors – Amounts Falling Due Within One Year	17	(55,499)	(53,374)	(55,506)	(53,356)
NET CURRENT ASSETS		22,991	12,084	22,990	12,238
TOTAL ASSETS LESS CURRENT LIABILITIES		339,571	341,531	339,570	341,685
Creditors – Amounts Falling Due After More Than One Year	18	(70,225)	(72,524)	(70,225)	(72,524)
Provisions for Liabilities and Charges	19	(7,056)	(7,090)	(7,056)	(7,090)
NET ASSETS EXCLUDING PENSION LIABILITY		262,290	261,917	262,289	262,071
Pension Liability	26	(95,438)	(81,410)	(95,438)	(81,410)
NET ASSETS INCLUDING PENSION LIABILITY		166,852	180,507	166,851	180,661
REPRESENTED BY:					
Deferred Capital Grants	20	24,346	23,787	24,346	23,787
RESERVES					
Revaluation Reserve	21	97,910	102,291	97,910	102,291
Revenue Reserve Excluding Pension Reserve	21	140,034	135,839	140,033	135,993
Pension Reserve	21	(95,438)	(81,410)	(95,438)	(81,410)
Revenue Reserve Including Pension Reserve		44,596	54,429	44,595	54,583
TOTAL RESERVES	21	142,506	156,720	142,505	156,874
TOTAL		166,852	180,507	166,851	180,661

The Financial Statements on pages 33 to 64 were approved by Governors on 16 November 2015 and signed on their behalf by:

Chris Sayers

Chair of the Board of Governors

Professor Andrew Wathey

Vice-Chancellor and Chief Executive

Consolidated Cash Flow Statement for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	17,166	21,682
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from Short Term Investments		364	291
Interest Paid (excluding on Pension Scheme Liabilities)		(3,546)	(3,291)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(3,182)	(3,000)
TAXATION			
		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to Acquire Tangible Fixed Assets		(14,165)	(12,168)
Net Proceeds from Disposal of Fixed Assets		7,660	-
Deferred Capital Grants Received		2,809	1,166
Net Cash Outflow from Capital Expenditure and Financial Investment		(3,696)	(11,002)
FINANCING			
New Secured Long Term Loans		-	9,945
Repayment of Secured Long Term Loans		(2,475)	(478)
Repayment of Unsecured Loans		(76)	(152)
Net Cash (Outflow) /Inflow from Financing		(2,551)	9,315
MANAGEMENT OF LIQUID RESOURCES			
Cash (Placed On)/Withdrawn From Deposit		(10,000)	5,000
Net Cash (Outflow)/Inflow from Management of Liquid Resources		(10,000)	5,000
(DECREASE)/INCREASE IN CASH IN THE YEAR			
		(2,263)	21,995
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT			
(Decrease)/Increase in Cash in the Year		(2,263)	21,995
Increase/(Decrease) in Short Term Deposits		10,000	(5,000)
Decrease/(Increase) in Debt in the Year		2,551	(9,315)
Decrease in Net Debt in the Year	24	10,288	7,680
Net Debt as at 1 August	24	(19,813)	(27,493)
Net Debt as at 31 July	24	(9,525)	(19,813)

Notes to the Financial Statements

	CONSOLIDATED	
	2015 £'000	2014 £'000
1 FUNDING COUNCIL GRANTS		
Recurrent Grant Received from HEFCE	18,167	30,317
Specific Grants	2,116	2,604
National College for Teaching and Learning	1,025	1,068
Releases from Deferred Capital Grants:		
Buildings (Note 20)	594	594
Equipment (Note 20)	839	621
	22,741	35,204
2 TUITION FEES AND EDUCATION CONTRACTS		
Full-Time Home and EU Students	116,073	97,155
Part-Time Home and EU Students	4,960	4,437
Overseas Fees	26,414	27,162
Short Courses	2,645	2,529
Nursing Education Contract	22,570	21,588
Other Fees	568	481
	173,230	153,352
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	1,676	1,396
UK Based Charities	395	417
European Commission	1,273	1,022
Other Grants and Contracts	1,986	1,808
	5,330	4,643
<p>The University acts as the lead partner in a number of research grants and contracts. The gross income value of these grants and contracts was £5,723k (2014: £5,041k). In accordance with FRS 5 'Reporting the Substance of Transactions', the University has only recognised income and costs to the extent that the University acts as the principal in the contracts. Total research grants and contracts income (including that receivable from the Funding Council in Note 1 above) amounted to £8,473k (2014: £7,716k).</p>		
4 OTHER INCOME		
Accommodation and Catering	18,188	15,319
Collaborative Ventures	6,911	5,336
Other Academic Income	2,244	2,782
Rent and Rates	1,336	1,453
Sports Centre membership	1,194	1,305
IT Helpline income	1,214	1,134
All other income	7,032	5,309
Releases from Deferred Capital Grants (non Funding Council):		
Buildings (Note 20)	46	66
Equipment (Note 20)	90	126
	38,255	32,830

	CONSOLIDATED	
	2015 £'000	2014 £'000
5 INTEREST RECEIVABLE		
From Short Term Investments	364	291
On Defined Benefit Pension Scheme (See Note 26)	1,048	-
	1,412	291
6 STAFF COSTS		
Salaries and Wages	113,149	108,962
Social Security Costs	9,645	9,226
Other Pension Costs (Note 26)	16,368	16,018
	139,162	134,206
Emoluments of the Vice-Chancellor		
Salary	240	236
Bonus	22	23
Benefits in kind	3	3
	265	262
Pension Contributions to USS	38	38
	303	300

The University's pension contributions to the Universities Superannuation Scheme on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff.

6 STAFF COSTS (continued)

CONSOLIDATED

	2015 Staff FTE	2014 Staff FTE
Remuneration of other Higher Paid Staff (Excluding Employers' NI and Superannuation)		
£100,000 – £109,999	2	3
£110,000 – £119,999	4	2
£120,000 – £129,999	6	5
£130,000 – £139,999	1	1
£140,000 – £149,999	2	2
£150,000 – £159,999	-	1
£200,000 – £209,999	1	1

Under the HEFCE Accounts Direction for 2014/15, the above table now excludes employees whose termination benefits previously classified them as 'higher paid'. 2014 has been restated accordingly. Those higher paid staff who left during the year are still included if their combined salary and termination benefits exceeded £100,000.

No compensation for loss of office was paid to higher paid staff included above in either the current or prior year. Compensation for loss of office of £50,000 was paid during the current year to one higher paid staff under the 2014 disclosure which did not meet the requirement for disclosure in 2015.

CONSOLIDATED

	2015 Staff FTE	2014 Staff FTE
Average Staff Numbers (expressed as full-time equivalents (FTE))		
Academic	1,251	1,229
Academic Support	345	322
Student Support	229	220
Estates and Accommodation	439	468
Administration and Central Services	543	499
	2,807	2,738

The prior year Academic and Academic Support staff numbers have been restated to bring them in line with current year reporting.

7 GOVERNOR REMUNERATION & EXPENSES

Remuneration

In accordance with the Instrument of Government, the Board of Governors has the power to remunerate the Chair of the Board and Chairs of Committees for their services as Governors. Governors who are also employees or students of the University are not entitled to claim such remuneration.

During the year, the following governors were remunerated:

Christopher Sayers, Pro-Chancellor and Chair of the Board of Governors - £20,000.

Adam Serfontein, Pro-Chancellor and Independent Governor - £7,500.

David Clipsham, Senior Independent Governor and Chair of Remuneration Committee - £7,500.

Alasdair Corfield, Independent Governor and Chair of Audit Committee - £7,500.

The following governor waived his right to remuneration:

Graham Hillier, Independent Governor and Chair of Employment & Finance Committee

All payments made have been duly approved by the Board of Governors

Reimbursement of Governor expenses

All Governors are entitled to reimbursement of expenses incurred directly in attending meetings or other direct Board and Committee-related events, provided that the claim is in accordance with the Financial Regulations, including the production of relevant receipts. In 2015, 10 Governors claimed a total of £8,813 in expenses (2014: 8 Governors claimed a total of £4,648).

	CONSOLIDATED	
	2015 £'000	2014 £'000
8 OTHER OPERATING EXPENSES		
Accommodation and Catering	1,871	1,995
External Auditors' Remuneration:		
University External Audit	53	58
Subsidiaries External Audit	12	12
Other Services from External Audit	17	58
Internal Audit Services	115	92
Books and Periodicals	3,628	3,365
IT Supplies and Other Equipment	5,541	5,726
Marketing and Publicity	3,436	3,352
Printing, Postage and Stationery	1,346	1,476
Professional Services	8,923	6,988
Recruitment and Relocation	290	370
Rent, Rates and Utilities	13,100	10,227
Repairs and Maintenance	3,403	5,884
Scholarships and Mandatory Bursaries	19,108	13,616
Student Recruitment Costs	5,639	5,064
Telephone	619	570
Travel and Subsistence	6,610	5,275
Other Expenses:		
Bank Charges	221	188
Student Placement Fees	623	759
Student Union Grant	2,048	1,870
Subscriptions	1,207	1,148
Others	3,186	2,458
	80,996	70,551
Operating Lease Expenses included in the above are:		
Property Rentals	5,186	3,096
Equipment Hire	100	123
Vehicle Hire	22	14
	5,308	3,233

9 INTEREST AND FINANCE COSTS		
On Bank Loans	3,546	3,291
On Defined Benefit Pension Scheme (Note 26)	-	460
On Enhanced Pension Scheme (Note 19)	144	154
	3,690	3,905

CONSOLIDATED

	Staff Costs 2015	Other Operating Expenses 2015	Interest Payable 2015	Total 2015	Total 2014
10 ANALYSIS OF EXPENDITURE BY ACTIVITY	£'000	£'000	£'000	£'000	£'000
Academic Schools	86,659	12,950	-	99,609	92,285
Academic Services	12,520	8,929	-	21,449	21,981
Administration	28,686	38,779	-	67,465	59,147
Premises	6,036	13,852	3,546	23,434	21,075
Residences, Catering and Conferences	2,882	5,471	-	8,353	9,420
Research Grants and Contracts	3,153	1,015	-	4,168	3,648
Other Expenses	(774)	-	144	(630)	1,106
	139,162	80,996	3,690	223,848	208,662
Depreciation				16,232	12,870
Impairment				93	-
				240,173	221,532

11 TAXATION

The University 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.

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

CONSOLIDATED

	2015 £'000	2014 £'000
12 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR		
The surplus on continuing operations for the year is made up as follows:		
University's Surplus for the Year	2,350	4,783
Surplus Generated by the Subsidiary Undertakings	155	5
	2,505	4,788

CONSOLIDATED and UNIVERSITY

	Freehold Land and Buildings £'000	Long Leasehold Buildings £'000	Short Leasehold Improvements £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
13 TANGIBLE FIXED ASSETS						
Valuation/Cost at 1 August 2014	322,455	1,585	3,079	59,275	2,271	388,665
Additions at Cost	78	5	-	5,216	8,866	14,165
Work in Progress Transfer	3,712	-	535	2,825	(7,072)	-
Disposals	(6,073)	-	-	-	-	(6,073)
Land Impairment	(757)	-	-	-	-	(757)
Transfer to Assets Held for Sale	(4,093)	-	-	-	-	(4,093)
Valuation/Cost at 31 July 2015	315,322	1,590	3,614	67,316	4,065	391,907
Depreciation at 1 August 2014	9,972	66	2,168	47,012	-	59,218
Charge for Year	9,129	58	690	6,355	-	16,232
Disposals	(123)	-	-	-	-	(123)
Land Impairment	93	-	-	-	-	93
Transfer to Assets Held for Sale	(93)	-	-	-	-	(93)
Depreciation at 31 July 2015	18,978	124	2,858	53,367	-	75,327
Net Book Value at 31 July 2015	296,344	1,466	756	13,949	4,065	316,580
Net Book Value at 31 July 2014	312,483	1,519	911	12,263	2,271	329,447

During the year the University disposed of Kingston Park Rugby Ground, a property held for investment purposes along with adjoining pitches which had formed part of the University's Bullocksteads Sports Ground. Marleen Court student residences were also disposed of in the year. All disposed properties/land were included in Freehold Land & Buildings.

The University intends to dispose of land at its Coach Lane Campus in 2016. Accordingly it has impaired the value of this land to the net realisable value based on offers received and has transferred the value out of Tangible Fixed Assets and into Assets held for sale. Of the impairment charge for the year of £850k, £93k was charged to the Income and Expenditure Account and £757k was charged to the Statement of Total Recognised Gains and Losses.

If land and buildings had not been revalued the revalued assets would have been included at the following amounts:

	2015 £'000	2014 £'000
Historic Cost	327,727	328,783
Aggregate Depreciation Based on Cost	(62,492)	(55,830)
Net Book Value Based on Cost	265,235	272,953

The University completed a review of its assets in 2011 as a result of the introduction of FRS 30 Heritage Assets. The University owns a number of works of art and artefacts which have been donated to the University. These amounts have not been capitalised as gaining external valuations would be prohibitive in terms of cost relative to the anticipated value of these items.

14 FIXED ASSET – INVESTMENTS

The following companies are wholly owned subsidiaries and registered in England and Wales:

Company	Activity	Issued Share Capital	£
University of Northumbria at Newcastle Developments Limited	Provision of Education Services	2 £1 Ordinary Shares	2
Northumbria International Limited	Support Services for Overseas Activities	1 £1 Ordinary Share	1
Northumbria University Nursery Limited	Provision of Nursery Services	1 £1 Ordinary Share	1

The following companies are other investments and registered in England and Wales:

Company	Activity	Issued Share Capital	£
Northumbria London Campus Limited	Joint Venture London Campus	501 £1 Ordinary Shares (50.1% holding)	501
BIM Academy (Enterprises) Limited	Joint Venture to supply 3D modelling to building industry	50 £1 Ordinary Shares (50.0% holding)	50

555

Northumbria London Campus Limited and BIM Academy (Enterprises) Limited are not consolidated on the grounds of materiality.

	CONSOLIDATED		UNIVERSITY	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
15 DEBTORS				
Amounts falling due within one year				
Trade Debtors	1,441	2,128	1,438	2,125
Amounts Owed by Subsidiary Undertakings	-	-	1,568	324
Prepayments and Accrued Income	8,639	6,781	7,085	6,597
Other Debtors	309	138	309	138
	10,389	9,047	10,400	9,184
16 CURRENT ASSET INVESTMENTS				
Short Term Deposits	10,000	-	10,000	-
	10,000	-	10,000	-

	CONSOLIDATED		UNIVERSITY	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
17 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank Loans (Note 18)	3,300	3,476	3,300	3,476
Other Loans (Note 18)	-	76	-	76
Trade Creditors	12,395	9,743	12,364	9,738
Amounts owed to Subsidiary Undertakings	-	-	63	-
Social Security and Other Taxes Payable	2,722	2,637	2,715	2,629
Accruals	9,187	6,803	9,181	6,803
Capital Grants not yet expended	1,639	958	1,639	958
Deferred Income	25,072	28,423	25,060	28,418
Other Creditors	720	767	720	767
External Funds (Note 27)	464	491	464	491
	55,499	53,374	55,506	53,356

	CONSOLIDATED and UNIVERSITY	
	2015 £'000	2014 £'000
18 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Bank Loans	70,225	72,524
	70,225	72,524
Analysis of Bank and Other Loans by due dates		
Due within one year or on demand	3,300	3,552
Due between one and two years	3,300	3,476
Due between two and five years	9,900	10,428
Due in five years or more	57,025	58,620
	73,525	76,076
Due within one year or on demand	(3,300)	(3,552)
Due after more than one year	70,225	72,524

18 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Analysis of Loans by Source

Lender	Type	Start	Term	Interest Rate	Due Within One Year £'000	Due in More Than One Year £'000
Barclays	£76m Term Loan	12 Sept 2014	23 Years	See note below	3,300	70,225
Barclays	£15m RCF	12 Sept 2014	5 Years		-	-
					3,300	70,225

The Barclays £96m Loan Facility ended in September 2014 and was replaced by a new £91m Loan Facility comprising a £76m, 23 year Term Loan and a £15m, 5 year Revolving Credit Facility.

The Barclays loans are secured by means of a fixed charge over the University's property assets.

The following Rates apply to the Barclays borrowings:

Agreement	From	To	Rate	Borrowings £'000
Fixed Rate Hedge	1 August 2011	1 August 2036	5.52%	38,696
Fixed Rate Hedge	1 August 2012	1 August 2035	4.61%	25,510
Variable Rate	1 May 2015	2 August 2015	0.57%	9,319

At 31 July 2015 the aggregate fair value of the hedge agreements was a liability of £20.3m (2014: £17.0m). These fair values have not been included in these financial statements as the University has not adopted the fair value measurement rules available as an option under UK GAAP.

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	2015 £'000	2014 £'000
19 PROVISIONS FOR LIABILITIES AND CHARGES		
Enhanced Pension Provision	3,529	3,545
Restructuring Provision	879	987
Dilapidations Provision	2,648	2,558
At 31 July 2015	7,056	7,090

£'000

a) Enhanced Pension Provision

At 1 August 2014	3,545	
Benefits Paid	(272)	
Interest Cost	144	
Actuarial Loss	112	
At 31 July 2015	3,529	

In previous financial years, the University has granted enhanced pension payments to certain members of staff in both the LGPS and TPS schemes. The difference between enhanced pension and the amount earned according to the scheme rules is charged back to the University by the schemes. The University therefore has a liability both to the Tyne and Wear Pension Fund and to the Teachers' Pension Agency for these payments.

£'000

b) Restructuring Provision

At 1 August 2014	987	
Utilised in the year	(987)	
Provided in the year	879	
At 31 July 2015	879	

The University restructuring exercise is still on-going.

£'000

c) Dilapidations Provision

At 1 August 2014	2,558	
Utilised in the year	-	
Provided in the year	90	
At 31 July 2015	2,648	

This amount is being provided to meet the anticipated cost of exiting two office leases in 2015 and an accommodation property lease in 2018.

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	Funding Council £'000	Other £'000	Total £'000
20 DEFERRED CAPITAL GRANTS			
At 1 August 2014			
Buildings	20,472	1,379	21,851
Equipment	1,737	199	1,936
Total	22,209	1,578	23,787
Grants Received			
Buildings	-	-	-
Equipment	2,805	4	2,809
Total	2,805	4	2,809
Released to Income and Expenditure Account			
Buildings	594	46	640
Equipment	839	90	929
Total	1,433	136	1,569
Unexpended Grants transferred from Creditors			
Buildings	-	-	-
Equipment	958	-	958
Total	958	-	958
Unexpended Grants transferred to Creditors			
Buildings	-	-	-
Equipment	1,639	-	1,639
Total	1,639	-	1,639
At 31 July 2015			
Buildings	19,878	1,333	21,211
Equipment	3,022	113	3,135
Total	22,900	1,446	24,346

	CONSOLIDATED			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
21 RECONCILIATION OF MOVEMENT IN RESERVES				
At 1 August 2014	102,291	135,839	(81,410)	156,720
Surplus for Year	-	2,505	-	2,505
Historical Cost Transfer	(2,402)	2,402	-	-
Realised Revaluation Surplus on Disposal	(1,222)	1,222	-	-
Unrealised Property Impairment	(757)	-	-	(757)
Pension Scheme Transfer	-	(1,822)	1,822	-
Actuarial Loss in Respect of Defined Benefit Pension Scheme	-	-	(15,850)	(15,850)
Actuarial Loss in Respect of Enhanced Pension Provision	-	(112)	-	(112)
At 31 July 2015	97,910	140,034	(95,438)	142,506

	UNIVERSITY			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
At 1 August 2014	102,291	135,993	(81,410)	156,874
Surplus for Year	-	2,350	-	2,350
Historical Cost Transfer	(2,402)	2,402	-	-
Realised Revaluation Surplus on Disposal	(1,222)	1,222	-	-
Unrealised Property Impairment	(757)	-	-	(757)
Pension Scheme Transfer	-	(1,822)	1,822	-
Actuarial Loss in Respect of Defined Benefit Pension Scheme	-	-	(15,850)	(15,850)
Actuarial Loss in Respect of Enhanced Pension Provision	-	(112)	-	(112)
At 31 July 2015	97,910	140,033	(95,438)	142,505

	CONSOLIDATED	
	2015 £'000	2014 £'000
22 CAPITAL COMMITMENTS		
Committed and Contracted for	4,902	2,944

**23 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

Surplus Before Tax	2,505	4,788
Interest Receivable	(1,412)	(291)
Interest Payable	3,690	3,905
Depreciation	16,232	12,870
Impairment of Tangible Fixed Assets	93	-
Surplus on Fixed Asset Disposals	(1,710)	-
Deferred Capital Grants Released to Income	(1,569)	(1,407)
Pension Adjustments to Staff Costs	(774)	763
Pension Adjustments to Interest Payable	(144)	(154)
Decrease/(Increase) in Stocks	47	(40)
Increase in Debtors	(1,342)	(1,435)
Increase in Creditors	2,377	330
Capital Grants transferred from Creditors	958	644
Capital Grants transferred to Creditors	(1,639)	(958)
(Decrease)/Increase in Provisions	(146)	2,667
Net Cash Inflow from Operating Activities	17,166	21,682

	CONSOLIDATED			
	Opening £'000	Cash Flow £'000	Other £'000	Closing £'000
24 ANALYSIS OF CHANGES IN NET DEBT				
Cash and Bank	56,263	(2,263)	-	54,000
Investments	-	10,000	-	10,000
Debt due within One Year	(3,552)	3,552	(3,300)	(3,300)
Debt due after One Year	(72,524)	(1,001)	3,300	(70,225)
Net Debt	(19,813)	10,288	-	(9,525)

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25 FINANCIAL COMMITMENTS

At 31 July 2015 the University had annual commitments under non-cancellable operating leases as follows:

	2015 £'000	2014 £'000
Amounts Expiring Within One Year	513	212
Amounts Expiring Between One and Two Years	17	420
Amounts Expiring Between Two and Five Years	1,086	1,207
Amounts Expiring in More than Five Years	2,642	3,676
	4,258	5,515
Analysed by:		
Property Rentals	4,166	5,370
Equipment Hire	70	123
Vehicle Hire	22	22
	4,258	5,515

26 PENSION SCHEMES

The three pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the Tyne and Wear Pension Fund (TWPF) which is a Local Government Pension Scheme (LGPS).

The total pension recognised in staff costs for the year was:

TPS	7,142	6,572
USS	1,161	1,030
LGPS	8,061	8,412
Enhanced Pension Contributions	4	4
Total	16,368	16,018

The following information, taken from the latest scheme valuations, has been used to determine the contribution levels of the Schemes for 2014/15:

	TPS	USS	LGPS
Investment returns per annum	5.1%	4.4%	5.2%
Salary scale increase per annum	4.8%	4.4%	5.3%
Pension increase per annum	2.0%	3.4%	3.3%
Market value of assets at date of last valuation	£176,600m	£32,434m	£4,305m
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	92%	92%	79%

26 PENSION SCHEMES (continued)

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2015. The valuation report was published by the Department for Education (the Department) on 9 June 2015. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2015/06/publication-of-the-valuation-report.aspx>

The value of employee and employer contributions paid to the TPS in the year amounted to £12,231k (2014: £11,756k).

26 PENSION SCHEMES (continued)

Universities Superannuation Scheme (USS)

The company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £1,161k (2014: £1,030k) as shown in this note. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements which are unaudited.

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

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

Tyne and Wear Pension Fund (TWPF)

LGPSs are regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGPSs are determined nationally by regulation and meet the definition of a defined benefit scheme. The South Tyneside Metropolitan Council is the administering authority for the TWPF. The metropolitan councils in Tyne & Wear, and other bodies, for example the University, are employing bodies within the TWPF. In the event that the University closes, and there is no successor establishment, the Secretary of State becomes the compensating authority.

During the year, the University's contribution rate for non-academic administrative staff was 14.9%.

The value of employee and employer contributions paid to the TWPF in the year amounted to £11,063k (2014: £9,769k).

26 PENSION SCHEMES (continued)

Financial Reporting Standard 17 (FRS 17): Retirement Benefits

The disclosures below relate to the funded liabilities within the Tyne & Wear Pension Fund (the “Fund”), which is part of the Local Government Pension Scheme (“LGPS”). The funded nature of the LGPS requires Northumbria University and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

In accordance with Financial reporting Standard No. 17 – Retirement Benefits (FRS 17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contributions for the accounting period ending 31 July 2016

The Employer’s regular contributions to the Fund for the accounting period to 31 July 2016 are estimated to be £8,600k. In addition, Strain on Fund Contributions may be required.

Assumptions

The latest actuarial valuation of Northumbria University’s liabilities took place as at 31 March 2014. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 17 purposes were:

Principal Actuarial Assumptions	Year Ended 31 July 2015	Year Ended 31 July 2014
Discount Rate	3.6%	4.1%
RPI Inflation	3.2%	3.2%
CPI Inflation	2.1%	2.2%
Rate of increase to pensions in payment	2.1%	2.2%
Rate of revaluation of pension accounts	2.1%	2.2%
Rate of increase to deferred pensions	2.1%	2.2%
Rate of general increase in salaries	3.6%	3.7%
Post retirement mortality	At 31 July 2015 Years	At 31 July 2014 Years
Males		
Future lifetime from age 65 (currently aged 65)	23.1	23.0
Future lifetime from age 65 (currently aged 45)	25.1	25.0
Females		
Future lifetime from age 65 (currently aged 65)	24.7	24.6
Future lifetime from age 65 (currently aged 45)	27.0	26.9

26 PENSION SCHEMES (continued)

Expected return on assets

The approximate split of assets for the fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS 17.

	Long-term expected Rate of Return at 31 July 2015 ¹ %	Asset split at 31 July 2015 %	Long-term expected Rate of Return at 31 July 2014 %	Asset split at 31 July 2014 %	Long-term expected Rate of Return at 31 July 2013 %	Asset split at 31 July 2013 %
Equities	n/a	65.9	7.5	67.2	7.8	66.6
Property	n/a	9.6	6.8	9.1	7.3	8.9
Government Bonds	n/a	3.6	3.2	3.6	3.3	3.6
Corporate Bonds	n/a	11.6	3.7	11.5	4.0	11.6
Cash	n/a	2.8	1.1	2.6	0.9	2.3
Other	n/a	6.5	7.5	6.0	7.8	7.0
Total	n/a	100.0	6.7	100.0	7.0	100.0

¹ The adoption of FRS 102 in the next accounting period removes the requirement to recognise an expected return on assets item in the income and expenditure charge. This item will be replaced with a net financing charge which is based on the discount rate assumption. As the expected return on assets is based on the assumption at the start of the accounting period, assumptions for the expected return on assets are not required at 31 July 2015.

The following amounts for 31 July 2015 were measured in accordance with the requirements of FRS 17:

	Value as at 31 July 2015 £'000	Value as at 31 July 2014 £'000
Reconciliation of Funded Status to Balance Sheet		
Fair Value of Fund Assets	193,273	172,496
Present Value of Liabilities	(288,711)	(253,906)
Net Pension Liability	(95,438)	(81,410)
Analysis of Income and Expenditure Charge		
Current Service Cost	7,522	8,110
Past Service Cost – Strain on Fund Contributions	539	302
Interest Cost	10,472	11,880
Expected Return on Assets	(11,520)	(11,420)
Expense recognised in Income and Expenditure	7,013	8,872

26 PENSION SCHEMES (continued)

The Net Expense recognised in the Income and Expenditure account was allocated £8,061k to Staff Pension Costs (2014: £8,412k) and £1,048k credit to Interest Receivable (2014: £460k charge to Interest Payable).

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Analysis of the amount recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	5,430	(5,720)
Changes in assumptions underlying the present value of the scheme liabilities	(21,280)	24,250
Actuarial Gain recognised in STRGL	(15,850)	18,530
Changes to the Present Value of Liabilities during the year		
Present Value of Liabilities as at 1 August	253,906	261,705
Current Service Cost	7,522	8,110
Interest Cost	10,472	11,880
Contributions by Participants	2,742	2,399
Actuarial Losses/(Gains) on Liabilities	21,280	(24,250)
Net Benefits Paid Out	(7,750)	(6,240)
Past Service Cost – Strain on Fund Contributions	539	302
Present Value of Liabilities as at 31 July	288,711	253,906
Changes to the Fair Value of Assets during the year		
Fair Value of Assets as at 1 August	172,496	162,988
Expected Return on Assets	11,520	11,420
Actuarial Gains/(Losses) on Assets	5,430	(5,720)
Contributions by Employer	8,835	7,649
Contributions by Participants	2,742	2,399
Net Benefits Paid Out	(7,750)	(6,240)
Fair Value of Assets as at 31 July	193,273	172,496

26 PENSION SCHEMES (continued)

History of Experience Gains and Losses

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Difference between the expected and Actual return on scheme assets					
Amount – £'000	5,430	(5,720)	11,960	(7,620)	4,110
Percentage of scheme assets	2.8%	-3.3%	7.3%	-5.5%	3.1%
Experience gains/(losses) on Scheme liabilities					
Amount – £'000	1,110	14,640	(80)	(1,030)	(2,580)
Percentage of present value of Scheme liabilities	0.4%	5.8%	-0.0%	-0.4%	-1.3%
Total amounts recognised in STRGL					
Amount – £'000	(15,850)	18,530	1,730	(22,830)	(6,300)
Percentage of scheme liabilities	-5.5%	7.3%	0.7%	-9.6%	-3.1%

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	2015 £'000	2014 £'000
27 EXTERNAL FUNDS		
a) Access Funds		
As at 1 August	5	6
Funding Council Grants	-	484
Interest Earned	-	1
	5	491
Disbursed to Students	(5)	(471)
Administration Fees	-	(15)
As at 31 July (Included in creditors – Note 17)	-	5
From 1 August 2014 there was no specific allocation for access funds. Accordingly, that element of income that was distributed as access funds was recorded through the Income and Expenditure Account.		
b) National College for Teaching and Learning Bursaries		
As at 1 August	486	468
Funding Council Grants	1,078	1,065
	1,564	1,533
Payments to Trainees	(1,100)	(1,047)
As at 31 July (Included in creditors – Note 17)	464	486

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

28 RELATED PARTY TRANSACTIONS

The University has taken advantage of the disclosure exemption under FRS 8, which applies to transactions and balances between group entities that have been eliminated on consolidation.

Members of the Board of Governors are required to declare any outside interests. When an item arises in which a member has a pecuniary, business, family, or other personal interest, it must be declared and the member concerned may not take part in the consideration of the matter nor vote on it. The Board of Governors has considered the financial effect of all transactions involving organisations in which a member of the Board of Governors may have an interest. It is confirmed that these are conducted at arm's length and in accordance with the University's Financial Regulations. Significant transactions were:

	Sales 2015 £'000	Purchases 2015 £'000	Sales 2014 £'000	Purchases 2014 £'000
All Party Parliamentary University Group	-	1	-	-
ARCH Northumberland Development Company	-	29	-	29
BALTIC Centre for Contemporary Art	-	149	-	1
BALTIC Flour Mills Visual Arts Trust Ltd.	-	-	-	256
BIM Academy (Enterprises) Ltd	16	85	16	17
British Telecommunications Plc	-	45	-	293
Building Futures East	5	-	-	-
Colour Me Beautiful Ltd	-	-	-	14
Deloitte LLP	-	159	-	-
Higher Education Statistics Agency Ltd	-	62	-	54
IBM Plc	-	-	-	8
Leadership Foundation for Higher Education	-	47	-	38
Newcastle Gateshead Initiative	-	-	-	22
NHS Newcastle Hospitals Foundation	-	68	-	-
Northumbria London Campus Limited	372	30	51	-
Redcar & Cleveland Borough Council	14	-	-	-
Seven Stories	2	2	-	-
Student Finance England	-	29	1	-
Tees, Esk Valley Mental Health Trust	12	218	-	-
Templeton Brown Ltd.	-	-	-	20
University of Northumbria Students' Union	879	1,779	1,301	1,860
Universities UK	-	1	-	-

28 RELATED PARTY TRANSACTIONS (continued)

	Debtor		Creditor	Debtor	Creditor
	2015		2015	2014	2014
	£'000		£'000	£'000	£'000
All Party Parliamentary University Group	-		1	-	-
ARCH Northumberland Development Company	-		3	-	4
BALTIC Centre for Contemporary Art	-		32	-	12
BIM Academy (Enterprises) Ltd	7		-	7	-
Higher Education Statistics Agency Ltd	-		2	-	4
Leadership Foundation for Higher Education	-		17	-	-
NHS Newcastle Hospitals Foundation	-		13	-	-
Northumbria London Campus Limited	136		20	25	-
Tees, Esk Valley Mental Health Trust	-		160	-	-
Templeton Brown	-		-	-	4
University of Northumbria Students' Union	5		222	6	298

During the year the University recognised income of £22,676k (2014: £21,681k) and incurred expenditure of £328k (2014: £277k) from transactions with subsidiary undertakings (as listed in note 14). Amounts due to and from subsidiary companies are disclosed in notes 15 and 17.

