



**Northumbria
University**
NEWCASTLE

ANNUAL REPORT AND FINANCIAL STATEMENTS. 2018/19

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The Annual Report and Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and the Accounts Direction, dated 19 June 2018, issued by the Office for Students.

Vice-Chancellor and Chief Executive's foreword



I am pleased to introduce the Annual Report and Financial Statements for 2018/19. The information in this report provides an overview of the University's activities and achievements during the year.

2018/19 was the first year of the University Strategy 2018-23, the road map for the University's continued transformation over the next five years which will help us to realise our ambitious Vision and achieve a rank position in the top 30 of UK universities. In an increasingly competitive HE sector, Northumbria is a challenger institution.

Excellent teaching and research are at the heart of what we do. We continue to improve our standing in global league tables: this year Northumbria has moved into the top 351-400 universities in the Times Higher Education World University Rankings 2020, rising from top 401-500 last year. The University's rank position on research citations rose 76 places in the last year to 173rd globally, and to 27th of the 100 UK universities ranked in this table.

Northumbria's continued development is a result of collective effort. We continue to encourage, and invest in our talented academic and professional staff, and attract a diverse mix of students and staff from across the globe, supporting their development and embedding them into the Northumbria community and its future.

Northumbria again recruited strongly this year in terms of volume and quality, in an ever-more competitive environment. Northumbria's students have better entry qualifications on average than in any other post-92 institution, ranking 30th among universities in England. The University has also grown its masters, doctoral, international and degree apprenticeship student cohorts. Over the last year we have seen significant growth in the number of international students recruited to our Newcastle campuses, with strong growth from India in particular. We have taken a leading position in the provision of Degree Apprenticeships, educating future officers for Northumbria and Durham Police Forces.

Northumbria is a global university committed to developing its relationships and collaborations locally, nationally and internationally. Our London Campus is thriving with an appealing range of undergraduate and masters programmes across business, finance, computing, cyber security and project management. Our Amsterdam Campus, in partnership with the Amsterdam University of Applied Sciences, is also growing in student numbers and in the programmes offered.

We are achieving our ambition of being a research-rich university, with a notable growth in research awards over the last year reflecting the growing national and international recognition of Northumbria's research. Research grants worth £21.8m were won during 2018/19, an increase of 56% on the 2017/18 total and significantly higher than any previous year.

2018/19 also saw the completion of our exciting £6.7m international Architecture studio space extension to Sutherland Building, which has won a Royal Institute of British Architects (RIBA) North East Award.

This Annual Report gives a flavour of some of the successes from the last year, including substantial improvements in the University's league table standing reflecting our continued transformation. The University's achievements over the past 12 months and its solid financial position provide a strong foundation from which we can continue to build as we continue into the second year of our University Strategy 2018-23.



Professor Andrew Wathey CBE
Vice-Chancellor and Chief Executive

29 November 2019



Architecture studio space extension to Sutherland Building

Chair's introduction



Northumbria University's Annual Report and Financial Statements for 2018/19 highlight our major and diverse achievements as we complete the first year of our new University Strategy 2018-23.

This Annual Report and Financial Statements provide a formal opportunity to report on the financial, corporate and academic performance and prospects of Northumbria but, more than that, they also allow us to reflect on the diversity and rich breadth of contributions and successes of the exceptional people that are our staff and students, who make Northumbria one of the most dynamic and exciting universities in the country.

A transformation continues to sweep across our University embodying our steadfast focus on quality and I am proud of what our staff have achieved. In 2018/19, the first year of our University Strategy 2018-23, we have continued this transformation with considerable pace and renewed vigour.

The determination of the Board of Governors and University Executive to stick to the Strategy has proved hugely successful, attested to by the quality of our student intake year on year, the quality of staff being attracted to the University, the increased success in funding and resources, the student experience improvements through investment in excellent teaching, facilities, wider experiences and our growing research prowess as well as our highly impressive student prospects upon graduation. As these financial statements demonstrate, this is all underpinned by Northumbria's strong financial footing, which has given us the ability to continually invest in our strengths over the last seven years and will give us the financial platform to continue to invest in the years to come. Our financial performance is not to be taken lightly – we remain financially stable and strong, despite rising costs and significant challenges. Every staff member has played an important part in making our University such a great place for our students to thrive.

This year we embarked on the second stage of our Vision to position Northumbria as a top quartile University in the UK, and we have seen continued progress in many areas that will ultimately make this a reality. Northumbria is currently enjoying the strongest reputation that it has ever had and, as a result, we are continuing to attract the students that we need from both home and abroad – and not just the right numbers, but also the right quality. This in turn is leading to an increase in doctoral and masters student numbers, and our research reputation, worldwide, is at an all-time high. We have embarked on what is our University's most ambitious and focussed Strategy in its history which will continue to steer our journey to becoming a distinctive, high quality University that is competing and succeeding on our own terms.

I, and our Board of Governors, completely support the Vice-Chancellor and the Executive team as we move forward with the new University Strategy 2018-23. I have every confidence that we will continue to move from success to even greater success.

Chris Sayers

Pro-Chancellor and Chair of the Board of Governors

29 November 2019

KEY ACHIEVEMENTS - LEAGUE TABLE

One of the top 351-400 universities in the Times Higher Education World Rankings 2020, rising from top 401-500 last year.

173rd for research citations in the same league table, rising 76 places from last year and placing Northumbria in the top 15% of global universities for this measure.

Top 50 ranking in the Complete University Guide and Guardian University Guide.

97th in the Times Higher Education World Young University Rankings, up from 138th.

Named the 4th most sustainable university in the UK by People & Planet League, up from 37th.

Vision, strategy and impact

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 2030

Northumbria's Vision 2030 is to be a research-rich, business-focused professional university with a global reputation for academic excellence. This distinctive Vision of Northumbria as a new kind of excellent University is underpinned by the University Strategy 2018-23.

Academic excellence lies at the heart of our Vision. Achieving strength in both education and research, a differentiator for high quality universities, will secure the University's success and sustainability in the context of greater competition and student choice, globalisation and technology. Our ambition is to be in the top 30, and then top 20, of universities in the UK, as a key indicator of reputation for academic excellence.

University Strategy 2018-23

The University Strategy provides a roadmap for five years, setting the pace and direction to deliver the next steps in the University's transformation.

We will achieve five strategic outcomes over the Strategy period which collectively describe what Northumbria University will look like in 2023. We measure progress against the outcomes using Key Performance Indicators and through regular reporting to the University's Board of Governors.

1. Exceptional people empowered to achieve shared ambitions. This means:
 - Self-motivated people and teams that are ambitious for their own achievement and that of the University.
 - A community that supports the wellbeing of its staff, students and stakeholders; and helps them to realise the individual and collective benefits of collaboration.
 - A University that values people, supporting their access to opportunities and development.
2. World class research driving excellence in all of the University's activities. This means:
 - Research is embedded in education and knowledge exchange to drive academic excellence.
 - Increased volumes of 4* and 3* research creating global reputation.
 - World-class research in key areas of strength, with strong disciplines underpinning increased multidisciplinary collaboration and impact.
3. Transformed student and stakeholder outcomes. This means:
 - Teaching and learning that provides an immersive experience for all students.
 - Partnership working as a stylistic trait that achieves shared goals and is recognised by staff, students, and stakeholders.
4. Outstanding student and stakeholder experiences and outcomes.
4. Strong global reputation and market position, with diversified revenue streams. This means:
 - More high quality activity worldwide to reposition Northumbria's reputation.
 - A more balanced, innovative, flexible and attractive portfolio of education and research responsive to new market demands.
 - A student body of increasingly high achievement and levels of satisfaction, and a clear demonstration of the University's contribution to social mobility.
5. Organisational sustainability, efficiency and effectiveness. This means:
 - An integrated, technology-enabled and agile organisation that is customer-centric and delivers value for money for students and stakeholders.
 - Improvements in our environmental sustainability, a modern, attractive campus, and effective space utilisation.
 - A sustainable financial model which supports reinvestment in the University's Vision.

Our impact

Northumbria University is making a remarkable impact on the world. We are a challenger institution, transforming to take on tomorrow. Our ambitious Vision and the value we add to everything we do creates new knowledge that benefits society and transforms our students' lives. We are equipping our students to tackle tomorrow's challenges head on and to lead the way forward.

We have strength in research and education across the whole institution, enabling high quality knowledge exchange through our work with others. Our people, and the alignment between their ambitions and those of the University, will drive our transformation. Research is embedded in education and knowledge exchange to drive academic excellence, and in turn, education and knowledge exchange which will transform outcomes for students and stakeholders. Our growing academic excellence will produce a stronger global reputation; we will work with more high reputation partners and it will enable us to diversify our income. Through

organisational sustainability, efficiency and effectiveness, we will deliver value for money, ensure that the resources are available to implement the Strategy, and manage the impact we have on our environment.

Knowledge creation

Northumbria's academics collaborate with students, alumni and international partners to carry out world-class research, tackling tomorrow's challenges today and making a remarkable impact on the world.

Our international network of more than 500 partner universities, colleges and schools as well as global industrial partners ensures we provide a supportive learning community that attracts some of the best researchers from around the world.

The University's track record of securing increasingly high volumes of research awards from funders illustrates both the University's growing reputation for research and effective research partnerships with other universities and stakeholders.

Current, demand-led courses

Northumbria University delivers high-quality teaching, learning and outcomes for our students in a research-rich learning environment.

Thanks to Northumbria's excellent links to industry our courses are recognised as delivering the skills global business needs. More than 430 employers sponsor our students, and more than 50 professional bodies accredit our courses.

More than half of our undergraduate programmes are accredited by professional, statutory and regulatory bodies and over one third of our academic staff hold professional registrations and memberships.

An excellent student experience

With around 30,000 students, Northumbria is one of the largest universities in the UK, providing a diverse and comprehensive offer to its students. It has a national and global reach, with campuses in London and Amsterdam, and programmes delivered in collaboration with prestigious

New Research Council-funded Doctoral Training Centres in renewable energy (EPSRC), and in climate and environmental sciences (NERC), doubling the total number of centres from two to four. Lead UK University in a £20m US/UK study of the West Antarctic Ice Sheet and global sea levels.





We have more graduates in managerial jobs in the North East than any other university, and more than the whole of the Russell Group combined.

partners worldwide including in Sri Lanka, Indonesia, Singapore and Malaysia. More than 8,500 international students from 137 countries now study at one of Northumbria's campuses, or on a Northumbria course overseas.

In the past 12 months Northumbria has continued to invest in new academic posts, including 33 Vice-Chancellor's Fellows. These roles show how we continue to develop our research focus, but will also support the ongoing investment in our academic content and teaching quality.

We are committed to providing targeted and effective support to students to ensure they achieve their full potential. We offer a range of academic, support and wellbeing services, graduate start-up and careers and employability assistance, as well as outstanding facilities and resources.

The turnover of Northumbria graduate start-up businesses was in excess of £81.4m. To continue to support our students and graduates, we have also invested nearly £0.7m in a business incubator, open in late 2019. This space is used by students with entrepreneurial ideas to develop and grow their start-up companies.

Value for Money

We have an ongoing and clear focus on ensuring Value for Money for our staff, students, and other stakeholders including taxpayers. Efficient and effective procurement of goods and services is a key enabler of this, as is the effective use of our resources including the estate. But we know that Value for Money means much more than this. We continue to ensure that Northumbria adds value across all its activities, through the student experience whilst studying, through support for employability, and through ensuring that we are transparent about how we use our resources.

Further Value for Money information, which is primarily focused on students and covers where the University's income comes from and how the income is spent, can be found on the University's website (<https://www.northumbria.ac.uk/about-us/university-services/finance-team/value-for-money-for-our-students/>).

Financial and operating outlook

Our financial strategy is to ensure a strong and sustainable University, able to generate surplus cashflows which allow delivery of an enhanced global reputation for academic excellence and re-investment to support income growth and diversity. The University

Strategy is supported and enabled by financial plans which are designed to support ongoing investment whilst mitigating the significant risks we face.

The pressures of competition for students and from demographic changes are very real; in addition, the real cash costs of inflation and pensions changes are being felt across the sector and there are continued uncertainties around Brexit and the future impact on the recruitment of EU students. Against these sector headwinds, the continued strong recruitment of Home students for 2019/20, in perhaps the most competitive UCAS cycle yet, is particularly pleasing. With encouraging numbers across international and postgraduate categories, as well as for degree apprenticeships and our campuses in London and Amsterdam, we can be confident in our future.

The University moves into 2019/20 with a strong platform from which to build, demonstrating that our focus on quality can make a period of change and uncertainty also one of opportunity.

KEY ACHIEVEMENTS - EDUCATION

Highly sought after graduates: more Northumbria graduates go on to secure professional and managerial roles in the North East than any other single institution, and more than the whole of the Russell Group combined.

Ranked first in the UK for graduate start-ups based on turnover, for five out of the last six years.

Recruits exceptional students – the best qualified of many of the newer universities in the UK – and ranked 30th in England for student entry qualifications.

Has developed nationally leading Degree Apprenticeship programmes to train police officers of the future.

Three-year partnership with Santander Universities UK worth over a quarter of a million pounds boosts entrepreneurship, enterprise and education opening fresh opportunities for Northumbria's students and business partners.

Has developed purpose-built incubator hub to help create tomorrow's entrepreneurs.

Leading a £2m OfS-funded project to transform how universities support wellbeing, mental health and learning outcomes for all students.

Selected by NHS Blood and Transplant as a national training centre for healthcare professionals working in organ donation, with hundreds of specialist nurses and critical care doctors from across the UK set to receive the latest in simulation education training at Northumbria to boost their skills.

Expanded successful joint medical education programme with St George's University of Grenada doubling the amount of time that medical students spend in the UK.



Operating and financial review

Key financial metrics	2018/19 £'000	2017/18 £'000
Income	254,158	255,500
Operating (deficit) / surplus	(15,450)	5,055
Operating surplus before exceptional costs	1,579	5,055
Adjusted EBITDA	27,133	31,306
Adjusted net operating cashflow	22,412	30,768
Cash and investments	49,015	53,273

Financial performance and position

In an increasingly competitive market place, the University has continued to make good progress towards the ambitions in the University Strategy and Vision 2030. Whilst the results for 2018/19 have been impacted by exceptional one-off pensions charges which have turned the operating surplus into a significant reported deficit, the underlying performance is one of growth in key areas whilst protecting the longer-term financial and operational sustainability of the University.

Overall income fell slightly (0.5%), but this includes a £3.8m fall in income from residencies, catering and conferences caused by a change to the University's accommodation portfolio. Excluding this area, income rose by 1.0% and there

was positive growth in key areas such as research contracts (30.2%) reflecting our ongoing commitment to investing in quality and the strategic drive to diversify income. Across our key metrics (a full reconciliation for which is included in note 25 of the financial statements) performance remained strong and the University remained able to invest in the strategy:

- The deficit, before other gains, decreased from a £5.1m surplus to a £15.5m deficit. Excluding the exceptional pension costs, the surplus decreased from £5.1m to £1.6m.
- Adjusted EBITDA, being Earnings before FRS 102 pension adjustments, interest, tax, capital grants, depreciation and amortisation, was £27.1m, compared to £31.3m in 2017/18.
- Adjusted net operating cashflow, including recurrent capital grant funding of £2.0m (2017/18: £2.2m), was £22.4m, a decrease in comparison to £30.8m in 2017/18.

The importance of the continued investment in the Strategy has already been seen as we head into 2019/20 with both home and international student recruitment above target, our student accommodation full, and other income streams showing growth. We have also continued to invest in our staff base, with the 33 Vice-Chancellor's

Fellows recruited during 2018/19 showing our confidence as a real challenger institution.

Our confidence in our Strategy is despite the ongoing challenges which face the sector. We face many potential disruptors – including increased pension scheme contributions, the review of post-18 education and funding, changing demographics, and uncertainty from Brexit – but also have opportunities. Our financial position remains strong with good cash holdings, reducing debt, and ongoing investment in academic quality, primarily through our staff, the student experience and our estate. This strong position has allowed us to invest in the Strategy as set out in further detail below.

Adjusted net operating cashflow is the key financial sustainability metric for the University Strategy 2018-2023. This metric allows us to focus on our ability to generate cash inflows, and is less prone than others to fluctuating accounting estimates resulting from equity values, changes in discount rates, and one-off provisions and impairments.

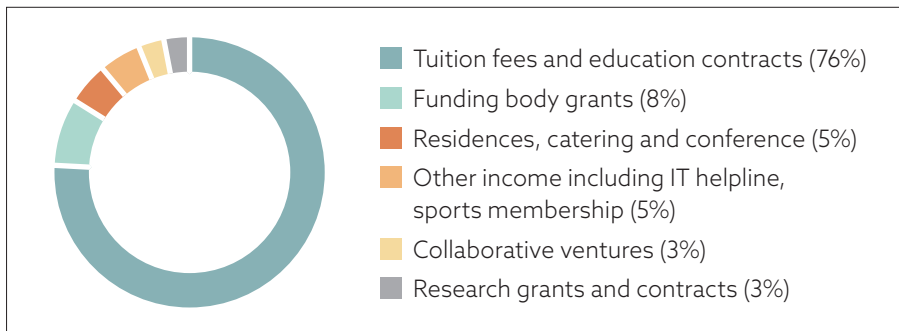
Income

Student recruitment and tuition income

Northumbria's Vision 2030 is to be a research-rich, business focused, professional university with a global reputation for academic excellence. That Vision is enabled by a need for financial sustainability and diversified income streams. The 2018/19 results show the University remains on track to achieve these aims.

Tuition fees continued to grow, with a 0.4% increase on 2017/18 reflecting continued successful recruitment. Fees from international students increased by 14.9%, with recruitment from core overseas markets continuing to show growth into 2019/20. In an increasingly competitive recruitment landscape, and in an environment where home tuition fees have remained static for a number of years, this growth has been achieved whilst also maintaining entry grade standards. Northumbria once again maintained its ranking in 30th place in England for Entry Standards in the Times/Sunday Times League Table, a standout performance for post-92 universities which also puts us ahead of many pre-92 competitor institutions.

We 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. Our approach to widening participation is set out in our Access Agreement with the Office for



Students (OfS). In support of this we have continued to provide financial support for students with a total spend of £5.2m on scholarships and bursaries in 2018/19. More information on widening participation is provided in the Public Benefit Statement.

The Times Higher Education World Rankings 2020 released recently ranked Northumbria in the top 351-400 universities, rising from 401-500 last year. Notably, Northumbria has climbed 76 places in the last year to rank 173rd globally for citations, rising by ten places to 27th in the UK. This is an encouraging marker as we enter the second year of the University Strategy and puts us in a strong position to achieve both our ambitions for the year ahead and to make progress towards our 2023 targets.

Income diversification

Income from UK/EU students remains the largest component of the overall income mix; however the University has continued to see growth in income streams beyond student tuition fees. In particular income from research grants and contracts grew by 30.2% to £8.6m, reflecting Northumbria's growing reputation for research quality. Once payments to research partners are included, total research activity was £11.2m, and the pipeline of future work is also strong, with new awards made in 2018/19 growing by 56% to £21.8m. One major success in winning competitive bids was an award of £8.0m from Research England's Expanding Excellence in England programme as part of a joint initiative with Newcastle University to create a Hub for Biotechnology in the Built Environment. This will create a centre of excellence for microbial biotechnology research at Northumbria.





The University is focussed on diversifying income to provide financial resilience and reinvestment in academic quality and the student experience. During the year, the University expanded its distance learning offer in the UK and overseas through a partnership with Pearson PLC, with the launch of a suite of Masters programmes in Surveying in 2018/19 and four further postgraduate programmes to be launched in 2019/20. In addition to this the continuing growth of our existing relationship with QA has resulted in significant growth in the number of students at Northumbria London Campus. We have also developed further our relationship with Amsterdam University of Applied Sciences. 2018/19 saw the launch of our first cohort of students in Amsterdam, with numbers growing for 2019/20 and plans in place to provide joint programmes from 2020/21. Having a campus in the EU is a physical expression of our commitment to remaining open for collaboration with EU partners.

We have continued to grow our portfolio of Degree Apprenticeships, including via flagship partnerships with Northumbria and Durham Police forces. The collaboration with Northumbria Police highlights the wider value the University can bring to partners through shared ambitions. The growth in Degree Apprenticeships sits alongside growth of 3.5% in Trans National Education.

“The new programme will provide an exceptional educational programme alongside shared practice and experience to deliver a strong foundation on which to embark on a hugely rewarding career.

Police officers operate at a level where they take personal responsibility for difficult decisions in complex, unpredictable environments, which impact the public every day. They also face growing demands from new crime types and this programme will provide the knowledge, skills and professional practice to ensure we can respond.”

Winton Keenen, Northumbria Police Chief Constable

We continue to develop our strategic relationships with key partners such as St George’s University, Grenada and Kaplan Singapore as a key element of diversifying income.

Income from residences, catering and conferences decreased significantly in the year, down 24.7% to £11.6m. This was the result of a late decision to re-open some residences, leading to a shortened recruitment window. This trend has already been reversed, with occupancy rates for 2019/20 at much improved levels.

Investing in our people

Our exceptional people sit at the core of the University’s Vision 2030 and we have continued to invest in recruiting, developing, and retaining staff with outstanding skills and talents across both academic and professional support areas.

Before exceptional pension costs of £17.0m, staff costs of £151.1m were 59.5% of total income (2018: 56.2%). The increased costs reflect increasing salary and pension costs but also that we continue to invest in the academic staff base. The number of academic staff increased from 1,257 to 1,309 in 2018/19 (note 6), the second successive year of growth, showing our level of ambition for the 2021 REF and beyond. A particular focus for 2018/19 was the appointment of 33 Vice-Chancellor’s Fellows, who will be supported in their development in the coming years. Our investment has not just been in new staff, with the Academic Career Pathway and Associate Professor roles continuing to support the development and progression of many existing outstanding colleagues.

Pensions

The financial results show significant exceptional pension charges for the year, totalling £17.0m. The exceptional charges result from two separate issues:

- £5.7m relates to the USS scheme, for which the University recognises a provision in the accounts for the recovery of the deficit. For 2018/19 this deficit was calculated based on the 2017 scheme valuation which was in place as at 31 July 2019, resulting in a higher provision. The 2018 valuation has now been completed, and is expected to result in a c.£3.6m credit to the Statement of Comprehensive Income and Expenditure in 2019/20, reducing the net impact of the change to the provision to c.£2.1m.
- £11.3m relates to the LGPS scheme, and is the result of two legal case rulings during 2018/19. As a result of these rulings, some pensioners will receive higher pensions in the future, and that full future cost has been recognised in these accounts immediately since it relates to past service.

Since neither of these exceptional pension charges have resulted in cash outflows during the period they do not affect the underlying financial sustainability of the University. However, the charges represent increased liabilities for the University which will ultimately be reflected over the course of time by increased employer contributions into these schemes. Furthermore, from September 2019 the University has an increased employer contribution rate of 23.6% (from 16.48%) for the University's main pension scheme for academic staff, the Teachers' Pension Scheme, which for 2019/20 alone will increase staff costs by £3.2m.

Managing the cost base

The cost of providing access to defined benefit pensions has increased significantly and is a key issue for the University and sector. The costs have formed part of our planning to ensure financial sustainability, including ensuring that measures continue to be taken to protect the financial position over the medium to long term. These include:

- The provision of the University's own defined contribution pension scheme, of which an increasing proportion of staff (11% of headcount) are members. This scheme offers attractive terms for members by comparison with many pension arrangements (including a zero percent contribution rate option for members), whilst providing the University with certainty of costs both now and in the future.
- Continuing investment in digitisation and smart working, reducing the University's reliance on manual and paper-intensive processes.
- Prioritising our investment into appointments which support the strategy.
- Investing in apprentice appointments, supported by the Government's apprenticeship levy.

Investing to support our vision

Alongside the increasing investment in our people, we have continued to invest in transforming student outcomes, developing our estate, and in our global brand and reputation. In common with the sector, we have made these investments alongside an ongoing focus on sustainability, recognising the risks facing the sector but also appreciating that Northumbria remains well placed to continue investing and thriving.

Operating costs

Our other operating expenses fell by £3.8m (4.6%) to £78.1m, as we continued to ensure that non-staff

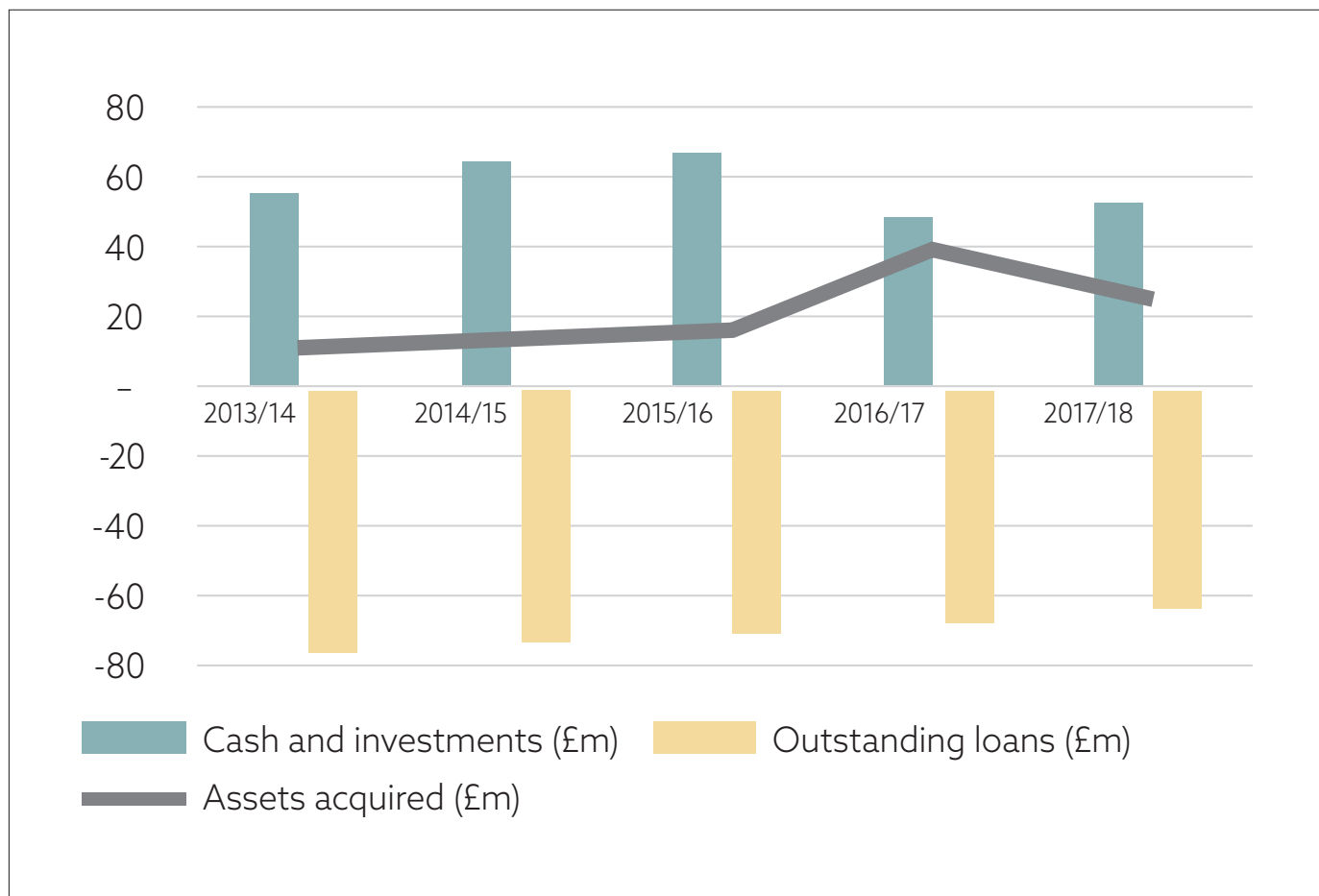
spend is prioritised in areas which generate the greatest impact to our strategic vision.

Estates and facilities

The University continued to invest in its estate, equipment, and IT infrastructure in 2018/19, with £13.4m (note 13) of capital additions made to buildings, infrastructure and equipment, and £2.6m (note 12) invested in intangible assets (software and intellectual property). This represents total investment in tangible and intangible assets over the last 3 years of £83.5m to transform the student experience and research activity, with highlights including:

- Completion in 2018/19 of the £6.7m Architecture studio space, winner of a Royal Institute of British Architects (RIBA) North East Award, and shortlisted for a Constructing Excellence in the North East Award (CENE) award, for the Education Estates Awards, and for the Scottish Design Awards.
- Landscaping work on our Library quad to create a striking social space.
- £1.1m investment in our Digital Commons, a 24-hour computer hub giving students access to the software they need, whenever they need it.
- Continued investment in our IT infrastructure, including ensuring that the management of data is fit for the future and supports the strategy.





A strong balance sheet supporting a sustainable University

Cash and treasury management

In a challenging external environment, the University has continued to focus on ensuring that strong cash and treasury management contribute to a robust financial position. Cash and investments decreased in 2018/19 by £4.3m (8.0%) from £53.3m to £49.0m. With loan balances reducing by £3.3m (5.2%) from £63.7m to £60.4m net debt increased by £1.0m. The University's remaining loan balances with Barclays Bank are payable over a 17 year period, at rates fixed via hedging arrangements, meaning that the University's net debt position is primarily influenced by the operating cashflows generated, and the level of capital spend. The University has continued to invest in capital throughout 2018/19 but retains choice and discretion over this spend to ensure flexibility over cash management.

Adjusted net operating cashflow is used as the University's financial Key Performance Indicator for the period to 2022/23. A target of net adjusted operating cashflow of £26-£30m on average across the 5-year period has been set, inclusive of recurrent capital grant funding (shown in the statutory

cashflow statement under 'capital grants receipts'). Although the 2018/19 performance was below the target, this was in part due to timing on some working capital movements. Taking into account the 2017/18 performance, the University is currently ahead of this metric with an average of £26.6m.

Balance sheet

As well as a strong cash position, the University has also maintained a strong balance sheet. Net current assets have grown to £11.6m (2018: £4.8m), whilst reserves are £122.5m (2018: £162.4m), or £294.5m (2018: £288.9m) excluding the pensions provision and hedging reserve. This reflects the underlying positive performance of the University. The non-current assets of £339.1m (2018: £343.3m) also show the impact of sustained year-on-year investment in the estate.

However, whilst the balance sheet remains strong, the potential future costs of providing pensions remain an issue for the University and the wider sector, as discussed in the pensions section.

Sustainability and the environment

The University's approach to sustainability extends beyond our financial position, reflected in our Strategy's commitments to supporting the UN Sustainable Development Goals (SDGs). Our new Environmental Management System, designed to ensure compliance and continual improvement, was certified to the ISO14001:2015 international standard in February.

We were placed fourth in this year's national People & Planet League – jumping from 37th the previous year. We have been shortlisted for two national Green Gown Awards.

We achieved an 11.5% reduction in Scope 1 and 2 carbon emissions compared to 2017/18. We have exceeded our 2020 carbon targets a year early, achieving a 38% reduction against our 32.5% 2020 target. Over the last three years, total energy costs avoided are approximately £4m. We also saw particularly strong reductions in water use – a 27% reduction from the previous year, saving £0.1m. Work is now underway to set our carbon reduction ambitions and plans for 2030 and beyond.

Our support for the SDGs not only includes enhanced sustainability within our estates and operations, but also recognises the important role of our research and teaching activity in tackling global challenges. We were awarded £2.1m via the Global Challenges Research Fund for projects in communities across the world, have undertaken mapping to identify which SDGs we can impact the most, and have raised awareness of sustainability through events, teaching, Go Green Week and our staff Green Impact Teams.

Going concern assessment

The successful recruitment of students (both in numbers, and in their quality) for 2019/20, is key to the University's assessment of going concern. As with any university, the Board of Governors must confirm that it has reasonable expectation that the University has adequate resources to continue in operation for the foreseeable future. The Board has confirmed this view, and the University continues to adopt the going concern basis for preparing the financial statements. In reaching this conclusion, the Board has reviewed the sustainability of the University and is satisfied that the strategies, plans and processes in place will help the University move towards the achievement of its strategy. In particular the Board has considered the environment in which the University is operating and considers the University to be financially sustainable, with key items providing assurance to the Board being:

- Regular reviews of performance, including via the annual budgets and five year forecasts submitted to the OfS.
- Regular reviews of performance against budgets and forecasts, using net adjusted operating cashflow as a key performance indicator relevant to institutional financial sustainability.
- The University's strategic risk register, and the reporting on this via the Employment & Finance and the Audit Committees.
- Updates on compliance with the financial covenants of the University's lenders, Barclays plc, and of OfS.
- Sensitivity analysis and scenario modelling to assess the impact of sector changes, revisions in government policy and variable student numbers.

Principal uncertainties and how we respond to them

The external regulatory and operating environment for Higher Education (HE) providers in England continues to evolve and change in a climate of exceptional political turbulence and economic uncertainty. The pace of change across the sector, with all Higher Education Institutes (HEIs) seeking to excel in both the Teaching Excellence and Student Outcomes Framework and the Research Excellence Frameworks and in crucial League Tables, intensifies competitive pressures while the significant geo-political change in the UK, Europe and across the globe present considerable challenges at home and abroad.

Northumbria's Board of Governors and University Executive jointly recognise that the University's principal uncertainties present

both opportunities and threats. Northumbria uses its risk management and internal control arrangements, described in our Statement of Internal Control, to support its strategic and operational planning objectives, to respond appropriately to the changing environment.

Our ten Strategic Risks set out over the page, which are anchored into the strategic objectives in our University Strategy 2018-23, remain focused in areas reported in previous years, but with new and evolving influencing factors that have become increasingly critical to their management. For example, the continued uncertainty arising from the UK's exit from the EU affects all Strategic risks, fuels insecurities experienced by our staff

and students and raises concerns for, amongst other things, UK participation in Erasmus+ and the Horizon research and innovation programmes. Northumbria has followed the continually updated UUK guidance on Brexit preparation and produces regular updates for staff and students. While some earlier government commitments on immigration and funding have been reconfirmed, the position on others appears more volatile and subject to change. Managing within the context of this elevated level of uncertainty will remain a strong focus for us as the UK's relationship with Europe develops.



<p>Student outcomes and experience</p> <p>Through our Education Strategic Plan and supporting academic governance arrangements, we aim to improve student outcomes, experience and satisfaction. We listen to the student voice through a range of sources (e.g. NSS, Student Pulse surveys) and learning analytics and we act on what this tell us, to inform changes to our academic portfolio, our technology, estate and facilities and a range of plans.</p>	<p>Research culture and related outcomes</p> <p>Our efforts to strengthen research culture and achieve our desired step change in our research reputation continue with pace towards REF 2021 and beyond. Investment in new academic posts, early career researchers and the transformation of our research support systems and research facilities combine to produce the research-rich learning environment we want to provide for staff, students and partners and which makes a powerful impact on society.</p>
<p>Staff Engagement and culture</p> <p>Our Strategic Plan for People lies at the heart of our delivery of the University Strategy 2018-23 and the development of our culture remains a key priority. We continue to develop high quality leaders and colleagues who feel empowered and rewarded as they support the change towards Vision 2030.</p>	<p>Financial sustainability</p> <p>We seek to increase and diversify our income and manage our cost base. This means we can invest in our people and our Strategy. Our robust financial planning arrangements and strong management of costs enable us to allocate resources with confidence, focus and flexibility.</p>
<p>International opportunities and uncertainties</p> <p>International recruitment and broader partnerships are subject to changing UK Government, EU and international policy changes as well as global competitive pressures. Our Strategic Plan for International focusses on improved targeting in key international markets, improved support for international UK campus-based students and ambitious plans for a suite of high quality, multi-faceted partnerships.</p>	<p>Brand, reputation and market position</p> <p>We continue to build on our successful re-branding exercise by ensuring our distinctive offer and market position reflects our strengths and ambitions. The brand is crucial to reinforcing Northumbria's reputation as a challenger institution to other HE providers. Success in our fundamental areas of education and research support our efforts to drive performance and market position.</p>
<p>Partnership opportunities</p> <p>The development of new and existing high-quality strategic partnerships forms a central strand of our Strategy both at home and abroad, and across our broad range of activities, to provide educational and employment opportunities for students.</p>	<p>Exploiting benefits from estates and technology</p> <p>Our extensive portfolio of major estates and technology projects, which target improvement areas identified via the University Strategy, are managed via the Transformation Board and form part of our agreed investment in IT and Estates Plans.</p>
<p>Managing compliance</p> <p>We ensure pro-active, proportionate legal and regulatory compliance arrangements by employing skilled, experienced staff, undertaking routine horizon scanning, professional development and training as well as maintaining clear policies, procedures and systems that ensure compliance levels are maintained, including via formal internal and external audits.</p>	<p>Business processes and continuity</p> <p>Robust and streamlined business processes are critical to support all activities and we aim to make these as efficient as possible through ongoing review. We have enhanced our approach to business continuity and critical incident management, and conduct routine testing of our IT systems resilience (e.g. to stop information security threats) and disaster recovery arrangements.</p>

KEY ACHIEVEMENTS - RESEARCH

New Research Council-funded Doctoral Training Centres in renewable energy (EPSRC), and in climate and environmental sciences (NERC), doubling the total number of doctoral training centres from two to four.

£16m awarded from the National Institute of Health Research for the Applied Research Collaboration (North East and Cumbria), a new government health improvement programme to tackle key issues facing our health and social care system.

Lead UK university in a £20m US/UK study of the West Antarctic Ice Sheet and global sea levels.

The University has won its first Future Leaders Fellowship with £1.2m awarded by the Medical Research Council.

Over £800k awarded from the Engineering and Physical Sciences Research Council for the University's smart materials and surfaces research group.

Awarded £8m to establish the world's first research Hub for Biotechnology in the Built Environment, jointly with Newcastle University. It aims to create a new generation of 'Living Buildings', which are responsive to the natural environment and grown using living engineered materials.

Public benefit role

The University of Northumbria at Newcastle is an 'exempt charity' under Schedule 2 of the Charities Act 1993, the Charities Act 2006 and section 22(1) of the Charities Act 2011. As an exempt charity, Northumbria is not subject to direct registration with, or regulation by, the Charity Commission for England and Wales. Since 01 April 2018, the Office for Students (OfS) has acted as 'principal regulator' of the University on behalf of the Charity Commission.

The Board of Governors, as the trustee body of Northumbria University, confirms that:

- It complies with the law applying to exempt charities, through the production of financial statements in accordance with the requirements of the OfS and disclosure of the University's charitable status by means of this document.
- It has referred and adhered to OfS Regulatory advice 5: exempt charities and Regulatory advice 9 on accounts directions. In relation to the former advice, this includes understanding and reviewing key Charity Commission requirements including on exempt charities and public benefit requirements for charities in England and Wales, which apply to the University.
- The University has reviewed its relationship with paragraph 28 connected charities that have income of more than £100,000 under Schedule 3 of the Charities Act 2011, and that there are no other connected charities to the University which require reporting on.

Although the University is not required under the Charities Act 2011, or the OfS Regulatory Framework, to produce a public benefit statement, it is committed to expressing the value it provides to its key beneficiaries. The University's charitable purposes are delivered as an outcome of it exercising its powers as a Higher Education Corporation (HEC), which in so doing provides a public benefit principally to its student beneficiaries through the 'advancement of education', and through other charitable purposes, including 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' and 'the advancement of arts, culture, heritage or science' through its teaching, learning and research activities. Northumbria's public engagement and outreach activities also support the advancement of citizenship and community development. Further information demonstrating Northumbria's delivery of its charitable purposes for the public benefit is included throughout the annual report.

In 2018/19 Northumbria University charged £9,250 fee for Home/EU Undergraduate students, the maximum fee permissible and in line with the majority of English HEIs. In recognising that life chances are unequal in society, a longstanding commitment to securing access to HE for students from a range of disadvantaged backgrounds is key. Across 2013-2018, Northumbria's investment in widening participation has helped close the gap between highest (POLAR4 Q5) and lowest (POLAR4 Q1) participation groups in HE, which in 2018 was at 23.6% and 17.6% respectively (a reduction in the

gap between Q1 and Q5 by 6.9%). This has been achieved whilst incrementally increasing the average entry tariff of Northumbria's undergraduates. In 2018/19 Northumbria invested almost £12m in access, success and progression and financial support for students, and in excess of £1m into hardship support for target groups. Northumbria has a longstanding programme of outreach activity delivered from Year 5 through to mature students, to encourage students from all backgrounds to progress to HE. These include:

- 'NU Entry', to equip Year 12 and 13 students with specific skills necessary for successful undergraduate study and have the opportunity to earn points, equivalent to UCAS tariff points for access to Northumbria. This was completed by over 600 students in 2018/19.
- the North East Raising Aspiration Partnership (NERAP) collaboration between the five North East universities to support progression to HE, specifically for key vulnerable groups.
- the North East Collaborative Outreach Programme (NECOP), part of the National Collaborative Outreach Programme (NCOP), working with universities and colleges in the North East region to support young people in the North East in considering their future options and pathways available to them.
- attracting full-time undergraduate care leavers to Northumbria, with a 39% increase between 2014 entry and 2018 entry, at 39 entrants in 2018/19.

Statement of corporate governance

The University of Northumbria at Newcastle was incorporated as a Higher Education Corporation (HEC) following the passing of the Education Reform Act 1988. Northumbria was granted 'university' title and associated powers in the Further and Higher Education Act 1992. Our Instrument and Articles of Government - last amended by Order of the Privy Council in 2012 - set out the objects, powers and constitution of the Board of Governors, Academic Board and the Vice-Chancellor and Chief Executive and can be found on the University's website. The Higher Education and Research Act 2017 provides the opportunity for HECs, including Northumbria, to deregulate, amend and potentially revoke and replace the Instrument and Articles of Government with an alternative governing instrument relevant to any new legal form adopted by the University. The Board of Governors will determine whether it wishes to do this, informed by its involvement in a national working group exploring HEC governing instruments reform.

The Board of Governors is the Trustee Board of Northumbria as an exempt charity. The Board confirms that it complies with the HE Code of Governance published by the Committee of University Chairs (CUC) in December 2014.

The Board has responsibility for determining the mission, strategy and educational character of the University, and works closely with the University Executive, chaired by the Vice-Chancellor, to deliver the University's priorities and achieve its sustainability and success. The Board is responsible for the stewardship and safeguarding of the University's resources, assets and reputation, and assures itself of compliance with legal and regulatory obligations.

The Board of Governors has a range of strategic, regulatory and wider stewardship responsibilities which are not delegated to any other individual(s) or bodies. The Board's strategic responsibilities include approving and reviewing performance against Vision 2030 and the University Strategy 2018-23 and other key plans. The Board's regulatory and stewardship responsibilities centre on its role as Northumbria's ultimate legal authority and for safeguarding the University's assets and its financial sustainability, and receiving assurance that its systems comply with the University's legal and regulatory obligations, including as an exempt charity, and of the OfS.

The Board delegates a number of its responsibilities in several ways:

- ensuring that the Vice-Chancellor

effectively leads the academic and executive management of the University: The University Executive is the University's senior leadership team, comprising individuals with academic and professional support portfolios. The role of the University Executive is to advise the Vice-Chancellor who is responsible for strategic and operational management.

- its Committees: The Board has committees with responsibility for Employment and Finance, Strategic Performance, Audit, Nominations and Remuneration. The Academic Board, chaired by the Vice-Chancellor, makes reports to the Board of Governors.

The Board and/or its Committees oversee, via routine reports, Northumbria's corporate governance arrangements and the adequacy and effectiveness of related arrangements for compliance with legal and regulatory matters (including OfS registration conditions), risk management and internal controls, including those relating to the regularity and propriety of the use of public funding.

The role of each Committee of the Board of Governors, and the Academic Board, is summarised as follows.

Committee	Role/responsibilities
Employment and Finance Committee	<ul style="list-style-type: none"> • Approves and monitors employment strategy and policy, finance strategy, estates, IT and other capital projects to support the University Strategy 2018-23
Strategic Performance Committee	<ul style="list-style-type: none"> • Advisory role to the University Executive and the Board of Governors in relation to performance against the University Strategy 2018-23, and the related strategic plans
Remuneration Committee	<ul style="list-style-type: none"> • Oversight of the remuneration policy and remuneration of senior staff, including the performance-based reward scheme • Determines base pay decisions

Committee	Role/responsibilities
Audit Committee	<ul style="list-style-type: none"> Provides assurance to the Board of Governors on the adequacy of the University's framework for financial compliance and integrity Oversight of internal and external audit arrangements Oversight of the wider control and compliance environment including risk management, value for money, data quality and assurance arrangements, health and safety measures and whistleblowing.
Nominations Committee	<ul style="list-style-type: none"> Oversight of corporate governance arrangements, including Governor recruitment and development Makes recommendations to the Board on its membership and that of its Committees
Academic Board	<ul style="list-style-type: none"> Advises the Vice-Chancellor on matters of academic strategy and policy, and (although not a Committee of the Board) makes reports to the Board of Governors Remit includes academic quality and standards and enhancement, the student experience and research and innovation activities Sub-committees to oversee education, research, knowledge exchange and international policy and performance matters.

Information on Northumbria's Leadership and Governance arrangements is publicly available, and queries can be raised with the Secretary to the Board. Further transparency is provided via the University's Register of Interests for Governors and senior staff members.

The arrangements described in this statement apply to the period covered by the financial statements and the period up to the date of approval of the audited financial statements.

Trade Union Facility Time for the period 1 April 2018 to 31 March 2019

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and places a legislative requirement on relevant public sector employers, including HEIs in England and Scotland, to 'collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation'.

Facility time is defined in the Regulations as 'the provision of paid or unpaid time from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative'. We are required to publish a range of data on the amount and cost of facility time within our organisation, which is shown in the tables.

Total number of employees who were relevant union officials during the period 1 April 2018 to 31 March 2019	
Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
41	38.46 FTE

Employees who were relevant union officials employed during the period spent 0%, 1%-50%, 51%-99% or 100% of their working hours on facility time	
Percentage of time	Number of Employees
0%	0
1-50%	40
51-99%	0
100%	1

The percentage of the total pay bill spent on facility time	
Total cost of facility time	£209,367
Total pay bill	£141,811,624

The percentage of the total pay bill spent on facility time	
Percentage of the total pay bill spent on facility time	0.15%

Hours spent by employees who were relevant union officials during the period on paid trade union activities as a percentage of total paid facility time hours (Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100
21.94%



Statement of internal control

The Statement of Internal Control (SIC) has been produced in line with the OfS regulatory advice note 9: accounts directions for 2017/18 and informed by the British Universities Finance Directors Group (BUFDG) guidance and best practice in other sectors including the Financial Reporting Council's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* (2014). This Statement confirms that the Board understands and applies its responsibility for ensuring that a sound system of internal control and robust risk management arrangements are maintained, and that it reviews their effectiveness through Audit Committee.

In line with OfS requirements and the *Higher Education Code of Governance* (2014), the Board of Governors has received assurance that an effective system for managing risk is in place across the University. The Board and the University Executive set the tone for risk management across the University, through their respective oversight and ownership of strategic risks related to the full range of business, financial, operational and compliance activities.

The University's Risk Management Framework can be found on the University's website. In line with this Framework, Strategic Risks, which are discussed in the Principal Uncertainties section of this report, are reviewed periodically by the Board and key Board Committees to ensure that the latest sector insight and agenda items inform the overall risk profile and understanding of the changing context that influence them and the related mitigations. All risks are anchored to related strategic objectives to ensure all efforts to manage risk are appropriately focused on achieving Northumbria's objectives. A suite of Risk Registers across the University allows risks to be identified, managed, and escalated as appropriate. Risks may also be identified through internal incident and near miss reporting arrangements and knowledge of incidents in the HE and other sectors.

Northumbria's approach to internal control is risk-based, and we acknowledge that internal control systems cannot eliminate all risks or control weaknesses or failures. Our business continuity arrangements and critical incident planning are therefore

crucial elements of our approach to managing risks that may occur and to maintaining appropriate internal controls that respond to such situations.

The Board has received assurance, through reports from the University Executive and through its Audit Committee, that its arrangements for risk and internal control are sound and adequate and can confirm that no significant internal control weaknesses have been discovered. The Audit Committee is informed by a range of assurance sources, including internal and external audit as well as direct reports from University Executive on risk and control matters.

The arrangements described above apply to the period covered by the financial statements and the period up to the date of approval of the audited financial statements.

Chris Sayers
Chair of the Board of Governors

Professor Andrew Wathey
Vice-Chancellor and Chief Executive

Statement of Board of Governors' responsibilities in respect of the annual report and financial statements

The Board of Governors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Board of Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts.

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

The Board of Governors are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KEY ACHIEVEMENTS - GLOBAL REACH & LOCAL IMPACT

Our Newcastle campus is international. We have students from 137 countries and staff from 74 countries.

Successful launch of Northumbria's Amsterdam Campus in partnership with Amsterdam University of Applied Sciences with both a growing programme offer and number of students for the year ahead.

We have students studying our programmes in 13 countries with 23 partners.

Newcastle Business School is the only double AACSB-accredited Business School in Europe, reaccredited this year.

Northumbria is an anchor institution in the North East, employing nearly 3,000 staff and attracting 24,000 students to live and study in the city.

Northumbria inspires future generations to engage with Higher Education through outreach programmes involving nearly 20,000 children from 140 schools per year.

The NUSTEM project, aimed at encouraging under-represented groups to study STEM subjects at university, has reached 80,000 children, parents and teachers.

Our Student Law Office and Student Business Clinic continue to expand their reach across the community, providing business and legal advice in live cases enabling business and law students to gain hand-on experience.

Annual remuneration statement

Annual Remuneration Statement 2018/19

This Annual Remuneration Statement 2018/19 complies with the requirements for its production as set out in The Higher Education Senior Staff Remuneration Code published by the CUC in June 2018 and the OfS Regulatory Advice 9: Accounts Direction. The Statement is the Appendix of a more detailed Annual Remuneration Report for the same period, which, in line with our commitment to transparency in relation to senior staff remuneration, will be published on the University's website following its approval by the Board of Governors in November 2019. Remuneration Committee's remit and membership for 2018/19 is provided on the University's website and in its Annual Report and Financial Statements 2018/19.

Approach to senior staff remuneration at Northumbria University

Compliance with the CUC Higher Education Senior Staff Remuneration Code requires adherence to the following principles:

- i. a fair, appropriate and justifiable level of remuneration;
- ii. procedural fairness; and
- iii. transparency and accountability.

These have been key considerations of Remuneration Committee and, ultimately, the Board of Governors. Remuneration Committee aspires for the University's governance framework and arrangements for senior staff remuneration to be modern, progressive and at the forefront of best practice in the HE sector. The Vice-Chancellor and Chief Executive is not a member of the Committee and has no role in discussing or determining his own salary or wider remuneration.

The University's approach to senior staff remuneration is considered appropriate to support our University Strategy 2018-23, our financial sustainability and our culture and values. Remuneration is one of a number of influential factors in the recruitment, retention and recognition of a high quality and diverse workforce, and the capacity to develop high quality, innovative leadership at all levels of the organisation. Senior staff remuneration levels at Northumbria (whilst not an outlier based on sector benchmarking) are set in the context of the significant achievements of the University. The success of the University reflects the contributions of all staff at Northumbria. Notwithstanding this, the leadership and direction of senior management have driven its achievements.

Assessing and determining the Vice-Chancellor and Chief Executive's base salary and total remuneration

As its evidence base for considering proposals around the Vice-Chancellor and Chief Executive's base pay on an

annual basis, Remuneration Committee draws on a range of benchmarks and comparative year-on-year data including:

- publically available data with commentary and context as published in each HEI's annual financial statements on the base salary and total remuneration (including other taxable and non-taxable benefits) of the heads of institution in the North East region based on three years of prior data;
- five-year data with commentary and context on the total remuneration packages of heads of institution at number of University Alliance institutions¹;
- UCEA Remuneration Survey Data of all HEIs, and disaggregated data for HEIs based on turnover, and the median, mean, upper quartile and upper decile analysis of salary levels;
- Relevant CUC Salary Survey data;
- The Chair's assessment on the performance of the Vice-Chancellor and Chief Executive in delivering his annual objectives.

The base salary for this role has increased, over the last five years, in line with the annual nationally negotiated pay award, which has also been paid to all other staff employed at Northumbria. This report includes a breakdown of the Vice-Chancellor and Chief Executive's remuneration for 2018/19, and 2017/18 for comparative purposes:

¹ Whilst Northumbria is no longer a member of the University Alliance, the comparator institutions have been identified due to an element of comparability in terms of size, complexity and turnover.

AUDITED INFORMATION

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Emoluments of the Vice-Chancellor and Chief Executive		
Salary	255	249
Payments in lieu of pension contributions*	26	25
Annual performance based reward scheme	24	20
Benefits in kind	2	2
	307	296
Pension contributions to USS*	15	15
	322	311

* As a result of pension tax changes, and in line with the University's alternative remuneration scheme, the Vice-Chancellor and Chief Executive partially opted out of the USS pension scheme in April 2017; from this date he has received payments from the University, in lieu of the pension contributions the University is no longer making.

During 2018/19 Remuneration Committee considered the pay ratios of the Vice-Chancellor and Chief Executive to the median salary of all employees calculated using UCEA data. The Committee welcomed the reduction in both base salary and total remuneration ratios. The calculations for 2018/19 and 2017/18 are provided below:

AUDITED INFORMATION

		Year Ended 31 July 2019	Year Ended 31 July 2018
Definition	Headline calculation	Ratio	Ratio
Base salary ratio The Vice-Chancellor's basic salary as a ratio of the median basic salary of all staff expressed as full-time equivalent.	£255k: highest base salary (Vice-Chancellor) £38k: Median staff base salary.	6.7	7.1
Total remuneration ratio The Vice-Chancellor's total remuneration as a ratio of the median total remuneration of all staff. The total remuneration includes basic salary, pension contributions, supplement in lieu of pension contributions, annual performance based reward and excludes benefits in kind.	£320k: total remuneration of the Vice-Chancellor. £43k: Median staff base salary.	7.4	7.8

The remuneration outcomes in relation to the annual Performance-based Incentive Scheme forms the principal basis on which the justification of the Vice-Chancellor and Chief Executive's total remuneration is made.

The Vice-Chancellor and Chief Executive's performance is reviewed annually by the Chair of the Board of Governors. The assessment is based on the achievement of annual objectives agreed at the start of the academic and financial year and which relate to the strategic leadership and management of the University. These objectives relate to the delivery of the Strategic Outcomes in the University Strategy 2018-23 which aim to reposition Northumbria in the top 30 of UK universities by 2023. The role-holder's performance is then assessed by the Remuneration Committee under the terms of the annual performance-based incentive scheme and against the annual objectives set by the Chair.

The achievements listed in the Annual Report and Financial Statements 2017/18 are the outcomes of the strategic objectives against which the Vice-Chancellor and Chief Executive's performance was assessed in October 2018 and the Performance Scheme payment of £24,174 was determined. Overall 2017/18 was a successful year for Northumbria under the Vice-Chancellor's leadership. The key strategic objectives set for the year were delivered despite a challenging external environment with political turbulence, economic uncertainty and increased competition. Northumbria moved into the top 401-500 in the Times Higher Education World University Rankings, up 273 places from the previous year, positioning Northumbria firmly within the global upper quartile for research citations. The University also announced an exciting new partnership with the Amsterdam University of Applied Sciences with whom a new campus

was launched in 2018/19, broadening Northumbria's international impact and reputation. Throughout 2017/18 over 700 colleagues attended engagement events to help shape the new University Strategy 2018/23. This input and constructive challenge was invaluable to creating the new strategy which sets out plans for the next five years of the University's transformation. In addition, a new £7m state-of-the-art Computer and Information Sciences building opened on City Campus providing a world-class home for students and staff. 2017-18 was also the year when the University launched a new brand identity, expressing who we are, what we have to offer and what separates us from our competitors.

In October 2019 it was decided by Remuneration Committee that the Vice-Chancellor be awarded a performance payment of £16,705 in November 2019, in relation to his performance in 2018/19.

Base pay of University Executive and the Senior Management Group (SMG)

On an annual basis Remuneration Committee reviews the salary levels of all members of the University Executive and Senior Management Group, on the recommendation of the Vice-Chancellor and Chief Executive to Remuneration Committee taking into account a review of relevant sector and market pay data. The salary of one individual was increased during 2018/19 to reflect a widened brief during an agreed interim period. The base salary levels of all members of the University Executive and Senior Management Group increased from 1 August 2018 (determined during 2017/18) in line with the nationally negotiated pay award applied to other staff. However, unlike other staff, each member of University Executive and Senior Management Group is appointed on a spot salary and therefore there is no incremental progression for these roles.

The total base pay of the University Executive members, who are defined for reporting terms as the 'key management personnel', is provided in the table below and provides a comparison between 2018/19 and 2017/18:

Key management personnel compensation (i.e. remuneration)		Consolidated	
		Year Ended 31 July 2019	Year Ended 31 July 2018
AUDITED INFORMATION		£'000	£'000
		2,651	2,967

The base salaries of higher paid staff are provided in the table below in £5k bands over £100k as required by the OfS Accounts Directions. Not all members of the University Executive and Senior Management Group receive a base salary (or total remuneration) of £100k or more, hence the differences between the table below and total senior staff remuneration.

There are two members of staff who earn more than £100k and are not members of University Executive or the Senior Management Group. The 2018/19 increase in the number of roles in the £125,000-£129,999 salary band reflects our desire for greater consistency between the remuneration of Faculty and Portfolio Pro Vice-Chancellor roles.

AUDITED INFORMATION	2018/19	2017/18
	Staff FTE	Staff FTE
Remuneration of other higher paid staff		
£100,000 - £104,999	1	-
£105,000 - £109,999	1	1
£110,000 - £114,999	2	2
£115,000 - £119,999	-	4
£120,000 - £124,999	3	2
£125,000 - £129,999	6	1
£130,000 - £134,999	-	1
£135,000 - £139,999	2	2
£145,000 - £149,999	1	1

The table above only includes amounts received in the year, consisting of basic salaries only.

¹ Defined as those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. The Vice-Chancellor and Chief Executive has the overarching responsibility for maintaining and promoting the institution's efficiency, academic excellence and financial robustness. He is supported by the University Executive which has overall responsibility for delivery of the University Strategy. The University Executive advises the Vice-Chancellor and Chief Executive in his strategic, policy and executive management responsibilities, co-ordinating and integrating activities through individual portfolios of responsibility and the recommendations collectively made or supported by the Executive group. In 2018/19 the University Executive had 16 members.

Performance-related pay

The Board of Governors approved, on the recommendation of Remuneration Committee, assessments of performance for those in the scheme in October 2019 and £152k was awarded under the Scheme (for academic year 2018/19), based on 18 eligible staff. £194.5k was awarded in October 2018, based on performance in 2017/18 for 20 eligible staff.

Compensation for loss of office (AUDITED INFORMATION)

A total amount of £1,683k (2018: £1,603k) was charged to the statement of comprehensive income and expenditure in relation to 57 individuals (2018: 67) as compensation for loss of office (excluding payments in lieu of notice).

External appointments and expenses (AUDITED INFORMATION)

University Executive and Senior Management Group members must seek approval for any proposed external appointments and, along with all members of the Board of Governors,

are required to disclose all relevant interests on the University's Register of Interests. The Vice-Chancellor and Chief Executive's is currently a Non-Executive Director (NED) of the Board of the Student Loans Company (SLC) (appointed from 1 January 2018 for three years). Remuneration for the role is £12k per annum, plus an additional £3k per annum to serve as a member of the Audit and Remuneration Committees, amounting to total remuneration of £15k. The fee is paid to the Vice-Chancellor (to allow income tax and National Insurance contributions to be deducted) and, as agreed with Remuneration Committee, is subsequently transferred to the University's Access to Learning Fund (ALF), for student hardship.

Senior staff, as with all staff, must comply with the University's Travel and Expenditure Policy which requires the reasonable, proportionate and accountable use of expenses, noting that these incurred solely for business purposes and are wholly separate from remuneration. All expenditure for the Vice-Chancellor and Chief Executive,

University Executive and SMG is wholly and exclusively for approved University business with the aim of enhancing the outcomes for students and staff. Services are procured in accordance with the University's Financial Regulations. Expenses incurred by the Vice-Chancellor and Chief Executive are subject to approval by the Chair of the Board of Governors, with all other expenses for University Executive and SMG members approved by the relevant line manager. We welcome the additional focus to be provided by the OfS in delivering value for money. The University discloses information as requested under Freedom of Information (FoI) in relation to senior staff expenses.



Other Remuneration Matters (AUDITED INFORMATION)

In accordance with the Instrument of Government as approved by the Privy Council and informed by Charity Commission advice, 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. This is supported by a Governor/Trustee Remuneration Policy approved by the Board of Governors in November 2017 (and from which those governors who were beneficiaries of it were exempt from voting)

During 2018/19 the following governors were remunerated:

Christopher Sayers, Pro-Chancellor and Chair of the Board of Governors - £25,000 (2018: £25,000).

Alasdair Corfield, Independent Governor and Chair of Audit Committee - £7,500 (2018: £7,500).

Dr Graham Hillier, Independent Governor and Chair of Employment and Finance Committee - £7,500 (2018: £7,500).

David Warcup QPM, Senior Independent Governor and Chair of Remuneration Committee £7,500 (2018: £7,500).

Alison Alden, OBE, Independent Governor and Chair of Strategic Performance Committee, - £7,500 (2018: £7,500).

All payments made have been duly approved by the Board of Governors with remuneration offered to Governors/Trustees serving as Governors/Trustees authorised by the University's Instrument of Government, as approved by the Privy Council and Charity Commission advice.

The Chancellor of the University receives no remuneration for the extensive ambassadorial role she plays on behalf of the University.

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 2018/19, 7 Governors claimed a total of £3,581 in expenses (2018: 10 Governors claimed a total of £7,191).



Register of governors and professional advisors

The Chancellor

The Baroness Grey-Thompson DBE, DL.

The Board of Governors

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

Alison Allden OBE	(Independent Governor)
Craig Apsey	(Independent Governor)
James Bromiley	(Independent Governor)
Jean Brown²	(Academic Board Nominee)
Lorraine Brown	(Elected Professional Support Staff Representative)
Alasdair Corfield	(Independent Governor)
Tom Harrison	(Independent Governor)
Lucy Hatt³	(Academic Board Nominee)
Dr Graham Hillier	(Independent Governor)
Dr Michael Hill⁴	(Elected Academic Staff Representative)
Professor Alison Machin⁵	(Academic Board Nominee)
Simon Noble	(Nominated Students' Union Representative)
Sally Pelham	(Pro-Chancellor and Deputy Chair of the Board)
Nick Pope	(Independent Governor)
John Taylor⁶	(Elected Academic Staff Representative)
Amy Rice-Thomson	(Independent Governor)
Chris Sayers	(Pro-Chancellor and Chair of the Board)
Christine Sorensen⁷	(Academic Board Nominee)
Helen Thorne MBE	(Independent Governor)
Professor Andrew Wathey CBE	(Vice-Chancellor and Chief Executive)
David Warcup QPM⁸	(Senior Independent Governor)
Matthew Johnston	(Nominated Students' Union Representative)
Dr Jeya Wilson	(Independent Governor)

Secretary to the Board of Governors: **Dr Adam Dawkins** (to 7 June 2019)

Secretary to the Board of Governors: **Susan O'Donnell** (from 26 October 2019)⁹

² Elected from 28 January 2019 to 31 July 2019 and for a subsequent three year term until 31 July 2022.

³ Elected from 28 January 2019 until 01 January 2022.

⁴ Three year term of office ended on 09 December 2018.

⁵ Term of office ended on 20 December 2018.

⁶ Three year term of office commenced on 10 December 2018.

⁷ Term of office ended on 20 December 2018.

⁸ Resigned on 30 September 2019.

⁹ Interim Secretary to the Board of Governors from 8 June 2019 to 25 October 2019.

Membership of the Committees of the Board in 2018/19 (other than Academic Board) are provided below:

Audit Committee	Employment and Finance Committee
Alasdair Corfield (Chair)	Dr Graham Hillier (Chair)
David Jennings (Co-opted Member)	Craig Apsey
Nick Pope	James Bromiley
Amy Rice-Thomson	Tom Harrison
David Warcup	Sally Pelham
	Professor Andrew Wathey
	Chris Sayers
	Adam Serfontein (Co-opted Member)

Nominations Committee	Remuneration Committee
Chris Sayers (Chair)	David Warcup (Chair)
Alison Allden	Alison Allden
Dr Graham Hillier	Chris Sayers
Alasdair Corfield	Graeme Hudson (Co-opted Member)
David Warcup	
Professor Andrew Wathey	

Strategic Performance Committee
Alison Allden (Chair)
Graham Atkinson (Co-opted Member)
Tom Harrison
Chris Sayers
Dr Michael Hill
Professor Alison Machin
Simon Noble
Helen Thorne
Professor Andrew Wathey

Register of interests

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. This may be accessed on the Governance Services webpages of the University's website, or by contacting the address below:

Secretary to the Board of Governors

c/o Vice-Chancellor's Office

Sutherland Building
College Street
Newcastle upon Tyne
NE1 8ST
Telephone +44 (0)191 227 4222

External auditor

KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Internal auditor

Ernst and Young LLP (EY)

Citygate, St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Barclays Bank plc

49-51 Northumberland Street
Newcastle upon Tyne
NE1 7AF

Bank of Scotland

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

Handelsbanken

Carlton House
2 Manor Road
Tynemouth
NE30 4RH

HSBC

Floor 3, Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Nationwide Building Society

Kings Park Road
Moulton Park
Northampton
NN3 6NW

Santander UK plc

Level 9 Baltic Place
South Shore Road
Gateshead
NE8 3AE

ABN AMRO Bank N.V.

Foppingadreef
22 Amsterdam
BO-number 3069.63

Independent auditor's report to the Board of Governors of Northumbria University

Opinion

We have audited the financial statements of Northumbria University ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated Statement of Changes in Reserves, the University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated and University Statements of Cash Flows and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's and the University's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and

applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements.

All audits assess and challenge the reasonableness of estimates made by the directors, such as the useful economic life and impairment of fixed assets, the recoverability of debtors, the actuarial assumptions in respect of defined benefit pension schemes and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Board of Governors is responsible for the other information, which comprises the Vice-Chancellor and Chief Executive's foreword, the Chair's introduction, the Key achievements, the Vision strategy and impact, the Operating and financial review, the Principal uncertainties and how we respond to them, the Public benefit role, the Statement of corporate governance and the Statement of internal control, the Annual remuneration statement and the Register of governors and professional advisors. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors responsibilities

As explained more fully in their statement set out on page 22, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial

statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on other legal and regulatory requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- Funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- Funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

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

This report is made solely to the 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Paul Moran

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX

2 December 2019

Financial statements

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

YEAR ENDED 31 JULY 2019

	Note	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	193,770	186,827	192,961	186,652
Funding body grants	2	20,347	20,347	21,282	21,282
Research grants and contracts	3	8,620	8,620	6,623	6,623
Other income	4	31,096	31,942	34,385	34,550
Investment income	5	325	326	249	249
Total income		254,158	248,062	255,500	249,356
Expenditure					
Staff costs					
Before exceptional pension costs	6	151,118	150,639	143,490	142,929
Exceptional pension costs	6	17,029	17,029	-	-
Total staff costs		168,147	167,668	143,490	142,929
Other operating expenses		78,078	71,499	81,844	76,261
Depreciation	13	17,508	17,508	18,775	18,775
Interest and other finance costs	8	5,875	5,875	6,336	6,336
Total expenditure		269,608	262,550	250,445	244,301
(Deficit) / surplus before other gains		(15,450)	(14,488)	5,055	5,055
Gain on disposal of fixed assets		-	-	516	516
(Deficit) / surplus before tax		(15,450)	(14,488)	5,571	5,571
Taxation	9	-	-	-	-
(Deficit) / surplus for the year		-	-	5,571	5,571
Actuarial (loss) / gain in respect of pensions	23	(22,946)	(22,946)	22,370	22,370
Change in fair value of hedging financial instruments	24	(1,468)	(1,468)	2,835	2,835
Exchange differences on translation of foreign operations		(36)	-	-	-
Total comprehensive (expense) / income for the year		(39,900)	(38,902)	30,776	30,776
Represented by					
Unrestricted comprehensive (expense) / income for the year		(39,900)	(38,902)	30,776	30,776
(Deficit) / surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
University		(15,450)	-	5,571	-
Total comprehensive (expense) income for the year attributable to:		-	-	30,776	30,776
Non-controlling interest		-	-	-	-
University		(39,900)	-	30,776	-

All items of income and expenditure relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2019

		Income and expenditure account - unrestricted	Hedging reserve	Total
	Note	£'000	£'000	£'000
Balance at 1 August 2017		153,365	(21,695)	131,670
Surplus from the statement of comprehensive income and expenditure		5,571	-	5,571
Actuarial gains on pension schemes	23	22,370	-	22,370
Change in fair value of hedging financial instruments	24	-	2,835	2,835
Total comprehensive income for the year		27,941	2,835	30,776
Balance at 1 August 2018		181,306	(18,860)	162,446
Deficit from the statement of comprehensive income and expenditure		(15,450)	-	(15,450)
Actuarial losses on pension schemes	23	(22,946)	-	(22,946)
Change in fair value of hedging financial instruments	24	-	(1,468)	(1,468)
Exchange differences on translation of foreign operations		(36)	-	(36)
Total comprehensive expense for the year		(38,432)	(1,468)	(39,900)
Balance at 31 July 2019		142,874	(20,328)	122,546

UNIVERSITY STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2019

		Income and expenditure account - unrestricted	Hedging reserve	Total
	Note	£'000	£'000	£'000
Balance at 1 August 2017		153,364	(21,695)	131,669
Surplus from the statement of comprehensive income and expenditure		5,571	-	5,571
Actuarial gains on pension schemes	23	22,370	-	22,370
Change in fair value of hedging financial instruments	24	-	2,835	2,835
Total comprehensive income for the year		27,941	2,835	30,776
Balance at 1 August 2018		181,305	(18,860)	162,445
Deficit from the statement of comprehensive income and expenditure		(14,488)	-	(14,488)
Actuarial losses on pension schemes	23	(22,946)	-	(22,946)
Change in fair value of hedging financial instruments	24	-	(1,468)	(1,468)
Total comprehensive expense for the year		(37,434)	(1,468)	(38,902)
Balance at 31 July 2019		143,871	(20,328)	123,543

CONSOLIDATED AND UNIVERSITY BALANCE SHEETS

AS AT 31 JULY 2019

	Note	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
NON-CURRENT ASSETS					
Investments	10	-	1	-	1
Intangible assets	12	8,169	8,169	8,187	8,187
Tangible fixed assets	13	331,017	331,017	335,076	335,076
		339,186	339,187	343,263	343,264
CURRENT ASSETS					
Stocks		6	6	9	9
Trade and other receivables	14	18,920	17,288	15,597	12,209
Investments	15	5,003	5,003	19,900	19,900
Cash and cash equivalents	19	44,012	43,941	33,373	33,140
		67,941	66,238	68,879	65,258
Creditors – amounts falling due within one year	16	(56,355)	(53,656)	(64,094)	(60,475)
NET CURRENT ASSETS		11,586	12,582	4,785	4,783
TOTAL ASSETS LESS CURRENT LIABILITIES		350,772	351,769	348,048	348,047
Creditors – amounts falling due after more than one year	17	(75,065)	(75,065)	(76,793)	(76,793)
Provisions					
Pension provisions	18	(151,621)	(151,621)	(107,556)	(107,556)
Other provisions	18	(1,540)	(1,540)	(1,253)	(1,253)
TOTAL NET ASSETS		122,546	123,543	162,446	162,445
Unrestricted reserves					
Income and expenditure reserve – unrestricted		142,874	143,871	181,306	181,305
Hedging reserve		(20,328)	(20,328)	(18,860)	(18,860)
		122,546	123,543	162,446	162,445

The financial statements on pages 35 to 64 were approved by the Board of Governors on 29 November 2019 and signed on their behalf by:



Chris Sayers
Chair of the Board of Governors



Professor Andrew Wathey
Vice-Chancellor and Chief Executive

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CASH FLOWS

YEAR ENDED 31 JULY 2019

	Note	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cashflows from operating activities					
(Deficit) / surplus for the year		(15,450)	(14,488)	5,571	5,571
Adjustments for non-cash items					
Depreciation of fixed assets	13	17,508	17,508	18,775	18,775
Amortisation of intangible assets	12	2,660	2,660	2,172	2,172
Pension adjustments	23	12,910	12,910	2,099	2,099
Decrease / (increase) in stock		3	3	(1)	(1)
(Increase) / decrease in debtors		(2,742)	(4,498)	183	(1,366)
(Decrease)/increase in creditors		(3,975)	(3,018)	(1,040)	384
Increase /(decrease) in pension provisions	18	5,353	5,353	(295)	(295)
Increase / (decrease) in other provisions		287	287	(1,606)	(1,606)
Adjustments for investing or financing activities					
Investment income	5	(325)	(326)	(249)	(249)
Interest payable	8	5,875	5,875	6,336	6,336
Gain on disposal of fixed assets		-	-	(516)	(516)
Capital grant income		(1,650)	(1,650)	(2,841)	(2,841)
		20,454	20,616	28,588	28,463
Cashflows from investing activities					
Proceeds from sales of fixed assets		-	-	4,976	4,976
Capital grants receipts		1,958	1,958	2,180	2,180
Investment income receipts		303	303	238	238
Payments made to acquire intangible assets		(2,642)	(2,642)	(2,417)	(2,417)
Payments made to acquire tangible fixed assets		(17,971)	(17,971)	(23,184)	(23,184)
Withdrawn / (new) deposits		14,897	14,897	(14,900)	(14,900)
		(3,455)	(3,455)	(33,107)	(33,107)
Cashflows from financing activities					
Interest paid		(3,060)	(3,060)	(3,206)	(3,206)
Repayments of amounts borrowed		(3,300)	(3,300)	(3,300)	(3,300)
		(6,360)	(6,360)	(6,506)	(6,506)
Increase / (decrease) in cash and cash equivalents in the year					
Cash and cash equivalents at the beginning of the year	19	33,373	33,140	44,398	44,290
Cash and cash equivalents at the end of the year	19	44,012	43,941	33,373	33,140

Statement of principal accounting policies

In accordance with FRS 102 'Accounting Policies', these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate for the University's activities.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with applicable accounting standards, and comply with accounts direction from the Office for Students dated 19 June 2018. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets which are now held at deemed cost and derivative financial instruments which are held at fair value).

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries, together with the share of the results of material associates and joint ventures. The financial information of the subsidiaries, associates and joint ventures is prepared as of the same reporting date and consolidated using consistent accounting policies. Intercompany balances and transactions, including unrealised profits arising from intercompany transactions are eliminated in full.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal.

Subsidiaries are entities that meet the definition of control, as defined by FRS 102 section 9. Joint ventures are entities over which the University has joint control, established by contractual agreement. Investments in associates and joint ventures are accounted for using the equity method.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Income recognition

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

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

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

Government grants including funding body block grants, research grants from government sources and other grants and donations from non-government sources (including research grants from non-government sources) are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure in line with such conditions being met.

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

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

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

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

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

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

Capital grants

Capital grants are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

Investment income

Investment income is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

Exceptional items

Exceptional items, being non-recurring items that are material by size and/or by nature, are presented within their relevant category in the Statement of Comprehensive Income and Expenditure but disclosed on a separate line. Events which may give rise to exceptional items include, but are not limited to, significant restructuring costs, significant impairments or pension movements linked to past service costs.

Accounting for retirement benefits

The four principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS), the Tyne and Wear Pension Fund (TWPF) and the Universities and Colleges Retirement Savings Scheme (UCRSS). Of these schemes, TPS, USS and TWPF are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

Under the definitions set out in FRS 102 (28.11), the TPS and USS are multi-employer pension schemes, given they are schemes for entities not under common control and represent industry-wide schemes.

The University is unable to identify its share of the underlying assets and liabilities of the USS plan. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer and hence there are no underlying assets and liabilities and accordingly, the University has accounted for its contributions to the scheme as if it were a defined contribution scheme.

The University is able to identify its shares of assets and liabilities of the TWPF Local Government Pension Scheme (LGPS) and accordingly reports it as a defined benefit scheme.

UCRSS is a defined contribution scheme.

Defined contribution scheme

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

The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in Consolidated Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. The discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements are also recognised as a provision.

Defined benefit scheme

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future, through refunds from the plan or settlement of the plan, and takes into account the adverse effect of any minimum funding requirements.

Employment benefits

Short term employee benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as an expense in the year they were earned.

Annual performance-based incentive scheme

The University operates an annual performance based-incentive scheme for the University Executive and Service Directors including the Vice-Chancellor and Chief Executive. An expense is recognised in the Statement of Comprehensive Income and Expenditure when the University has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Operating leases

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

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of University entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Investments

Non-current investments, including investments in subsidiaries, jointly controlled entities and associates, are held on the University Balance Sheet at amortised cost less impairment.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

Asset capitalisation policy

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

Individually have a cost equal to or greater than £10,000; or

Collectively have a cost equal to or greater than £10,000 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.

Tangible fixed assets

Cost (or deemed cost)

Freehold land and buildings and long leasehold buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses. Costs incurred after initial purchase or construction in relation to freehold land and buildings and long leasehold buildings are capitalised to the extent that they increase the expected future benefits to the University.

Short leasehold improvements and equipment, including motor vehicles, computers, IT infrastructure and furniture are stated at cost less accumulated depreciation and accumulated impairment losses.

Assets under construction are stated at cost.

Depreciation

Freehold Land is not depreciated as it is considered to have an indefinite useful life. Depreciation on other assets is calculated using the straight line method, to depreciate assets to their residual value over their estimated useful lives, as follows:

Freehold buildings	over period up to 50 years
Freehold refurbishments	over 10 years
Leasehold buildings	over the life of the lease up to 50 years
Leasehold refurbishments	over the remaining life of the lease up to a maximum of 10 years
Computers and IT infrastructure	3 years
Motor vehicles	4 years
All other equipment	5 years

No depreciation is charged on assets under construction until they are available for use.

Depreciation methods, useful lives and residual values are reviewed annually.

Intangible assets

Software and related costs (excluding any feasibility costs) are held at cost less accumulated depreciation and accumulated impairment losses. Internally generated intangible assets are capitalised once the development criteria established in FRS 102 section 18 have been met. Where tangible and intangible elements of an asset are incapable of separation, an assessment is made to determine which element is more significant and based on this the asset is either treated as a tangible or intangible asset.

Amortisation is calculated using the straight line method, to amortise intangible assets to their residual value over their estimated useful lives, deemed to be between 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed annually.

Assets held for sale

Assets held for sale are assets or groups of assets intended to be disposed of prior to their expected date of retirement. The asset continues to be depreciated but the asset's remaining life or residual value is amended to reflect its expected disposal date and expected value at this date. Such assets remain within the asset category within fixed/ intangible assets.

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 the University does not believe that they would have a material impact on the financial statements.

Stock

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

Cash and cash equivalents

Cash includes cash in hand, deposits with a maturity period of 3 months or less and overdrafts.

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs.

The University's subsidiaries are liable to corporation tax in the same way as any other commercial organisation.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay

more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

Derivatives

Derivatives are held on the Balance Sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value of hedging financial instruments are recorded within Other Comprehensive Income, through the hedging reserve.

Reserves

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

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

Critical accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expenditure. Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Details of the University's critical accounting judgements and estimates are described below.

Estimates for the accounting for employee benefits

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets for certain of the University's defined benefit plans. These are mainly actuarial assumptions such as discount rate, mortality rates and expected inflation rates. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2019 are included in note 23.

Fixed asset depreciation, intangible asset amortisation and useful economic life

The assessment of the appropriate useful economic life of an asset or class of assets requires both judgement and estimation. The useful economic lives that have been assigned to the University's fixed assets, and therefore the depreciation and amortisation rates applicable, are considered to be appropriate based upon the expected lives and future plans for these assets.

Notes to the financial statements

For the Year Ended 31 July 2019

1. TUITION FEES AND EDUCATION CONTRACTS	A Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full time home and EU students	145,918	144,744	139,991	139,291
Part time home and EU students	5,637	4,831	6,382	5,437
International students	27,641	22,655	25,669	21,005
Short courses	4,671	4,694	4,798	4,798
Nurse education training	9,133	9,133	15,431	15,431
Other fees	770	770	690	690
	193,770	186,827	192,961	186,652

2. FUNDING BODY GRANTS	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent grants				
Higher Education Funding Council	-	-	12,034	12,034
Office for Students	10,047	10,047	2,418	2,418
Research England	7,077	7,077	2,381	2,381
National College for Teaching and Leadership	730	730	782	782
Capital grants	1,650	1,650	2,841	2,841
Specific grants				
Higher Education Innovation Fund	750	750	482	482
Other	93	93	344	344
	20,347	20,347	21,282	21,282

3. RESEARCH GRANTS AND CONTRACTS	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research councils	3,304	3,304	2,434	2,434
Research charities	699	699	561	561
Government (UK and overseas)	2,652	2,652	1,830	1,830
Industry and commerce	1,156	1,156	1,023	1,023
Other	809	809	775	775
	8,620	8,620	6,623	6,623

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 £11,167k (2018: £9,082k). In accordance with FRS 102, the University has only recognised income and costs to the extent that the University acts as the principal in the contracts.

4. OTHER INCOME	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences, catering and conferences	11,591	11,591	15,388	15,388
Collaborative ventures	7,324	7,730	7,073	7,602
Other academic income	1,671	1,671	1,369	1,369
Rent and rates	1,473	1,558	1,349	1,434
Sports membership	774	774	853	853
IT helpline	1,279	1,279	1,309	1,309
Other	6,984	7,339	7,044	6,595
	31,096	31,942	34,385	34,550

5. INVESTMENT INCOME	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment income on short term deposits	325	326	249	249

6. STAFF COSTS	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	117,108	116,717	110,990	110,509
Social security costs	12,547	12,492	11,425	11,378
Other pension costs (note 23)	21,463	21,430	21,075	21,042
	151,118	150,639	143,490	142,929
Exceptional pension costs (note 23)	17,029	17,029	-	-
	168,147	167,668	143,490	142,929

The exceptional pension charges for the year were:

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
USS (note 23)	5,759	5,759	-	-
LGPS past service cost (note 23)	11,270	11,270	-	-
	17,029	17,029	-	-

USS

The adoption of the new deficit recovery plan for the USS pension scheme following the finalisation of the 2017 actuarial valuation on 31 January 2019 has given rise to a significant increase in the deficit provision by £5,825k from £3,068k at 31 July 2018 to £8,741k at 31 July 2019. £5,759k of this increase is attributable to the deficit recovery plan agreed within the 2017 actuarial valuation, and particularly the deficit reduction rate which has moved from 2.1% to 5%. Given the significant impact of this change resultant pension charge has been disclosed separately as an exceptional item within the Statement of Consolidated Income and Expenditure.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed and is detailed in note 23. The impact of this new deficit recovery plan, assuming all other assumptions remained unchanged, would have been a revised provision of £5,148k as at 31 July 2019, a decrease of £3,593k from the actual year end provision. Further details are given in notes 18 and 23.

LGPS

The significant past service cost of £11,270k included within the 31 July 2019 results is due to increases in the pension liability to reflect potential remedy with regards to the McCloud Judgement and Guaranteed Minimum Pension (GMP) Indexation and Equalisation. Given the significant impact of this change the pension charge has been disclosed separately as an exceptional item within the Statement of Consolidated Income and Expenditure.

McCloud judgement

In December 2018 the Court of Appeal ruled in the 'McCloud / Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the Government's request. In July 2019 the Government, in a Ministerial Statement, committed to extending a remedy across all public sector schemes which included similar transitional protection arrangements, including the LGPS. The estimated additional liability of £9,580k has been recognised as a past service cost in 2018/19 since this is the period in which the liability recognition criteria has first been met, rather than because the past service was in this period.

GMP

Following changes to the State Pension in April 2016, there was a risk that members of the LGPS 'contracted out' of the State Pension between 6 April 1978 and 6 April 1997 and who would reach their State Pension Age (SPA) after April 2016, would be worse off. This is because State Pension reforms removed the facility for the State to pay 'top up' payments to ensure their total pension was fully inflation protected. The LGPS was only required to pay limited increases on some elements of GMP (a portion of pension accrued in the LGPS when members were contracted out of the State Scheme). A government commitment for the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 April 2016 and 5 December 2018 has already been accounted for but, in January 2018, the Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 December 2018 and 5 April 2021. Further, the Government has indicated that it is committed to continuing to compensate all members of public sector pension schemes reaching SPA after 5 April 2021. This had not previously been accounted for and the estimated liability that results from this is £1,690k, recognised as a past service cost.

	Consolidated	
	2019	2018
	Staff FTE	Staff FTE
Average staff numbers by major category (expressed as Full Time Equivalents (FTE))	1,309	1,257
Academic		
Academic support	166	159
Student support	381	371
Estates and accommodation	268	272
Administration and central services	560	514
	2,684	2,573

Other disclosures required by the OfS Accounts Direction are included within the Annual Remuneration Statement on pages 24-29 of these financial statements with required disclosures clearly marked as "audited information" in that statement.

7. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic faculties	108,567	107,490	103,667	102,279
Academic services	37,863	36,536	32,918	32,571
Administration	54,738	51,727	61,810	58,657
Premises	30,796	29,153	29,361	28,105
Residences, catering and conferences	8,758	8,758	11,776	11,776
Research grants and contracts	7,360	7,360	5,664	5,664
Other expenses	21,526	21,526	5,249	5,249
	269,608	262,550	250,445	244,301

Other operating expenses include

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
External auditor's remuneration in respect of audit services for the current year	75	56	72	54
External auditor's remuneration in respect of audit services for the previous year	-	-	6	-
External auditor's remuneration in respect of other assurance services	18	18	10	10
Operating lease rentals:				
Land and buildings	3,012	3,012	3,693	3,693
Plant and equipment	687	687	613	613

8. INTEREST AND OTHER FINANCE COSTS

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Interest on bank and other loans	3,018	3,018	3,188	3,188
Interest on LGPS defined benefit scheme (note 23)	2,720	2,720	2,980	2,980
Interest on USS deficit recovery plan	66	66	56	56
Interest on enhanced pension scheme	71	71	112	112
	5,875	5,875	6,336	6,336

9. TAXATION

Consolidated and University

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.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

10. INVESTMENTS IN SUBSIDIARIES

The following companies are subsidiaries of the University:

Company	Country of registration	Activity	Issued share capital	As at	As at
				31 July 2019	31 July 2018
				£	£
University of Northumbria at Newcastle Developments Limited	England & Wales	Provision of Education Services	2 £1 Ordinary Shares (100% holding)	2	2
Northumbria International Limited	England & Wales	Support Services for Overseas Activities	1 £1 Ordinary Share (100% holding)	1	1
Northumbria University Nursery Limited	England & Wales	Provision of Nursery Services	1 £1 Ordinary Share (100% holding)	1	1
Northumbria University Services Limited	England & Wales	Provision of Support Staff to Northumbria University	1 £1 Ordinary Share (100% holding)	1	1
Northumbria London Campus Limited	England & Wales	Provision of Education Services at London Campus	501 £1 Ordinary Shares (50.1% holding)	501	501
Northumbria University Amsterdam B.V.	Netherlands	Provision of Education Services at Amsterdam Campus	1,000 €1 Ordinary Shares (100% holding)	890	890
				1,396	1,396

There have been no changes to investments over the year.

The results of these subsidiary entities are included in these consolidated statements.

The registered address for all subsidiaries registered in England and Wales is:

Vice-Chancellor's Office, Sutherland Building, College Street, Newcastle upon Tyne, NE1 8ST

The registered address for Northumbria University Amsterdam B.V. is:

Strawinskylaan 3127; 1077 ZX; Amsterdam; The Netherlands

11. INVESTMENTS IN JOINT VENTURES

Company	Country of registration	Activity	Issued share capital	£
BIM Academy (Enterprises) Limited	England & Wales	Joint Venture to supply 3D modelling to building industry	50 £1 Ordinary Shares (50.0% holding)	50
				50

The group's share of this joint venture's results have not been included in the financial statements on grounds of materiality.

12. INTANGIBLE ASSETS

	Consolidated and University		
	Software	Software assets under development	Total
	£'000	£'000	£'000
Cost			
At 1 August 2018	11,499	2,473	13,972
Additions in the year	184	2,458	2,642
Transfer	2,089	(2,089)	-
Disposals in the year	(353)	-	(353)
At 31 July 2019	13,419	2,842	16,261
Amortisation			
At 1 August 2018	5,785	-	5,785
Disposals in the year	(353)	-	(353)
Charge for the year	2,660	-	2,660
At 31 July 2019	8,092	-	8,092
Net book value at 31 July 2019	5,327	2,842	8,169
Net book value at 31 July 2018	5,714	2,473	8,187

13. TANGIBLE FIXED ASSETS

	Consolidated and University					
	Freehold land and buildings	Long leasehold buildings	Short leasehold improvements	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 August 2018	362,094	1,576	547	85,109	6,242	455,568
Additions in the year	166	-	-	4,294	8,989	13,449
Transfers	13,054	-	-	906	(13,960)	-
Disposals	-	-	-	-	-	-
At 31 July 2019	375,314	1,576	547	90,309	1,271	469,017
Depreciation						
At 1 August 2018	48,783	284	154	71,271	-	120,492
Charge for the year	10,658	59	45	6,746	-	17,508
Disposals	-	-	-	-	-	-
At 31 July 2019	59,441	343	199	78,017	-	138,000
Net book value at 31 July 2019	315,873	1,233	348	12,292	1,271	331,017
Net book value at 31 July 2018	313,311	1,292	393	13,838	6,242	335,076

Included in freehold land and buildings is an amount of £nil (2018: £nil) relating to land held for sale.

14. TRADE AND OTHER RECEIVABLES

	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade receivables	8,730	5,526	6,574	2,852
Amounts due from subsidiary undertakings	-	1,542	-	333
Prepayments and accrued income	9,903	9,934	8,812	8,814
Other receivables	287	286	211	210
	18,920	17,288	15,597	12,209

15. CURRENT INVESTMENTS

	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term cash deposits	5,003	5,003	19,900	19,900

Deposits are held with banks licensed by the Financial Conduct Authority. The interest rates for these deposits are variable and the term is fixed for less than one year at the balance sheet date.

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 0.9% (2018: 0.9%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 95 days (2018: 146 days). The fair value of these deposits was not materially different from the book value.

16. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans	3,300	3,300	3,300	3,300
Unsecured loans	106	106		
Fixed rate hedging instruments (note 24)	2,288	2,288	2,498	2,498
Trade payables	6,735	6,664	9,439	7,885
Amounts owed to subsidiaries	-	660	-	210
Social security and other taxes payable	3,088	3,079	2,946	2,937
Accruals and deferred income	40,262	36,984	45,182	42,916
Other payables	576	575	729	729
	56,355	53,656	64,094	60,475

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Donations	281	281	178	178
Research grants received on account	5,731	5,731	4,595	4,595
Grant income	1,191	1,191	986	979
Other income	17,549	14,556	17,261	15,133
	24,752	21,759	23,020	20,885

17. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Fixed rate hedging instruments (note 24)	18,040	18,040	16,362	16,362
Secured loans	57,025	57,025	60,325	60,325
Unsecured loans	-	-	106	106
	75,065	75,065	76,793	76,793

Analysis of secured and unsecured loans	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Due within one year or on demand	3,406	3,406	3,300	3,300
Due between one and two years	3,300	3,300	3,300	3,300
Due between two and five years	9,900	9,900	10,006	10,006
Due in five years or more	43,825	43,825	47,125	47,125
Due after more than one year	57,025	57,025	60,431	60,431
Total secured and unsecured loans	60,431	60,431	63,731	63,731
Secured loans repayable by 2037	60,325	60,325	63,625	63,625
Unsecured loans	106	106	106	106
Total secured and unsecured loans	60,431	60,431	63,731	63,731

Included in loans are the following:

	From	To	Interest rate	Amount £'000
Barclays Bank plc				
Fixed rate hedge	1 August 2011	1 August 2036	5.72%	31,739
Fixed rate hedge	1 August 2012	1 August 2035	4.81%	22,254
Variable rate	2 May 2019	31 July 2019	1.02%	6,332
Salix Finance				
Interest free	1 October 2015		0.00%	106
Total secured and unsecured loans				60,431

The secured Barclays loan is a single indebtedness though it is priced across three tranches as shown in the above table. This loan is secured on certain freehold property assets. It is payable in equal quarterly instalments through to the final instalment payable in August 2037.

At 31 July 2019 the aggregate fair value of the Barclays' hedge agreements was a liability of £20,328k (2018: liability of £18,860k). These fair values are included in these financial statements as fixed rate hedging instruments under 'Creditors - amounts falling due within one year' and 'Creditors - amounts falling due after more than one year'. The reduction in the liability has been recognised in equity through the Hedging Reserve with hedge accounting having been applied.

The Salix Finance Loan is unsecured. It is funding under the OfS Revolving Green Fund 4 (RGF4) programme. As such, it can be re-cycled to use on additional carbon saving capital initiatives. Northumbria University is currently recycling this funding and it does not anticipate repayment in the short term. The terms of the loan mean that it could be recalled at any time and therefore it is classified as falling due within one year. The University is not aware of any intention from OfS to recall the loan.

18. PROVISIONS

Consolidated and University	1.	2.	3.	Total pensions provisions £'000
	Obligation to fund deficit on USS Pension £'000	Pension enhancements on termination £'000	Defined benefit obligations £'000	
At 1 August 2018	3,068	3,078	101,410	107,556
Utilised in year	(152)	(254)	-	(406)
Additions in year	5,825	286	38,360	44,471
At 31 July 2019	8,741	3,110	139,770	151,621

Consolidated and University	4.	5.	6.	Total other provisions £'000
	Leasehold dilapidation £'000	Restructuring provision £'000	Overseas tax uncertainties £'000	
At 1 August 2018	325	51	877	1,253
Utilised in year	-	(51)	(93)	(144)
Additions in year	198	-	233	431
At 31 July 2019	523	-	1,017	1,540

1. The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 23.

Consolidated and University

	Year Ended 31 July 2019	Year Ended 31 July 2018
Discount rate	1.62%	2.16%
Salary growth	2.50%	2.50%

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £3,068k to £8,741k. £5,759k of the £5,825k increase in the obligation is attributable to the change in the deficit contributions contractual commitment from 2.1% of salaries to 5% of salaries. More details on the 2017 actuarial valuation are set out in note 23

2. In previous years, the University has granted enhanced pension payments to certain members of staff in both the LGPS and TPS. 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 TWPF and to the TPS for these payments.
3. The defined benefit relates to the University's participation in the TWPF which provides defined pension benefits to non-academic staff. The scheme is regulated under the requirements of the LGPS. Details are included in note 23.
4. This provision represents an estimate of the costs incurred to date for work that will be required to be carried out in order to restore a leasehold property to its original state on exiting the lease.
5. The restructuring provision met the costs of staff reductions arising from the ongoing reorganisation of professional support and academic staff across University services and faculties.
6. This amount is being provided for uncertain tax positions relating to a number of the University's activities overseas and is expected to be utilised in 2019/20.

19. CASH AND CASH EQUIVALENTS

	As at 1 August 2018 £'000	Cash flows £'000	As at 31 July 2019 £'000
Consolidated			
Cash and cash equivalents	33,373	10,639	44,012
University			
Cash and cash equivalents	33,140	10,801	43,941

As outlined in note 15, the consolidated group and university also held £5,003k (2018: £19,900k) in short-term cash deposits at the year end.

20. CAPITAL AND OTHER COMMITMENTS

	Consolidated and University	
	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Capital commitments contracted for but not provided for	3,377	8,829

21. LEASE OBLIGATIONS

	Consolidated and University					
	Land and buildings £'000	Plant and other machinery £'000	As at 31 July 2019 Total £'000	Land and buildings £'000	Plant and other machinery £'000	As at 31 July 2018 Total £'000
Future minimum lease payments due:						
Not later than one year	3,037	687	3,724	2,975	533	3,508
Later than one year, not later than five years	12,143	115	12,258	12,070	-	12,070
Later than five years	16,459		16,459	19,560	-	19,560
Total lease payments due	31,639	802	32,441	34,605	533	35,138

22. RELATED PARTIES

Members of the Board of Governors and University Executive 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 financial effect of all transactions involving organisations in which a member of the Board of Governors and University Executive may have an interest has been considered.

In the normal course of business the University transacts with private and public sector organisations, a certain number of which Governors and Executives of the University are directors, officers or partners. All such transactions are undertaken on an arm's length basis in accordance with normal agreements with customers and suppliers and in line with the University's Financial Regulations.

Where Governors and Executives or members of their respective close family do not have a controlling interest in either the University or the organisations in which they are directors, employees or partners, the transaction is not deemed as a related party transaction and disclosure is not required under FRS 102.

The following have been identified as related party transactions requiring disclosure under FRS 102. It is confirmed that these are conducted at arm's length and in accordance with the University's Financial Regulations.

Related Party	Year Ended 31 July	Sales £'000	Purchases £'000	Debtor £'000	Creditor £'000
BIM Academy (Enterprises) Limited¹⁰	2019	-	31	-	1
	2018	8	49	-	-
Committee of University Chairs¹¹	2019	-	2	-	-
	2018	-	2	-	-
North East Chamber of Commerce¹²	2019	1	6	-	-
	2018	-	9	-	-
Ryder Architecture Limited¹³	2019	14	31	-	-
	2018	4	66	1	-
QAHE (NU) Limited¹⁴	2019	-	4,349	-	2,459
	2018	602	4,840	2,097	604
University of Northumbria Students' Union¹⁵	2019	1,200	3,647	299	748
	2018	1,513	2,832	298	3

As detailed in the Remuneration Statement on page 28, the Vice-Chancellor and Chief Executive is a Non-Executive Director of the Board of the Student Loans Company (SLC). The University received £133,100k (2018: £129,413k) from the SLC and made purchases of £18k (2018: £26k) in the normal course of business.

10 BIM Academy (Enterprises) Limited is a joint venture to supply 3D modelling to the building industry. Its results are not consolidated within these accounts and therefore transactions have been disclosed here. The expenditure incurred relates to consultancy services received.

11 Chris Sayers is the Chair of both the University and the Committee of University Chairs. As such he is in a position to exercise significant influence over both organisations. Amounts paid by the University represent the annual membership fee.

12 Lucy Winskell OBE is a member of the University Executive and the Chair of the North East Chamber of Commerce. The purchases represent subscriptions and fees payable by the University relating to membership of the Chamber. The sales represent education services provided by the University.

13 Ryder Architecture Limited is a related party to the University as the joint venture partner for BIM Academy (Enterprises) Limited. The sales represent education services provided by the University and the expenditure represents architectural services provided to the University.

14 QAHE (NU) Limited is a related party to the University as the joint venture partner for Northumbria London Campus Limited. The sales and purchases represent recharges of services provided to and by Northumbria London Campus Limited.

15 A number of executive officers of University of Northumbria Students' Union were members of the Board of Governors during the 2018/19 financial year. The sales represent rent charges for the use of the Students' Union building. The expenditure represents grant funding provided by the University to the Students' Union.

23. PENSION SCHEMES

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

The pension charge for the year before exceptional charges was as follows:

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
TPS	8,664	8,664	8,276	8,276
USS (including deficit movements)	1,808	1,808	1,803	1,803
LGPS	10,300	10,300	10,660	10,660
UCRSS	658	658	303	303
Others	33	-	33	-
	21,463	21,430	21,075	21,042

The exceptional pension charges for the year were as follows:

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
USS	5,759	5,759	-	-
LGPS	11,270	11,270	-	-
	17,029	17,029	-	-

Details of the exceptional pension charges are provided within note 6.

The actuarial (loss) / gain in respect of pensions for the year was as follows:

	Consolidated and University	
	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
LGPS	(22,730)	22,340
Enhanced Pension Payments – LGPS and TPS	(216)	30
	(22,946)	22,370

The pension adjustments as detailed in the cash flow statement are derived as follows :

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
LGPS charge	21,570	21,570	10,660	10,660
LGPS employer contributions	(8,660)	(8,660)	(8,561)	(8,561)
	12,910	12,910	2,099	2,099

The Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including universities. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan.

Valuation of the TPS

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). Whilst DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year for schools, it has not provided equivalent funding to the Higher Education Sector.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £8,664k (2018: £8,276k).

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme.

Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution also recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised. The recovery plan implemented as part of the 2017 actuarial valuation requires employers to contribute 5% of salaries over the period 1 April 2020 to 30 June 2034. Details of this provision are included in note 18 to the financial statements.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £5,148k, a decrease of £3,593k from the current year end provision, and therefore a lower exceptional charge to the Statement of Comprehensive Income of £2,166k.

Valuation of the USS

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

The 2017 valuation was the fourth valuation for the scheme 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 £60.0 billion and the value of the scheme's technical provision was £67.5 billion, indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI +1.7%

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019:

	2019	2018
	£'000	£'000
Discount Rate	2.44%	2.64%
Pensionable Salary Growth	n/a	n/a
Pension Increases (CPI)	2.11%	2.02%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on the analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 valuation
Mortality base table	<u>Pre-retirement</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females <u>Post retirement</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2019	2018
Males		
Currently aged 65	24.6	24.5
Currently aged 45	26.6	26.5
Females		
Currently aged 65	26.1	26.0
Currently aged 45	27.9	27.8

The pension costs paid to USS in the year amounted to £2,063k (2018: £2,057k).

Local Government Pension Scheme (LGPS)

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 Borough Council is the administering authority for the Tyne and Wear Pension Fund (TWPF). The metropolitan councils in Tyne and 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 was 15.6% and employer contributions including capital repayments of £3,097k (2018: £2,993k) and strain on fund payments were £8,660k (2018: £8,561k). Under FRS 102, the comparable service cost was £21,570k (2018: £10,660k), including the past service cost of £11,270k (see note 6 for details).

The results below relate to the funded liabilities within the TWPF, which is part of the LGPS. The funded nature of the LGPS requires the University and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

Valuation of the LGPS

The last full actuarial valuation was at 31 March 2016.

Expected employer contributions to the Fund for the accounting period to 31 July 2020 are estimated to be £8,700k. In addition, strain on fund contributions may be required to meet the costs of early retirements.

Included in the employer contributions is the past service deficiency annual monetary amount which is determined by the administering authority, South Tyneside Council. This payment was expected to clear the pension deficit in 15.0 years from the date of the valuation at 31 March 2016.

Principal actuarial assumptions	As at 31 July 2019	As at 31 July 2018
	%	%
Discount rate	2.2	2.8
RPI inflation	3.2	3.2
CPI inflation	2.2	2.1
Pension increases	2.2	2.1
Pension accounts revaluation rate	2.2	2.1
Salary increases	3.7	3.6

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. Sample life experiences at age 65 resulting from these mortality assumptions are shown below in years.

	As at 31 July 2019	As at 31 July 2018
Males		
Currently aged 65	21.9	22.9
Currently aged 45	23.6	25.1
Females		
Currently aged 65	25.1	26.4
Currently aged 45	26.9	28.7

Asset allocation	As at 31 July 2019	As at 31 July 2018
	%	%
Equities	64.9	67.3
Property	8.9	8.6
Government bonds	4.3	4.0
Corporate bonds	11.6	11.4
Cash	1.8	2.1
Other	8.5	6.6
Total	100.0	100.0

Reconciliation of funded status to balance sheet	As at 31 July 2019	As at 31 July 2018
	£'000	£'000
Fair value of fund assets	302,544	277,634
Present value of defined benefit obligation	(442,314)	(379,044)
Deficit in the scheme recorded in provisions (note 18)	(139,770)	(101,410)

The split in the liabilities at the last valuation between the various categories of members is as follows:

Active members	40%
Deferred pensioners	17%
Pensioners	43%

Amounts recognised in statement of comprehensive income and expenditure	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Operating cost		
Current service cost	10,300	10,640
Past service cost	11,270	20
	21,570	10,660
Financing cost		
Net interest cost (note 8)	2,720	2,980
Expense recognised in statement of comprehensive income	24,290	13,640

Allowance for administration expenses included in current service costs	170	130
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Amounts recognised in other comprehensive income	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Gain on assets	15,420	16,560
Experience (losses) / gains on liabilities	(38,150)	5,780
Total amount recognised in other comprehensive (expense) / income	(22,730)	22,340

Movement in deficit	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Opening deficit	(101,410)	(118,671)
Current service cost	(10,300)	(10,640)
Past service cost	(11,270)	(20)
Employer contributions	8,660	8,561
Net interest cost	(2,720)	(2,980)
Actuarial (losses) / gains	(22,730)	22,340
	(139,770)	(101,410)

Changes to the present value of the defined benefit obligation	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Opening defined benefit obligation	379,044	369,674
Current service cost	10,300	10,640
Past service cost	11,270	20
Interest expense on defined benefit obligation	10,520	9,550
Actuarial losses / (gains) on liabilities	38,150	(5,780)
Contributions by participants	2,510	2,500
Net benefits paid out	(9,480)	(7,560)
	442,314	379,044

Changes to the fair value of assets	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Opening fair value of assets	277,634	251,003
Contributions by employer	8,660	8,561
Interest income on assets	7,800	6,570
Actuarial gains on assets	15,420	16,560
Contributions by participants	2,510	2,500
Net benefits paid out	(9,480)	(7,560)
	302,544	277,634

Actual return on assets	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Interest income on assets	7,800	6,570
Actuarial gains on assets	15,420	16,560
	23,220	23,130

Risks associated with the fund in relation to accounting

Asset volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in bond yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in assets as a result.

Inflation risk

The majority of pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of overall liabilities in the Fund.

Sensitivity analysis

The approximate impact on the present value of the defined benefit obligation at 31 July 2019 and on the projected service cost for the year ending 31 July 2020 of changing key assumptions by 0.1% is shown below. In each case, only the assumption chosen is altered with all other assumptions assumed to remain the same.

Discount rate assumption

Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	433,170	442,314	451,650
% change in present value of total obligation	-2.1%		2.1%
Projected service cost (£'000)	13,620	14,070	14,530
Approximate % change in projected service cost	-3.2%		3.3%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	444,860	442,314	439,790
% change in present value of total obligation	0.6%		-0.6%
Projected service cost (£'000)	14,070	14,070	14,070
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase in pensions in payment and deferred pensions assumptions and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	449,070	442,314	453,670
% change in present value of total obligation	1.5%		-1.5%
Projected service cost (£'000)	14,530	14,070	13,620
Approximate % change in projected service cost	3.3%		-3.2%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	456,850	442,314	427,910
% change in present value of total obligation	3.3%		-3.3%
Projected service cost (£'000)	14,630	14,070	13,510
Approximate % change in projected service cost	4.0%		-4.0%

Universities and Colleges Retirement Savings Scheme (UCRSS)

The University contributes to a defined contribution scheme for certain support staff and for staff who have opted out of a defined benefit arrangement. The scheme has a non-contributory baseline employer contribution of 7% with matched funding available. A total of £658k (2018: £303k) was recognised as an expense in income and expenditure in respect of the scheme.

24. FINANCIAL INSTRUMENTS

Risk management

The University carefully monitors and manages the credit, liquidity and interest risk associated with the group's activities. These financial risks are managed within parameters specified by relevant risk and treasury management policies.

The University's treasury management and ethical investment policy governs all treasury management activities and sets out relevant policy objectives and control measures. It is reviewed and approved by the University Employment and Finance Committee. The treasury management and ethical investment policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Services, as issued by Chartered Institute of Public Finance and Accountancy (CIPFA).

The group's principal financial instruments are cash, short-term deposits, and financial derivatives in respect of the University's interest bearing loans and borrowings. The core objective of these financial instruments is to meet financing needs of the University's operations and to mitigate against volatility and risk. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The University's financial regulations and treasury management and ethical investment policy lay out the framework for credit risk management. Credit risk is monitored on an on-going basis and arises from bank balances, investments, student debtors and other commercial and government organisations as customers.

At 31 July 2019, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. Student, government and commercial debtors are reviewed on an on-going basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off. The concentration of risk is limited due to the student base being large and diverse. The University's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and short term deposit investments. Credit worthiness of the University's banks and lenders is regularly monitored.

Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds.

At 31 July 2019, the group is holding cash deposits, none of which have a maturity period greater than 12 months.

Foreign currency risk

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group. The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in Euros and Dollars. The University has both a Euro and a Dollar current account to help with the management and mitigation of foreign currency risk. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Northumbria University Amsterdam B.V. is based in the Netherlands and has income and expenditure primarily in Euros. Overall foreign currency exposure is immaterial, being an insignificant portion of total Income and Expenditure. At 31 July 2019, the sterling equivalent of all euro bank balances was £3,528k (2018: £6,104k). The sterling equivalent of all dollar balances at this date was £833k (2018: £nil).

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of Balance Sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investment risk).

The group's main financing arrangements relate to the secured and unsecured bank loans (see note 17) with a total amount outstanding of £60,431k (2018: £63,731). Interest is charged at different rates, including fixed rates as a result of interest rate hedging instruments, and an unhedged element at variable rates. In an interest rate swap, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. At 31 July 2019, balance sheet values of deposits and cash at bank and in hand are not materially exposed to changes in interest rates. The nature of the hedging instruments associated with the group's secured bank loans means that that group is not significantly exposed to further variability arising from interest rate risk, albeit fluctuations in the fair value of derivative financial instruments are relevant.

Derivative financial instruments – fair values

The fair value of the University's interest rate swaps is based on Mark to Market valuations, underpinned by reference to discounted future cash flows.

	Financial liabilities					
	As at 31 July 2019			As at 31 July 2018		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Interest rate swaps						
Designated as cash flow hedges	(2,288)	(18,040)	(20,328)	(2,498)	(16,362)	(18,860)

Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	As at 31 July 2019					
	Carrying amount £'000	Expected cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
	Interest rate swaps					
Liabilities	(20,328)	(20,328)	(2,288)	(2,169)	(5,776)	(10,095)

	As at 31 July 2018					
	Carrying amount £'000	Expected cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 Years and over £'000
	Interest rate swaps					
Liabilities	(18,860)	(18,860)	(2,498)	(2,376)	(6,380)	(7,606)

The group uses hedge accounting in line with FRS 102 section 12 in respect of the interest rate swap on the secured bank loans, see above.

This interest rate swap is to fix interest rates on the University's secured bank loans, by tranche, as outlined in note 17. The risk being hedged is the University's exposure to variable interest rates. The fair value of the hedging instrument at the year-end is a liability of £20,328k (2018: liability of £18,860k).

The amount of the change in fair value of the hedging instrument recognised in other comprehensive income for the period is an increase of £1,468k in the liability (2018: £2,835k reduction in the liability).

25. ALTERNATIVE PERFORMANCE MEASURES

A reconciliation of the Consolidated Alternative Performance Measures (APMs) used within the operating and financial review on pages 9 to 14 of these financial statements is provided below. These are the key non-GAAP measures used by the University to monitor and evaluate performance.

Adjusted EBITDA		Consolidated	
		Year Ended 31 July 2019	Year Ended 31 July 2018
	Note	£'000	£'000
Surplus before other gains (operating surplus)		(15,450)	5,055
Interest payable	8	5,875	6,336
Investment income	5	(325)	(249)
Depreciation of tangible fixed assets	13	17,508	18,775
Amortisation of intangible assets	12	2,660	2,172
Capital grants income	2	(1,650)	(2,841)
Pension adjustments	23	12,910	2,100
USS provision movements		5,605	(42)
		27,133	31,306

Adjusted net operating cashflows		Consolidated	
		Year Ended 31 July 2019	Year Ended 31 July 2018
	Note	£'000	£'000
Net operating cashflows		20,454	28,588
Capital grants receipts		1,958	2,180
		22,412	30,768

Cash and investments		Consolidated	
		As at 31 July 2019	As at 31 July 2018
	Note	£'000	£'000
Cash and cash equivalents	19	44,012	33,373
Investments	15	5,003	19,900
		49,015	53,273

26. EVENTS AFTER THE REPORTING PERIOD

As set out in note 23 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This would have resulted in a decrease of £3,593k in the provision for the obligation to fund the deficit on the USS pension. This adjustment will be reflected in the Consolidated and University financial statements for the year ending 31 July 2020.



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