

Northumbria University

Annual Report and
Financial Statements **2016 / 2017**



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I am pleased to introduce the Financial Statements for 2016/17, the year in which we mark the 25th anniversary of Northumbria's grant of university status. The information in this report illustrates the University's numerous outstanding achievements during the year.

Northumbria continues to invest in driving excellence in its education and research, so that in combination we make an even greater contribution to the world in which we live. Much of this contribution is manifested in the student experience and the benefits they take into the workplace and civil society. Our work also contributes through successful research and industry collaborations with a variety of partners. This allows us to integrate our expertise in the arts and humanities, design, engineering, science and technology with the existing and future needs of global businesses.

Northumbria's success is a result of our collective efforts. With inspirational academic colleagues who have a genuine passion for their subject and first-class professional support staff who ensure the smooth delivery of the University's activities, we all contribute to our regional, national and global standing.

This Annual Report gives a flavour of some of the extraordinary successes over the last year, including improvements in the University's league table standing, to 48th in the Guardian League Table our highest ever UK league table position, and into the Times Higher Education (THE) World Rankings top 600 for the first time. Our most recent milestone is the THE University of the year award shortlisting. Our nomination reflects the monumental transformation that Northumbria has made over the last decade.

Northumbria's Corporate Strategy and Vision 2013-18 have focused on driving quality in all that we do. We have achieved strong student recruitment again this year, in what has been an even more competitive environment than previous years, including a 37% increase in applications from students from the EU. This year our new students have higher level entry qualifications and will receive an outstanding student experience, excellent teaching, interact with world-leading academics and engage in ground-breaking research.

Our aspirations to be a research-rich and professional university have continued with our academics more than doubling their research grants in the last 4 years – a reflection of the mounting national and international recognition of Northumbria's research. We also received a silver award in the Teaching Excellence Framework (TEF), which is further evidence of our rapidly strengthening academic core.

This year Northumbria's total income was £248.3m. 2016/17 saw the completion of a total of investment £6.7m across a two-year period in our new STEM facilities on campus, co-funded by Higher Education Funding Council for England (HEFCE). We have also opened our multi-million pound investment, Student Central, a modern, light space designed to host the library and student services together for the first time, all at the heart of our campus. A new, state of the art, £7.0m Computer and Information Sciences building is close to completion, to open in January 2018.

The University's achievements over the past 12 months and its solid financial position provide a strong foundation from which we can continue to work on making our ambitious Vision 2025 a reality as we approach the end-point of the Corporate Strategy 2013-18 next year. The finalisation of the new University Strategy 2018-23 will be one of the key priorities over the coming year and will map our way to Vision 2025.

Northumbria is a global University committed to developing its relationships and collaborations locally, nationally and internationally. We will 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.

Professor Andrew Wathey CBE

Vice-Chancellor and Chief Executive

20 November 2017



Northumbria University's Annual Report and Financial Statements for 2016/17 highlight the major and diverse achievements over the period.

Whilst the Annual Report and Financial Statements 2016/17 is a formal publication, it is also an opportunity to present the wider achievements of the University. As we celebrate our 25th anniversary as a University, there is no better time to communicate and celebrate the impressive range of achievements across the last year and also reflect on the journey that we have been on over the last quarter century, which has now positioned us as one of the most dynamic and exciting universities in the country.

In 2013, the University Executive and the Board of Governors agreed a highly ambitious vision for the University and a five-year plan of transformation until 2018. As we fast approach the final year of the Corporate Strategy 2013-18, it is clear that all the efforts of the last four years are paying real dividends, and the University is now in the strongest position that it has ever enjoyed. This is due to our unapologetic and unblinking focus on quality: in relation to the quality of students who enter the University and the grades they are admitted with, the student experience through excellent teaching and facilities, our expanded research programme and the highly impressive student prospects on graduation. None of this could be achieved without our outstanding academic and professional support staff, along with our many partners, collaborators, global network of alumni and friends.

The successful conclusion to this stage of the Corporate Strategy has seen Northumbria make a very real and tangible step-change in its reputation and performance, and this could not have been achieved without the ambition, commitment and talents of our staff and students. This success could not be signalled any more powerfully than through Northumbria being shortlisted for the Times Higher Education (THE) University of the Year Award 2017. This is a clear indication of just how far we have already come, and I do want put on record my thanks to all our staff who have worked so hard in delivering the change required to ensure that the University is sustainable and thrives in the long-term.

The Vice-Chancellor and Chief Executive and his team are currently embarking on a University-wide and external stakeholder consultation to agree the scope of the next stage of the University Strategy 2018-23, and this represents an excellent opportunity for staff, students and our partners to engage in shaping Northumbria's future. I, and the Board of Governors, look forward to working with the Vice-Chancellor and the executive team as we further refine and define the new University Strategy 2018-23 and look forward to its formal approval and launch later in 2017/18. The opportunities that this next phase will bring in cementing Northumbria's quest for quality and further establishing our reputation as a top-class University will be both exciting and challenging in equal measure, but 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

20 November 2017

UNIVERSITY ACHIEVEMENTS AT A GLANCE

Northumbria is celebrating its 25th anniversary as a University. While our history started well before 1992, the last 25 years has seen a continued stream of accolades, developments and achievements. During the 2016/17 academic year, these have included:

Northumbria secured the **Silver Award in the Teaching Excellence Framework**, the new national scheme recognising the quality of teaching, learning and results for students of UK higher education institutions.

Northumbria has the **highest percentage of students in work** or further study six months after graduation among any other North East University (94.7%, DLHE 2015/16).



HEFCE co-funded a **£6.7m investment** in new STEM facilities (the second and final tranche of which was spent in 2016/17) including a wind tunnel, automotive test centre and scanning electron microscope which will make Northumbria a beacon for excellence in STEM teaching and research.

Northumbria is **ranked 1st in the UK for graduate start-up companies**, based on turnover. More than 130 graduate companies employ over 1,000 staff and have a combined turnover of £69.2m. (Higher Education Business and Community Interaction Survey 2015/16).

Northumbria has climbed into the **Times Higher Education World Top 500-600 Universities**. This is the University's highest ever position in this table.

The Northumbria Enterprise and Business Support project has **secured £2.1m from the European Regional Development Fund** to provide graduate interns to SMEs, and encourage students and graduates to start-up their own businesses to support enterprise growth in the North East.

In 2016/17, Northumbria saw a **37% increase in students from the EU** applying to study at the University, despite a 5% drop nationally.



Northumbria students secured six medals at the Rio Paralympic Games, which would have placed the University 51st in an overall medal table, ahead of the Czech Republic.

The **first students graduated from a new pre-nursing course delivered in partnership with the NHS**. The course was established in 2013 as part of a pilot scheme with the NHS training arm, Health Education England, to provide aspiring nursing students with experience in caring by working as a healthcare assistant for up to a year before starting a degree to see if nursing is the right career choice for them.



Northumbria is in the **top 8% of global institutions for higher education Arts and Design provision** according to the 2017 QS World University Rankings by Subject, ranked in the top 150 of almost 1,700 universities from around the world. Architecture and Built Environment courses also scored highly in the QS tables, ranking in the top 200 worldwide.

Northumbria is **ranked top 10 in the UK** for student facilities in the Times Higher Education Student Experience Survey 2017.

More than **37,000 school children, parents and teachers have benefitted** from the pioneering NUSTEM project over the past three years. NUSTEM was designed to help engage young people with science and inspire future generations of scientists and engineers.

Newcastle Business School **won the Small Business Charter for services to SMEs** and also opened a new home for The Business Clinic to expand its free consultancy and advice service for a range of public, private and third sector organisations.



For four years running, Team Northumbria has ranked 8th in the UK in the BUCS National League Table and has retained the Stan Calvert cup in the UK's largest varsity competition against Newcastle University.

Northumbria is **ranked 9th in the UK** for the number of graduates in professional or managerial roles (DLHE 2015/16).

Income from research grants and contracts has **risen from £5.1 million to £8.0m** over the Corporate Strategy period.



Northumbria is **ranked in the world's top 150** of Times Higher Education's Young University Rankings 2017.

Northumbria's Student Law Office was one of just **six winners to be selected from universities across the UK** for a national award recognising creative and innovative teaching practices. The SLO was presented with the Collaborative Award for Teaching Excellence by the Higher Education Academy.

Northumbria attracts the best qualified undergraduate students of all post-1992 English universities (Times Good University Guide 2018).



Outstanding new facilities for students are being created. The first phase sees the redevelopment of the University Library, Gallery and Squires buildings to establish Student Central, and the construction of a **state-of-the-art building for Computer and Information Sciences** programmes, as part of a £52.0m investment in our estate.

Northumbria's sports facilities are **ranked joint 7th in the UK** in the Times Higher Education Student Experience Survey 2017.

Northumbria is the **number one UK institution for disability sport**. 2017 saw the launch of the Faster, Higher, Stronger fund to support continued excellence in disability sport and exercise research at the University.

RESEARCH ACHIEVEMENTS AT A GLANCE

The University was awarded £433,000 from the Engineering and Physical Sciences Research Council to research conformable and mechanically adaptable thin film materials. The technology will be used to fabricate wearable and flexible biosensors for rapid diagnosis of infectious diseases and health condition monitoring.



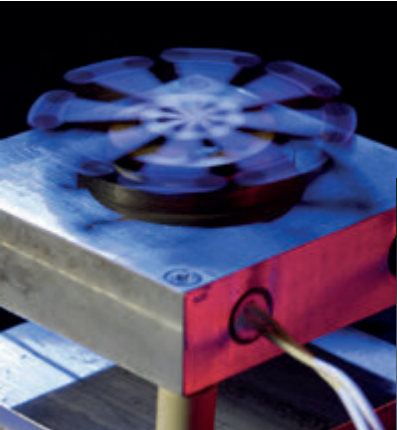
New research awards reached a record value of £11.5m, a 121% increase over the Corporate Strategy Period.



Thanks to our significant expertise in the field of Visible Light Communications, Northumbria is the only UK institution involved in a £3.4m European Commission project to explore how light could be used to allow electronic devices to communicate in the smart homes, cars, factories and businesses of the future.



A £363,000 Engineering and Physical Sciences Research Council award has enabled Psychology researchers to examine how young people, those of working age and older people understand and use cyber security to lead to the design of better and more effective cyber security services and educational materials.



Northumbria academics are researching why low numbers of women, people from disadvantaged backgrounds and ethnic groups enrol on construction courses after securing a £400,000 award from the HEFCE Catalyst Fund.



Northumbria researchers are leading a £3.3m (€4.0m) Horizon 2020-funded project to develop a revolutionary new heating and power system using solar energy.

Working with partners including the Alzheimer's Society, the BBC, Dementia Action Alliance and the National Council for Palliative Care, Design academics are leading a £1.1m project to understand how we can use the digital media memories we create throughout our lives to enable a sense of 'ongoingness' as we approach the end of life, or to help people coping with the bereavement of a loved one.

Design academics are working with researchers from Durham, Newcastle and Sunderland Universities to provide the region's creative and cultural businesses with a single point of contact to access innovation opportunities available in these universities. The project was awarded £230,000 by the European Commission.

Northumbria is leading a three-year £536,000 project, funded by the Engineering and Physical Sciences Research Council, to develop a prototype engine using solid-to-vapour transformation that could be used for harvesting energy in extreme, inhospitable and alien environments, including outer space.

The Ministry of Defence awarded Northumbria £500,000 to develop a smartphone app that will help the UK's three million former service men and women find local services and community support aimed at veterans in areas including housing, employment, health, finance and substance abuse.

Northumbria researchers are collaborating with academics in Slovenia, Poland, Ireland and South Korea to explore why many global employers struggle to attract, manage and retain young talent, in a £769,000 project, funded by Horizon 2020.



A £398,000 grant, funded by Academic Health Science Network for the North East and North Cumbria was awarded to the University to support a citizen-held care plan for the care of Palliative Care patients.

Low-income families benefitting from free school meals suffer during school holidays. The loss of daily healthy meals leads to detrimental effects on school children's health and academic development, according to ground-breaking research by Northumbria's Healthy Living Research Lab which was presented in parliament.

The Economic and Social Research Council awarded Northumbria £584,000 to analyse the role of voluntary action in the provision of welfare services in the 1940s and now, in the 2010s, as welfare services are being restructured.

A £257,000 European Commission grant is enabling Northumbria academics to research ways to replace synthetic chemical-based agents used in modern industry, which are usually petroleum-based, toxic and non-biodegradable, with environmentally sustainable surfactants and emulsifiers derived from marine waters.

The Leverhulme Trust awarded £248,000 to Northumbria academics to lead research into how networks can be used to understand, and possibly predict and control, the behaviour of complex systems of interest, which could potentially have new uses in the field of Artificial Intelligence.



Introduction

This section of the Annual Report and Financial Statements 2016/17 includes an overview of performance during the reporting period. The full document has been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and the Accounts Directions issued by HEFCE.

University Development

Northumbria's international reputation results from a distinctive combination of being a research-rich, business-focused, professional university with a global reputation for academic excellence.

This philosophy of offering academic excellence through demand-led programmes which relate to the professions across the University's broad academic portfolio continues to this day, as Northumbria celebrates its 25th anniversary. Northumbria offers a breadth of programmes in popular subjects at first degree and postgraduate levels. This year, the University enhanced its offer with the launch of a suite of degree apprenticeship and foundation year courses, as well as continuing to offer a broad portfolio of executive education for business, the professions and a wealth of other organisations.

With more than 30,000 students, Northumbria University provides a diverse and comprehensive offer to its students and partners alike. It has a

national and global reach, with a satellite campus in the City of London, and programmes delivered in collaboration with prestigious partners worldwide. More than 8,500 international students from 134 countries now study at one of Northumbria's campuses, or on a Northumbria course overseas.

This academic year saw the 10th anniversary of a unique global partnership with Grenada's St George's University. This academic relationship is an excellent example of the benefits of global collaboration and has led to more than 1,800 medical students from 140 different countries studying at Northumbria's Newcastle campus over the last decade. An example of an outstanding professional collaboration is BIM Academy, a unique joint venture with Ryder Architecture which offers construction digital services to businesses in Europe, the Middle East, Far East and Australasia. This year, BIM Academy was recognised with a nomination in the THE awards for the most Innovative Contribution to Business - University Collaboration.

More than £252.0m has been invested in Northumbria's estate, environment and facilities since 2005, with a major programme of works being undertaken during this academic year. These developments include the refurbishment and extension of the University Library and Squires Building to create Student Central, a modern, light space designed to host all student services together for the first time at the heart of our campus. A new state-of-the-art building for Computer and Information Sciences students is under construction and due to open in January 2018, and the University purchased the five-storey Sandyford Building, located in the heart of the City Campus, from Newcastle College to further develop its provision for learning, teaching and research. Work is also underway to create world-class facilities for Architecture students within a modern extension to the historic Sutherland Building, due to open for teaching in 2018.

The scale and pace of investment has been a key driver in meeting the University's goal to deliver an outstanding student experience, and has done much to raise satisfaction levels among students.

This year Northumbria was ranked top 10 in the UK for student facilities in the THE Student Experience Survey 2017 and in the world's top 150 under 50 in the THE ranking of the top 150 global universities established after 1966. The University secured the TEF Silver Award in recognition of the quality of its teaching, learning and student results, and, for the second year running, ranks top ten in the UK for the number of graduates entering employment in professional or managerial roles. Northumbria also achieved its highest ever position in The Guardian University League Table, climbing 20 places in just two years to rank 48th. These are just some of the reasons why Northumbria is one of just six institutions to be nominated for the THE University of the Year 2017.



Vision 2025

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.

To fulfil its ambition in the new Higher Education (HE) environment, Northumbria has set out a Vision for 2025 to be a research-rich, business-focused professional university with a global reputation for academic excellence.

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

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

There is a 'One University' culture – modern, ambitious and demand focused. Northumbria's financial sustainability maximises reinvestment in the quality and impact of its activities.



Corporate Strategy 2013–18 University Strategy 2018-23

Under the umbrella of Vision 2025, the Corporate Strategy 2013-18 set out the steps needed to develop the University's core activities of research, teaching, the student experience, international work and partnership working. We are now moving into the final year of this strategy which completes the first phase of achieving the step change set out in the Vision. Throughout 2013-2018 Northumbria focused on:

- Building global reputation, market position and revenue streams.
- Growing high quality research and using it to drive excellence in all the University's activities.
- Maximising student and stakeholder satisfaction.
- Strengthening operational efficiency and effectiveness, and fostering a culture of continuous improvement.

As we start 2017/18 we begin a process of engagement with our key stakeholders – our staff, students and partners – in developing the next University Strategy 2018-23. Quality will remain our focus as we work towards our Vision 2025.

Principal Risks and Uncertainties

The major changes in the external regulatory and operating environment for Higher Education Institutions (HEIs) in England are well known. Northumbria operates on the basis that a number of our principal risks also represent threats to which we need to respond in a proportionate and adept way. In line with Northumbria's Strategic Risk Framework, our principal risks also represent opportunities for the University to explore and realise flexible and innovative ways of delivering what we do across all of our activities.

The Statement of Corporate Governance and Internal Control describes the comprehensive review of Northumbria's Risk Framework undertaken in 2016/17, through which our University Executive and Board of Governors have agreed 10 Strategic Risks for Northumbria to manage and respond to. The 10 Strategic Risks give the Board of Governors, the University Executive and staff as a whole, greater focus in a period of major change and uncertainty. The Strategic Risks centre on the following themes:

- **Brand Reputation and Market Position** and how best promote Northumbria's excellence across a breadth of activities, and student recruitment which matches our quality profile and reflects the desired future size and shape of Northumbria.
- **Culture and Capability:** recognising ways of working and harnessing the talent and participation of our staff will determine our success.
- **International opportunities and uncertainties:** how effectively we respond to this risk, including the UK's exit from the EU, and the initiatives we have progressed and planned in mitigation.
- **Financial Sustainability** as the bedrock of delivering and investing in excellence.
- **Partnership Opportunities** with other HEIs, regionally, nationally and globally and a range of public and commercial providers.

- **Student Outcomes and Experience** to ensure we provide a distinctive, consistently excellent experience at Northumbria and after graduation.
- **Exploiting benefits from our facilities and technologies** as identified in our achievements in improving our IT infrastructure and our current and ongoing major investment in our campuses.
- **Business processes and continuity arrangements** which are modern, streamlined, well-understood and responsive to planned and unplanned change.
- **Managing Compliance** across the full range of statutory and regulatory responsibilities, including the health and safety of our students, staff and visitors, where there is zero appetite for risk.
- **Research culture and related outcomes**, to continue the step-change achieved in Northumbria's research reputation and performance.

As covered in more detail in the Statement of Corporate Governance and Internal Control, a strong culture of risk management and mitigation exists in relation to the Strategic Risks identified. The University Executive regularly review each Strategic Risk which is given a Red, Amber, Green (RAG) rating, underpinned by a score based on both the 'likelihood' of the risk occurring and the 'impact' of it. Each Strategic Risk is overseen by a University Executive member to ensure that the controls and responses to manage and mitigate the risk, such as reducing the possibility of a risk being realised, or its impact being felt (where it is a threat), are clear and specific, with timescales and leads set against them. Strategic Risks may also provide opportunities for the University to seize, and a number of the University's activities and responses to our Strategic Risks are therefore proactive and positive, rather than preventative, including a range of initiatives in response to the UK's forthcoming exit from the EU, to strengthen EU student numbers studying at Northumbria, and increasing Northumbria's presence and profile across Europe.

Review of Operations

Tuition Fees and Funding

Northumbria University charged £9,000 fee for Home/EU Undergraduate students, the maximum fee permissible and in line with the majority of English HEIs. Other, discretionary fees were set based in relation to market positioning and demand.

Northumbria continued to provide financial support for students with a total spend of £16m on Scholarships and Bursaries in 2016/17. As part of this package Northumbria remains committed to widening participation to encourage the best and brightest students, regardless of background, to apply to Northumbria; to enable them to complete their studies and to succeed academically, personally and professionally. Northumbria's Access Agreement with the Office for Fair Access (OFFA) sets out the actions it will take to achieve its Widening Participation Strategy. More information is provided on this in the Public Benefit Statement.

The second year of a £10,280 government loan scheme continues to remove the biggest barrier to entry for Home Post Graduate PGT students. This together with the growing success of a Vice-Chancellor's Scholarship resulted in a successful year for PGT recruitment.

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

People

Attracting, recruiting, retaining and developing staff with outstanding skills and talents is critical to Northumbria's success.

During 2016/17, the University has continued to recruit many high quality academic staff. The number of professors has increased and the proportion of doctorally qualified academic staff has risen from 39% in 2012/13 to 56% at the end of 16/17. The new Academic Career Pathway and introduction of the Associate Professor role has allowed 69 staff to transition and 31 to be promoted to Associate Professor. Many other academic colleagues are receiving support and mentoring to develop in line with the promotions framework. We have developed and implemented an enhanced framework for Professor contribution and worked with colleagues to develop and deliver activity to support research and enterprise bidding. Work to develop departmental workforce profiles and plans has progressed during the year. A Voluntary Severance Scheme led to 45 academic

staff leaving the University at the end of the academic year as part of a programme to refresh the academic staff base and to allow investment in new appointments in areas of strength, particularly in relation to the University's multi-disciplinary research themes.

The transformation of the University's organisational culture has continued with a focus on: developing the skills of our leaders and managers; removing red tape; recognising and celebrating the successes of colleagues and engaging and empowering colleagues. A Staff Survey in September 2016 and a Pulse Survey in May 2017 have been used to help inform and shape all actions and activities.

Progress has been made in digitising HR services to make it easier for colleagues and prospective employees to interact with the University. A new e-recruitment system for recruitment to Professional Support roles has been launched (which will be extended to academic recruitment during 2017/18), The University's Performance and Development Appraisal Scheme is now online making it easier for colleagues and managers to record and monitor objectives and contribution, mandatory training has been updated and is now delivered through an online portal and a new work-flow system has created efficiencies and has helped to track and improve response times.

The University has continued to review, re-shape and manage the costs associated with having a large workforce and has included the creation of Research and Innovation Services alongside Business and Enterprise Services (replacing the former Research and Business Services) and the introduction of a new wholly owned subsidiary company with employment terms which include a defined contribution pension scheme which has no requirement for employee contributions.

The University has reviewed and relaunched its Graduate Scheme; reviewed and relaunched its framework for Equality and Diversity and via a cross University project established a Northumbria Apprenticeship Scheme for implementation in 2017/18.

Estate

During 2016/17 the University has continued to deliver its Estates Development Plan 2013-18, which was developed as a framework for the management and development of the estate in support of the University's Strategy and Vision 2025.

The Plan is based around four key themes:

- capital investment for further estate improvement and development.
- refurbishment and enhancement of the University campuses.
- safeguarding options and creating new proposals for longer term developments that enhance the overall value and flexibility of the estate.

- strategic property acquisitions to support the ambitions of the University
- the disposal of surplus property assets to raise capital for reinvestment into the Corporate Strategy.

The University has invested over £252.0m into the estate during the last decade and is focused on developing new space where the student experience will be significantly enhanced and making the existing estate more efficient through improved space utilisation and reducing carbon emissions. The current Estate Plan will see an additional £38.5m invested across a number of transformational projects: Student Central, a new Architecture Building, a new Computer and Information Sciences Building and the refurbishment of Pandon Building to accommodate the University's Professional Services. In addition, a further £7.0m of estate capital spend was invested in 2016/17 in projects aimed at enhancing the University campuses. These innovative projects included the creation of an Immersive Learning Laboratory, new Geography Wet Labs and the completion of a three-year plan to refurbish over 100 teaching rooms.

In September 2016, the University acquired Sandyford Building from Newcastle College Group to consolidate ownership of this key part of the University Estate. In the short-term, the building will provide high-quality teaching spaces for students and in the longer term, is expected to form part of the estate solution to accommodate the redevelopment of Lipman Building.

The importance of space utilisation to generate improved efficiencies and more effective ways of working is becoming more established. The University's Professional Services are co-locating into a single building on the city campus which will drive significant space efficiencies and enable prime campus accommodation to be re-purposed for student and academic use. The project currently forecasts that over 20,000 square feet of office space will be released, enabling the University to exit onerous lease commitments, reducing property costs or re-using the space for academic use.

Sustainability

The University's commitment to sustainability is supported by a wide range of initiatives which have seen excellent results over the past year. Indicative of this progress is our shortlisting as a finalist for two Green Gown Awards – Improving Sustainability Together and Carbon Reduction (results to be announced in November 2017).

This year, we achieved a 19.5% reduction in Scope 1, 2 and 3 carbon emissions compared to 2015/16. This far exceeds our target of 5% reduction and supports financial savings of £650,000 on electricity and gas, and over £500,000 in business travel this year. Our carbon emissions compared to the 2005/6 carbon baseline have now reduced by 18% - placing us ahead of schedule to achieve our ambitious carbon reduction target of 32.5% by 2020. A number of projects are delivering these results, including reviewed building shutdown processes, building retrofits, new LED lighting in Sport Central and Clinical Skills and a 30kWp PV array on Pandon Building, which is also supporting student research.

In addition to our carbon reduction success, we have seen improvements across all areas of sustainability. We have seen our

highest levels of engagement to date with over 50 events this year – from public talks to cookery classes – and our pinnacle event: Go Green Week. Over 50% of our Green Impact staff teams achieved the Gold Awards this year, and a new Sustainable Futures student group was established to include the student voice in sustainability at Northumbria and to provide a wealth of opportunities including free energy qualifications and volunteering sessions. Our activities this year engaged over 1,000 students and a number of student projects made sustainability at Northumbria the focus of their academic research.

We maintained our Fairtrade University status having increased our Fairtrade product range by 50%, and were voted Runner Up in the first Newcastle City Fairtrade Awards. Cycle parking on campus has increased by 11% (since April 2016) and is supported by further cycling initiatives including Dr Bikes, new lockers and bike tagging. New waste procedures, food waste initiatives and an innovative waste campaign are addressing waste management, and we donated 7.5 tonnes of items to British Heart Foundation and over 500 items of furniture to local charities.

These achievements and further information on our sustainability performance can be found in the Improving Sustainability Together Annual Report.

Information Technology

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

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

The technology underpinning the project to transform the Student Experience has been successfully delivered and includes a corporate Customer Relationship Management (CRM) solution for Student Support; migration of the corporate intranet to a new Content Management System as well as a new Student Portal integrating with CRM. In addition, a Purchase-to-Payment (P-2-P) system has been introduced which provides an online catalogue for employees to enhance productivity as well as a module evaluation system.

The strategy has also introduced the latest Microsoft Office products to all staff; transitioned to a new mobile phone provider; standardized a new smartphone; delivered solutions to HR for e-learning; online assessments; e-recruitment and AskHR. Students have also benefited from 'pop-up' PC labs at busy times. Work has now commenced on delivering CRM solutions for Business-to-Business (B-2-B) knowledge exchange; student support and welfare; alumni; prospects and applicants and a new Virtual Learning Environment (VLE). Solutions are also being developed to improve the student experience for placements.

Public Benefit Statement

The University of Northumbria at Newcastle, as our legal title, 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. On this basis, the University is not subject to direct registration with the Charity Commission for England and Wales. Since 1 June 2012, HEFCE 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 has had due regard to the Charity Commission's guidance on public benefit for the period in exercising its powers and duties.

This Public Benefit Statement demonstrates how Northumbria University has delivered its charitable objectives in the reporting period. In line with HEFCE's Accounts Directions for 2016-17, 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. This Statement confirms that there are no other connected charities to Northumbria that require reporting on.

In formulating and confirming this Statement, the Board of Governors notes that the principles of public benefit require identifiable benefits to the public, or a section of the public. In the widest sense, Northumbria provides public benefit to a diverse student body based in the North East of England (and drawn from across the world), its London Campus and overseas, spanning social, gender, racial, age and other demographic categories. Alongside this, Northumbria benefits the public more widely through its educational, research and engagement activities, including through:

- Student-led community engagement activities through the work of Northumbria's Student Law Office and its recently launched Business Clinic. The advice given by students to members of the public and to a range of organisations stems directly from the advancement of education charitable purpose, in being integral to students' programmes of study in these subjects.
- Northumbria's outreach activities, which help high quality prospective applicants and their teachers, parents and carers make informed choices about, and raise aspirations around, the transformative impact of Higher Education. More information on the Evolve programme for Year 12 and 13 students, and the Northumbria University (NU) Support Entry Scheme is provided across.
- Northumbria's free Public Lecture Series which includes accessible lectures from Northumbria Professors and high-profile external speakers from all walks of public and private life.



The advancement of education

The fundamental charitable purpose of Northumbria University is the 'advancement of education' and supporting access to, and progression through, Higher Education for student as its principal beneficiaries, recognising the transformative power of education. However, we also recognise that life chances are not equal in society and we help secure access to HE for students from a range of disadvantaged backgrounds. The University annually submits for review and approval an Access Agreement to the Office for Fair Access (OFFA), which from 2018 will form part of the new Office for Students (OfS).

Northumbria has a record of investing in widening access, with recruitment of students from disadvantaged backgrounds within and beyond the North East. Across 2011-2016 Northumbria's investment in widening participation has helped close the gap between highest (Polar 5) and lowest (Polar 1) participation groups in HE, which in 2016 was at 23.7% and 17.8% respectively. This has been achieved whilst incrementally increasing the average entry tariff of Northumbria's undergraduates. Northumbria has a longstanding programme of outreach activity delivered from Year 6 through to Year 13, to encourage students from all backgrounds to progress to HE. This has continued to thrive in 2016/17. Northumbria's recruitment activities receive positive evaluations from student beneficiaries, parents and teachers.

One of Northumbria's key outreach activities is 'NU Entry', which is a structured scheme for Year 12 and 13 students who meet specific academic and background criteria. By participating in the NU Entry Scheme students are provided with the opportunity to develop skills necessary for successful undergraduate study and have the opportunity to earn points, equivalent to UCAS tariff points. As well as meeting core criteria, candidates need to satisfy one of several additional criteria to secure a place on the scheme, including being in receipt of free school meals, experience of living in the care system, or a neighbourhood with low progression rates into HE. In 2016/17, NU Entry has worked with over 100 schools and colleges, and more than 1,000 participants on the programme.

Two innovative outreach schemes in 2016/17 are:

Evolve is a workshop series offering schools and colleges the opportunity to tailor-make a programme of presentations and workshops specific to the needs and interests of their students in an interactive and hands on way. The workshops include sessions such as supporting students through sixth form, applying to HE, and getting the most out of university. Northumbria targets schools across the country, and in 2016/17 achieved an increase of 42% on interventions in schools from 2015/16 and has worked with 163 schools in the same period. Northumbria continues to develop and use feedback from students and teachers to develop and improve our workshops. These are delivered by Northumbria's team of Graduate Ambassadors who champion and co-ordinate much of the University's outreach activities.

The **Choices Together** programme is run for Looked After Young People (LAYP) in Years 10 and 11 at school and currently in the care system, to give them the opportunity to experience aspects of university life. The University holds the Quality Mark for Care Leavers from Buttle UK, and the programme is delivered in collaboration with Newcastle University, the University of Sunderland, Durham University and Teesside University, as part of the North East Raising Aspirations Partnership (NERAP). 97% of beneficiaries judged the programme 'Good' or 'Very Good'.

Charity legislation deems it acceptable that universities charge its beneficiaries tuition fees in order to be able to deliver and invest in the advancement of education, as with many primary, secondary and tertiary education providers. In 2016/17, the University charged a single home full-time undergraduate tuition fee of £9,000 per year, with placement year students being charged £1,000 during their placement year. The University's bursary support for 2016/17 is set at £1,000 per annum for students whose household income is up to £16,000 per annum. In 2016/17 new students who obtained a Northumbria Bursary and Academic Scholarship were 1,148 students (first year, Foundation Year and Undergraduate students) and, of this group, 259 students also received the Academic Scholarship.

Northumbria also recognises the need for increased flexibility of pathways into our degree programmes, including as a means of widening participation. This includes the development of a suite of Foundation Year programmes in Engineering, Humanities and Business, Computer and Information Technology, Built and Natural Environment and Applied Sciences that enable students who have not met the entry requirements direct entry onto the first year of a relevant degree programme. Progression rates from the foundation year programmes into the first year of a relevant degree averages at 86%, signalling the positive impact of these programmes in raising both access and attainment.

Research

The diverse research undertaken by Northumbria's academics, and in collaboration with other partners, helps address several charitable purposes beyond the core one of advancing education. For example, Northumbria's eight Multi-Disciplinary Research Themes (MDRTs): Bioeconomy, Digital Living, Extreme Environments, Future Engineering, Humanities, Integrated Health and Social Care, the Centre for Environmental and Global Justice and Critically Aware Design Innovation generate distinctive and ground-breaking research, which support other charitable purposes. This includes 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. To provide just two examples, Northumbria has received research funding from charities and other bodies for research into vulnerable populations and social justice and health, social care and psychology perspective is particularly strong:

The Northern Hub for Veterans and Military Families Research brings together academics, service providers and service users to improve the health and social wellbeing of veterans and their families. Research projects through the Hub include:

- A part-funded study with the Royal British Legion to address the impact of alcohol misuse and veterans' access to help in this area to suggest strategic to reduce barriers.
- The health and social wellbeing of older limbless veterans which employs younger veterans from the charity Blesma to collect data.

Academics in Northumbria's Healthy Living Lab in the Faculty of Health and Life Sciences has carried out nationwide research into the extent of holiday hunger amongst children during school holidays, and the impact it has had on their life choices. The research into holiday clubs show that these are a necessary resource to support families during the school holidays, and has informed an All Party Parliamentary Group (APPG) and policy makers on this topic. This builds on work by Northumbria in conjunction with Kelloggs on the important role played by breakfast clubs in children's nutritional health and wellbeing.

Alongside Northumbria's research strengths, two distinctive strengths of Northumbria for which it has a regional, national and, increasingly, international reputation are the charitable purposes to advance citizenship or community development and amateur sport.



The advancement of citizenship or community development

Alongside its Queen’s Anniversary Prize-Winning Student Law Office, The Business Clinic is part of Northumbria’s acclaimed Business School. The Business Clinic enables final year undergraduate and Masters degree students to provide consultancy advice to a range of clients, from multi-national companies through to Small and Medium Enterprises (SMEs) and not-for-profit organisations. In 2017, The Business Clinic was Highly Commended by the British Academy of Management Education Practice Awards Panel for bringing students and businesses together to deliver genuine solutions for real business, including many SMEs in the region that have benefited and developed directly from the advice provided.

The advancement of amateur sport

Northumbria is one of the country’s top universities for performance and elite sport and, has particular strengths in disability sport as highlighted in its achievements, and its promotion of disability sport through Disability Sport Scholarships for elite athletes studying and training at Northumbria. A cornerstone of Northumbria’s new Integrated Sport, Physical Activity, Health and Wellbeing Strategy 2017-27 is the development of NORTH as an integrated sport participation programmes for students of all levels and abilities to promote health, wellbeing, sociability and being part of a team. This builds on Northumbria’s success over the last six years through a £600,000 Sport England grant for student participation, funding for which concluded in 2016/17. Northumbria’s participation sport programme includes over 5,000 students participating on a weekly basis in sports; 30 sports club and 60 sessions take place each week, with an emphasis on all abilities and levels. 97% of participants reported that the programmes has allowed them to make new friends. As well as more than 250 Northumbria staff involved in the programme, an increasing focus is the promotion and participation of Northumbria staff in amateur sport for the health and wellbeing impacts identified.

Fundraising

Northumbria recognises that fundraising is an increasingly important means of generating financial resources to re-invest in Northumbria’s activities as an educational charity. The success of Northumbria’s Student Opportunity Fund which has supported a range of student causes such as Nightline and the Student and Graduate Enterprise Service, and in 2016/17 the success of the Faster, Higher, Stronger to fund excellence in disability sport and exercise are stand out examples of this. Northumbria University is committed to responsible fundraising and, as an exempt charity in 2016/17, Northumbria has subscribed to the Fundraising Regulator to signal its commitment to the Code of Fundraising Practice, which sets out the standards and behaviours for responsible and ethical fundraising.

Governor/Trustee Remuneration for serving as a Governor/Trustee

As authorised in the Instrument of Government of the University and complying with HEFCE and Charity Commission requirements, Northumbria remunerates a number of its Governors/Trustees who are not employed by the University for serving as Governors/Trustees. The Chair of the Board and the chairs of the Board’s corporate committees: Audit, Employment and Finance, Remuneration and Strategic Performance receive remuneration for their trustee roles to reflect the additional responsibilities and duties associated with these roles. All Governors are entitled to reimbursement of out-of-pocket expenses incurred in discharging their responsibilities. A five-year review of the remuneration of the role of Chair of the Board was undertaken in 2016/17, the outcomes of which were approved by the Board of Governors at its 3 July 2017 meeting. Full disclosures in relation to Governor/Trustee remuneration is made in Note 6 to the financial statements, in line with HEFCE’s Accounts Directions for 2016/17.



Statement of Corporate Governance and Internal Control

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, and in 2017 celebrates its 25th anniversary as a University. The Instrument and Articles of Government set out the objects, powers and constitution of the Board of Governors, Academic Board and the Vice-Chancellor and Chief Executive. The Instrument was last amended by Order of the Privy Council in 2012. The Board of Governors confirms that it complies with the *HE Code of Governance* published by the Committee of University Chairs (CUC) in December 2014.

The Board of Governors is the Trustee Board and its 24 members (as at the start of the accounting period and 21 members at the end of the accounting period) are the Trustees of the University. The Board has responsibility for determining the mission and educational character of the University, the safeguarding of its assets and for seeking assurance that the Vice-Chancellor and Chief Executive has an effective system of accountability and internal control in place. The Instrument of Government details the core duties of the Board:

<https://www.northumbria.ac.uk/static/5007/uso/iag.pdf>

The Board of Governors has a range of strategic and stewardship responsibilities reflecting the University's strategy and organisation. Its strategic responsibilities include approving and reviewing performance against Vision 2025 and the Corporate Strategy 2013-18. The Board's stewardship responsibilities centre on it being the University's ultimate legal authority and for safeguarding the University's assets and in receiving assurance that systems are in place to comply with its legal and regulatory obligations including as an exempt charity.

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

- i. Through holding the Vice-Chancellor and Chief Executive accountable for the academic and executive leadership of the University. Under the terms of the *Memorandum of assurance and accountability between HEFCE and institutions*, the Vice-Chancellor and Chief Executive is the University's 'Accountable Officer', and Chief Academic Officer. The University Executive advises the Vice-Chancellor on delivery of the Corporate Strategy 2013-18, and is responsible for the strategic and operational management of the University through University Executive members' individual portfolios and collective leadership.

- ii. Through its committees, which reflect the requirements of the HEFCE *Memorandum of Assurance and Accountability* and the CUC HE Code. These require that the governing body establishes Audit, Nominations and Remuneration committees. Under the Instrument of Government the University is also required to establish an Academic Board and an Employment and Finance Committee. The roles of each of the Board Committees are summarised below:

- **Nominations Committee** makes recommendations to the Board on its membership and those of its committees, the development of the members and oversees the recruitment process for independent governors.
- **Audit Committee** provides assurance to the Board of Governors on the adequacy of the University's internal and external audit arrangements and wider control environment, risk management, value for money and data quality and assurance arrangements, and anti-fraud and anti-bribery measures.
- **Employment and Finance Committee** advises the University Executive and has delegated authority from the Board of Governors to monitor employment strategy and policy, finance strategy, estates, IT and other capital investment and projects to support the Corporate Strategy 2013-18.
- **Strategic Performance Committee** advises the University Executive and the Board of Governors in relation to performance against the Corporate Strategy 2013-18, and review of the strategic plans beneath it.
- **Remuneration Committee** is chaired by the Senior Independent Governor (SIG) and oversees the remuneration policy, base pay and a performance-based reward scheme and long-term incentive scheme outcomes in relation to the Vice-Chancellor and Chief Executive and the wider Senior Management Group. The Committee determines its base pay decisions based on benchmarking data drawn from UCEA and other contextual data. The Committee includes a position for a co-opted member who provides expert independent advice to the Committee.
- **Academic Board** advises the Vice-Chancellor and Chief Executive, who chairs the Academic Board, on matters of academic strategy and policy, whilst also formally reporting into the Board of Governors. Its remit includes academic quality and standards and enhancement, the student experience and research and innovation activities. Two Academic Board academic staff nominees are appointed to the Board of Governors. Academic Board's work is supported by a number of sub-committees to oversee education, research and knowledge exchange and international policy and performance matters.

Statement of Board of Governors' responsibilities in respect of the Annual Report and Financial Statements

The Board of Governors are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE 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 Memorandum of Assurance and Accountability further requires 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 HEFCE's Accounts Direction to higher education institutions. The directors 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 directors 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 adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. 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 under the Memorandum of Assurance and Accountability for:

- Ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- 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.

Statement on Internal Control

The Statement on Internal Control (SIC) has been produced in line with HEFCE's Accounts Directions for 2016/17 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. In turn, the Board of Governors confirms that it has reviewed and has in place the Primary Elements of the Committee of University Chairs (CUC) *Higher Education Code of Governance* (2014). Specific Committees of the Board have also referred to the relevant Primary Elements as applied to their establishment and operation.

In line with HEFCE requirements and the *Higher Education Code* (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 corporate risks related to the full range of University activities including governance, management, quality, finance and reputation. A full review of the University's former Corporate Risk Register has been undertaken in 2016/17, which has led to a replacement suite of 10 Strategic Risks as adopted by the Board at its May 2017 meeting, which covers a comprehensive but sufficiently high-level set of risks for the University. On the back of this work, Faculty and Service risk registers are being reviewed to ensure they reflect the revised risks and a cascade and dialogue between the Strategic and local risks exists, including escalation and de-escalation mechanisms. The review of the Strategic Risk Register reinforces the principle that management responsibility for risk rests with the Vice-Chancellor and Chief Executive, who allocates a University Executive owner of each Strategic Risk, and who will also own Faculty and Service level risks within their portfolios. The Board seeks assurance, including through Audit Committee, that a sound and embedded risk framework is in place with clear responsibilities owned by the University Executive.

The Risk Framework was reviewed in 2016/17 to reflect the new Strategic Risk Register and articulates Northumbria's approach to risk. The internal and external auditors produce risk-based annual and longer-term programmes of work agreed by the University Executive and Audit Committee. Northumbria University's system of internal control is risk-based, acknowledging that internal control systems cannot eliminate all risks, in line with the 'likelihood' and 'impact' methodology of the Risk Framework. In light of this, the Strategic Risk Register represents a portfolio of risk exposure which includes a

number of Red, Amber and Green Risks based on current and future controls to help manage and mitigate these risks, where controls are within Northumbria's control or sphere of influence. Northumbria's system of internal control is 'protective' in helping manage and mitigate the risks of loss, misuse or misappropriation of public, private and other funds and assets for which the Board is responsible. The internal control system is also 'proactive', whereby Audit Committee seeks assurance, principally through the University Executive and the internal and external auditors, on the adequacy and effectiveness of the University's internal control and risk management arrangements. The system of internal control at the University is supported by a 'no surprises' culture, ensuring control issues are reported to the University Executive and the Board of Governors and its committees in a timely, transparent and effective manner, in a culture of continuous improvement and learning from weaknesses and shortcomings.

A range of mechanisms enable the Board of Governors to exercise its responsibility for a sound system of internal control and risk management.

- i. Oversight of a Scheme of Delegation which clarifies delegated authorities for key decisions of its Committees, University Executive and other staff;
- ii. Consideration and regular review through University Executive, the Board and its key Committees of the full Strategic Risk Register and the summary dashboard of it, including approval of revisions to the content or status of risks and their controls;
- iii. Each Strategic Risk is owned by a member of the University Executive, with controls under each risk never delegated below Senior Management Group level, to underscore the importance of senior accountability for risk management. This combines with effective two-way cascade of risks through the Faculty and Services;
- iv. Strategic and Faculty and Service risks directly inform internal audit planning, annual planning and, going forward, five-yearly planning processes;
- v. External and internal data assurance and quality activities to inform judgments on the completeness and accuracy of returns submitted to a range of bodies, including HEFCE and HESA, alongside thematic data review exercises; and
- vi. Work undertaken to develop and demonstrate Northumbria's arrangements for Value for Money (VfM) including annual and interim reporting to Audit Committee in 2016/17.

The legal outcome of a serious health and safety incident involving the University was concluded in 2016/17 which constituted a significant internal control issue in terms of HEFCE criteria under its Accounts Directions for 2016/17. The legal outcome of this was the prosecution of the University on 25 January 2017 for an offence under Section 3(1) of the Health and Safety at Work Act 1974, following a guilty plea being submitted on behalf of the University. The financial penalty, although not material, is included in the financial statements section of this document. Following the occurrence of the incident the University has significantly improved its health and safety control environment in relation to policy, risk assessment, staffing, training and culture, and provides a report on controls to each meeting of the Audit Committee and the Board of Governors. A formal post-incident review was undertaken in 2016/17 to address the incident management, reporting and governance responses to this incident to highlight areas of good practice in Northumbria's response, as well as areas to improve as part of an ongoing review of Northumbria's Incident Management Plan and Business Continuity procedures.

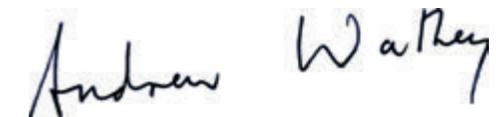
On behalf of the Board of Governors, the Audit Committee and the University Executive, an annual review of the University's systems of internal control has been conducted. Assurance sources for this review include internal and external audit reports, feedback from inspections, internal monitoring systems and reports on incidents or events that have highlighted internal control weaknesses. This is supported by the 2016/17 Internal Audit Opinion that the overall internal control environment is effective and adequate to achieve management's objectives over risk management, control and governance and VfM processes. Whilst a number of improvements to internal control systems have been identified from specific areas of audit, no significant internal control weaknesses have been detected.



Chris Sayers

Chair of the Board of Governors

20 November 2017



Professor Andrew Wathey

Vice-Chancellor and Chief Executive

Register of Governors/Trustees and Professional Advisors

The Chancellor

The Baroness Grey-Thompson DBE

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 Alden OBE	(Independent Governor)
Craig Apsey	(Independent Governor)
Matthew Auden	(Nominated Students' Union Representative)
James Bromiley	(Independent Governor)
David Clipsham¹	(Senior Independent Governor)
Alasdair Corfield	(Independent Governor)
Adam Crawley	(President, Students' Union)
Peter Donkin	(Elected Professional Support Staff Representative)
Tom Harrison	(Independent Governor)
Dr Graham Hillier	(Independent Governor)
Dr Michael Hill	(Elected Academic Staff Representative)
Dr Alison Machin	(Academic Board Nominee)
Sally Pelham	(Independent Governor)
Nick Pope	(Independent Governor)
David Price²	(Independent Governor)
Amy Rice-Thomson	(Independent Governor)
Chris Sayers	(Pro-Chancellor and Chair of the Board)
Adam Serfontein³	(Pro-Chancellor and Deputy Chair of the Board)
Christine Sorensen	(Academic Board Nominee)
Claire Templeton⁴	(Independent Governor)
Helen Thorne MBE	(Independent Governor)
Professor Andrew Wathey CBE	(Vice-Chancellor and Chief Executive)
David Warcup QPM⁵	(Senior Independent Governor)
Dr Jeya Wilson	(Independent Governor)

Secretary to the Board of Governors

Dr Adam Dawkins

Membership of the Committees of the Board in 2016/17 (other than Academic Board) are provided below:

Audit Committee

Alasdair Corfield	(Chair)
David Jennings	(Co-opted Member)
Nick Pope	
Amy Rice-Thomson	
David Warcup	

Employment and Finance Committee

Dr Graham Hillier	(Chair)
Craig Apsey	
James Bromiley	
Sally Pelham	
Professor Andrew Wathey	
Chris Sayers	
Adam Serfontein	

Nominations Committee

Chris Sayers	(Chair)
Alison Alden	
Dr Graham Hillier	
Alasdair Corfield	
David Clipsham¹	
David Warcup⁵	
Professor Andrew Wathey	

Remuneration Committee

David Clipsham¹	(Chair)
David Warcup⁵	(Chair)
Alison Alden	
Chris Sayers	
Professor Andrew Wathey⁶	
Paul Williams⁷	(Co-opted member)

Strategic Performance Committee

Adam Serfontein³	(Chair)
Alison Alden⁸	(Chair)
David Clipsham¹	
David Price²	
Tom Harrison	
Chris Sayers	
Professor Andrew Wathey	
Dr Michael Hill	
Dr Alison Machin	
Adam Crawley	

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

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

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

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

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

¹ End of second three-year term of office and resigned as a Governor/Trustee on 21 November 2016.

² Resigned as a Governor/Trustee on 25 July 2017.

³ End of third three-year term of office as a Governor/Trustee on 29 June 2017.

⁴ Resigned as a Governor/Trustee on 15 September 2016.

⁵ Appointed as Senior Independent Governor with effect from 22 November 2016.

⁶ The Vice-Chancellor and Chief Executive is a member of Remuneration Committee, but is not involved in, or present at any discussion or decision of the Committee in relation to his own salary and benefits.

⁷ Resigned as a co-opted member on 26 February 2017.

⁸ Appointed Chair from 30 June 2017

Financial Review

Financial performance

The University's consolidated financial performance for 2016/17 can be summarised as follows:

- Total Income of £248.3m (2016: £246.8m).
- Surplus before tax of £4.8m (2016: £0.6m).
- Cash Inflow from Operating Activities £25.4m (2016: £20.9m).
- Cash at Bank and Short Term Cash Deposits totalling £49.4m (2016: £66.9m).
- Capital Expenditure £39.0m (2016: £15.8m).
- Net Assets of £131.7m (2016: £89.7m).

Income

Total income in the year was £248.3m, representing an increase of £1.5m (0.6%) over the previous year:

- Tuition Fees and Education Contracts Income rose to £186.3m, an increase of £7.6m (4.3%). This includes an increase of £4.5m (3.4%) in Home and EU Students, an increase of £1.9m (8.4%) in International Students and an increase of £2.0m (78.4%) in Short Course Income.
- Funding Body Grants were £21.3m, a reduction of £3.4m (13.6%). This reflected a reduction of £1.3m (7.3%) in the HEFCE recurrent grant and a reduction of £1.8m (42.1%) in the HEFCE Capital Grant, where the previous year included a STEM grant of £2.8m reducing to £0.6m in the current year.
- Other Income showed a reduction of £2.6m (7.0%), which was the net of; £4.0m (43.8%) reduction in Other Services Income; £1.1m (6.5%) reduction in Accommodation and Catering reflecting the outsourcing of the catering operations; £0.6m (7.8%) increase in Collaborative Ventures and £1.8m (199.1%) increase in Other Academic Income.

Expenditure

Total expenditure was £243.7m, a reduction of £2.5m (1.0%) in the year:

- Staff Costs at £137.4m decreased by £3.2m (2.3%), within this movement Salaries reduced by £6.1m (5.5%), reflecting the ongoing restructuring savings; Social Security Costs increased by £1.0m (9.4%) due largely to the NI increase from 1 April 2016 as a result of the end of contracting out and Pension Costs increased by £1.9m (10.1%), mainly reflecting increases in the USS charge through rate and increased heads and an increase in the FRS 102 Service charge for LGPS members.
- Other Operating Expenses remained broadly in line with the prior year at £83.0m.

Surplus

The net outcome was a surplus of £4.8m (2016: £0.6m) for the year.

Balance Sheet

The Net Assets of the consolidated University group at 31 July 2017 were £131.7m. This was an increase of £42.0m (46.8%) in the year and included the following significant movements:

- Intangible and Tangible Fixed Assets increasing by £20.5m reflecting the capital expenditure in the year of £39.0m, offset by amortisation and depreciation.
- Net Current Assets reducing by £16.1m largely due to £17.5m utilisation of Cash at Bank and Short Term Cash Deposits contributing to the funding of capital expenditure.
- Creditors falling due in more than one year falling by £9.9m due to a reduction in the fair value of Fixed Rate Hedging Instruments of £6.6m and Loan Repayments of £3.3m.
- Reduction in the LGPS liability of £24.6m. The fund was revalued in March 2016 and the impact of that valuation is now represented in the closing position that saw actuarial gains on the investment assets of £23.7m and a reduction in the defined benefit obligation of £6.8m due to changes in the fund assumptions. These gains were offset by £5.9m of interest and staff charge.

Capital Expenditure

During the previous year, the University embarked on its plan to spend £52.0m to make significant improvements to its Newcastle city centre campus. This involves renovating existing buildings, constructing two new state-of-the-art buildings for the Engineering and Environment Faculty and purchasing Sandyford Building from the Newcastle College Group. Under this plan, £12.5m was paid for Sandyford Building, £4.3m was spent constructing the new Computer Information Sciences building and £3.6m was spent on converting the original Library building into Student Central, a one-stop shop for Students.

In total, the University spent £39.0m during the financial year on capital expenditure as follows:

- £29.6m on its Estate, which includes projects outlined above.
- £4.1m improving and developing IT Systems.
- £3.5m on Research and Teaching equipment across its four Faculties.
- £1.8m on IT Hardware.

Cash Flow

Cash generation remains strong with £25.4m (2016: £20.9m) coming from operating activities during the year. Cash has been used to purchase Intangible and Tangible Assets (£39.0m) and to service borrowing (£3.3m), resulting in a reduction in Cash at Bank and Short Term Cash Deposits of £7.5m and £10.0m respectively.

Treasury Management

The University has a £91.0m Facility Agreement with its main banker, Barclays Bank plc, set up in September 2014. This comprises of a £76.0m, 23-year Term Loan and a £15.0m, five-year Revolving Credit Facility (RCF). The balance on the loan element at 31 July 2017 was £66.9m and there had been no funds drawn down against the RCF element of the facility. The final loan repayment will occur in August 2037 and the RCF will expire in September 2019. The University has two fixed rate agreements in place to cover the loan producing a coverage of 88.4% at the year end. These fixed rate agreements are fair valued at each balance sheet date within movements recorded in the hedging reserve.

Going Concern

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

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

Financial:

- Regular performance monitoring through monthly reporting, annual budgets and forecasting, including the HEFCE forecast submissions.
- Complying with the financial covenants of our lenders and HEFCE now and in the foreseeable future.
- Regular stress testing of covenants and key financial performance indicators.
- Sensitivity analysis and scenario modelling to assess the impact of sector changes, revisions in government policy and variable student numbers.
- The £91.0m Facility Agreement gives the capacity to access up to £15.0m for working capital purposes should the need arise.
- A Cash Flow strategy which is aligned to the new funding regime and which takes into account the resultant peaks and troughs now occurring in cash balances.

Non-Financial:

- Measurement against the Corporate Strategy and related Key Performance Indicators.
- Maintaining a risk register which considers both financial and non-financial strategic risks.
- Governance and legal functions which covers all financial, statutory and regulatory compliance.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Northumbria University ("the University") for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated and University Cash Flows and related notes, including the accounting policies detailed in 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 2017, 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 HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Board of Governors is responsible for the other information, which comprises the Vice-Chancellor's and Chief Executive's foreword, the Chair's Introduction, the University Achievements at a Glance, the Research Achievements at a Glance, the University Development, the Vision 2025, Corporate Strategy 2013-18 and University Strategy 2018-23, the Principal Risks and Uncertainties, the Review of Operations, the Public Benefit Statement, the Statement of Corporate Governance and Internal Control, the Statement on Internal Control and the Financial Review. 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 23, 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 HEFCE Audit Code of Practice (effective 1 August 2016) 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 HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other 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 (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX

20 November 2017

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 HEFCE Accounts Directions. 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 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 Income and Expenditure from the date of acquisition or up to the date of disposal.

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 for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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 council block grant; research grants from government sources; 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.

Accounting for retirement benefits

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

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 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 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 should recognise 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 the additional amount the University expects to pay as a result of the unused entitlement.

Annual bonus plan

The University operates an annual bonus plan for the wider Senior Management Group 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.

Long-term incentive scheme

The University operates a cash-settled long-term incentive scheme for members of the Senior Management Group including the Vice-Chancellor and Chief Executive. The scheme is based on performance against a defined number of Key Performance Indications. A liability for the scheme is recognised 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 can be made of the amount expected to be payable when the scheme matures, accrued to date in line with the period during which the employees have rendered services to the University.

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

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.

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 gaining external valuations would be prohibitive in terms of cost relative to the anticipated value of these items.

Stock

Stock is held at the lower of cost and net realisable value, and is measured using the purchase price.

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.

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 2017 are included in Note 23.

Provision for bad and doubtful debts

An assessment as to the ability of the University to recover trade receivables is made at each financial period end. A provision is made for any amounts that are not considered to be recoverable. Due to the nature of this provision an estimate is made as to the amounts that will be recoverable which involves judgement based on knowledge of the customer, the time that this amount has been outstanding and the level of uncertainty as to whether the customer has sufficient funds to pay these amounts.

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.

**Consolidated and University Statement of Comprehensive Income and Expenditure
Year Ended 31 July 2017**

	Note	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition Fees and Education Contracts	1	186,303	181,326	178,749	178,749
Funding Body Grants	2	21,254	21,254	24,605	24,605
Research Grants and Contracts	3	5,896	5,896	5,779	5,779
Other Income	4	34,646	34,585	37,259	36,517
Investment Income	5	192	192	387	386
Total Income		248,291	243,253	246,779	246,036
Expenditure					
Staff Costs	6	137,431	136,746	140,673	140,047
Other Operating Expenses		83,054	78,701	83,026	82,909
Depreciation	13	16,481	16,481	15,648	15,648
Interest and Other Finance Costs	8	6,773	6,773	6,864	6,864
Total Expenditure		243,739	238,701	246,211	245,468
Surplus before Other Gains		4,552	4,552	568	568
Gain on Disposal of Fixed Assets		203	203	30	30
Surplus before Tax		4,755	4,755	598	598
Taxation	9	-	-	-	-
Surplus for the Year		4,755	4,755	598	598
Actuarial Gain/(Loss) in respect of Pensions	23	30,614	30,614	(44,220)	(44,220)
Change in Fair Value of Hedging Financial Instruments	24	6,610	6,610	(8,055)	(8,055)
Total Comprehensive Income/(Expenditure) for the Year		41,979	41,979	(51,677)	(51,677)
Represented by					
Unrestricted Comprehensive Income/(Expenditure) for the Year		41,979	41,979	(51,677)	(51,677)
Surplus For The Year attributable to:					
Non-Controlling Interest		-	-	-	-
University		4,755	-	598	-
Total Comprehensive Income/(Expenditure) for the Year attributable to:					
Non-Controlling Interest		-	-	-	-
University		41,979	-	(51,677)	-

All items of Income and Expenditure relate to continuing activities

**Consolidated Statement of Changes in Reserves
Year Ended 31 July 2017**

	Income and Expenditure Account - Unrestricted	Hedging Reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2015	161,618	(20,250)	141,368
Surplus from the Comprehensive Statement of Income and Expenditure	598	-	598
Actuarial Losses on Pension Schemes	(44,220)	-	(44,220)
Change in Fair Value of Hedging Financial Instruments	-	(8,055)	(8,055)
Total Comprehensive Expenditure for the Year	(43,622)	(8,055)	(51,677)
Balance at 1 August 2016	117,996	(28,305)	89,691
Surplus from the Comprehensive Statement of Income and Expenditure	4,755	-	4,755
Actuarial Gains on Pension Schemes	30,614	-	30,614
Change in Fair Value of Hedging Financial Instruments	-	6,610	6,610
Total Comprehensive Income for the Year	35,369	6,610	41,979
Balance at 31 July 2017	153,365	(21,695)	131,670

**University Statement of Changes in Reserves
Year Ended 31 July 2017**

	Income and Expenditure Account - Unrestricted	Hedging Reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2015	161,617	(20,250)	141,367
Surplus from the Comprehensive Statement of Income and Expenditure	598	-	598
Actuarial Losses on Pension Schemes	(44,220)	-	(44,220)
Change in Fair Value of Hedging Financial Instruments	-	(8,055)	(8,055)
Total Comprehensive Expenditure for the Year	(43,622)	(8,055)	(51,677)
Balance at 1 August 2016	117,995	(28,305)	89,690
Surplus from the Comprehensive Statement of Income and Expenditure	4,755	-	4,755
Actuarial Gains on Pension Schemes	30,614	-	30,614
Change in Fair Value of Hedging Financial Instruments	-	6,610	6,610
Total Comprehensive Income for the Year	35,369	6,610	41,979
Balance at 31 July 2017	153,364	(21,695)	131,669

Consolidated and University Balance Sheets As at 31 July 2017

	Note	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
NON-CURRENT ASSETS					
Investments	10	-	1	-	1
Intangible Assets	12	7,942	7,942	5,418	5,418
Tangible Fixed Assets	13	332,290	332,290	314,294	314,294
		340,232	340,233	319,712	319,713
CURRENT ASSETS					
Stocks		8	8	11	11
Trade and Other Receivables	14	15,770	12,358	11,209	11,206
Investments	15	5,000	5,000	15,000	15,000
Cash at Bank	19	44,398	44,290	51,945	51,941
		65,176	61,656	78,165	78,158
Creditors – Amounts Falling Due Within One Year	16	(63,281)	(59,763)	(60,173)	(60,168)
NET CURRENT ASSETS		1,895	1,893	17,992	17,990
TOTAL ASSETS LESS CURRENT LIABILITIES					
Creditors – Amounts Falling Due After More Than One Year	17	(82,625)	(82,625)	(92,493)	(92,493)
Provisions					
Pension Provisions	18	(124,973)	(124,973)	(149,552)	(149,552)
Other Provisions	18	(2,859)	(2,859)	(5,968)	(5,968)
TOTAL NET ASSETS		131,670	131,669	89,691	89,690
Unrestricted Reserves					
Income and Expenditure Reserve – Unrestricted		153,365	153,364	117,996	117,995
Hedging Reserve		(21,695)	(21,695)	(28,305)	(28,305)
		131,670	131,669	89,691	89,690

The financial statements on pages 32 to 62 were approved by the Board of Governors on 20 November 2017 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 Cash Flow Year Ended 31 July 2017

	Note	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cash Flow from Operating Activities					
Surplus for the Year		4,755	4,755	598	598
Adjustment for Non-Cash Items					
Depreciation of Fixed Assets	13	16,481	16,481	15,648	15,648
Amortisation of Intangible Assets	12	1,577	1,577	1,027	1,027
Pension Adjustments		2,650	2,650	450	450
Decrease in Stock		3	3	90	90
Increase in Debtors		(4,561)	(1,152)	(820)	(806)
Increase/(Decrease) in Creditors		3,826	309	(1,070)	(1,079)
(Decrease)/Increase in Pension Provision		(83)	(83)	387	387
(Decrease)/Increase in Other Provisions		(3,109)	(3,109)	2,441	2,441
Adjustment for Investing or Financing Activities					
Investment Income	5	(192)	(192)	(387)	(386)
Interest Payable	8	6,773	6,773	6,864	6,864
Gain on Disposal of Fixed Assets		(203)	(203)	(30)	(30)
Capital Grant Income		(2,490)	(2,490)	(4,299)	(4,299)
		25,427	25,319	20,899	20,905
Cashflows from Investing Activities					
Proceeds from Sales of Fixed Assets		641	641	30	30
Capital Grants Receipts		1,818	1,818	4,099	4,099
Investment Income		192	192	387	386
Payments made to Acquire Intangibles		(4,101)	(4,101)	(3,076)	(3,076)
Payments made to Acquire Fixed Assets		(34,915)	(34,915)	(12,731)	(12,731)
Withdrawn/(New) Deposits		10,000	10,000	(5,000)	(5,000)
		(26,365)	(26,365)	(16,291)	(16,292)
Cashflows from Financing Activities					
Interest Paid		(3,305)	(3,305)	(3,473)	(3,473)
New Unsecured Loans		-	-	106	106
Repayments of Amounts Borrowed		(3,300)	(3,300)	(3,300)	(3,300)
		(6,605)	(6,605)	(6,667)	(6,667)
Decrease in Cash and Cash Equivalents in the Year					
Cash and Cash Equivalents at the Beginning of the Year	19	51,941	51,941	54,000	53,995
Cash and Cash Equivalents at the End of the Year	19	44,398	44,290	51,941	51,941

Notes to the Financial Statements For the Year ended 31 July 2017

1 TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full Time Home and EU Students	130,095	128,521	126,548	126,548
Part Time Home and EU Students	6,096	5,268	5,111	5,111
International Students	24,842	22,267	22,909	22,909
Short Courses	4,619	4,619	2,589	2,589
Nurse Education Training	19,975	19,975	20,831	20,831
Other Fees	676	676	761	761
	186,303	181,326	178,749	178,749

2 FUNDING BODY GRANTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent Grants				
Higher Education Funding Council	16,801	16,801	18,122	18,122
National College for Teaching and Leadership	805	805	1,030	1,030
Capital Grants	2,490	2,490	4,299	4,299
Specific Grants				
Higher Education Innovation Fund	529	529	625	625
Higher Education Academic Subject Centres	629	629	529	529
	21,254	21,254	24,605	24,605

3 RESEARCH GRANTS AND CONTRACTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research Councils	1,990	1,990	1,865	1,865
Research Charities	579	579	386	386
Government (UK and Overseas)	996	996	901	901
Other	2,331	2,331	2,627	2,627
	5,896	5,896	5,779	5,779

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 £8,016k (2016: £6,419k). 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. Total research grants and contracts income (including that receivable from the Funding Council in Note 2 above) amounted to £12,497k (2016: £12,239k).

4 OTHER INCOME

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences, Catering and Conferences	15,286	15,286	16,342	16,342
Collaborative Ventures	8,140	8,568	7,553	7,553
Other Academic Income	2,656	2,656	888	888
Rent and Rates	1,529	1,614	1,260	1,345
Sports Memberships	822	822	996	996
IT Helpline	1,139	1,139	1,196	1,196
Other	5,074	4,500	9,024	8,197
	34,646	34,585	37,259	36,517

5 INVESTMENT INCOME

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment Income on Short Term Deposits	192	192	387	386

6 STAFF COSTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	105,000	104,384	111,149	110,586
Social Security Costs	11,330	11,290	10,359	10,325
Movements on USS Provision (Note 23)	176	176	655	655
Other Pension Costs (Note 23)	20,925	20,896	18,510	18,481
	137,431	136,746	140,673	140,047

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	£'000		£'000	
Emoluments of the Vice-Chancellor and Chief Executive				
Salary		246		243
Payments in lieu of Pension Contributions*		8		-
Annual Performance Based Reward Scheme		18		20
Benefits in Kind		3		3
		275		266
Pension Contributions to USS		34		40
		309		306

* The Vice-Chancellor and Chief Executive chose to partially opt out of the USS pension scheme in April 2017; from this date he has received payments in lieu of pension contributions.

6 STAFF COSTS (continued)

Remuneration Committee determines the base salary and other benefits of the Vice-Chancellor and Chief Executive. Decisions around base pay are informed by UCEA data and other contextual and comparative data. The base pay inflationary increase of the Vice-Chancellor and Chief Executive in 2016/17 was 1.1%, in line with the percentage applied to all staff. Since 2015/16, the Committee has annually monitored pay (base pay and performance based reward scheme payment) multiples for the highest paid member of staff (the Vice-Chancellor and Chief Executive) by comparing this individuals pay with the median salary of Northumbria employees. The pay multiple was 6.9 for 2016/17 (7.0 in 2015/16). Remuneration Committee annually determines performance-based reward scheme payments informed by an annual performance review process led by the Chair of the Board of Governors. The annual performance-based reward scheme also applies to the wider Senior Management Group, the majority of whom are classified as 'Higher Paid Staff'.

In addition, in May 2015 the Board of Governors approved a long-term incentive scheme which involves a potential payment for the Vice-Chancellor and Chief Executive and the Senior Management Group for performance against a defined number of Key Performance Indicators achieved at the end of the Corporate Strategy 2013-18 period. With delegated authority of the Board of Governors, the Remuneration Committee have determined that an accrual of £337k has been recognised under this scheme in the financial year ended 2016/17. This is attributable to the 20 members of the Senior Management Group, including the Vice-Chancellor and Chief Executive, and represents a cumulative estimate of the amounts accrued for the four years to date. The element attributable to the Vice-Chancellor and Chief Executive has not been included in the emoluments table above, as the amount is not certain and has not crystallised.

The Vice-Chancellor and Chief Executive is a member of Remuneration Committee, but is not involved in, or present at, any discussion or decision of the Committee in relation to his own salary and benefits.

	Consolidated	
	2017 Staff FTE	2016 Staff FTE
Remuneration of other Higher Paid Staff		
£100,000 – £109,999	3	2
£110,000 – £119,999	1	4
£120,000 – £129,999	8	5
£130,000 – £139,999	1	-
£140,000 – £149,999	1	2
£150,000 – £159,999	1	1
£160,000 – £169,999	1	-
£200,000 – £209,999	1	1

The table above only includes amounts received in the year, consisting of basic salaries, payments in lieu of pension contributions and annual bonuses only and does not include employers' pension contributions or any amounts relating to the long-term incentive scheme.

	Consolidated	
	2017 Staff FTE	2016 Staff FTE
Average Staff Numbers by major category (expressed as Full Time Equivalents (FTE))		
Academic	1,223	1,236
Academic Support	222	350
Student Support	309	228
Estates and Accommodation	268	376
Administration and Central Services	484	520
	2,506	2,710

Compensation for loss of office payable to a senior post-holder

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Compensation payable recorded within Staff Costs	-	-

6 STAFF COSTS (continued)

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. 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 Corporate 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. The University therefore defines its key management personnel as those employees who are or have been members of the University Executive team during the year. The amounts disclosed below exclude the long-term incentive scheme.

Key management personnel compensation

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2016 £'000
	2,697	2,484

Chair Remuneration

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

During the year, the following governors were remunerated:

Christopher Sayers, Pro-Chancellor and Chair of the Board of Governors – £20,000 (2016: £20,000).

Adam Serfontein, Pro-Chancellor and Independent Governor – £6,875 (2016: £7,500). Resigned on 29 June 2017.

David Clipsham, Senior Independent Governor and Chair of Remuneration Committee – £2,500 (2016: £7,500). Resigned on 21 November 2016.

Alasdair Corfield, Independent Governor and Chair of Audit Committee – £7,500 (2016: £7,500).

Graham Hillier, Independent Governor and Chair of Employment and Finance Committee – £7,500 (2016: £7,500).

David Warcup, Independent Governor and Chair of Remuneration Committee – £5,000 (2016: £nil). Appointed on 22 November 2016.

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.

Reimbursement of Governor Expenses

All Governors are entitled to reimbursement of expenses incurred directly in attending meetings or other direct Board and Committee-related events, provided that the claim is in accordance with the Financial Regulations, including the production of relevant receipts. In 2017, 10 Governors claimed a total of £7,462 in expenses (2016: 9 Governors claimed a total of £4,987).

7 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic Faculties	98,179	97,015	95,818	95,818
Academic Services	34,452	34,209	36,687	36,687
Administration	62,647	59,785	65,048	64,305
Premises	26,274	25,505	30,535	30,535
Residences, Catering and Conferences	11,461	11,461	9,941	9,941
Research Grants and Contracts	4,608	4,608	4,341	4,341
Other Expenses	6,118	6,118	3,841	3,841
	243,739	238,701	246,211	245,468

Other Operating Expenses Include

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
External Auditor's remuneration in respect of Audit Services for the current year	71	54	65	53
External Auditor's remuneration in respect of Audit Services for the previous year	12	12	-	-
External Auditor's remuneration in respect of Non-Audit Services	17	17	17	17
Operating Lease Rentals:				
Land and Buildings	3,980	3,980	3,834	3,834
Plant and Equipment	559	559	231	231

8 INTEREST AND OTHER FINANCE COSTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Interest on Bank and Other Loans	3,305	3,305	3,473	3,473
Interest on LGPS Defined Benefit Scheme	3,340	3,340	3,273	3,273
Interest on USS Deficit Recovery Plan	48	48	37	37
Interest on Enhanced Pension Scheme	80	80	81	81
	6,773	6,773	6,864	6,864

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.

10 INVESTMENTS IN SUBSIDIARIES

The following companies are subsidiaries of the University and are registered in England and Wales:

Company	Activity	Issued Share Capital	£
University of Northumbria at Newcastle Developments Limited	Provision of Education Services	2 £1 Ordinary Shares (100% holding)	2
Northumbria International Limited	Support Services for Overseas Activities	1 £1 Ordinary Share (100% holding)	1
Northumbria University Nursery Limited	Provision of Nursery Services	1 £1 Ordinary Share (100% holding)	1
Northumbria University Services Limited	Provision of Support Staff to Northumbria University	1 £1 Ordinary Share (100% holding)	1
Northumbria London Campus Limited	Provision of Education Services at London Campus	501 £1 Ordinary Shares (50.1% holding)	501
			506

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

The registered address for all of the subsidiaries is:

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

11 INVESTMENTS IN JOINT VENTURES

Company	Activity	Issued Share Capital	£
BIM Academy (Enterprises) Limited	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 2016	3,817	3,637	7,454
Additions in the Year	113	3,988	4,101
Transfer	7,397	(7,397)	-
At 31 July 2017	11,327	228	11,555
Amortisation			
At 1 August 2016	2,036	-	2,036
Charge for the Year	1,577	-	1,577
At 31 July 2017	3,613	-	3,613
Net Book Value at 31 July 2017	7,714	228	7,942
Net Book Value at 31 July 2016	1,781	3,637	5,418

13 TANGIBLE FIXED ASSETS

	Consolidated and University					
	Freehold Land and Buildings £'000	Long Leasehold Buildings £'000	Short Leasehold Improvements £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
Cost						
At 1 August 2016	324,129	1,590	3,779	70,726	3,815	404,039
Additions in the Year	12,547	-	-	5,298	17,070	34,915
Transfers	8,526	-	-	1,808	(10,334)	-
Disposals	(495)	-	-	-	-	(495)
At 31 July 2017	344,707	1,590	3,779	77,832	10,551	438,459
Depreciation						
At 1 August 2016	28,421	182	3,011	58,131	-	89,745
Charge for the Year	9,704	58	330	6,389	-	16,481
Disposals	(57)	-	-	-	-	(57)
At 31 July 2017	38,068	240	3,341	64,520	-	106,169
Net Book Value at 31 July 2017	306,639	1,350	438	13,312	10,551	332,290
Net Book Value at 31 July 2016	295,708	1,408	768	12,595	3,815	314,294

Included in Freehold Land and Buildings is an amount of £4,000k (2016: £4,000k) relating to land held for sale. Subsequent to the year end this land was sold for £4,000k.

14 TRADE AND OTHER RECEIVABLES

	As at 31 July 2017		As at 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year				
Trade Receivables	5,614	2,191	2,538	2,532
Amounts Due From Subsidiary Undertakings	-	1,631	-	847
Prepayments and Accrued Income	9,950	8,331	8,268	7,424
Other Receivables	206	205	403	403
	15,770	12,358	11,209	11,206

15 CURRENT INVESTMENTS

	As at 31 July 2017		As at 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short Term Cash Deposits	5,000	5,000	15,000	15,000

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 2017 the weighted average interest rate of these fixed rate deposits was 1.0% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 289 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 2017		As at 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank Overdraft	-	-	4	-
Secured Loans	3,300	3,300	3,300	3,300
Unsecured Loans	-	-	13	13
Fixed Rate Hedging Instruments	2,801	2,801	2,830	2,830
Trade Payables	9,617	8,350	11,479	11,469
Amounts Owed to Subsidiaries	-	165	-	63
Social Security and Other Taxes Payable	2,867	2,859	2,805	2,797
Accruals and Deferred Income	43,981	41,573	39,274	39,228
Others Payables	715	715	468	468
	63,281	59,763	60,173	60,168

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 2017		As at 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Donations	163	163	185	185
Research Grants Received on Account	2,586	2,586	2,244	2,244
Grant Income	2,364	2,336	4,542	4,518
Other Income	17,548	15,396	15,907	15,901
	22,661	20,481	22,878	22,848

17 CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR	As at 31 July 2017		As at 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Fixed Rate Hedging Instruments	18,894	18,894	25,475	25,475
Secured Loans	63,625	63,625	66,925	66,925
Unsecured Loans	106	106	93	93
	82,625	82,625	92,493	92,493

Analysis of Secured and Unsecured Loans	As at 31 July 2017		As at 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Due Within One Year or On Demand	3,300	3,300	3,313	3,313
Due Between One and Two Years	3,300	3,300	3,327	3,327
Due Between Two and Five Years	10,006	10,006	9,966	9,966
Due in Five Years or More	50,425	50,425	53,725	53,725
Due After More Than One Year	63,731	63,731	67,018	67,018
Total Secured and Unsecured Loans	67,031	67,031	70,331	70,331
Secured Loans Repayable by 2037	66,925	66,925	70,225	70,225
Unsecured Loans Repayable by 2020	106	106	106	106
Total Secured and Unsecured Loans	67,031	67,031	70,331	70,331

Included in Loans are the following:

Agreement/Lender	From	To	Interest Rate	Amount £'000
Barclays Bank plc				
Fixed Rate Hedge	1 August 2011	1 August 2036	5.72%	35,217
Fixed Rate Hedge	1 August 2012	1 August 2035	4.81%	23,966
Variable Rate	2 May 2017	31 July 2017	0.52%	7,742
Salix Finance				
Interest Free	1 October 2015	30 November 2020	0.00%	106
Total Secured and Unsecured Loans				67,031

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 2017 the aggregate fair value of the Barclays' hedge agreements was a liability of £21,695k (2016: liability of £28,305k). 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 HEFCE 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 anticipates a single repayment in November 2020.

18 PROVISIONS

Consolidated and University	1.	2.	3.	Total Pensions Provisions £'000	4.	5.	Total Other Provisions £'000
	Obligation to fund deficit on USS Pension £'000	Pension Enhancements on termination £'000	Defined Benefit Obligations £'000		Leasehold Dilapidation £'000	Restructuring Provision £'000	
At 1 August 2016	2,829	3,482	143,241	149,552	3,448	2,520	5,968
Utilised in year	(200)	(259)	-	(459)	(890)	(2,520)	(3,410)
Additions in year	424	26	(24,570)	(24,120)	-	301	301
At 31 July 2017	3,053	3,249	118,671	124,973	2,558	301	2,859

- The USS liability arises from implementation of the 2015 deficit recovery plan which will involve an additional employer's contribution of 2.1% until March 2031.
- 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 Teachers' Pension Agency for these payments.
- The Defined Benefit Obligation 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.
- This amount is being provided to meet the anticipated cost of exiting an accommodation property lease in 2018.
- The restructuring provision will meet the costs of staff reductions arising from the ongoing reorganisation of Professional Support and Academic Staff across University Services and Faculties which commenced in 2015/16 and will be complete by the end of 2017/18.

19 CASH AND CASH EQUIVALENTS

	As at 1 August 2016 £'000	Cash Flows £'000	As at 31 July 2017 £'000
Consolidated			
Cash and Cash Equivalents	51,945	(7,547)	44,398
Bank Overdraft	(4)	4	-
	51,941	(7,543)	44,398
University			
Cash and Cash Equivalents	51,941	(7,651)	44,290
	51,941	(7,651)	44,290

20 CAPITAL AND OTHER COMMITMENTS

	As at 31 July 2017 £'000	As at 31 July 2016 £'000
Commitments Contracted for	5,974	8,473

Provision has not been made at 31 July for the above capital commitments.

21 LEASE OBLIGATIONS

	Land and Buildings £'000	Plant and Other Machinery £'000	As at 31 July 2017 Total £'000	As at 31 July 2016 Total £'000
Total rentals payable under Operating Leases				
Payable During the Year	3,980	559	4,539	4,065
Future Minimum Lease Payments Due:				
Not Later than One Year	3,768	541	4,309	4,215
Later than One Year, not later than Five Years	11,107	533	11,640	12,905
Later than Five years	18,268	—	18,268	20,910
Total Lease Payments Due	33,143	1,074	34,217	38,030

22 RELATED PARTIES

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

Year ended 31 July 2017	Sales £'000	Purchases £'000	Debtor £'000	Creditor £'000
ARCH Northumberland Development Company	-	44	-	12
BALTIC Centre for Contemporary Art	-	148	-	1
British Telecommunications plc	-	73	-	-
Committee of University Chairs	-	2	-	-
Godfrey Syrett Ltd	-	166	-	18
Higher Education Statistics Agency Ltd	-	60	-	2
KIER Group plc	-	1,200	-	-
Leadership Foundation for Higher Education	6	-	6	-
Northumbria London Campus Ltd	773	-	14	-
QAHE (NU) Ltd	6,539	5,548	1,351	-
QAHE (Ulst) Ltd	1,412	1,355	511	-
QA Group	-	159	-	16
Redcar and Cleveland Borough Council	176	-	2	-
Seven Stories, The National Centre for Children's Books Limited	4	1	-	-
Student Finance England	120,847	26	1,005	1
University of Northumbria Students' Union	1,407	2,868	1	3
Universities UK	-	1	-	-

22 RELATED PARTIES (continued)

Year ended 31 July 2016	Sales £'000	Purchases £'000	Debtor £'000	Creditor £'000
All Party Parliamentary University Group	-	1	-	-
ARCH Northumberland Development Company	-	20	-	3
BALTIC Centre for Contemporary Art	-	3	-	-
BIM Academy (Enterprises) Ltd	8	54	2	1
British Telecommunications plc	-	43	-	-
Building Futures East	1	-	-	-
Higher Education Statistics Agency Ltd	-	59	-	-
NHS Newcastle Hospitals Foundation	5	-	-	-
Northumbria London Campus Ltd	666	-	-	-
QAA	1	-	-	-
QA Group	551	159	2	20
Redcar and Cleveland Borough Council	15	-	1	-
Seven Stories, The National Centre for Children's Books Limited	-	2	-	-
Student Finance England	-	27	-	-
Turner and Townsend	16	261	-	-
UCAS	10	153	-	-
University of Northumbria Students' Union	1,037	2,171	6	79
Universities UK	-	1	-	-

The University's other transactions are with wholly owned subsidiaries and so have not been disclosed.

23 PENSION SCHEMES

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

The University's Pension Charge for the Year was as follows

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
TPS	7,981	7,734
USS (including deficit movements)	1,848	1,985
LGPS	11,250	9,440
Others	22	6
	21,101	19,165

The University's Actuarial Gain/(Loss) in respect of Pensions for the Year was as follows:

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
LGPS	30,560	(44,080)
Enhanced Pension Payments – LGPS and TPS	54	(140)
	30,614	(44,220)

23 PENSION SCHEMES (continued)

Teachers' Pension Scheme (TPS)

The TPS is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the TPS

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay; and
- actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

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

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme changes

Lord Hutton, who chaired the Independent Public Service Pensions Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012.

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a normal pension age aligned to the state pension age.

The pension costs paid to TPS in the year amounted to £7,981k (2016: £7,734k).

23 PENSION SCHEMES (continued)

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to 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 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.

Valuation of the USS

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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

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

	As at 31 July 2017	As at 31 July 2016
Discount Rate	2.75%	3.6%
Pensionable Salary Growth	n/a	n/a
Pension Increases (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality 98% of S1NA ["light"] YoB tables – no age rating

Female members' mortality 99% of S1NA ["light"] YoB tables – rated down 1 year

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

	As at 31 July 2017	As at 31 July 2016
Males		
Currently aged 65	24.4	24.3
Currently aged 45	26.5	26.4
Females		
Currently aged 65	26.6	26.5
Currently aged 45	29.0	28.8

23 PENSION SCHEMES (continued)

	As at 31 July 2017	As at 31 July 2016
Scheme Assets	£60.0bn	£49.8bn
Total Scheme Liabilities	£77.5bn	£58.3bn
FRS 102 Total Scheme Deficit	£17.5bn	£8.5bn
FRS 102 Total Funding Level	77%	85%

The pension costs paid to USS in the year amounted to £1,848k (2016: £1,985).

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 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 14.9% from 1 August 2016 to 31 March 2017 and then 15.6% from 1 April 2017 onwards and employer contributions including capital repayments and strain on fund payments were £8,600k (2016: £8,990k). Under FRS 102, the comparable Service Cost was £11,250k (2016: £9,440k).

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

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 2018 are estimated to be £8,680k. 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 is expected to clear the pension deficit in 15.0 years.

Principal Actuarial Assumptions	As at 31 July 2017	As at 31 July 2016
Discount Rate	2.6%	2.4%
RPI Inflation	3.1%	2.9%
CPI Inflation	2.0%	1.8%
Pension Increases	2.0%	1.8%
Pension Accounts Revaluation Rate	2.0%	1.8%
Salary Increases	3.5%	3.3%

23 PENSION SCHEMES (continued)

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 2017	As at 31 July 2016
Males		
Members aged 65 at accounting date	22.8	23.2
Members aged 45 at accounting date	25.0	25.3
Females		
Members aged 65 at accounting date	26.3	24.8
Members aged 45 at accounting date	28.6	27.1

Asset Allocation	As at 31 July 2017	As at 31 July 2016
	%	%
Equities	66.1	66.3
Property	9.0	10.0
Government Bonds	3.9	3.8
Corporate Bonds	11.5	11.5
Cash	3.9	3.0
Other	5.6	5.4
Total	100.0	100.0

Reconciliation of Funded Status to Balance Sheet	As at 31 July 2017	As at 31 July 2016
	£'000	£'000
Fair Value of Fund Assets	251,003	218,923
Present Value of Defined Benefit Obligation	(369,674)	(362,164)
Deficit in the Scheme recorded in Provisions (Note 18)	(118,671)	(143,241)

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%

23 PENSION SCHEMES (continued)

Amounts Recognised in Statement of Comprehensive Income and Expenditure	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Operating Cost		
Current Service Cost	10,690	8,770
Past Service Cost	560	670
	11,250	9,440
Financing Cost		
Net Interest cost	3,340	3,273
Expense recognised in Statement of Comprehensive Income and Expenditure	14,590	12,713
Allowance for administration expenses included in Current Service Costs	110	120

Amounts recognised in Other Comprehensive Income	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Gain on Assets	23,720	15,350
Experience Gains/(Losses) on Liabilities	6,840	(59,430)
Total Amount Recognised in Other Comprehensive Income/(Expenditure)	30,560	(44,080)

Movement in Deficit	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Deficit at 1 August	(143,241)	(95,438)
Current Service Cost	(10,690)	(8,770)
Past Service Cost	(560)	(670)
Employer Contributions	8,600	8,990
Net Interest Cost	(3,340)	(3,273)
Actuarial Gains/(Losses)	30,560	(44,080)
	(118,671)	(143,241)

23 PENSION SCHEMES (continued)

Changes to the Present Value of the Defined Benefit Obligation	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Opening Defined Benefit Obligation	362,164	288,711
Current Service Cost	10,690	8,770
Past Service Cost	560	670
Interest Expense on defined benefit obligation	8,630	10,293
Actuarial (Gains)/Losses on Liabilities	(6,840)	59,430
Contributions by Participants	2,470	2,710
Net Benefits Paid Out	(8,000)	(8,420)
	369,674	362,164

Changes to the Fair Value of Assets	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Opening Fair Value of Assets	218,923	193,273
Contributions by Employer	8,600	8,990
Interest Income on Assets	5,290	7,020
Actuarial Gains on Assets	23,720	15,350
Contributions by Participants	2,470	2,710
Net Benefits Paid Out	(8,000)	(8,420)
	251,003	218,923

Actual return on Assets	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Interest Income on Assets	5,290	7,020
Actuarial Gains on Assets	23,720	15,350
	29,010	22,370

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.

23 PENSION SCHEMES (continued)

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**Discount Rate Assumption**

Adjustment to Discount Rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present value of Total Obligation (£'000)	362,030	369,674	377,470
% change in Present value of Total Obligation	-2.1%		2.1%
Projected Service Cost (£'000)	10,480	10,840	11,210
Approximate % change in projected service cost	-3.3%		3.4%

Rate of General Increase in Salaries**Adjustment to Salary Increase Rate**

Present value of Total Obligation (£'000)	371,740	369,674	367,630
% change in Present value of Total Obligation	0.6%		-0.6%
Projected Service Cost (£'000)	10,840	10,840	10,840
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)	375,390	369,674	364,050
% change in Present value of Total Obligation	1.5%		-1.5%
Projected Service Cost (£'000)	11,210	10,840	10,480
Approximate % change in projected service cost	3.4%		-3.3%

Post retirement mortality assumption**Adjustment to mortality age rating assumption**

Present value of Total Obligation (£'000)	380,440	369,674	358,960
% change in Present value of Total Obligation	2.9%		-2.9%
Projected Service Cost (£'000)	11,230	10,840	10,450
Approximate % change in projected service cost	3.6%		-3.6%

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 policy governs all treasury management activities and sets out relevant policy objectives and control measures. It is reviewed and approved by the University Executive. The treasury management 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) as recommended by HEFCE.

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 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 2017, 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 2017, 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. The University has a Euro 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. Overall foreign currency exposure is immaterial, being an insignificant portion of total Income and Expenditure. At 31 July 2017, the sterling equivalent of all euro bank balances was £4,016k (2016: £4,441k).

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 £67,031k (2016: £70,331k). 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 2017,

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 (see below).

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 2017			As at 31 July 2016		
	Current £'000	Non-Current £'000	Total £'000	Current £'000	Non-Current £'000	Total £'000
Interest rate swaps:						
Designated as cash flow hedges	(2,801)	(18,894)	(21,695)	(2,830)	(25,475)	(28,305)

24 FINANCIAL INSTRUMENTS (continued)

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 2017						
	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	(21,695)	(21,695)	(2,801)	(2,672)	(7,228)	(8,994)
As at 31 July 2016						
	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	(28,305)	(28,305)	(2,830)	(2,708)	(7,372)	(15,395)

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 £21,695k (2016: liability of £28,305k).

The amount of the change in fair value of the hedging instrument recognised in other comprehensive income for the period is a reduction of £6,610k in the liability (2016: £8,055k increase in the liability).

25 CONTINGENT LIABILITY

In the prior year the University received a legal claim in relation to a Health and Safety incident, this claim was resolved during 2017 with no material impact on the financial statements.

