



**Northumbria
University**
NEWCASTLE

Annual Report and Financial Statements

2017/18



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Vice-Chancellor and Chief Executive's foreword



I am pleased to introduce the Annual Report and Financial Statements for 2017/18. The information in this report illustrates the University's progress and achievements during the year.

Northumbria continues to invest in driving excellence in its education and research, so that 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 research and industry collaborations, which 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 and society.

This Annual Report identifies our successes over the last year, including substantial improvements in the University's league table standing reflecting our continued transformation. For the first time, we are ranked in the top 401-500 in the Times Higher Education University World University Rankings 2019. Northumbria also rose by 273 places in the research citations measure since 2017 to 249th place (37th in the UK). We were ranked best in the North East for Student Experience by the Good University Guide 2019, in which our overall ranking moved up by 5 places to 61st.

In November 2017 we were shortlisted for the Times Higher Education University of the Year Award, a nomination that reflected the transformation that Northumbria has made over the last decade. 2017/18 was also the final year of Northumbria's Corporate Strategy 2013-18, which continued to focus on driving quality. We have achieved strong student recruitment again this year, in what has been an even more competitive environment. Northumbria now ranks 30th in England on entry points, the top ranked modern university. We are committed to advancing social mobility providing the highest quality opportunities to the best students from the North East and beyond. In the last five years we have reduced the participation gap between most

and least advantaged quintiles from over 20% to just 4% meaning that a Northumbria student is as likely to be from a low-income as a high-income household.

We continue to focus on transforming the student experience and providing modern pedagogies, technology and approaches to teaching our talented students. We have moved further towards our ambitions of being a research-rich university with our academics winning £14m of new research awards in 2017/18, reflecting the growing national and international recognition of Northumbria's research.

In 2017/18 we also launched our new brand and visual identity, which have received positive feedback from prospective and current students, colleagues and stakeholders. Our new identity is bold and confident: it aims to differentiate us as a challenger institution.

During the year, in partnership with the Amsterdam University of Applied Sciences, we developed our new presence in Amsterdam ready to receive the first intake of Masters students in September 2018. It also offers an overseas study option for our undergraduate students and enables us to develop a range of collaborative programmes, including research, academic and knowledge exchange opportunities.

In 2017/18 Northumbria's total income was £256m. The year saw the completion of a new £8.3m Computer and Information Sciences building, a world-class home for our 1,200 Computer and Information Sciences students and 85 staff, and the completion of Student Central. Work is underway on new world-class Architecture studios as an extension to the Sutherland Building on City Campus and this will be open for teaching in January 2019.

The University's achievements over the past 12 months and its solid financial position provide a strong foundation which we can continue to build on as we begin our new University Strategy 2018-23, the second of three strategies which will enable us to make our ambitious Vision 2025 a reality. The new strategy was developed with input from more than 700 staff and students. We will continue this engagement as we begin implementation.

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 making them a part of the Northumbria community and its future.

A. B. Wathey

Professor Andrew Wathey CBE
Vice-Chancellor and Chief Executive

19 November 2018



Chair's introduction



Northumbria University's Annual Report and Financial Statements for 2017/18 highlight the major and diverse achievements as our Corporate Strategy 2013-18 concludes and we progress into our University Strategy 2018-23.

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

As we approach the end of the Corporate Strategy 2013-18, the end of the 2017/18 financial and academic year closes with the Board wholeheartedly approving the new University Strategy 2018-23. This is the University's most

ambitious and focussed strategy in our history and it will continue to steer our journey to being a distinct, high quality University that is competing and succeeding on our own terms. The shift from a 'Corporate' to a 'University' strategy may be subtle, but it signals the very important collective ownership of the new strategy as an outcome of an extensive programme of consultation opportunities and channels with staff, students and external stakeholders. An exciting internal and external launch programme awaits us at the start of 2018/19 where our strengths and objectives will be communicated clearly and unapologetically to a range of stakeholders.

The success of the Corporate Strategy 2013-18 has set the University on a clear trajectory based on quality and excellence across all of our activities, which stands us in an enviable position to respond to the opportunities and challenges of the new regulatory and operating environment for Higher Education (HE), nationally and globally. The last five years have been characterised by an unblinking focus on quality, in a climate where it would have been easy to have been tempted to compromise in the face of the hothouse of competition for student numbers. But the strategy has proved successful – attested to by the quality of our student intake year on year, the quality of staff being attracted to the University, the increased success in funding and resources, the improvements in student experience through our investment in excellent teaching, facilities and wider experiences and our growing research prowess and highly impressive student prospects on graduation. And, as these financial statements demonstrate, this is all underpinned by Northumbria's strong financial footing, which has given us the ability to continually invest in our strengths over the last 5 years and will give us the financial platform to continue to invest in the years to come.

Our shortlisting for the prestigious Times Higher Education University of the Year 2017 and being placed 6th in the UK WhatUni rankings are emblematic of the fantastic progress made by the University and our ability to excel across a wide range of our teaching, learning, research, enterprise and professional support activities.

This growing reputation for quality has been reinforced through our highly successful brand re-launch which has equipped the University with a cutting-edge, market leading brand identity which reflects our academic excellence and innovative features.

I, and our Board of Governors, look forward to working with the Vice-Chancellor and the executive team as we embark on the new University Strategy 2018-23 and look forward to its formal approval and launch later this year. 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*

19 November 2018



The University

This section of the Annual Report and Financial Statements 2017/18 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 Direction issued by the Office for Students.



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. Northumbria offers a breadth of programmes in popular subjects at first degree and postgraduate levels. This year, the University enhanced its offer with development of further 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 satellite campuses in the City of London and Amsterdam, 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.

Through our partnership with Amsterdam University of Applied Sciences we have developed an Amsterdam campus for Northumbria, ensuring a strong presence in mainland Europe and enhancing the University's offer to international and UK students. From 2018/19 we will run a range of Masters programmes, and an overseas study year for undergraduates.

More than £270m has been invested in Northumbria's estate, environment and facilities since 2005, with a major programme of works being undertaken during this academic year, including the creation of world-class facilities for

Architecture students within a modern extension to the historic Sutherland Building, due to open for teaching in early 2019. Alongside this we have continued to develop our environmental management with significant performance in carbon reduction and a number of programmes for student and staff engagement in sustainability activities.

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

Northumbria was ranked top 10 in the UK for student facilities in the Times Higher Education (THE) Student Experience Survey 2017. In a nationwide review of 36,000 student opinions, Northumbria was ranked 6th in the UK for the University of the Year title, and won bronze in the International category of the WhatUni Student Choice Awards 2018, for the international experience provided to its students.

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 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 all of the University's activities.
- 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.

University Strategy 2018-23

2017/18 was the final year of the Corporate Strategy 2013-18 when we completed the first phase of achieving the step change set out in our Vision 2025. Over the Corporate Strategy period Northumbria focused on growing high quality research and using it to drive excellence in all the University's activities; build global reputation, market position and revenue streams; maximise student and stakeholder satisfaction; strengthen operational efficiency and foster a culture of continuous improvement.

This year significant focus has been given to developing the new University Strategy 2018-23. Over 700 staff attended engagement sessions which fed directly into shaping and developing the final strategy which was signed off by the Board of Governors in May 2018. The engagement which helped develop the University Strategy will continue as we put into action the underpinning plans that form

our roadmap for the next five years. To be successful and achieve our Vision the University must draw on all of expertise, knowledge and skills across the institution.

Our ambition, as set out in the Vision, remains to be in the top 30, and then the top 20, of universities in the UK as a key indicator of reputation for academic excellence. The new University Strategy is unchanged from the Corporate Strategy in its ambition, pace and direction but there are new important elements which build on the predecessor strategy. People are at the heart of this Strategy, because it is only through their efforts and innovation that we can achieve the distinctive vision of Northumbria as a new kind of excellent university.

We will achieve five strategic outcomes over the next five years. Collectively they describe what Northumbria University will look like in 2023 with strength in research and education across the whole institution, enabling high quality knowledge exchange through our work with others. Our people, and the alignment between their ambitions and those of the University, will drive the transformation. Research is embedded in education and knowledge exchange to drive academic excellence, and in turn, education and knowledge exchange transforms outcomes for students and stakeholders. Our growing academic excellence will produce a stronger global reputation; we will work with more high reputation partners and it will enable us to diversify our income. Through organisational sustainability, efficiency and effectiveness, we will deliver value for money, ensure that the resources are available to implement this strategy, and manage the impact we have on our environment. Together with our business outcomes and Key Performance Indicators, these strategic outcomes make up our strategy - where we want to be by 2023, how we will get there, and how we will measure progress.





Operating and financial review

Key financial metrics	2017/18	2016/17
	£'000	£'000
Income	255,500	248,291
Operating surplus	5,055	4,552
Adjusted EBITDA	31,306	29,527
Adjusted net operating cashflows	30,768	27,245
Cash and investments	53,273	49,398

Financial performance and position

The University's financial performance was strong during the year to 31 July 2018, giving a robust foundation for delivering the strategy to 2023 during what is expected to be a period of significant change for the sector.

Income grew by 2.9%, driven by increased income from full time home and EU students. Alongside this increased research grants and contracts income, as well as part time and international student income, reflected the ongoing diversification of our income stream, whilst three key metrics for measuring overall financial performance were all positive:

- The surplus, before other gains, increased from £4.6m to £5.1m.

- Earnings before FRS 102 pension adjustments, interest, tax, depreciation and amortisation (Adjusted EBITDA) were £31.3m, compared to £29.5m in 2016/17.
- Adjusted net operating cashflow, including recurrent capital grant funding of £2.2m, was £30.8m, increased from £27.2m in 2016/17.

A full reconciliation of the Alternative Performance Measures (APMs) included within the key financial metrics is provided in note 25 to these accounts.

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

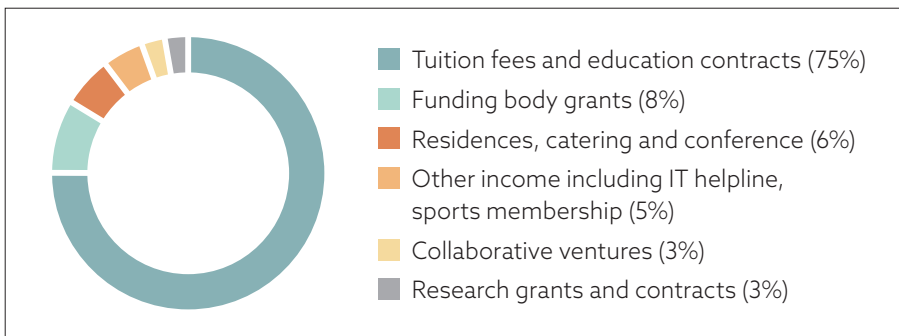
The University's financial position has also strengthened. Cash holdings remain strong, investment in the estate and equipment has continued, and the outstanding bank loans continue to be repaid. This means the University is well placed heading into a challenging period. The next three years are expected to see the impact of the UK's decision to leave the EU, the outcome of a review of post-18 education and funding, increases to pension scheme contributions. A further reduction to the number of eighteen-year-olds entering higher education will increase competition for students. We are planning for these challenges, and the University is well placed both financially and operationally to take on tomorrow.

The following sections provide further detail of the University's operations and finances during 2017/18.

Income

Student recruitment and tuition income

Northumbria University's vision for 2025 is to be a research-rich, business focused, professional university with



a global reputation for academic excellence. That vision is underpinned by a need for financial sustainability and diversified income streams, with the financial results for 2017/18 showing one step on that journey.

In an increasingly competitive marketplace total income grew by 2.9% from £248.3m to £255.5m. This growth was driven by successful recruitment of Home/EU undergraduate students (*note 1 to the accounts*), with income from full and part time Home/EU students and nursing contracts increasing by £4.9m (3.2%). In a year where competition for students increased, and fees were static, it is notable that this income increase was achieved whilst maintaining 30th place in England for Entry Standards in the Times/Sunday Times League Table, ahead of many competitor institutions.

Successful recruitment of students is vital for all Universities, but at Northumbria widening participation is equally important. We encourage the best and brightest students, regardless of background, to apply to Northumbria; to enable them to complete their studies and to succeed academically, personally and professionally.

Our approach to widening participation is set out in our Access Agreement, agreed with the Office for Fair Access (OFFA)

and Office for Students (OfS). In support of this we have continued to provide financial support for students with a total spend of £9.4m on Scholarships and Bursaries in 2017/18. The University has also committed that no student will be faced with additional costs for any element of their course 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. More information on widening participation is provided in the Public Benefit Statement.

Income diversification

Northumbria is ranked in the top 401-500 in the Times Higher Education World University Rankings 2019, following a dramatic rise in our score for Research Citation Impact.

This recognises the increased output and quality of our research, and the rise from 522nd to 249th for citations positions us firmly within the global upper quartile for research citations and 37th in the UK.

Whilst income from Home/EU students remains crucial to our success, our reliance on this income stream is reducing. Good growth was seen in income from international students (*note 1*) and from research contracts (*note 3*), with these increasing by 6.1% and 12.3% respectively. The University has ambitious plans to grow these income streams in support of the outcomes in the strategy to 2023, and the growth in 2017/18 illustrates how the focus on academic excellence contributes to sustainability by attracting staff, students and grant funders. Examples of success in winning research awards in 2017/18, which will bring income in future years and enhance our global reputation, include:

- The UK's Natural Environment Research Council and US National Science Foundation awarded Northumbria £0.75m to examine the massive Antarctic Thwaites Glacier, researching whether it will collapse over the next few decades or centuries.
- A £1m project, funded by the Engineering and Physical Sciences Research Council (EPSRC), aims to identify and address fundamental trust, identity, privacy and security challenges faced by those living with stigmatised long term conditions such as HIV, in managing their health and interacting with care services, peer support networks, and private organisations.

Further areas for growth have been identified and invested in during 2017/18, and are expected to contribute to financial and operational success across the five years of the strategy to 2022/23. Key developments include





the expansion of the University's distance learning offer in the UK and overseas via a partnership with Pearson PLC, and the widening of our existing relationship with QA Limited which has resulted in significant growth in students registered with our London campus and a new contract to provide degree apprenticeships. Our degree apprenticeship provision is also set to expand, including in partnership with Northumbria Police, whilst new contracts will commence in 2018/19 with two key Transnational Education (TNE) partners, Kaplan Singapore and St. George's University (Grenada). These contracts will be at the heart of a renewed focus on TNE activity, building on our global reputation.

Investing in our people

The University's vision to 2023 is based on exceptional people, empowered to achieve shared ambitions. We have continued to invest in recruiting, developing, and retaining staff with outstanding skills and talents across both academic and professional support areas.

Staff costs of £143.5m were 56.2% of total income (2017, 55.4%) and, against a background of increasing salary and pensions costs and static tuition fees, we were able to continue investing in the academic staff base. The number

of academic staff increased from 1,223 to 1,257 in 2017/18 (note 6), and the proportion of doctorally qualified academic staff has risen from 39% in 2012/13 to 60% in 2017/18. In addition, the number of support staff increased from 1,283 to 1,316 in 2017/18 (note 6). Our investment has not just been in new staff, with the Academic Career Pathway and Associate Professor roles supporting the development and progression of many existing outstanding colleagues.

A Voluntary Severance Scheme allowed us to support 44 academic staff to leave the University in 2017/18. This has allowed us to continually refresh the academic staff base, prioritise investments in new appointments in areas of strength, and deliver the vision of a research-rich teaching University.

Investing in our people is not, of course, always easy and there is an ongoing need to manage the size and cost of the staff base. The cost of providing access to defined benefit pensions schemes remained significant in 2017/18 and is expected to further increase in 2018/19 and 2019/20 as changes are made to the USS, TPS and LGPS schemes (note 23). Our focus on financial stability will allow us to absorb some of the additional costs, whilst longer-term measures for managing staff costs will continue to be important. These measures include:

- An increasing proportion of staff (11% of headcount) are members of the University's own defined contribution pension scheme. This scheme offers attractive terms for members by comparison with many pension arrangements (including a zero percent contribution rate option for members), whilst providing the University with certainty of costs both now and in the future.
- Further progress has been made with digitising services, reducing the University's reliance on manual and paper-intensive processes.
- Prioritising our investment into appointments which support the strategy and/or income generation.
- Investing in apprentice appointments, supported by the Government's apprenticeship levy.

Investing to support our vision

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

Operating costs

Our other operating costs (*statement of consolidated income and expenditure*) fell by £1.2m (1.5%), primarily as a result of one-off positive movements on utilities and estates costs and the releasing of leasehold provisions (*note 18*). We also renewed our emphasis on ensuring that non-staff spend is prioritised in areas with the greatest impact.

A new brand

A key development during 2017/18 was the University's new brand, as seen in this document. Designed to be confident and bold, it complements our market position as a strong and credible challenger to more established universities in the UK and globally. Set alongside our growing global reputation and record research impact, it shows a real change in how the University is perceived.

Estates and facilities

The University continued to invest in its estate, equipment, and IT infrastructure

in 2017/18, with £26.0m (*note 13*) of capital additions made to buildings, infrastructure and equipment, and £2.4m (*note 12*) invested in intangible assets (software and intellectual property). Following on from £34.9m and £4.1m invested in tangible and intangible assets respectively in 2016/17 the investments support and strengthen both student experience and research activity, with highlights being:

- Completion in 2017/18 of the flagship £8.3m Computer and Information Sciences building;
- Ongoing transformation of the 18th century Sutherland Building with the addition of a £7.0m modern extension to house studio spaces for the School of Architecture, due for completion in early 2019;
- Completion of the Student Central one-stop shop for Students;
- Completion in September 2018 of the final stages of the Pandon Building project, which has seen 600

support staff co-located to improve the efficiency and effectiveness of those services, working from modern and flexible office space. This programme has also released over 20,000 square feet of space, enabling the University to exit onerous lease commitments, reduce property costs, and re-use the space for academic purposes;

- £3.8m being invested in IT projects to ensure that staff and students continue to benefit from a high-quality IT provision wherever they are working; and
- Completion of a £6.7m investment in STEM improvements within Ellison C and E Blocks. This includes investment in a Wind Tunnel, Engine Test Cells, MAZAK 5 Axis CNC Machine, Scanning Electron Microscope and a range of other equipment, which will help underpin our research themes within Future Engineering, Smart Materials and help to sustain the

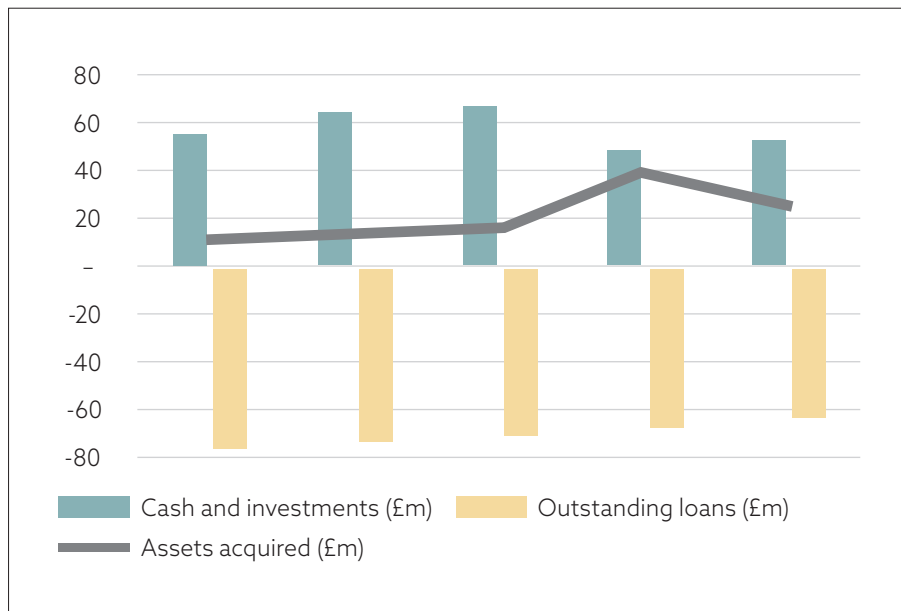
#TakeOnTomorrow



undergraduate courses in areas such as Automotive Engineering.

Importantly, the investments made have not just been in bricks and mortar. Alongside our investment in the staff base, we continued to invest in leading-edge facilities and equipment to support teaching and research:

- July 2018 saw the opening of the new Woon Gallery of Asian Art, which houses a rare and unique collection of art on loan from the Woon Foundation and worth more than £6.4m. This represents one of the most important collections of Buddhist and Asian art in the UK and includes contemporary pieces by the likes of Pablo Picasso, Damien Hirst and Andy Warhol. Created thanks to the generosity of philanthropist and Northumbria alumnus Mr Wee Teng Woon and the Woon Brothers Foundation, the gallery's opening event also saw this year's Woon Foundation Art and Sculpture Prize winners revealed, with Kara Chin receiving the £20,000 first prize fellowship. The gallery is open to the public and will introduce a new dynamic resource for teaching, research and public engagement at Northumbria, further positioning the University at the heart of the cultural sector in the North East of England.
- During 2017/18 the University took the strategic decision to open a campus in Amsterdam, signing a partnership agreement with the Amsterdam University of Applied Sciences which lays the foundation for collaborative research, Masters provision and undergraduate opportunities. The first students were enrolled in September 2018.
- The University's Educational Analytics project has utilised data analytics to personalise the content of over 18,000 individual student communications. 1,500 of these were specifically targeted at students who were less likely to continue their studies, based on their data footprint. This has allowed the student progress team to better focus their work, supporting both the University's measures for student retention and more importantly supporting those students through their study.



A strong balance sheet supporting a sustainable University

Cash and treasury management

In a period of political and economic uncertainty, the University has continued to focus on ensuring that strong cash and treasury management contribute to a robust financial position. Cash and investments increased in 2017/18 from £49.4m to £53.3m whilst, over the same period, loan balances reduced by £3.3m (4.9%) from £67.0m to £63.7m. Taken together, this means that net debt reduced by £7.2m (41%). The University's remaining loan balances with Barclays Bank are payable over an 18 year period, at rates fixed via hedging arrangements, meaning that the University's net debt position is primarily influenced by the operating cashflows generated, and the level of capital spend. Following a peak in capital spend in 2016/17, paid for from cash reserves rather than additional borrowing, the growth in 2017/18 of the cash balance and the strong operating cashflows is an encouraging performance.

Adjusted net operating cashflow is also now used as the University's Financial Key Performance Indicator for the period to 2022/23. A target of net adjusted operating cashflow of £26-£30m on average across the 5-year period has been set, inclusive of recurrent capital grant funding (shown in the statutory cashflow statement under 'capital grants receipts'). The 2017/18 performance, including recurrent capital grant funding, was £30.8m; once working capital movements are excluded it was £31.6m showing that the underlying cash generation was also strong.

Balance sheet

As well as a strengthened cash position, the University heads into the new strategy period with a strong balance sheet. Reserves are £162.4m (2017: £131.7m) and £288.9m (2017: £278.4m), excluding the pensions provision and hedging reserve. Net current assets of £4.8m (2017: £1.9m) and non-current assets of £343.3m (2017: £340.2m) show the impact of sustained year-on-year investment in the estate.

However, whilst the balance sheet remains strong, the potential future costs of providing pensions remain an issue for the University and the wider sector. The University's share of the deficit in the LGPS pension scheme is shown on the balance sheet, albeit that this has reduced during the year, whilst current projections are for significant increases in 2019 to the cost of providing the TPS and USS schemes. Being multi-employer schemes these are not shown on the balance sheet but the need to fund higher contribution rates shows the importance of protecting the current robust position.

Sustainability and the environment

The University's approach to sustainability extends beyond the strong financial position. The new University Strategy includes a strong commitment to sustainability and the environment in support of the UN Sustainable Development Goals, whilst we have continued our strong carbon reduction performance in 2017/18, achieving a 13.0% reduction in Scope 1 and 2 carbon emission on top of the 19.5% reduction in 2016/17. The University is on track to



meet its carbon reduction ambition one year ahead of schedule and has realised financial savings on electricity and gas of £2.0m over the last 3 years. Strong reductions have also been achieved in water use and single occupancy commuter car travel.

We continued staff and student engagement programmes including Go Green Week and the Green Impact Scheme, with 64% of teams achieving gold awards this year. The University achieved two highly commended awards in the National Green Gown Awards 2017, has been shortlisted as a finalist for a further award in 2018 and achieved the highest position to date in the People and Planet University League. In addition, significant work has been undertaken to develop a comprehensive Environmental Management System to seek ISO14001 accreditation in Summer 2019 which will ensure legal compliance and environmental best practice

Financial and operating outlook

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

is supported by a five-year financial plan, designed to support ongoing investment, whilst mitigating the significant risks we face. The pressures of competition for students, as a result of Brexit, and from demographic changes are however very real; in addition, the real cash costs of pensions changes will be felt across the sector. These pressures provide the backdrop for the strategy period and, against this context, the continued strong recruitment of students for 2018/19 and the growth in research activity and income are particularly pleasing, showing that our strength can make a period of change and uncertainty also one of opportunity.

Going concern assessment

The successful recruitment of students for 2018/19, set out above, is key to the University's assessment of going concern. As with any University, the Board of Governors must confirm that it has reasonable expectation that the University has adequate resources to continue in operation for the foreseeable future. The Board has confirmed this view, and the University continues to adopt the going concern basis for preparing the financial statements. In reaching this conclusion, the Board has reviewed the sustainability of the University

and is satisfied that the strategies, plans and processes in place will help the University move towards the achievement of its strategy. In particular it has considered the environment in which the University is operating as an institution and considers the University to be financially sustainable, with key items providing assurance being:

- It regularly reviews performance monitoring through review of annual budgets and forecasting, including the OfS forecast submissions.
- It regularly reviews the University's performance against budgets and forecasts, using net adjusted operating cashflow as a key performance indicator relevant to institutional financial sustainability.
- It regularly reviews the University's strategic risk register and is assisted in this process by the Audit Committee.
- It considers compliance with the financial covenants of our lenders, Barclays plc and OfS.
- It reviews sensitivity analysis and scenario modelling to assess the impact of sector changes, revisions in government policy and variable student numbers.

Value of Northumbria and achievements

Research-rich, business-focused and professional, Northumbria has a growing international reputation for outstanding academic research and teaching.

This is evidenced in the University's position within the top 150 universities aged 50 years or under in the world (THE World University Rankings) and being shortlisted for Times Higher Education's University of the Year Award 2017.

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

Knowledge creation

Northumbria's academics pursue new thinking and forge new partnerships through a multidisciplinary approach to research.

Our pioneering research is set within a real-world context. For instance, our academics are investigating when glaciers might collapse; how to quickly and cheaply diagnose Ebola to speed up life-saving treatment; and how to apply lessons learnt about astronauts' bodies whilst they are in space to improve treatments for people on earth.

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

The University's track record of securing increasingly high volumes of quality research funding from the likes of Leverhulme, EPSRC, AHRC and NERC led to Northumbria having the biggest rise in research power of any UK institution in the 2014 Research Excellence Framework (REF).

Current, demand-led courses

With a Silver award in the Teaching Excellence Framework (TEF), Northumbria University delivers high-quality teaching, learning and outcomes for our students in a research-rich learning environment.

Thanks to Northumbria's excellent links to industry our courses are recognised as delivering the skills global business needs. More than 430 employers sponsor our students, and more than 50 professional bodies sponsor our courses. More than half of our undergraduate programmes are accredited by professional, statutory and regulatory bodies and over one third of our academic staff hold professional registrations and memberships.

Added to this we are ranked 7th in the UK for the total number of graduates in professional jobs, according to the latest Destination of Leavers of Higher Education Survey (2016/17).

Since 2009, the University has supported the development of more than 200 graduate companies which employ over 1,000 staff and have a combined turnover of more than £80 million. This success means that Northumbria is ranked 1st in the UK for graduate start-up businesses, based on turnover.

An excellent student experience

With more than 30,000 students, Northumbria is one of the largest universities in the UK, offering a wide variety of high quality undergraduate and post-graduate programmes, either on a full-time, part-time or distance learning basis.

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

The University has reinvented how students access support by investing in people, process, place and technology. We have streamlined our service to give students greater access to our 24/7 *Customer Service Excellence*-recognised frontline support team, providing tailored one-to-one professional advice and guidance.

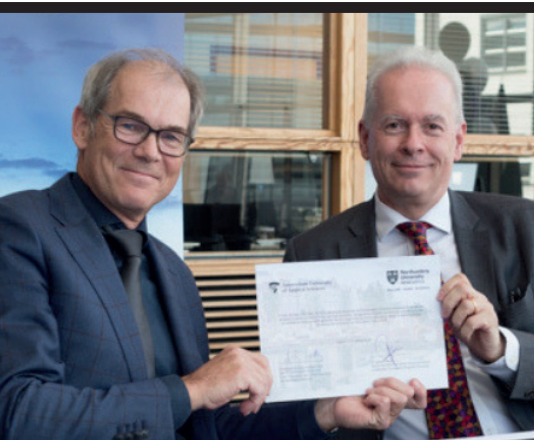
A £4.5m investment in digital technologies gives students access to some of the most cutting-edge learning and teaching tools, which includes a new Virtual Learning Environment – one of the first of its kind in Europe. This, combined with our investment of more than £270m in our estate, has led to our facilities being ranked in the top 15 in the UK in the most recent THE Student Experience Survey.

As a result of this investment, as well as commitment for all students to have an excellent student experience, Northumbria consistently outperforms the sector in the National Student Survey.

Northumbria University is making a remarkable impact on the world. We are a challenger institution, transforming to take on tomorrow. Our ambitious vision and the value we add to everything we do creates new knowledge that benefits society and transforms our students' lives. We are equipping our students to tackle tomorrow's challenges head on and to lead the way forward. This vision will secure our future sustainability and success in this period of accelerated change in higher education.

University's achievements at a glance

During the 2017/8 academic year, the University has continued to receive a range of accolades and awards. Key University achievements include:



Through our partnership with Amsterdam University of Applied Sciences (AUAS), we have developed a new campus presence in Amsterdam offering Northumbria Masters programmes in Business and Project Management from September 2018, as well as a one-year programme in International Business available to our undergraduate students from all disciplines. We are also hoping to deepen our collaboration with AUAS through joint research, staff exchanges and summer schools.

We have been awarded £100,000 from the Santander Universities Enterprise and Entrepreneurship Fund to support the development of an innovative new enterprise facility designed to focus all of our entrepreneurial support and expertise into a central hub located on campus. It will help businesses, including student start-ups, academic spin-outs and graduate-led enterprises, and will offer wrap-around business and innovation support services, entrepreneurship training, management guidance and mentoring.

This year saw the University deliver a new full-time three-year BSc (Hons) Nursing Studies degree programme in Malta in collaboration with Malta College of Arts, Science and Technology. The new programme will change the quality of nursing standards in Malta and will enhance our global reputation even further.

The University won the Business Effectiveness and Organisational Performance Award in the 2018 Universities Human Resources Awards for Excellence.

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

The Times/Sunday Times Good University Guide 2018 ranked us 66th overall and positioned us in the top 50 on entry standards, student experience and good honours.

Northumbria has significantly increased its standing in the global league tables and is now ranked in the top 401-500 in the THE World University Rankings 2019. Our improvement from last year's position in THE's top 501-600 is due to a dramatic rise in our score for Citation Impact, which recognises both the increased output and quality of research coming from the University. Our score in this metric increased by a notable 28.4 points. This led to a climb of 273 places for citations, from 522nd to 249th, and positions us firmly within the global upper quartile for research citations and 37th of those universities in the UK.

Northumbria University

RANKED 401-500



www.thewur.com



Outstanding new facilities for students are being created. Our Computer and Information Sciences staff and students moved into a £8.3m state-of-the-art building this year and modern Architecture studios are being built onto the historic Sutherland Building and will be open for teaching in late 2018.

Thanks to our expertise in humanities, Northumbria is part of the UK's only Centre for Doctoral Training in Heritage, funded by the Arts and Humanities Research Council, working in partnership with the University of Sunderland, BALTIC Centre for Contemporary Art and the National Glass Centre supporting work across arts and design.

Northumbria was again named the UK's top ranked university for graduate business start-ups based on turnover, for a second year running. According to the Higher Education Business and Community Interaction Survey (HEBCIS), turnover from Northumbria graduate start-ups for 2016/17 reached £80.3m – over £30m more than the second placed institution. The combined turnover for Northumbria graduate businesses also grew by more than £10 million on the previous year.

The University has launched the first ever nursing degree apprenticeship in partnership with Newcastle upon Tyne Hospitals NHS Foundation Trust. The collaboration is the first of its kind in the North East, and will create England's first ever apprenticeship-qualified nurses by March 2020.

Northumbria has been named in the Top 10 Best Places to Work in the North East in The Journal's Best Places to Work Awards 2018.

The University has maintained its pace ahead of the sector in the latest National Student Survey. Northumbria continues to outperform the sector on overall satisfaction with a score of 85%, above the sector average of 83%. In specific areas Northumbria performed above the sector in the areas of academic support, learning opportunities and learning community. The University's IT and library resources are also rated ahead of the sector average.

The University achieved 6th place in the University of the Year category in the WhatUni Student Choice Awards (WUSCAs) 2018, jumping 64 places in the process. The WUSCAs are an annual celebration of student satisfaction in higher education. Each year, the awards are based on reviews from current students about their institution, which help prospective students make informed decisions on the University they might want to study at.

Northumbria has been awarded a grant from HEFCE as one of the founding members of a new £40m nationwide Institute of Coding, established to plug the digital skills gap and give the UK an edge in the global digital economy.

Northumbria is one of four North East universities collaborating in a Connecting Capability Fund award from Research England worth £4.9m. This will enable the partnership to make a step change in delivering research to the market place and to develop entrepreneurship amongst their academics through an ideas impact hub and associated proof of concept support.



The Woon Gallery of Asian Art was launched with generous support from the Woon Brothers Foundation. It houses a rare and unique collection of Asian and Buddhist art complemented by a selection of contemporary works by artists including Pablo Picasso, Damien Hirst and Andy Warhol. It is a rich resource to enrich the University's research and teaching, public engagement and knowledge exchange activities.

Research achievements at a glance

£9.1m of Research Grant and Contract Income represents a 13% year on year increase and a 79% increase over the Corporate Strategy period. New research awards rose to £14m representing a 167% increase over the last five years.

A €4.5m, three-and-a-half year project awarded from the European Commission - COGOV - sees Northumbria working with universities, municipalities and private companies from six European states to explore new approaches to involving the public in the governance of public services across Europe, including the use of digital technologies.

Primary Sjögren's syndrome (PSS) patients experience symptoms of fatigue, pain, sleep disturbance, dryness and difficulty performing daily tasks including social and work activities. The aim of the study, funded by Alzheimer's Research UK (£273,554) is to improve quality of life of PSS patients through use of an interactive digital self-management intervention (available through a website and smartphone application).

Northumbria has been awarded £512,000 by HEFCE as one of the founding members of a new £40 million nationwide Institute of Coding, established to plug the digital skills gap and give UK an edge in the global digital economy.

A £1m project selected by the Engineering and Physical Sciences Research Council (EPSRC) aims to identify and address fundamental trust, identity, privacy and security challenges faced by those living with stigmatised long term conditions, such as HIV, in managing their health and interacting with care services, peer support networks, and private organisations.



Northumbria researchers are undertaking the first UK study to make systematic comparisons between hydraulic fracturing communities and conventional gas extraction communities. It examines the social, economic and environmental impacts of hydraulic fracturing on these communities and is supported by the Natural Environment Research Council with £370,000.

The Natural Environment Research Council has awarded £380,000 to researchers in the Department of Geography and Environmental Sciences to study the effects of climate change on glaciers in the East Antarctic. The research will tell us which glaciers are most sensitive and what their contribution to sea level might be over the next few centuries. This new knowledge will be vitally important to help governments plan for future changes in sea-level.

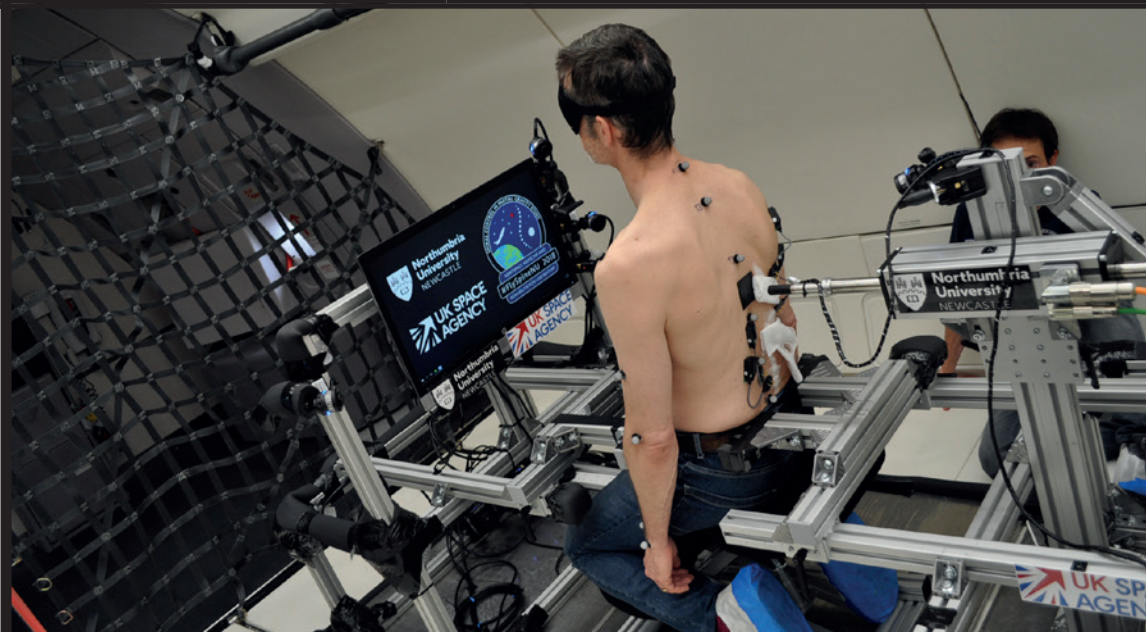
Researchers in Newcastle Business School have been awarded a GCRF Networking Grant to establish long term and sustainable research links with the University of Petroleum and Energy Studies and Indian Energy Companies to build capacity for entrepreneurship and social ventures, based upon renewable energy sources.

The UK's Natural Environment Research Council and US National Science Foundation have awarded Northumbria £774,000 to take part in one of the most detailed and extensive examinations of the massive Antarctic Thwaites Glacier, with the aim of establishing whether it will collapse over the next few decades or centuries.

Academics from the Department of Mathematics, Physics and Electrical Engineering have been awarded over £350,000 by the Population Council to undertake research to identify the environmental, social and cultural reasons behind the practice of Female Genital Mutilation.

Researchers in the Department of Applied Sciences are undertaking research funded by the Engineering and Physical Sciences Research Council (£333,000) to develop innovative manufacturing methods to enable the reliable and scalable production of evolvable bio-hybrid systems that possess the inherent ability to sense and repair damage, so-called 'immortal' products. This will ultimately lead to the development of products and devices that can continue to function without needing repair or replacement over the course of their life.

Funded by the European Space Agency (£363,000), Northumbria University research will help enable humankind stay fit and healthy on the moon with the long-term aim of colonising Mars. This research will determine how a partial gravity environment affects our spinal muscles that work to maintain upright spinal posture.



Northumbria researchers have been awarded £433,000 by the Engineering and Physical Sciences Research Council to study fundamental physical processes which take place when droplets are deposited on smooth surfaces. This understanding has important implications for many industrial processes, such as printing.

Researchers in Northumbria's Law School have been awarded networking funding to work with academics, legal practitioners and police in Ireland and the UK. The network will address the need to protect and enhance criminal justice cooperation between the UK and Ireland after Brexit.

Northumbria will carry out a £400,000 evaluation of the social investment bond model to extend Skill Mill, an employment for young offenders, to ten UK cities.

Principal uncertainties and how we respond to them

The major changes in the external regulatory and operating environment for HE providers in England are well known. They include: the intensification of global, national and regional competition, the ability of the sector as a whole to excel in future rounds of the TEF and the reputational impact of this for the global brand of HE and on recruitment of overseas students and staff; institutions' own performance in TEF; Research Excellence Framework (REF) 2021; positioning in national and world rankings of universities; the impact of the UK exiting the EU; and the post-18 review of fees and funding.

Whilst Northumbria's Board of Governors and University Executive jointly recognise that the University's principal uncertainties are threats to manage and mitigate, they are primarily regarded as opportunities to innovate and respond creatively, boldly and swiftly to change. Northumbria is well-placed to operate and thrive in this changing environment. From this

perspective, Northumbria's risk profile goes beyond our response to mitigate any detrimental impact of these factors, extending to taking calculated risks and seizing and maximising opportunities arising from uncertainties in order to ensure we deliver our University Strategy 2018-23 and remain sustainable whilst doing so.

As addressed in the operating and financial review section, our ability to be financially sustainable requires the growth and diversification of our income base and investment in our people to support the University Strategy and vision. Our international positioning and performance is also absolutely key in order that Northumbria's escalating global reputation reflects the substance of our reputation as a leading university. Whilst these may be regarded as being our principal uncertainties, the spectrum of our risks are captured through our Strategic Risk Framework and Register. The Strategic Risk Register sets out 10 key strategic risks which feed into,

and flow from, our University Strategy 2018-23, the effective response to, and management and advancement of, will be key to our success. The strategic and distilled set of risks therefore sit above, and provide a steer for, a more detailed operational and tactical risks housed in faculty and professional support service risk registers, or discrete project-related risk logs. More detailed and technical information on the Strategic Risk Framework is covered in the Statement of Corporate Governance in this annual report.

Each of Northumbria's 10 Strategic Risks is outlined in the first column in the table below. The current and projected status of each risk based on the RAG (Red, Amber, Green) rating and impact and likelihood score we calculate, and specific controls in place to manage each risk is not detailed in this report, but instead we provide some context and commentary on our strategies and tactics to respond to the uncertainties arising from each risk.



<p>Financial sustainability</p> <p>Failure to increase/diversify income and manage the cost base.</p>	<p>Northumbria's financial sustainability and its pairing with our success as a high quality HE provider is underpinned by a number of controls including: an increased focus on diversification of income to ensure a strong balance sheet and ability to invest in our people and our strategy, including from non-traditional sources. These are underpinned by robust five-year financial planning, budgeting and forecasts which enable us to allocate resources with confidence, and the necessary focus and flexibility.</p>
<p>Student outcomes and experience</p> <p>Student satisfaction and outcomes do not improve in line with planned expectations and investment and fail to outperform competitors</p>	<p>Northumbria delivers a clear Education Strategic Plan overseen by robust academic governance and project management to ensure this critical strategic risk is managed effectively, Targeted actions include improvements to Northumbria's performance in the National Student Survey (NSS), innovative approaches to learning, teaching and the student experience policies; an ongoing review of our academic portfolio; transformed student-centred systems to enhance the student journey and experience, such as our new virtual learning environment and learning analytics, and our customer related management system clustered around the concept and practice of 'Student Central'.</p>
<p>Staff engagement and culture</p> <p>Failure to harness and grow the energy and passion of colleagues to shape what we do in a way which encourages the collective ownership of the future success of the University.</p>	<p>Northumbria is developing its Strategic People Plan 2018-23, recognising that People are at the heart of the University Strategy 2018-23 as it is only through their efforts and innovation that we can achieve the distinctive vision of Northumbria as a new kind of excellent university. Our responses to help deliver this include:</p> <ul style="list-style-type: none"> • Recruitment and retention of a high-quality, diverse workforce • Ensuring that we have the right culture in place to deliver our future ambitions with colleagues who are communicated with, involved, engaged and feel valued, recognised and rewarded. • Capacity to develop high quality innovative leadership who inspire and successfully drive change. • Managers who are capable, accountable and feel empowered to develop their teams and areas of responsibility. • Digitisation which includes both implementing sustainable technology-enabled HR systems and developing a digitally fluent workforce.
<p>International opportunities and uncertainties</p> <p>Failure to optimise NU international recruitment in light of changes in UK and International Government Policies and trade blocks and changes in competitive intensity, student expectations and recruitment channels.</p>	<p>This risk is strategic for Northumbria in the context of UK government and international policy in the EU and beyond, and global and national competition. Northumbria has delivered a number of strategic and tactical responses delivered through our wider University Internationalisation Plan which states our key activities to further strengthen our international marketing and recruitment reach and capacity globally; how we support the progression of international UK campus-based students, and our ambitious plans for a focussed suite of high quality, multi-faceted and multi-disciplinary offshore partnerships. Our recently launched Amsterdam Campus and partnership with Amsterdam University of Applied Sciences is an example of our developing international focus.</p>

<p>Brand, reputation and market position</p> <p>Failure to ensure the Northumbria offer and market position is sufficiently distinctive, that it reflects our strengths and ambitions and that customers/ stakeholders are aware of this.</p>	<p>Northumbria has a range of plans to leverage our highly successful 2017/18 re-branding exercise, and its roll out across all platforms, sites and the full spectrum of University activities. The brand is crucial to reinforcing Northumbria's reputation as a challenger institution to many more traditional HE providers and is therefore key to our wider market positioning.</p> <p>Our innovative use of data and information to build intelligence and help understand and drive our performance and support our market positioning provides another important control in this area.</p>
<p>Research culture and related outcomes</p> <p>Failure to strengthen research culture and achieve related strategic aims.</p>	<p>Maximising the step change achieved in Northumbria's research reputation as achieved in REF 2014 will be continued through focussing on how we support, grow and nurture a rich research culture. This is demonstrable through the step change achieved in the pipeline of bids and awards submitted, and the growth in prestigious research and associated research grant and contract income award to Northumbria. We hope to see these successes realised in our REF 2021 performance.</p>
<p>Partnership opportunities</p> <p>Partnership opportunities in the UK and overseas with existing or new partners may not be identified, developed, prioritised or preserved.</p>	<p>A focussed set of high-quality strategic partnerships are being developed with large and prestigious organisations to deliver sustainable and substantial reputation and knowledge and income growth and generation.</p>
<p>Business processes and continuity</p> <p>Failure to ensure robust, streamlined/efficient operational business processes and ensure adequate business continuity arrangements</p>	<p>As well as beginning to re-engineer business processes across our key systems to make these lean and efficient, Northumbria's business continuity framework has been relaunched across the entire organisation, including improved IT systems resilience and disaster recovery arrangements.</p>
<p>Exploiting benefits from facilities and technology</p> <p>Failure to deliver the anticipated outcomes of plans for Estates and IT) and identify further opportunities for investment.</p>	<p>Northumbria's extensive portfolio of major estates and technology projects are overseen managed through the Transformation Project Board to ensure full benefits realisation and monitor scope, budgets and timescales. Our forthcoming estates and IT strategic plans for 2018-23 will provide the framework in which these key, overlapping enablers are delivered.</p>
<p>Managing compliance</p> <p>Non-compliance with legal and regulatory requirements.</p>	<p>The University Executive ensures pro-active, proportionate legal and regulatory compliance arrangements through:</p> <ol style="list-style-type: none"> i. the operation of professional support services with qualified staff to ensuring legal compliance and effective statutory and regulatory horizon scanning; ii. a dedicated Legal Services function to provide and facilitate professional legal advice on behalf of the University; iii. project management of new areas of compliance such as the General Data Protection Regulation (GDPR) now in force; and iv. a suite of mandatory and optional staff training and development on key areas of legislative compliance.

Public benefit role

The University of Northumbria at Newcastle, as our legal and formal name, is an 'exempt charity' under Schedule 2 of the Charities Act 1993, the Charities Act 2006 and section 22(1) of the Charities Act 2011. As an exempt charity Northumbria is not subject to direct registration with, or regulation by, the Charity Commission for England and Wales. Since 1 June 2012, HEFCE acted as 'principal regulator' of the University on behalf of the Charity Commission, the responsibility for which transferred to the Office for Students (OfS) from April 2018.

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

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

The University is not required under the Charities Act 2011, or the OfS Regulatory Framework, to produce a public benefit statement. It is confirmed that the University's charitable purposes are

delivered as an outcome of it exercising its powers as a Higher Education Corporation (HEC), which in so doing provides a public benefit principally to its student beneficiaries through the 'advancement of education', and through other charitable purposes, including the 'advancement of health and saving lives', 'the prevention or relief of poverty', 'the advancement of environmental protection and improvement', 'the advancement of human rights, conflict resolution or reconciliation' and 'the advancement of arts, culture, heritage or science' through its teaching, learning and research activities. Northumbria's public engagement and outreach activities also support the advancement of citizenship and community development. Further information demonstrating Northumbria's delivery of its charitable purposes for the public benefit is included throughout the annual report, including in relation to tuition fees and funding support.

The 'advancement of education' and supporting access to, and progression through, HE for students as Northumbria's main beneficiaries is a key charitable object. In 2017/18 Northumbria University charged £9,250 fee for Home/EU Undergraduate students, the maximum fee permissible and in line with the majority of English HEIs. In recognising that life chances are unequal in society, a longstanding commitment to securing access to HE for students from a range of disadvantaged backgrounds is key. Across 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. After admission to Northumbria, we have continued to provide financial support for students

through a bursary scheme for the most financially disadvantaged students based on household income, and in 2017/18 investing almost £12.5m in access, success and progression and financial support for students, and in excess of £1m into hardship support for target groups. Northumbria has a longstanding programme of outreach activity delivered from Year 6 through to Year 13, to encourage students from all backgrounds to progress to HE. These include:

- 'NU Entry', to equip Year 12 and 13 students with specific skills necessary for successful undergraduate study and have the opportunity to earn points, equivalent to UCAS tariff points for access to Northumbria. This was completed by over 500 students in 2017/18.
- the North East Raising Aspiration Partnership (NERAP) collaboration between the five North East universities to support progression to HE, specifically for key vulnerable groups.
- attracting full-time undergraduate care leavers to Northumbria, with a 26% increase in the two years between 2015 entry and 2017 entry, at 43 entrants in 2017/18.

Statement of corporate governance

The University of Northumbria at Newcastle was incorporated as a Higher Education Corporation (HEC) following the passing of the Education Reform Act 1988. Northumbria was granted 'university' title and associated powers in the Further and Higher Education Act 1992, and in 2017 celebrated 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 Instrument of Government details the core duties of the Board: <https://www.northumbria.ac.uk/static/5007/uso/iag.pdf>. The Higher Education and Research Act 2017 provides the opportunity for HECs, including Northumbria, to deregulate, amend and potentially revoke and replace the Instrument and Articles of Government with an alternative governing instrument relevant to any new legal form adopted by the University. The Board of Governors will determine whether it wishes to do this, informed by its involvement in a national working group exploring HEC governing instruments reform.

The Board of Governors 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 of Northumbria as an exempt charity, and has responsibility for determining the mission, strategy and educational character of the University, the safeguarding and stewardship of the University's assets and resources and ultimate responsibility for ensuring that the University is led and managed effectively by the Vice-Chancellor and Chief Executive.

The Board of Governors has a range of strategic, regulatory and wider stewardship responsibilities which are not delegated to any other individual(s) or bodies. The Board's strategic responsibilities include approving and reviewing performance against Vision 2025 and the University Strategy 2018-23 and other key plans. The Board's regulatory and stewardship responsibilities centre on its role as Northumbria's ultimate legal authority and for safeguarding the University's assets and its financial sustainability, and receiving assurance that its systems comply with the University's legal and regulatory obligations, including as an exempt charity, and of the OfS.

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

- Through ensuring that the Vice-Chancellor and Chief Executive, as the University's 'Accountable Officer' under the OfS Terms and Conditions of funding for higher education institutions (2018.15), effectively leads the academic and executive management of the University. The University Executive advises the Vice-Chancellor on delivery of the University Strategy 2018-23, and is responsible for the strategic and operational management of the University through University Executive members' individual portfolios and collective leadership.
- Through its committees, which reflect the requirements of the OfS Terms and Conditions and the CUC HE Code of Governance (2014) and related guidance. 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 OfS Regulatory

Framework recognises that beyond these arrangements, HEIs should have distinctive governance arrangements relevant to their needs, which in Northumbria's structure includes a Strategic Performance Committee of the Board.

The role of each of the Board Committees is summarised below:

- **Nominations Committee** makes recommendations to the Board on its membership and those of its committees, the development of governors and oversees the recruitment process for independent governors.
- **Audit Committee** provides assurance to the Board of Governors on the adequacy of the University's framework for financial compliance and integrity culminating in the annual report and financial statements, internal and external audit arrangements and the wider control and compliance environment, risk management, value for money, data quality and assurance arrangements, anti-fraud and anti-bribery measures and whistleblowing.
- **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 and new University Strategy 2018-23.
- **Strategic Performance Committee** advises the University Executive and the Board of Governors in relation to performance against the Corporate Strategy 2013-18 and the successor University Strategy 2018-23, and review of the strategic plans beneath it.

- **Remuneration Committee** is chaired by the Senior Independent Governor (SIG) – a post Northumbria has had on its Board since 2012 – and oversees the remuneration policy, base pay and total remuneration package of senior staff, including the performance-based reward scheme in which the Vice-Chancellor and Chief Executive and the wider Senior Management Group participate. The Committee determines its base pay decisions based on benchmarking data drawn from UCEA and other contextual data. The Committee includes a co-opted member who provides expert independent advice to the Committee. In 2017/18 the Committee has embarked on a review of its constitution and arrangements in response to publication of the CUC The Higher Education Senior Staff Remuneration Code (June 2018).

This work will continue into 2018/19. A separate annual statement on remuneration for 2017/18 is included in this annual report.

- **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, knowledge exchange and international policy and performance matters.

Trade Union Facility Time for the period 1 April 2017 to 31 March 2018

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

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

Total number of your employees who were relevant union officials during the period 1 April 2017 to 31 March 2018	
Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
48	45.6 FTE

Employees who were relevant union officials employed during the period spent 0%, 1%, 50%, 51%-99% or 100% of their working hours on facility time	
Percentage of time	Number of Employees
0%	2
1-50%	45
51-99%	0
100%	1

The percentage of the total pay bill spent on facility time	
Total cost of facility time	£229,880
Total pay bill	£133,608,280
Percentage of the total pay bill spent on facility time	0.17%

Hours spent by employees who were relevant union officials during the period on paid trade union activities as a percentage of total paid facility time hours (Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100
7.98%

Statement of internal control

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

In line with OfS requirements and the *Higher Education Code of Governance* (2014), the Board of Governors has received assurance that an effective system for managing risk is in place across the University. The Board and the University Executive set the tone for risk management across the University, through their respective oversight and ownership of strategic risks related to the full range of business, financial, operational and compliance activities. The linkage of the University's risks to its objectives is evident in their formulation of 'Strategic' risks which in 2017/18 had their first full year of operation. As discussed in the principal risks and uncertainties section, the Strategic Risk Framework comprises a suite of 10 Strategic Risks adopted by the Board, owned by the University Executive and cascaded through to faculty, service and project risk registers to ensure they are embedding in ongoing operations. Further work is underway to develop further the effectiveness of cascade and dialogue between the Strategic and local risks, including escalation and de-escalation mechanisms. The Strategic Risk Framework 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. Those individuals 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 regular and effective review and reporting of risk at Board and committee levels is evident through the 'deep dive' programme embarked on in 2017/18 for each strategic risk, in which seven of 10 risks have been reviewed by University Executive and presented to the Board committee with the remit most relevant to the risk content in year (Audit, Employment and Strategic Performance committees) as well as an overview report to the July 2018 Board meeting. Each deep dive exercise has then been presented. As well as specific changes, the deep dive exercises to date have led to the identification of the following general observations:

- i. influencing factors for each strategic risk 'date' quite rapidly in a volatile external regulatory and changing operating environment for the University and the sector;
- ii. the appropriateness of some of the future controls to address the real issues which sit under the risk to mitigate the threat they pose or maximise the opportunity it represents, and how smart and focussed some of the controls are.

This has enabled risk owners to undertake detailed testing above and beyond a more routine review on their strategic risk, including its formulation, its influencing factors and the adequacy and effectiveness of controls. The deep dive exercise of each of the 10 strategic risks will conclude in the first quarter of the 2018/19 academic year.

As well as the University's Strategic Risk Framework being built on an 'impact'

and 'likelihood' scoring methodology, Northumbria's wider approach to internal control is risk-based, acknowledging that internal control systems cannot eliminate all risks or control weaknesses or failures. The ability to effectively respond to, resolve, and learn from such matters is as important as their initial occurrence. The risk-based approach is apparent in how the University Executive works with the internal auditors, and seeks advice from Audit Committee, on a risk-based annual and longer-term internal and external audit programme. This includes proactive identification of, and offering up for audit by, University Executive of control areas where known or likely weaknesses exist, to support a culture of ongoing controls improvement. This approach also extends to the treatment of risk appetite across the wider internal control environment, and which areas of control require greater focus and attention than others, based on the information and evidence available. A further example is the new Critical Incident Management Plan introduced in 2017/18, which adopts a command structure to enable critical incident management to be led and co-ordinated at the level which is proportionate to the incident.

University Executive has continued to improve 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 2017/18 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 value for money processes.

The Board of Governors, as advised by University Executive, Audit Committee and internal and external audit, recognises that improvements in the internal control environment are an inevitable and expected feature of any large and complex organisation like Northumbria. These assurance sources and other activities, such as the in-year review of the 'managing compliance' strategic risk, recognise that a culture of enforcement of, and engagement with, corporate policy requirements remains an area where more work is required. This statement of internal control confirms that there are no significant internal control

weakness or failures which have arisen during the 2017/18 which would prevent the achievement of the University's strategy and its objectives, have a material impact on the financial data reported in these financial statements, or result in a diversion of resources from another core aspect of Northumbria's operations as an outcome. This position is supported by the opinion of the Audit Committee its 2017/18 annual report to the Board of Governors, and the annual opinions of Northumbria's internal and external auditors.

A handwritten signature in black ink, appearing to read "Chris Sayers".

Chris Sayers
Chair of the Board of Governors

A handwritten signature in black ink, appearing to read "A.B. Wathey".

Professor Andrew Wathey
Vice-Chancellor and Chief Executive

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

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

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

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

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

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

The Board of Governors are also responsible for ensuring that:

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



Annual remuneration statement

This annual remuneration statement 2017/18 complies with the requirements for its production as set out in The Higher Education Senior Staff Remuneration Code published by the by the CUC in June 2018 and the OfS Regulatory Advice Regulatory Advice 9: Accounts Direction. The Statement is based on a more detailed annual remuneration report for the same period, presented to the Board of Governors at its November 2018 meeting. The full annual remuneration report will be published separately on the University's website as part of our commitment to transparency in relation to senior staff remuneration. Remuneration Committee's remit and membership for 2017/18 is listed on page 36 of this document.

Approach to remuneration at Northumbria

Compliance with CUC Higher Education Senior Staff Remuneration Code requires delivery of principles under the three elements of:

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

Since publication of the code in June 2018, these have been key considerations of Remuneration Committee and, ultimately, the Board of Governors. This includes the requirements in relation to the membership of Remuneration Committees which were responded to

ahead of the consultation outcomes, including the Vice-Chancellor and Chief Executive's resignation from the Committee in November 2017, to underscore the already established position that the Vice-Chancellor and Chief Executive has no role in discussing or determining his own salary or wider remuneration. Remuneration Committee aspires for the University's governance framework and arrangement for senior management remuneration and reward to embody leading practice in the HE sector. This extends to clear and demonstrable delivery of the principles of, as well as other contextual responses to, senior staff reward which are considered appropriate for Northumbria and which support both our University Strategy 2018-23, our financial sustainability and our culture and values. As Northumbria develops its Strategic People Plan in the context of its University Strategy 2018-23, remuneration is one of a number of influential factors in the recruitment, retention and recognition of a high quality and diverse workforce, and the capacity to develop high quality, innovative leadership at all levels of the organisation. Senior staff remuneration at Northumbria (whilst not an outlier based on sector benchmarking) are set in the context of the significant achievements of the University in 2017/18. The achievements of the University reflect the major contributions of all staff at Northumbria. Notwithstanding this, the leadership and direction of senior management have driven their delivery.

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

As its evidence base for considering proposals around the Vice-Chancellor and Chief Executive's base pay on an annual basis, Remuneration Committee draws on a range of benchmarks and comparative year-on-year data including:

- publicly available data with commentary and context as published in each HEI's annual financial statements on the base salary and total remuneration (including other taxable and non-taxable benefits) of the heads of institution in the region based on three years of prior data;
- five-year data with commentary and context on the total remuneration packages of heads of institution at number of University Alliance institutions¹;
- UCEA Remuneration Survey Data of all HEIs, and disaggregated data for HEIs based on turnover, and the median, mean, upper quartile and upper decile analysis of salary levels.

With the exception of 2011 when a 11% rise in the Vice-Chancellor and Chief Executive's base salary was approved, base salary has solely increased in line with the annual national pay offer applied to all categories of staff. Below is a breakdown of the Vice-Chancellor and Chief Executive's remuneration package for 2017/18 (and 2016/17 for comparative purposes):

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

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
AUDITED INFORMATION		
Emoluments of the Vice-Chancellor and Chief Executive		
Salary	249	246
Payments in lieu of pension contributions*	25	8
Annual performance based reward scheme	20	18
Benefits in kind	2	3
	296	275
Pension contributions to USS*	15	34
	311	309

*As a result of pension tax changes, in line with the alternative remuneration scheme, the Vice-Chancellor and Chief Executive partially opted out of the USS pension scheme in April 2017; from this date he has received payments from the University, in lieu of pension contributions.

At its October 2016 and 2017 meetings, Remuneration Committee considered the pay ratios of the Vice-Chancellor and Chief Executive to the median salary of all employees, ahead of this being a requirement of The Higher Education Senior Staff Remuneration Code (June 2018) and OfS Accounts Directions with effect from 2017/18, calculated using UCEA data. The calculations for 2017/18 are provided below:

AUDITED INFORMATION		
Definition	Headline calculation	Ratio
<p>Base salary ratio</p> <p>The Vice-Chancellor and Chief Executive basic salary as a ratio of the median basic salary of all staff expressed as full-time equivalent.*</p>	<p>£249k: highest base salary (Vice-Chancellor and Chief Executive)</p> <p>£39k: Median staff base salary.</p>	6.4
<p>Total remuneration ratio</p> <p>The Vice-Chancellor and Chief Executive total remuneration as a ratio of the median total remuneration of all staff.</p> <p>The total remuneration includes basic salary, pension contributions, supplement in lieu of pension contributions, annual performance based reward and excludes benefits in kind.*</p>	<p>£309k: total remuneration of the Vice-Chancellor and Chief Executive</p> <p>£43k: Median staff base salary.</p>	7.2
<p>* Agency workers have not been included in the calculation to determine median staff base and total remuneration as we do not systematically or comprehensively capture these data at present.</p>		

The higher pay ratio for total remuneration of the highest to median salary is primarily due to the fact that not all staff comprising the median calculation will have received additional remuneration in the form of the annual incentive scheme, Going the Extra Mile (GEM) awards, honoraria or other additional benefits. Once the pay ratios drawing on Higher Education Statistics Agency (HESA) data are published by December 2018 in other HEIs' annual remuneration statements, remuneration reports and annual financial statements, Remuneration Committee will be well placed to benchmark both ratios against the sector, in the way that we have previously done in respect of the using UCEA data for benchmarking purposes.

The remuneration outcomes in relation to the annual performance-based incentive scheme forms the principal basis on which the justification of the Vice-Chancellor and Chief Executive's total remuneration is made. The Vice-Chancellor and Chief Executive's performance is reviewed annually by the Chair of the Board of Governors and is linked directly to a set of agreed objectives for the role-holder which link directly to strategic leadership and management of the University, which then lead to an assessment of the role-holder's performance against the criteria in the annual performance based incentive scheme. The achievements listed in the financial statements are the outcomes of strategic objectives against which the Vice-Chancellor and Chief Executive's performance is assessed.

Base pay of University Executive and the Senior Management Group

There is no automatic, annual review of the base pay of the senior management group (SMG), although at the recommendation of the Vice-Chancellor and Chief Executive to Remuneration Committee, the base salary of this group has increased each year in line with the national pay offer applied to all categories of staff, including in 2017/18. Each member of University Executive and SMG is appointed on a 'spot salary' within their Grade which means that incremental progression points do not exist. In 2017/18 five base salaries of the University Executive and SMG were reviewed by Remuneration Committee, on the advice of the Vice-Chancellor and Chief Executive and the HR Director.

The base pay of the University Executive members only during 2017/18, who are defined for reporting terms as the 'key management personnel'². The 2017/18 and 2016/17 remuneration of this group is provided below:

Key management personnel compensation (i.e. remuneration)		
AUDITED INFORMATION		
	Consolidated	
	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
	2,967	2,697

The base salary of higher paid staff (i.e., including the majority of the University Executive and wider SMG) is provided in the table below in the £5k bands over £100k required by the OfS Accounts Directions. Not all members of the University Executive and SMG receive a base salary (or consolidated salary (including the performance based remuneration scheme) of £100k or more, hence the differences between the table below and total senior staff remuneration.³

AUDITED INFORMATION		
	2017/18	2016/17
	Staff FTE	Staff FTE
Remuneration of other higher paid staff		
£100,000 - £104,999	-	
£105,000 - £109,999	1	1
£110,000 - £114,999	2	3
£115,000 - £119,999	4	4
£120,000 - £124,999	2	1
£125,000 - £129,999	1	-
£130,000 - £134,999	1	3
£135,000 - £139,999	2	-
£140,000 - £144,999	-	1
£145,000 - £149,999	1	-
£190,000 - £194,999	-	1

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

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

3 Two members of the University Executive and three members of the wider Senior Management Group have a base and consolidated salary of less than £100k per annum.

Performance-related pay

The Board of Governors approved, on the recommendation of Remuneration Committee, a performance-based incentive scheme in September 2011, and under which incentive payments were first assessed and paid in October 2012 for University Executive and SMG members at Grade 10 and above, and was extended to the two Grade 9 members of University Executive in 2015. The Scheme as designed at this stage enabled eligible participants in the scheme to be awarded up to 15% of their base salary on an annual basis, based on performance against 'Personal', 'Team' and 'Corporate' objectives, each element of which amounted to 5% of salary, and informed by the outcomes of the annual appraisal process and judgments mapped to the three measures. The % of salary achieved by each individual differed based on the line manager's judgment of their performance against their objectives (the Chair of the Board in the case of the Vice-Chancellor and Chief Executive). In May 2015, the Board approved amendments to the Performance Reward and Incentive Scheme for the period 2014-18 to include a long-term element to incentivise and reward the high performance of the senior management over the period to the end of the Corporate Strategy. The introduction of the long-term element was on the basis that the 'corporate' element of

the annual incentive scheme, should no longer be assessed on an annual basis, thereby reducing the maximum amount payable under the annual scheme to 10% of base salary. The long-term element included the following Corporate Strategy 2013-18 objectives: a) assessment of the University's position in The Sunday Times league table, plus b) assessment against four specific Key Performance Indicators: 1) average UCAS points of undergraduates; 2) proportion of Northumbria graduates in graduate level jobs or further study; 3) achieve overall student satisfaction and 4) increase the proportion of academic staff who would be submissible to a future research assessment exercise to 60%. The financial threshold for the long-term to trigger is that the aggregate EBITDA position (i.e. over the entire Corporate Strategy period) is achieved. The Board of Governors determined at its July 2018 meeting that the long-term element of the performance-based reward and incentive scheme for assessment as at 31 July 2018 is not activated, on the basis that the financial threshold had not been met, and there was not sufficient justification to exercise discretion and recalibrate or vary the criteria. £194.5k was awarded under the annual element of the Scheme in 2017/18, based on 21 staff (£171k in 2016/17 based on 20 eligible staff).

Compensation for loss of office (AUDITED INFORMATION)

A total amount of £1,603k (2017: £462k) was charged to the statement of comprehensive income and expenditure in relation to 67 individuals (2017:44) as compensation for loss of office (excluding payments in lieu of notice).

External appointments and expenses

University policy on the retention of income for external appointments and work undertaken by staff, including senior staff, is currently being reviewed to ensure it is fit for purpose. In the case of senior staff, other than the Vice-Chancellor and Chief Executive, contractual provisions are less specific but make reference to 'exclusivity of service'. The Remuneration Committee, at its March 2018 meeting, was fully sighted on the remuneration arising from the Vice-Chancellor and Chief Executive's appointment by the Secretary of State for Education as a Non-Executive Director (NED) of the Board of the Student Loans Company (SLC) with effect from 1 January 2018, for an initial three-year term. The terms of the appointment include NED remuneration of £12k per annum, plus an additional £3k per annum to serve as a member of the Audit and Remuneration Committees, amounting to total remuneration of £15k. In line with the Vice-Chancellor and Chief Executive contract of employment



with the University, the fee is paid to the University and, as discussed with Remuneration Committee, has been donated to the University's Access to Learning Fund (ALF), for student hardship.

Senior staff, as with all staff, are expected to comply with the University's Travel and Expenditure Policy which requires the reasonable, proportionate and accountable use of expenses, noting that these incurred solely for business purposes and are wholly separate from remuneration. All expenditure for the Vice-Chancellor and Chief Executive, University Executive and SMG is wholly and exclusively for approved University business with the aim of enhancing the outcomes for students and staff. Services are procured in accordance with the University's financial regulations. Expenses incurred by the Vice-Chancellor and Chief Executive are subject to approval by the Chair of the Board of Governors, with all other expenses for University Executive and SMG members approved by the relevant line manager. We welcome the additional focus to be provided by the OfS in delivering value for money. The University discloses information as requested under Freedom of Information (Fol) in relation to senior staff expenses.

Other Remuneration Matters (AUDITED INFORMATION)

In accordance with the Instrument of Government as approved by the Privy Council and informed by Charity Commission advice, the Board of Governors has the power to remunerate the Chair of the Board and Chairs of Committees for their services as Governors. Governors who are also employees or students of the University are not entitled to claim such remuneration. This is supported by a Governor/Trustee Remuneration Policy approved by the Board of Governors (and from which those governors who were beneficiaries of it were exempt from voting).

During 2017/18 the following governors were remunerated:

Christopher Sayers, Pro-Chancellor and Chair of the Board of Governors - £25,000 (2017: £20,000).

Alasdair Corfield, Independent Governor and Chair of Audit Committee - £7,500 (2017: £7,500).

Dr Graham Hillier, Independent Governor and Chair of Employment and Finance Committee - £7,500 (2017: £7,500).

David Warcup QPM, Senior Independent Governor and Chair of Remuneration Committee - £7,500 (2017: £5,000).

Alison Ailden, OBE, Independent Governor and Chair of Strategic Performance Committee, - £7,500 (2017: £nil). Appointed on 30 June 2017.

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

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

All Governors are entitled to reimbursement of expenses incurred directly in attending meetings or other direct Board and Committee-related events, provided that the claim is in accordance with the Financial Regulations, including the production of relevant receipts. In 2018, 10 Governors claimed a total of £7,191 in expenses (2017: 10 Governors claimed a total of £7,462).



Register of governors and professional advisors

The Chancellor

The Baroness Grey-Thompson DBE, DL.

The Board of Governors

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

Alison Allden OBE	(Independent Governor)
Craig Apsey	(Independent Governor)
James Bromiley	(Independent Governor)
Lorraine Brown¹	(Elected Professional Support Staff Representative)
Alasdair Corfield	(Independent Governor)
Peter Donkin²	(Elected Professional Support Staff Representative)
Tom Harrison	(Independent Governor)
Dr Graham Hillier	(Independent Governor)
Dr Michael Hill	(Elected Academic Staff Representative)
Professor Alison Machin	(Academic Board Nominee)
Simon Noble	(Nominated Students' Union Representative)
Sally Pelham	(Pro-Chancellor and Deputy Chair of the Board)
Nick Pope	(Independent Governor)
Amy Rice-Thomson	(Independent Governor)
Chris Sayers	(Pro-Chancellor and Chair of the Board)
Christine Sorensen	(Academic Board Nominee)
Helen Thorne MBE	(Independent Governor)
Professor Andrew Wathey CBE	(Vice-Chancellor and Chief Executive)
David Warcup QPM	(Senior Independent Governor)
Kristy Weegram	(Nominated Students' Union Representative)
Dr Jeya Wilson	(Independent Governor)

Secretary to the Board of Governors

Dr Adam Dawkins

Membership of the Committees of the Board in 2017/18 (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

Tom Harrison

Sally Pelham

Professor Andrew Wathey

Chris Sayers

Adam Serfontein (Co-opted Member)

Nominations Committee

Chris Sayers (Chair)

Alison Allden

Dr Graham Hillier

Alasdair Corfield

David Warcup

Professor Andrew Wathey

Remuneration Committee

David Warcup (Chair)

Alison Allden

Chris Sayers

Graeme Hudson (Co-opted Member)

¹ Elected for a three-year term of office from 15 December 2017.

² Three-year term of office ended on 14 December 2017.

Strategic Performance Committee

Alison Allden (Chair)

Graham Atkinson (Co-opted Member)

Tom Harrison

Chris Sayers

Dr Michael Hill

Professor Alison Machin

Simon Noble

Helen Thorne

Professor Andrew Wathey

Register of interests

Entries in the Register of Governors' interests are 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

ABN AMRO Bank N.V.

Foppingadreef
22 Amsterdam
BO-number 3069.63

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

Opinion

We have audited the financial statements of Northumbria University ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated Statement of Changes in Reserves, the University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated and University Statements of Cash Flows and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including

the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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 and Chief Executive's foreword, the Chair's introduction, the University, the Operating and financial review, the Value of Northumbria and achievements, the University's achievements at a glance, Research achievements at a glance, Principal uncertainties and how we respond to them, Public benefit role, the Statement of Corporate Governance, the Statement of Internal Control, the Statement of Board of Governors' responsibilities in respect of the annual report and financial statements, the Annual remuneration statement, and the Register of Governors and Professional Advisors. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors responsibilities

As explained more fully in their statement set out on page 30, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

Report on other legal and regulatory requirements

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

In our opinion, in all material respects:

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

A handwritten signature in black ink that reads "Paul Moran". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Paul Moran
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

23 November 2018

Financial statements

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2018

	Note	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	192,961	186,652	186,303	181,326
Funding body grants	2	21,282	21,282	21,254	21,254
Research grants and contracts	3	6,623	6,623	5,896	5,896
Other income	4	34,385	34,550	34,646	34,585
Investment income	5	249	249	192	192
Total income		255,500	249,356	248,291	243,253
Expenditure					
Staff costs	6	143,490	142,929	137,431	136,746
Other operating expenses		81,844	76,261	83,054	78,701
Depreciation	13	18,775	18,775	16,481	16,481
Interest and other finance costs	8	6,336	6,336	6,773	6,773
Total expenditure	7	250,445	244,301	243,739	238,701
Surplus before other gains		5,055	5,055	4,552	4,552
Gain on disposal of fixed assets		516	516	203	203
Surplus before tax		5,571	5,571	4,755	4,755
Taxation	9	-	-	-	-
Surplus for the year		5,571	5,571	4,755	4,755
Actuarial gain in respect of pensions	23	22,370	22,370	30,614	30,614
Change in fair value of hedging financial instruments	24	2,835	2,835	6,610	6,610
Total comprehensive income for the year		30,776	30,776	41,979	41,979
Represented by					
Unrestricted comprehensive income for the year		30,776	30,776	41,979	41,979
Surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
University		5,571	-	4,755	-
Total comprehensive income for the year attributable to:					
Non-controlling interest		-	-	-	-
University		30,776	-	41,979	-

All items of income and expenditure relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

YEAR ENDED 31 JULY 2018

	Income and expenditure account - unrestricted	Hedging reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2016	117,996	(28,305)	89,691
Surplus from the statement of comprehensive 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 and 1 August 2017	153,365	(21,695)	131,670
Surplus from the statement of comprehensive income and expenditure	5,571	-	5,571
Actuarial gains on pension schemes	22,370	-	22,370
Change in fair value of hedging financial instruments	-	2,835	2,835
Total comprehensive income for the year	27,941	2,835	30,776
Balance at 31 July 2018	181,306	(18,860)	162,446

UNIVERSITY STATEMENT OF CHANGES IN RESERVES

YEAR ENDED 31 JULY 2018

	Income and expenditure account - unrestricted	Hedging reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2016	117,995	(28,305)	89,690
Surplus from the statement of comprehensive 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 and 1 August 2017	153,364	(21,695)	131,669
Surplus from the statement of comprehensive income and expenditure	5,571	-	5,571
Actuarial gains on pension schemes	22,370	-	22,370
Change in fair value of hedging financial instruments	-	2,835	2,835
Total comprehensive income for the year	27,941	2,835	30,776
Balance at 31 July 2018	181,305	(18,860)	162,445

CONSOLIDATED AND UNIVERSITY BALANCE SHEETS

AS AT 31 JULY 2018

	Note	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
NON-CURRENT ASSETS					
Investments	10	-	1	-	1
Intangible assets	12	8,187	8,187	7,942	7,942
Tangible fixed assets	13	335,076	335,076	332,290	332,290
		343,263	343,264	340,232	340,233
CURRENT ASSETS					
Stocks		9	9	8	8
Trade and other receivables	14	15,597	12,209	15,770	12,358
Investments	15	19,900	19,900	5,000	5,000
Cash and cash equivalents	19	33,373	33,140	44,398	44,290
		68,879	65,258	65,176	61,656
Creditors – amounts falling due within one year	16	(64,094)	(60,475)	(63,281)	(59,763)
NET CURRENT ASSETS		4,785	4,783	1,895	1,893
TOTAL ASSETS LESS CURRENT LIABILITIES		348,048	348,047	342,127	342,126
Creditors – amounts falling due after more than one year	17	(76,793)	(76,793)	(82,625)	(82,625)
Provisions					
Pension provisions	18	(107,556)	(107,556)	(124,973)	(124,973)
Other provisions	18	(1,253)	(1,253)	(2,859)	(2,859)
TOTAL NET ASSETS		162,446	162,445	131,670	131,669
Unrestricted reserves					
Income and expenditure reserve – unrestricted		181,306	181,305	153,365	153,364
Hedging reserve		(18,860)	(18,860)	(21,695)	(21,695)
		162,446	162,445	131,670	131,669

The financial statements on pages 40 to 67 were approved by the Board of Governors on 19 November 2018 and signed on their behalf by:



Chris Sayers
Chair of the Board of Governors



Professor Andrew Wathey
Vice-Chancellor and Chief Executive

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CASH FLOWS

YEAR ENDED 31 JULY 2018

	Note	As at 31 July 2018		As at 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Cashflows from operating activities					
Surplus for the year		5,571	5,571	4,755	4,755
Adjustments for non-cash items					
Depreciation of fixed assets	13	18,775	18,775	16,481	16,481
Amortisation of intangible assets	12	2,172	2,172	1,577	1,577
Pension adjustments		2,100	2,100	2,650	2,650
(Increase)/decrease in stock		(1)	(1)	3	3
Decrease/(increase) in debtors		183	(1,366)	(4,561)	(1,152)
(Decrease)/increase in creditors		(1,041)	383	3,826	309
Decrease in pension provisions		(295)	(295)	(83)	(83)
Decrease in other provisions		(1,606)	(1,606)	(3,109)	(3,109)
Adjustments for investing or financing activities					
Investment income	5	(249)	(249)	(192)	(192)
Interest payable	8	6,336	6,336	6,773	6,773
Gain on disposal of fixed assets		(516)	(516)	(203)	(203)
Capital grant income		(2,841)	(2,841)	(2,490)	(2,490)
		28,588	28,463	25,427	25,319
Cashflows from investing activities					
Proceeds from sales of fixed assets		4,976	4,976	641	641
Capital grants receipts		2,180	2,180	1,818	1,818
Investment income receipts		238	238	192	192
Payments made to acquire intangible assets		(2,417)	(2,417)	(4,101)	(4,101)
Payments made to acquire tangible fixed assets		(23,184)	(23,184)	(34,915)	(34,915)
(New)/withdrawn deposits		(14,900)	(14,900)	10,000	10,000
		(33,107)	(33,107)	(26,365)	(26,365)
Cashflows from financing activities					
Interest paid		(3,206)	(3,206)	(3,305)	(3,305)
Repayments of amounts borrowed		(3,300)	(3,300)	(3,300)	(3,300)
		(6,506)	(6,506)	(6,605)	(6,605)
Decrease in cash and cash equivalents in the year					
Cash and cash equivalents at the beginning of the year	19	44,398	44,290	51,941	51,941
Cash and cash equivalents at the end of the year	19	33,373	33,140	44,398	44,290

Statement of principal accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with applicable accounting standards, and comply with accounts directions from the Office for Students. 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).

Amendments to standards

The University has chosen to early adopt the amendments to FRS 102 arising from the FRC triennial review in December 2017. These amendments do not have a significant impact on the financial statements.

Basis of consolidation

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

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

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

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

Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in

which students are studying. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

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

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

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

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

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

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

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

4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

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

Investment income

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

Borrowing costs

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

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 Consolidated Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees.

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

Defined benefit scheme

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

Employment benefits

Short term employee benefits

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

Annual performance-based incentive scheme

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

Long-term incentive scheme

The University operated a cash-settled long-term incentive scheme for the University Executive and Service Directors including the Vice-Chancellor and Chief Executive. The scheme was based on performance against a defined number of measures including Key Performance Indicators. Liabilities for payments under the scheme were recognised when the University had a legal or constructive obligation to make payments under the plan as a result of past events, and a

reliable estimate could be made of the amount expected to be payable when the scheme matures. The liabilities for payments under the scheme were accrued in line with the period during which the employees had 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 equal to or greater than £10,000; or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

Tangible fixed assets

Cost (or deemed cost)

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

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

Assets under construction are stated at cost.

Depreciation

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

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

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

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

Intangible assets

Software and related costs (excluding any feasibility costs) are held at cost less accumulated depreciation and accumulated impairment losses. Internally generated intangible assets are capitalised once the development criteria established in FRS 102 section 18 have been met.

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

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

Assets held for sale

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

Heritage assets

The University owns a number of works of art and artefacts which have been donated to the University. These amounts have not been capitalised as the University does not believe that they would have a material impact on the financial statements.

Stock

Stock is held at the lower of cost and net realisable value, 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 2018 are included in note 23.

Fixed asset depreciation, intangible asset amortisation and useful economic life

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

Notes to the financial statements

For the Year Ended 31 July 2018

1. TUITION FEES AND EDUCATION CONTRACTS	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full time home and EU students	139,991	139,291	130,095	128,521
Part time home and EU students	6,382	5,437	6,096	5,268
International students	25,669	21,005	24,842	22,267
Short courses	4,798	4,798	4,619	4,619
Nurse education training	15,431	15,431	19,975	19,975
Other fees	690	690	676	676
	192,961	186,652	186,303	181,326

2. FUNDING BODY GRANTS	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent grants				
Higher Education Funding Council	12,034	12,034	16,801	16,801
Office for Students	2,418	2,418	-	-
Research England	2,381	2,381	-	-
National College for Teaching and Leadership	782	782	805	805
Capital grants	2,841	2,841	2,490	2,490
Specific grants				
Higher Education Innovation Fund	482	482	529	529
Higher Education Academic Subject Centres	344	344	629	629
	21,282	21,282	21,254	21,254

3. RESEARCH GRANTS AND CONTRACTS	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research councils	2,434	2,434	1,990	1,990
Research charities	561	561	624	624
Government (UK and overseas)	1,830	1,830	1,681	1,681
Industry and commerce	1,023	1,023	1,085	1,085
Other	775	775	516	516
	6,623	6,623	5,896	5,896

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 £9,082k (2017: £8,016k). 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 £11,518k (2017: £12,497k).

4. OTHER INCOME	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences, catering and conferences	15,388	15,388	15,286	15,286
Collaborative ventures	7,073	7,602	8,140	8,568
Other academic income	1,369	1,369	2,656	2,656
Rent and rates	1,349	1,434	1,529	1,614
Sports membership	853	853	822	822
IT helpline	1,309	1,309	1,139	1,139
Other	7,044	6,595	5,074	4,500
	34,385	34,550	34,646	34,585

5. INVESTMENT INCOME	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment income on short term deposits	249	249	192	192

6. STAFF COSTS	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	110,990	110,509	105,000	104,384
Social security costs	11,425	11,378	11,330	11,290
Other pension costs (note 23)	21,075	21,042	21,101	21,072
	143,490	142,929	137,431	136,746

	Consolidated	
	2018	2017
	Staff FTE	Staff FTE
Average staff numbers by major category (expressed as Full Time Equivalents (FTE))		
Academic	1,257	1,223
Academic support	159	222
Student support	371	309
Estates and accommodation	272	268
Administration and central services	514	484
	2,573	2,506

Other disclosures required by the OfS Accounts Direction are included within the Annual Remuneration Statement on pages 31-35 of these financial statements. Information in the Annual Remuneration Statement which is subject to audit is identified as 'Audited Information'.

7. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic faculties	103,667	102,279	98,179	97,015
Academic services	32,918	32,571	34,452	34,209
Administration	61,810	58,657	62,647	59,785
Premises	29,361	28,105	26,274	25,505
Residences, catering and conferences	11,776	11,776	11,461	11,461
Research grants and contracts	5,664	5,664	4,608	4,608
Other expenses	5,249	5,249	6,118	6,118
	250,445	244,301	243,739	238,701

Other operating expenses include

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
External auditor's remuneration in respect of audit services for the current year	72	54	71	54
External auditor's remuneration in respect of audit services for the previous year	6	-	12	12
External auditor's remuneration in respect of non-audit services	10	10	17	17
Operating lease rentals:				
Land and buildings	3,693	3,693	3,980	3,980
Plant and equipment	613	613	559	559

8. INTEREST AND OTHER FINANCE COSTS

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Interest on bank and other loans	3,188	3,188	3,305	3,305
Interest on LGPS defined benefit scheme	2,980	2,980	3,340	3,340
Interest on USS deficit recovery plan	56	56	48	48
Interest on enhanced pension scheme	112	112	80	80
	6,336	6,336	6,773	6,773

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:

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

The investment in Northumbria University Amsterdam B.V. was made on 29 January 2018. All other investments are unchanged from 2016/17.

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

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

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

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

Strawinskylaan 3127; 1077 ZX; Amsterdam; The Netherlands

11. INVESTMENTS IN JOINT VENTURES

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

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

12. INTANGIBLE ASSETS

	Consolidated and University		
	Software	Software assets under development	Total
	£'000	£'000	£'000
Cost			
At 1 August 2017	11,327	228	11,555
Additions in the year	-	2,417	2,417
Transfer	172	(172)	-
At 31 July 2018	11,499	2,473	13,972
Amortisation			
At 1 August 2017	3,613	-	3,613
Charge for the year	2,172	-	2,172
At 31 July 2018	5,785	-	5,785
Net book value at 31 July 2018	5,714	2,473	8,187
Net book value at 31 July 2017	7,714	228	7,942

13. TANGIBLE FIXED ASSETS

	Consolidated and University					Total £'000
	Freehold land and buildings £'000	Long leasehold buildings £'000	Short leasehold improvements £'000	Equipment £'000	Assets under construction £'000	
Cost						
At 1 August 2017	344,707	1,590	3,779	77,832	10,551	438,459
Additions in the year	3,227	-	-	5,199	17,595	26,021
Transfers	19,826	-	-	2,078	(21,904)	-
Disposals	(5,666)	(14)	(3,232)	-	-	(8,912)
At 31 July 2018	362,094	1,576	547	85,109	6,242	455,568
Depreciation						
At 1 August 2017	38,068	240	3,341	64,520	-	106,169
Charge for the year	11,921	58	45	6,751	-	18,775
Disposals	(1,206)	(14)	(3,232)	-	-	(4,452)
At 31 July 2018	48,783	284	154	71,271	-	120,492
Net book value at 31 July 2018	313,311	1,292	393	13,838	6,242	335,076
Net book value at 31 July 2017	306,639	1,350	438	13,312	10,551	332,290

Included in freehold land and buildings is an amount of £nil (2017: £4,000k) relating to land held for sale. Land held for sale at 31 July 2017 was sold during the year.

14. TRADE AND OTHER RECEIVABLES

	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year				
Trade receivables	6,574	2,852	5,614	2,191
Amounts due from subsidiary undertakings	-	333	-	1,631
Prepayments and accrued income	8,812	8,814	9,950	8,331
Other receivables	211	210	206	205
	15,597	12,209	15,770	12,358

15. CURRENT INVESTMENTS

	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short term cash deposits	19,900	19,900	5,000	5,000

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 2018 the weighted average interest rate of these fixed rate deposits was 0.9% (2017: 1.0%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 146 days (2017: 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 2018		As at 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans	3,300	3,300	3,300	3,300
Fixed rate hedging instruments	2,498	2,498	2,801	2,801
Trade payables	9,439	7,885	9,617	8,350
Amounts owed to subsidiaries	-	210	-	165
Social security and other taxes payable	2,946	2,937	2,867	2,859
Accruals and deferred income	45,182	42,916	43,981	41,573
Other payables	729	729	715	715
	64,094	60,475	63,281	59,763

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 2018		As at 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Donations	178	178	163	163
Research grants received on account	4,595	4,595	2,586	2,586
Grant income	986	979	2,364	2,336
Other income	17,261	15,133	17,548	15,396
	23,020	20,885	22,661	20,481

17. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	As at 31 July 2018		As at 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Fixed rate hedging instruments	16,362	16,362	18,894	18,894
Secured loans	60,325	60,325	63,625	63,625
Unsecured loans	106	106	106	106
	76,793	76,793	82,625	82,625

Analysis of secured and unsecured loans	As at 31 July 2018		As at 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Due within one year or on demand	3,300	3,300	3,300	3,300
Due between one and two years	3,300	3,300	3,300	3,300
Due between two and five years	10,006	10,006	10,006	10,006
Due in five years or more	47,125	47,125	50,425	50,425
Due after more than one year	60,431	60,431	63,731	63,731
Total secured and unsecured loans	63,731	63,731	67,031	67,031
Secured loans repayable by 2037	63,625	63,625	66,925	66,925
Unsecured loans repayable by 2020	106	106	106	106
Total secured and unsecured loans	63,731	63,731	67,031	67,031

Included in loans are the following:

	From	To	Interest rate	Amount £'000
Barclays Bank plc				
Fixed rate hedge	1 August 2011	1 August 2036	5.72%	33,478
Fixed rate hedge	1 August 2012	1 August 2035	4.81%	23,131
Variable rate	2 May 2017	31 July 2017	0.90%	7,016
Salix Finance				
Interest free	1 October 2015	30 November 2020	0.00%	106
Total secured and unsecured loans				63,731

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 2018 the aggregate fair value of the Barclays' hedge agreements was a liability of £18,860k (2017: liability of £21,695k). 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
	Obligation to fund deficit on USS Pension £'000	Pension enhancements on termination £'000	Defined benefit obligations £'000	
At 1 August 2017	3,053	3,249	118,671	124,973
Utilised in year	(215)	(254)	-	(469)
Additions in year	230	83	(17,261)	(16,948)
At 31 July 2018	3,068	3,078	101,410	107,556

Consolidated and University	4.	5.	6.	Total other provisions £'000
	Leasehold dilapidation £'000	Restructuring provision £'000	Overseas tax uncertainties £'000	
At 1 August 2017	2,558	301	-	2,859
Utilised in year	(1,900)	(301)	-	(2,201)
Released in year	(658)	-	-	(658)
Additions in year	325	51	877	1,253
At 31 July 2018	325	51	877	1,253

1. The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance.
2. In previous years, the University has granted enhanced pension payments to certain members of staff in both the LGPS and TPS. The difference between enhanced pension and the amount earned according to the scheme rules is charged back to the University by the schemes. The University therefore has a liability both to the TWPF and to the Teachers' Pension Agency for these payments.
3. The defined benefit relates to the University's participation in the TWPF which provides defined pension benefits to non-academic staff. The scheme is regulated under the requirements of the LGPS. Details are included in note 23.
4. This amount was provided in 2017 to meet the cost of exiting an accommodation property lease in 2018. The outstanding amounts are anticipated to be utilised in 2018/19.
5. The restructuring provision met the costs of staff reductions arising from the ongoing reorganisation of professional support and academic staff across University services and faculties which commenced in 2016/17 and was completed during 2017/18. The outstanding amount relates to ongoing restructuring within University services and faculties and is expected to be utilised in 2018/19.
6. This amount is being provided for uncertain tax positions relating to a number of the University's activities overseas and is expected to be utilised in 2018/19.

19. CASH AND CASH EQUIVALENTS

	As at 1 August 2017 £'000	Cash flows £'000	Amount £'000
Consolidated			
Cash and cash equivalents	44,398	(11,025)	33,373
University			
Cash and cash equivalents	44,290	(11,150)	33,140

As outlined in note 15, the consolidated group and University also held £19,900k (2017: £5,000k) in short-term cash deposits at the year-end.

20. CAPITAL AND OTHER COMMITMENTS

	Consolidated and University	
	As at 31 July 2018	As at 31 July 2017
	£'000	£'000
Capital commitments contracted for but not provided for	8,829	5,974

21. LEASE OBLIGATIONS

	Consolidated and University			As at 31 July 2017 Total £'000
	Land and buildings £'000	Plant and other machinery £'000	As at 31 July 2018 Total £'000	
Future minimum lease payments due:				
Not later than one year	2,975	533	3,508	4,423
Later than one year, not later than five years	12,070	-	12,070	12,649
Later than five years	19,560	-	19,560	22,600
Total lease payments due	34,605	533	35,138	39,672

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 with entities where a member of the Board of Governors has an interest, or entities that are related parties to the University through joint venture arrangements, were:

Year ended 31 July 2018	Sales £'000	Purchases £'000	Debtor £'000	Creditor £'000
All Party Parliamentary University Group	-	2	-	-
BIM Academy (Enterprises) Limited	8	49	-	-
Committee of University Chairs	-	2	-	-
Gateshead Metropolitan Borough Council	83	756	-	15
Godfrey Syett Ltd	2	87	-	11
Middlesbrough Council	15	-	1	-
Newcastle Upon Tyne Hospitals NHS Foundation Trust	2	-	2	-
QAHE (NU) Ltd	602	4,840	2,097	604
Seven Stories, The National Centre for Children's Books Limited	3	-	-	-
Student Loans Company	129,413	26	-	50
UCAS	-	216	-	-
University of Northumbria Students' Union	1,513	2,832	298	3
Universities UK	43	-	-	-

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
BIM Academy (Enterprises) Ltd	8	46	-	12
British Telecommunications plc	-	73	-	-
Committee of University Chairs	-	2	-	-
Godfrey Syett 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 Loans Company	120,847	26	1,005	1
University of Northumbria Students' Union	1,407	2,868	1	3
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 pension charge for the year was as follows:

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
TPS	8,276	8,276	7,981	7,981
USS (including deficit movements)	1,803	1,803	1,848	1,848
LGPS	10,660	10,660	11,250	11,234
Others	336	303	22	9
	21,075	21,042	21,101	21,072

The actuarial gain in respect of pensions for the year was as follows:

	Consolidated and University	
	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
LGPS	22,340	30,560
Enhanced Pension Payments - LGPS and TPS	30	54
	22,370	30,614

The Teachers' Pension Scheme (TPS)

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

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

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

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

Valuation of the TPS

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay; and
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

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

The pension costs paid to TPS in the year amounted to £8,276k (2017: £7,981k).

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised. The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.1 % as at 31 July 2018, are included in note 18 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there remains a risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £3.1m (assuming the same discount rate of 2.16%):

	(Increase)/decrease in provision £'000	Revised provision £'000
1% increase in deficit contribution rate	(1,461)	(4,529)
3.9% increase in deficit contribution rate	(5,698)	(8,766)
Change in repayment period to 20 years, assuming 3.9% increase in deficit contribution rate	(8,782)	(11,850)

Valuation of the USS

The latest available complete 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 but not yet completed.

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. These figures will be revised once the 2017 scheme valuation is complete.

Defined benefit liability numbers for the scheme have been produced using the following assumptions as at 31 March 2017 and 2018:

	As at 31 July 2018	As at 31 July 2017
	£'000	
Discount Rate	2.64%	£'000
Pensionable Salary Growth	n/a	2.57%
Pension Increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	<u>Pre-retirement</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females <u>Post retirement</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	98% of SAPS S1NA "light" YOB unadjusted for males 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males		
Currently aged 65	24.5	24.4
Currently aged 45	26.5	26.5
Females		
Currently aged 65	26.0	26.6
Currently aged 45	27.8	29.0

	As at 31 July 2018	As at 31 July 2017
Scheme Assets	£63.6bn	£60.0bn
Total Scheme Liabilities	£72.0bn	£77.5bn
FRS 102 Total Scheme Deficit	£8.4bn	£17.5bn
FRS 102 Total Funding Level	88%	77%

The pension costs paid to USS in the year amounted to £1,803k (2017: £1,848k), including the movement on the deficit provision.

Local Government Pension Scheme (LGPS)

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

During the year, the University's contribution rate was 15.6% and employer contributions including capital repayments and strain on fund payments were £8,560k (2017: £8,600k). Under FRS 102, the comparable Service Cost was £10,660k (2017: £11,250k).

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 £8,852k. 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 2018	As at 31 July 2017
	%	%
Discount rate	2.8	2.6
RPI inflation	3.2	3.1
CPI inflation	2.1	2.0
Pension increases	2.1	2.0
Pension accounts revaluation rate	2.1	2.0
Salary increases	3.6	3.5

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 2018	As at 31 July 2017
Males		
Currently aged 65	22.9	22.8
Currently aged 45	25.1	25.0
Females		
Currently aged 65	26.4	26.3
Currently aged 45	28.7	28.6

Asset allocation	As at 31 July 2018	As at 31 July 2017
	%	%
Equities	67.3	66.1
Property	8.6	9.0
Government bonds	4.0	3.9
Corporate bonds	11.4	11.5
Cash	2.1	3.9
Other	6.6	5.6
Total	100.0	100.0

Reconciliation of funded status to balance sheet	As at 31 July 2018	As at 31 July 2017
	£'000	£'000
Fair value of fund assets	277,634	251,003
Present value of defined benefit obligation	(379,044)	(369,674)
Deficit in the scheme recorded in provisions (note 18)	(101,410)	(118,671)

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

Active members	40%
Deferred pensioners	17%
Pensioners	43%

Amounts recognised in statement of comprehensive income	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Operating cost		
Current service cost	10,640	10,690
Past service cost	20	560
	10,660	11,250
Financing cost		
Net interest cost (note 8)	2,980	3,340
Expense recognised in statement of comprehensive income	13,640	14,590

Allowance for administration expenses included in current service costs	130	120
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Amounts recognised in other comprehensive income	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Gain on assets	16,560	23,720
Experience gains on liabilities	5,780	6,840
Total amount recognised in other comprehensive income	22,340	30,560

Movement in deficit	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Deficit at 1 August	(118,671)	(143,241)
Current service cost	(10,640)	(10,690)
Past service cost	(20)	(560)
Employer contributions	8,561	8,600
Net interest cost	(2,980)	(3,340)
Actuarial gains	22,340	30,560
	(101,410)	(118,671)

Changes to the present value of the defined benefit obligation	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Opening defined benefit obligation	369,674	362,164
Current service cost	10,640	10,690
Past service cost	20	560
Interest expense on defined benefit obligation	9,550	8,630
Actuarial gains on liabilities	(5,780)	(6,840)
Contributions by participants	2,500	2,470
Net benefits paid out	(7,560)	(8,000)
	379,044	369,674

Changes to the fair value of assets	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Opening fair value of assets	251,003	218,923
Contributions by employer	8,561	8,600
Interest income on assets	6,570	5,290
Actuarial gains on assets	16,560	23,720
Contributions by participants	2,500	2,470
Net benefits paid out	(7,560)	(8,000)
	277,634	251,003

Actual return on assets	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Interest income on assets	6,570	5,290
Actuarial gains on assets	16,560	23,720
	23,130	29,010

Risks associated with the fund in relation to accounting

Asset volatility

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

Changes in bond yield

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

Inflation risk

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

Life expectancy

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

Exiting employers

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

Sensitivity analysis

The approximate impact on the present value of the defined benefit obligation at 31 July 2018 and on the projected service cost for the year ending 31 July 2019 of changing key assumptions by 0.1% is shown below. In each case, only the assumption chosen is altered with all other assumptions assumed to remain the same.

Discount rate assumption

Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	371,200	379,040	387,040
% change in present value of total obligation	-2.1%		2.1%
Projected service cost (£'000)	10,330	10,690	11,060
Approximate % change in projected service cost	-3.3%		3.4%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	381,150	379,040	376,950
% change in present value of total obligation	0.6%		-0.6%
Projected service cost (£'000)	10,690	10,690	10,690
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)	384,910	379,040	373,270
% change in present value of total obligation	1.5%		-1.5%
Projected service cost (£'000)	11,060	10,690	10,330
Approximate % change in projected service cost	3.4%		-3.3%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	389,910	379,040	368,230
% change in present value of total obligation	2.9%		-2.9%
Projected service cost (£'000)	11,070	10,690	10,310
Approximate % change in projected service cost	3.6%		-3.6%

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

24. FINANCIAL INSTRUMENTS

Risk management

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

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

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

Credit risk

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

At 31 July 2018, 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 2018, 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 2018, the sterling equivalent of all euro bank balances was £6,104k (2017: £4,016k).

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 £63,731k (2017: £67,031k). 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 2018, balance sheet values of deposits and cash at bank and in hand are not materially exposed to changes in interest rates. The nature of the hedging instruments associated with the group's secured bank loans means that that group is not significantly exposed to further variability arising from interest rate risk, albeit fluctuations in the fair value of derivative financial instruments are relevant.

Derivative financial instruments – fair values

The fair value of the Consolidated and 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 2018			As at 31 July 2017		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Interest rate swaps						
Designated as cash flow hedges	(2,498)	(16,362)	(18,860)	(2,801)	(18,894)	(21,695)

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

	As at 31 July 2017					
	Carrying amount	Expected cash flows	1 year or less	1 to 2 years	2 to 5 years	5 Years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps						
Liabilities	(21,695)	(21,695)	(2,801)	(2,672)	(7,228)	(8,994)

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 £18,860k (2017: liability of £21,695k).

The amount of the change in fair value of the hedging instrument recognised in other comprehensive income for the period is a reduction of £2,835k in the liability (2017: £6,610k reduction in the liability).

25. ALTERNATIVE PERFORMANCE MEASURES

A reconciliation of the Consolidated Alternative Performance Measures (APMs) used within the operating and financial review on pages 11 to 16 of these financial statements is provided below:

Adjusted EBITDA		Consolidated	
	Note	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
Surplus before other gains (operating surplus)		5,055	4,552
Interest payable	8	6,336	6,773
Investment income	5	(249)	(192)
Depreciation of tangible fixed assets	13	18,775	16,481
Amortisation of intangible assets	12	2,172	1,577
Capital grants income		(2,841)	(2,490)
Pension adjustments		2,100	2,650
USS provision movements		(42)	176
		31,306	29,527

Adjusted net operating cashflows		Consolidated	
	Note	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
Net operating cashflows		28,588	25,427
Capital grants receipts		2,180	1,818
		30,768	27,245

Cash and investments		Consolidated	
	Note	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
Cash and cash equivalents	19	33,373	44,398
Investments	15	19,900	5,000
		53,273	49,398



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